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# An economic evaluation and impact of the legal aid scheme

**NEW ZEALAND LAW SOCIETY**

**AUGUST 2025**

Deloitte Access Economics

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# Glossary

| Acronym or term | Full name |
|---|---|
| ACC | Accident Compensation Corporation |
| BCR | Benefit-cost ratio |
| CAGR | Compound Annual Growth Rate |
| CBA | Cost benefit analysis |
| CBAx | Treasury’s CBA tool |
| CGE | Computable general equilibrium |
| CPI | Consumer price index |
| DAE | Deloitte Access Economics |
| DAE-RGEM | Deloitte Access Economics Regional General Equilibrium Model |
| GDP | Gross domestic product |
| LCI | Labour cost index |
| LSCI input | Legal services commodity index input |
| LSCI output | Legal services commodity index output |
| NPV | Net present value |
| NZLS | New Zealand Law Society |
| PAL | Provider Approval Level |
| PDLA | Police Detention Legal Assistance |
| ROI | Return on investment |
| Review | Triannual review of the Legal aid scheme |

# Executive Summary

## Purpose and scope of this report

The New Zealand Law Society (**NZLS**) has engaged Deloitte Access Economics (**DAE, we** or **our**) to undertake an economic analysis on the affordability of accessing and providing legal aid services and the costs and benefits of legal aid services to inform their submission on the triannual review of the Legal aid scheme (the **Review**). This report covers:

- **Trends in affordability of legal aid services** including analysis of the current and future affordability of accessing and providing legal aid services.
- **The costs and benefits of legal aid services** including an indicative economic valuation based on a cost benefit analysis framework of legal aid services.
- **The economic impact of legal aid services in New Zealand,** in particular **how** certain benefits associated with expenditure on legal aid services result in wider benefits within the economy.

The Government is currently undertaking a triannual review of the Legal aid scheme. The Ministry of Justice has released a discussion document which is open for public submissions from 11 June to 1 August 2025. This report forms part of the NZLS's submission as part of the consultation process. This report is not intended to provide any direct responses to the review itself.

The analysis in this report is limited by the quality and availability of inputs at the time of the engagement. There are gaps in the available data and literature on legal aid, particularly in the New Zealand context. These limitations and caveats are noted throughout this report, and recommendations are made for future considerations.

## Summary of key findings

A summary of the key findings is provided below.

**Legal aid is a cornerstone of New Zealand's legal system**

- Legal aid is an important part of New Zealand's justice system, helping to ensure that people are not denied access to legal assistance based on their financial means. Most legal aid goes towards criminal and family matters, and a small amount to the Waitangi and civil categories.[1]
- The number of legal aid cases is steadily increasing across all categories. While Waitangi and civil cases have experienced the biggest growth rate in terms of the number of grants provided over the last decade, the highest growth in terms of expenditure has been in criminal and civil legal aid.
- Increases to legal aid expenditure have far exceeded increases to the number of grants given out. This reflects longer and more complex cases, higher input costs, and more specialist services such as expert reports featuring in legal proceedings.

[1] Legal aid in New Zealand also includes funding for duty lawyers to provide legal assistance to self-representing litigants in court, and a service known as Police Detention Legal Assistance (**PDLA**). These two types of legal aid were excluded from this analysis due to a lack of data on how well utilised these services are in New Zealand, a lack of a robust approach to quantifying benefits associated with the PDLA scheme, and the risk of double counting efficiency benefits with the duty lawyer scheme.

### Accessing and providing legal services has become increasingly unaffordable

- Cost is the single most significant barrier to accessing justice. Accessing legal services has become increasingly unaffordable to many individuals and households across New Zealand.
- While the need for legal services remains essential, the cost of accessing these services has outpaced both general inflation and real wage growth. Most lawyers are providing services at a discounted rate or reduced fee to support individuals who would otherwise be unable to afford legal representation.
- Input costs for providing legal services have grown significantly faster than both general consumer prices and wages. This sustained growth of input costs for providing legal services above inflation and wages indicates that legal providers have been experiencing growing sector-specific cost pressures. Stagnating fees for the provision of legal aid, coupled with rising costs sector-specific cost pressures, also means the effective renumeration for providing legal aid has been falling.
- Unaffordability of legal services is likely to persist into the future. Analysis shows, if the price of legal services was held constant from 2025 onwards, projected wage growth is not expected to catch up to current legal service price levels by 2030. This suggests that, even without further increases in the cost of legal services, the affordability gap will remain.

### An indicative and conservative economic evaluation of New Zealand's legal aid system provides a benefit cost ratio of above two

- We developed an economic evaluation approach for New Zealand's legal aid system based on credible international literature. This approach included the development of an appropriate cost-benefit analysis (**CBA**) framework. The CBA was conducted on the status quo of the legal aid system, compared to a counterfactual without a legal aid scheme in New Zealand.
- The indicative cost-benefit analysis conducted quantified and monetised a subset of the incremental benefits of the legal aid scheme and compared these with incremental costs. Aligned with international literature, the assessed benefits are largely related to efficiency improvements in the justice system from litigants using legal-aid-funded lawyers (rather than self-representing), and reductions in family violence because of the interventions of legal aid.
- The costs used in our analysis are projections provided by the Ministry of Justice. These are real costs expressed in 2024 constant prices which we inflated to 2025 constant prices to be consistent with the rest of our analysis. The costs included were for criminal, family, civil, and Waitangi legal aid.
- A substantial proportion of the benefits we have quantified relate to reduced family violence benefits, given the availability of data and an established approach to support this analysis. These benefits relate specifically to family legal aid grants, whereas the efficiency improvement benefits are relevant to all legal aid types. Benefits specifically relating to criminal, civil, or Waitangi legal aid cases were not quantified in our analysis due to limitations in data and established approaches to doing so.
- The economic evaluation shows the net present value (**NPV**) of the benefits exceed the NPV of the costs, over a period of FY26 to FY30, using a 2% discount rate. The estimated benefit cost ratio (**BCR**) is 2.06, which indicates that for every $1 invested in legal aid, $2.06 in benefits are generated.
- It is highly likely that our results materially understate the true net benefits of legal aid, given the relatively narrow scope of the benefits included in the analysis, compared with the breadth of benefits identified international literature, and the conservative nature of the assumptions that fed into our calculations.
- Had the data and approach to quantify benefits specific to criminal, civil and Waitangi legal aid been available at the level of depth done for reduced family violence, it is highly likely that the BCR would be much higher, considering our current analysis accounts for costs specific to criminal, civil and Waitangi legal aid, but not benefits specific to such grants.
- Future analysis can be extended to help ensure that investment decisions are informed by a fuller picture of the social and economic benefits of legal aid.

**There are substantive economic impacts associated with legal aid**

- An economic impact assessment considers how a set of policies (or lack thereof) impact various markets in an economy, and how these changes flow through to all markets in the economy. That is, an economic impact assessment is an 'economy-wide' modelling exercise. This is a key point of difference between this economic impact assessment and the costs and benefits also presented in this report. For example, while the CBA estimates the direct savings to the government through increased efficiencies, an economic impact assessment goes a step further to consider how a more efficient government services industry impacts other industries in the New Zealand economy.
- To estimate the economic impact of legal aid services in New Zealand, we consider two scenarios for the New Zealand economy: **A baseline scenario**, where legal aid does not exist from 2026 onwards and a **counterfactual scenario**, where legal aid continues to remain in place in New Zealand.
- Our economic impact assessment has considered the broader role that legal aid plays in the New Zealand economy. Our assessment incorporates the impacts of additional demand generated for legal services, efficiency savings to government (inside and outside of the justice system), cost savings to households and labour productivity impacts of avoided violent incidents.
- The economic impact of these is estimated at $2.2 billion in GDP NPV terms (in 2025 NZD) between 2025 and 2030. In annual terms, the New Zealand economy is $668 million (in 2025 NZD) larger in 2030 relative to a scenario without legal aid, which equates to approximately 0.1% of New Zealand's annual GDP.

# Purpose and scope of this report

## Purpose of this report

The NZLS has engaged DAE to undertake an economic analysis on the affordability of accessing and providing legal aid services and the costs and benefits of legal aid. The NZLS has asked DAE to consider:

- How has affordability of accessing and providing legal aid services changed, and what are likely trends into the future?
- What are the costs and benefits of providing legal aid services?
- What is the economy wide impact of particular benefits of legal aid services.

We note this report is part of a wider body of work conducted by the NZLS. In particular, the Government is currently undertaking a triannual review of the Legal aid scheme. The Ministry of Justice has released a discussion document which is open for public submissions from 11 June to 1 August 2025. This report forms part of the NZLS's submission as part of the consultation process.

## How to navigate this report

This report is designed to present the approach and results of the economic analysis undertaken on New Zealand's legal aid scheme.

- Section 1 presents an overview of the legal aid scheme in New Zealand, covering key elements including eligibility criteria, the types of legal aid available, and data on the number of grants and expenditure over time.
- Section 2 details current and future trends on accessing and providing legal services, exploring a range of data covering the growing unaffordability of legal services, and the growing costs associated with providing legal aid.
- Section 3 presents the approach to, and results of, the indicative cost-benefit analysis of the legal aid scheme in New Zealand.
- Section 4 presents the approach to, and results of, the computable general equilibrium (CGE) modelling conducted to estimate the economic impact of particular benefits of the legal aid scheme on the New Zealand economy.
- Technical Appendix 1 details the methodology, data sources, assumptions, and approach to quantifying the reported benefits.
- Technical Appendix 2 details the approach to CGE modelling used for this analysis.

## Limitations and future considerations

Our analysis has limitations and considerations for future research, which are summarised at a high level here and detailed in greater depth later in the report. We have endeavoured to quantify the benefits and costs to the extent practicable, however, data quality and availability in New Zealand have meant that calculations have necessarily relied on simplifying assumptions or using international datapoints in the absence of a robust New Zealand specific alternative. Further, only a relatively small subset of the identifiable benefits of legal aid were able to be quantified given the limitations around New Zealand data, with a particular emphasis placed on reduced family violence outcomes, a benefit specific to family legal aid.

The report also identifies key areas where the economic evaluation would benefit from further research to allow further benefits and costs to be quantified or increase the robustness of the assumptions applied. These areas include testing alternative policy changes and investment scenarios, incorporating longer term effects, conducting primary research to gather New Zealand specific input data, accounting for distributional impacts, considering the impacts of AI on the legal industry, and assessing more benefits by legal aid type.

# 1. Legal aid in New Zealand

## Legal aid is an important part of New Zealand's justice system

The purpose of the legal aid scheme is to "promote access to justice by establishing a government funded system that provides legal services to people of insufficient means; and to deliver those services in the most effective and efficient manner".[2] Legal aid forms an important part of New Zealand's justice system, helping to ensure that people are not denied access to legal assistance based on their financial means.[3]

### The categories of legal aid

There are three key categories of legal aid: criminal, civil (including cases before the Waitangi Tribunal) and family legal aid. Waitangi Tribunal cases are also treated separate from the civil cases in this report. Duty Lawyers and Police Detention Legal Assistance (PDLA), although part of New Zealand's legal aid scheme, are excluded from the analysis in this report due to limited data in the number of grants for these two categories. The demand and expenditure on legal aid grants by category on are shown in Table 1 below.

Table 1: Growth in legal aid cases and expenditure by category, 2015 to 2024

| Category of legal aid | Number of legal aid grants | | | Legal aid expenditure | | |
|---|---|---|---|---|---|---|
| | 2015 | 2024 | %change | 2015 | 2024 | %change |
| Criminal | 52,296 | 62,014 | 19% | $60m | $178m | 196% |
| Family | 18,316 | 21,508 | 17% | $43m | $74m | 71% |
| Civil | 1,048 | 2,478 | 136% | $6m | $14m | 143% |
| Waitangi | 115 | 309 | 169% | $12m | $21m | 71% |
| **Total** | **71,775** | **86,309** | **20%** | **$122m** | **$288m** | **136%** |

Source: Ministry of Justice, Deloitte Access Economics. Note: From 2015 to 2024, inflation, as measured by the consumer price index, increased by 30%.

Table 1 shows:

- Most legal aid grants go to **criminal and family matters**, accounting for 72% and 25% of all legal aid grants in 2024, respectively.
- **The number of legal aid cases has been steadily increasing across all categories**. Between 2015 and 2024, the number of legal aid grants approved increased by 20% (from 71,775 to 86,309). The growth rates of each category of legal aid grants relative to expenditure are shown in the table above.
- **Expenditure on legal aid is similar**, with 62% and 26% of all legal aid expenditure spent on criminal and family legal matters, respectively.[4]
- **Increases to overall legal aid expenditure have far exceeded increases in the number of grants**. This reflects longer and more complex cases, higher input costs, and more specialist services such as expert reports featuring in legal proceedings.[5]

While over the last five years the number of approved private legal aid providers has increased, in some areas of law the number of lawyers taking on new cases has declined. The proportion of approved providers that are

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[2] Legal Services Act 2011, s 3.
[3] Ministry of Justice "Going to court – Legal Aid" (9 February 2023) < Legal aid | New Zealand Ministry of Justice>.
[4] Ministry of Justice "Legal Aid Grants" (18 March 2025) < Data tables | New Zealand Ministry of Justice>.
[5] Ministry of Justice "Triennial Review of Legal Aid – Discussion Document" (28 February 2025) at 5.

considered active has declined in some areas of law such as in criminal and family law.[6] This indicates that a growing number of approved legal aid providers no longer actively provide legal aid services. While the number of active criminal legal aid lawyers has been broadly steady, it is declining as a proportion of approved providers. The number of active legal aid lawyers is declining in other areas, such as family, employment (civil), and Accident Compensation Corporation (**ACC**) (civil). This proportion is particularly low for civil legal aid, where only a third of the lawyers approved to provide legal aid accepted a new civil case in 2023/24.[7]

## Qualifying for legal aid

To qualify for legal aid, applicants must meet eligibility criteria that is set out in the Legal Services Act 2011 and the Legal Services Regulations 2011. Eligibility for civil and family legal aid is largely based on an applicant's maximum income and their disposable capital (including assets), offset by the number of dependents they have. In addition, a range of tests apply, including an examination of the merit of the case and whether there is any legal aid debt outstanding from previous cases.[8]

Eligibility thresholds were increased by 15% and the interest on unpaid legal aid debt was removed in 2023. The $50 user charge fee for people who receive civil or family legal aid was also removed.[9] The thresholds for civil matters are outlined in Table 2 below. The maximum level of disposable capital that an applicant may have to be eligible for legal aid in respect of a civil matter is $3,500 (or $5,000 if the applicant has a spouse or partner, or dependent children).[10]

Table 2: Legal aid eligibility criteria, maximum levels of annual income for civil matters, 2015 to 2024

| | | Period application granted | | | |
|---|---|---|---|---|---|
| **Single Applicant** | **Applicant with partner** | **1 January 2023 to 30 June 2023** | **1 July 2023 to 30 June 2024** | **1 July 2024 to 30 June 2025** | **1 July 2025 onwards** |
| No dependent children | N/A | $27,393 | $27,913 | $28,444 | $28,984 |
| One dependent child | No dependent children | $43,380 | $44,205 | $45,044 | $45,900 |
| Two dependent children | One dependent child | $62,381 | $63,567 | $64,775 | $66,005 |
| Three dependent children | Two dependent children | $70,888 | $72,235 | $73,608 | $75,006 |
| Four dependent children | Three dependent children | $79,213 | $80,719 | $82,253 | $83,816 |
| Five dependent children | Four dependent children | $88,552 | $90,235 | $91,949 | $93,696 |

Source: Legal Services Regulations 2011, cl 5

**Note:** If a single applicant has more than 5 dependent children, or an applicant has a spouse or partner and more than 4 dependent children, the maximum level of income per year for that applicant is calculated by adding $8,192 for each additional child to the relevant amount specified in the last row.

[6] To be considered an 'active' provider of legal aid, the provider must have taken at least one legal aid case.
[7] Ministry of Justice "Triennial Review of Legal Aid – Discussion Document" (28 February 2025) at 9.
[8] Ministry of Justice "Triennial review of Legal Aid, Discussion Document" (2025), at 4.
[9] Hon Ginny Anderson "Government delivers changes for fairer access to legal assistance" (24 August 2023).
[10] Legal Services Regulation 2011, cl 6.

To be eligible for legal aid for a criminal case, a person must typically either be charged with an offence that could be punishable by a maximum term of imprisonment of 6 months or more, appealing a conviction or sentence for such an offence, or appearing before a parole board (in some cases). Legal aid is less likely to be available for minor charges, as a duty lawyer can help with such matters. Outside of these circumstances, the Legal Services Commissioner retains a discretion to grant legal aid if the interests of justice require it. [11]

## The demographic characteristics of legal aid recipients

The demographic characteristics of legal aid recipients differs significantly between categories of legal aid. In 2017, the gender profile of recipients varied considerably across case types. While 57% of family legal aid clients were female, most civil and criminal legal aid clients, 71% and 75% respectively, were male.[12] Differences in representation of demographics also spans ethnicity, with research demonstrating that Māori and Pacific people are more likely to access legal aid services and earn incomes which are within the eligibility criteria for legal aid.[13]

## Legal aid is a loan

Legal aid is a loan, meaning that there is an expectation that the cost of legal aid services will be repaid to the government. In some cases, however, recipients do not need to repay their grant. The requirement to repay legal aid is means tested and depends on how much a recipient earns, the property they own and whether the recipient receives any money or property as a result of their case.[14]

The cost of legal aid, when granted, is typically significantly less than private legal representation. Repayment rates for legal aid debt are also generally low.[15] Community Law suggests that only 25% of legal aid recipients have to repay their loan.[16] Legal aid is not a loan in family violence cases.[17] The repayable portion of the grant is dependent on the individual's income and assets. It ranges from no repayment obligations for those in the lowest income band to $10,000 to those in the top income band.[18]

[11] Ministry of Justice "Going to court – Legal Aid – Get legal aid – Can I get criminal legal aid?" (1 January 2023) < Can I get criminal legal aid? | New Zealand Ministry of Justice>.
[12] Ministry of Justice "Triennial Review of Legal Aid – Discussion Document" (28 February 2025) at 6.
[13] Ministry of Justice "Triennial Review of Legal Aid – Discussion Document" (28 February 2025) at 6.
[14] Ministry of Justice "Going to court – Legal Aid – Do you need to pay back your legal aid" (1 January 2023) < Do you need to pay back your legal aid? | New Zealand Ministry of Justice>.
[15] Ministry of Justice "Triennial Review of Legal Aid – Discussion Document" (28 February 2025) at 4.
[16] Community Law "Repaying Legal Aid" (2025) < Repaying Legal Aid - Community Law>.
[17] Community Law "Repaying Legal Aid" (2025) < Repaying Legal Aid - Community Law>.
[18] Legal Services Regulation 2011, Schedule 2.

# 2. Affordability of legal services

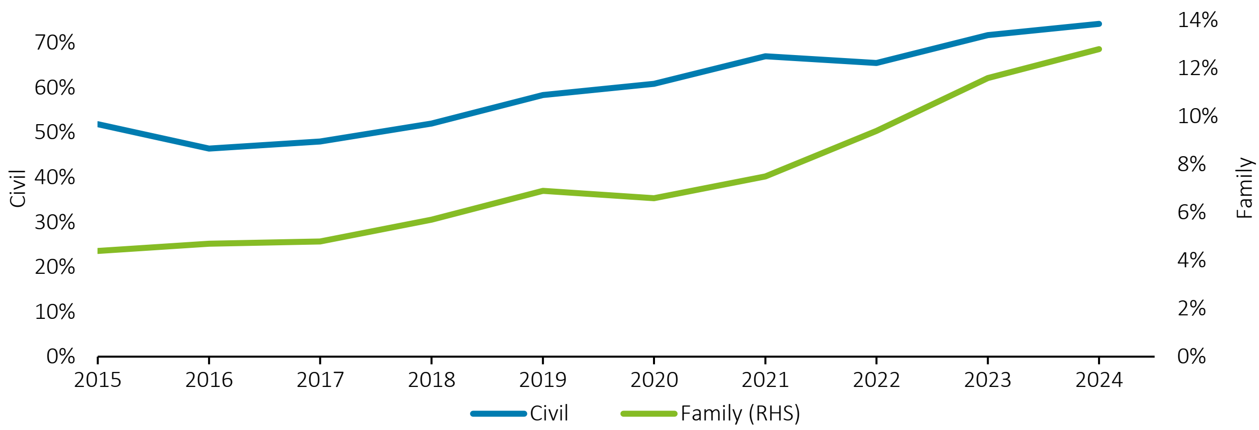
## Cost is the single most significant barrier to accessing justice

Affordability, understood as the ability to access legal services without experiencing financial hardship or having to forgo other essential needs, is consistently identified as a major barrier to justice. While other factors such as lack of information, cultural barriers and procedural complexity also play a role, cost is repeatedly highlighted as the most persistent and widespread issue. Both local and international research indicates that legal services are unaffordable for many people, particularly those who do not qualify for legal aid, but still cannot meet the cost of private legal representation.

A 2020 report by the New Zealand Law Society identified cost, both direct and indirect, as one of the six main barriers to access and noted that most commentators agree it is the most common obstacle. Even when other barriers are present, such as lack of information or awareness, cost remains a contributing factor.[19]

This is particularly evident in the rising trend of self-representation in New Zealand civil and family law cases, as shown in Figure 1 below.[20] Domestic and international literature suggest cost is the main reason why people appear in court without a lawyer. In New Zealand, studies have found that more than half of self-represented litigants cited financial reasons for not engaging legal representation. The most common explanation was that they were ineligible for legal aid but still could not afford a lawyer. In some cases, individuals already incurred significant legal costs and felt unable to continue paying or were reluctant to take on further debt. The consistent theme is that litigants feel priced out of the system.[21]

Figure 1: Percentage of self-represented civil and family cases over time, 2015 to 2024



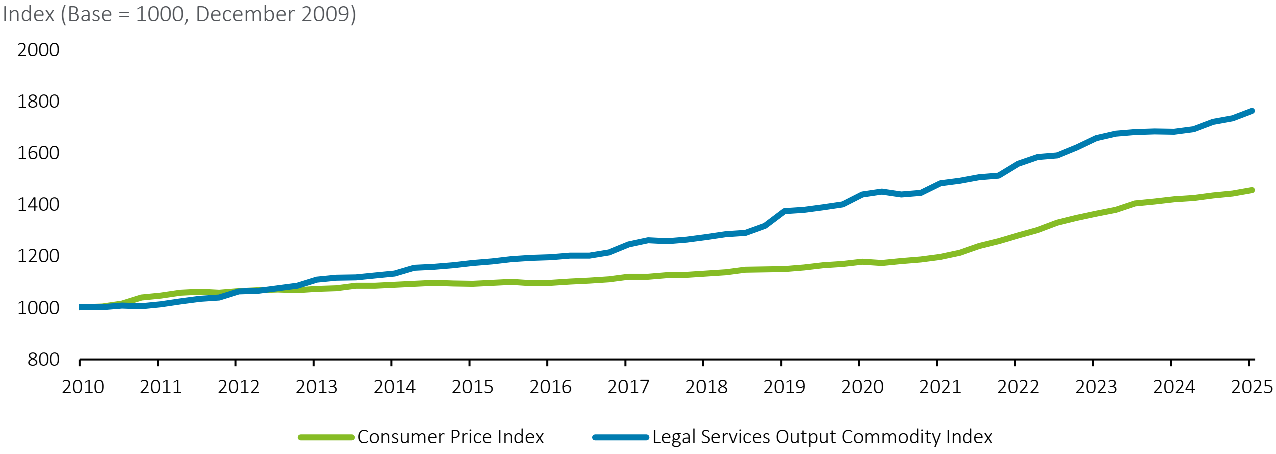

Source: Ministry of Justice, Deloitte Access Economics

[19] New Zealand Law Society | Te Kāhui Ture o Aotearoa "Access to Justice - Stocktake of initiatives" (December 2020) at [4.18].
[20] RNZ "Courts clogged by self-represented ligitgants, lawyers say; solutions proposed" (September 2023) < Courts clogged by self-represented litigants, lawyers say; solutions proposed | RNZ News>.
[21] Smith, M., Banbury, E., Ong, S. "Self-Represented Litigants: An Exploratory Study of Litigants in Person in the New Zealand Criminal Summary and Family Jurisdictions" (July 2009) at 42.

## Accessing legal services has become increasingly unaffordable

Over the past decade, access to legal services has become increasingly unaffordable to many individuals and households across New Zealand. While legal services remain essential for those needing access to the justice system, the cost of accessing these services has outpaced both general inflation and real wage growth. The growing gap between what legal services cost and what people earn has created an affordability challenge, particularly for those without access to legal aid as an alternative.

Figure 2: Cost of legal services and general inflation over time, 2010 to 2025

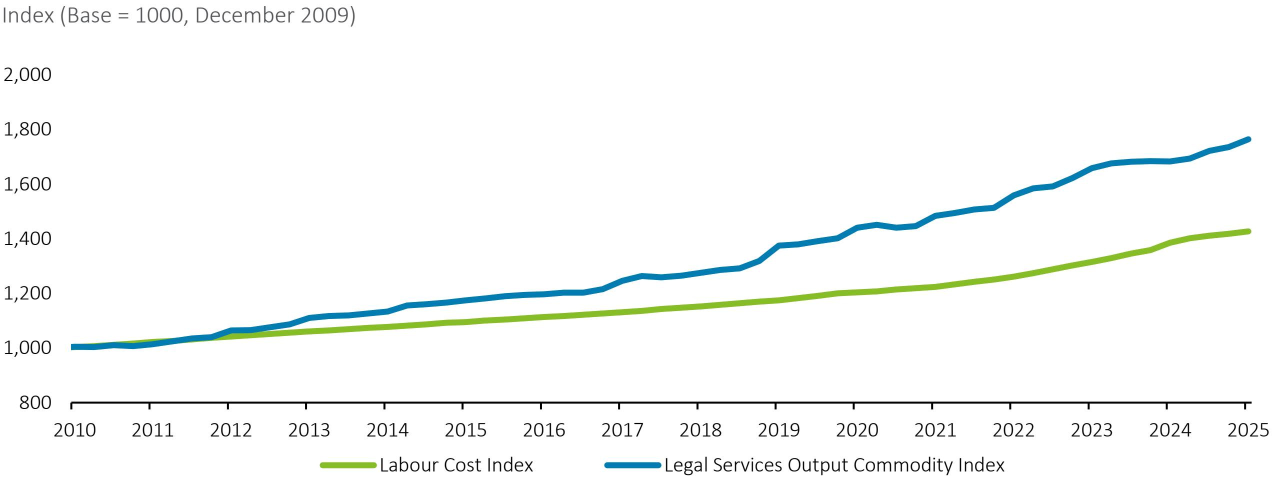



Source: Stats NZ, Deloitte Access Economics

Figure 2 above shows that the Legal Services Output Commodity Index (**LSCI output**), which measures changes in the prices charged by legal service providers in New Zealand, has grown at a faster rate than the Consumer Price Index (**CPI**), serving as the standard benchmark for inflation in the economy, over the past decade.

This indicates that legal services as a commodity have experienced a higher rate of price inflation than the general economy over the same time period, becoming increasingly expensive when compared to most other goods and services. When combined with slow real wage growth, this trend means that the average New Zealander's ability to afford legal services has declined over time.

Figure 3: Cost of legal services and real wage growth over time, 2010 to 2025




Source: Stats NZ, Deloitte Access Economics

Figure 3 above shows that the Labour Cost Index (**LCI**), which tracks wage and salary changes in New Zealand, has grown slower than the cost of legal services over time. While the cost of legal services has grown steadily since 2010, real wages have grown at a much slower rate.

The gap between these two indicators has widened over the past decade in particular, signalling that legal services are becoming increasingly unaffordable. As legal service costs rise faster than household earning power, individuals are less able to access legal services when they need it, particularly those who are ineligible for legal aid.

This is not only apparent in macroeconomic indicators, but also reflected in the lived experience of those working in the system. A 2021 survey, commissioned by the NZLS shows that most lawyers are providing services at a discounted rate or reduced fee with six in ten (59%) having provided some kind of service.[22] Four in ten (43%) lawyers reported providing legal services at a discount rate or reduced fee to individuals who would otherwise be unable to afford legal representation.[23]

Notably, 81% of lawyers indicated that they offered pro-bono services in the last 12 months for a variety of reasons. Nearly half (45%) had provided legal assistance for people who cannot afford to access the legal system for free.[24]

Figure 4: Legal services provided by lawyers at no cost, 2020 to 2021


Source: New Zealand Law Society, Deloitte Access Economics

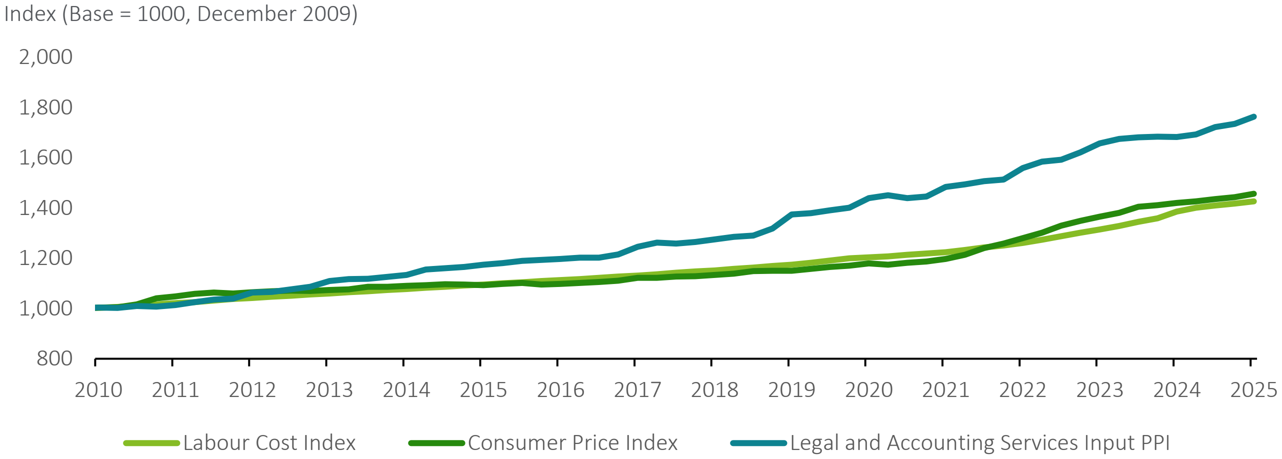
## Providing legal services has also become costlier

While the price of legal services for consumers has increased over time, so has the cost faced by lawyers and legal firms to provide legal services.

Input costs for providing legal services have grown significantly faster than both general consumer prices and wages. Figure 5 below shows that the Input Producer Price Index for Legal & Accounting Services[25], which measures the costs of inputs used by firms to produce these services (such as labour, rent, insurance), has increased significantly since 2010, outpacing both the LCI and CPI.

[22] Services include giving legal assistance to individuals, charities or non-profit organisations, appearing as an advocate in Court, Tribunal or similar, and providing community legal education.
[23] Kantar Public "Access to Justice Research 2021 – Prepared for the New Zealand Law Society | Te Kāhui Ture o Aotearoa" (October 2021) at 56.
[24] Kantar Public "Access to Justice Research 2021 – Prepared for the New Zealand Law Society | Te Kāhui Ture o Aotearoa" (October 2021) at 59.
[25] We have confirmed with Stats NZ that, while the Legal and Accounting Services Input Producer Price Index (PPI) encompasses both legal and accounting services, the underlying cost movements are expected to be aligned, making this index a reliable indicator of the cost changes in the provision of legal services.

Figure 5: Input costs of legal services compared with inflation and wage growth over time, 2010 to 2025




Source: Stats NZ, Deloitte Access Economics

This sustained growth of input costs for providing legal services above inflation and wages indicates that legal providers have been experiencing growing cost pressures that are not experienced by consumers or other sectors (on average). The stronger growth when compared with CPI reflects sector-specific cost pressures.

Survey data from the NZLS provides further evidence of cost pressure experienced by legal practices.[26] Between 2021 and 2023, several key operational costs saw sharp increases:

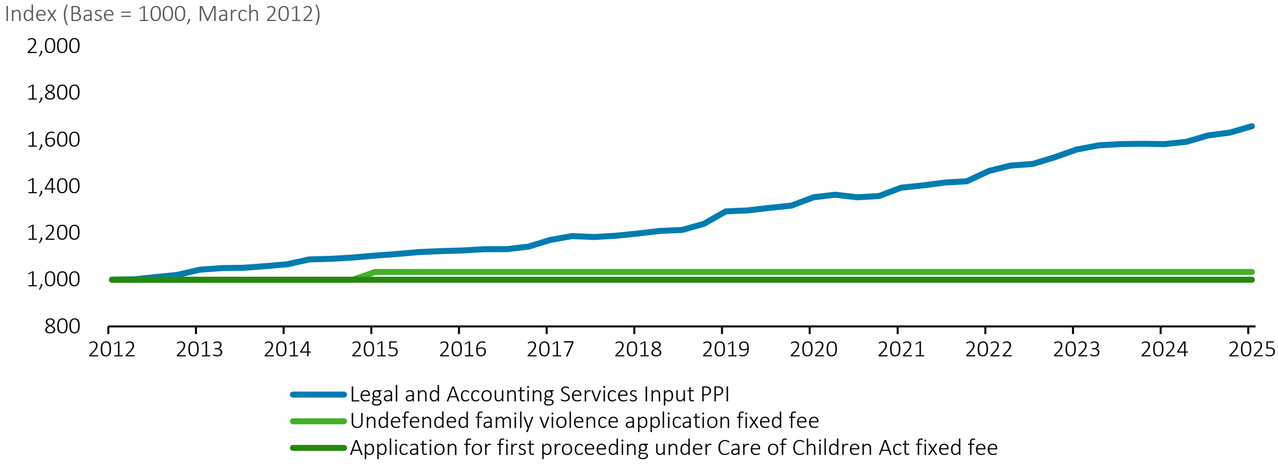
1. Finance and insurance costs grew at a compound annual growth rate (**CAGR**) of +23.8%. These include costs such as professional indemnity insurance and interest on overdraft.
2. Rent and utilities increased at a CAGR of +10.8%. These include costs such as rental contract prices and utilities rates.
3. Administrative costs increased at a CAGR of +9.9%. These include costs of technology and software.

Increasing cost pressures associated with providing legal services is likely to be particularly impacting the provision of legal aid. Figure 6 below compares the legal and accounting services input producer price index with an index of the fixed fees lawyers receive for two example components of family legal aid cases.

The input costs to providing legal services have grown steadily since 2012, whereas the fee lawyers receive for taking an undefended violence application has gone from $600 to $620, and the fee they receive for filing an application for a first proceeding under the Care of Children Act has remained at $620 for the entire period.[27] The implication of higher input costs and stagnant fee revenue is that the real remuneration of legal aid providing lawyers has declined over time. Most other fixed fees across family cases have also experienced a very small or no increase in over the past decade while lawyer's input costs continue to rise.

[26] New Zealand Law Society | Te Kāhui Ture o Aotearoa "Benchmarking costs of law practice in New Zealand" (March 2024) at 18.
[27] Ministry of Justice | Family Fixed Fees Schedules (December 2023) at 14.

Figure 6: Legal services input costs compared with family law fixed legal fees, 2012 to 2025

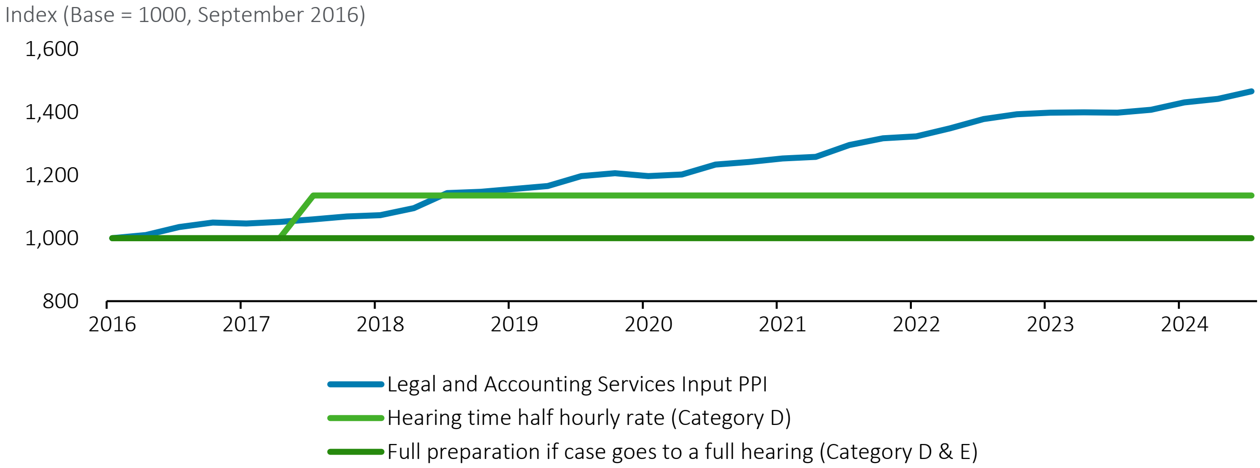



Source: Ministry of Justice, Stats NZ, Deloitte Access Economics

The widening gap between the input cost index for legal services and the remuneration in the form of fees lawyers receive for providing those services in family cases is also observable in criminal cases. Figure 7 below illustrates the stagnating fees legal aid providers receive for criminal cases by comparing the legal and accounting services PPI with an index of half hourly rates for hearings and the fixed fee for fully preparing a case for a hearing. The half hourly rate for a hearing time in Category D has gone from $59 to $67 between 2016 and 2018, with the latter rate still applying to date. The fixed fee for preparing a case going to a full hearing for both Category D and E has not changed since 2016.

The same trend of stagnant fees is also true for most other components of the provision of criminal legal aid services such as administration and case review of a police prosecution and parole hearing preparation.

Figure 7: Legal services input costs compared with criminal law fixed legal fees, 2016 to 2025




Source: Ministry of Justice, Stats NZ, Deloitte Access Economics

The growing disparity between lawyer's input costs and the fees they can earn from providing legal aid services aligns with survey evidence of the reasons lawyers cite for not providing legal aid services. For lawyers who have expressed an interest in providing legal aid, remuneration is the third most cited reason for not doing so.[28] For

[28] Kantar Public | Access to Justice Research 2021 (October 2021) at 53.

lawyers who are not interested, remuneration is the most cited reason, with 54% of respondents citing this as their main reason for not providing legal aid.[29]

The unaffordability of legal services in New Zealand reflects pressures on both consumers and providers. Legal providers have faced rising cost pressures, such as insurance and administrative costs, which have driven sustained increases in the cost of delivering legal services. Legal service prices have outpaced general inflation and wage growth for over a decade, making it increasingly difficult for consumers to access legal support. This dual pressure helps to explain why affordability challenges have emerged over the past decade.

**Illustrative example of declining real remuneration for legal aid providers**

There is a consistent theme of legal aid fees increasing at a rate far below the input costs for providing legal services. Given this stagnant growth in legal aid fees, real remuneration for legal aid providers has deteriorated considerably over the past 15 years.

Insights around real renumeration for legal aid providers can be drawn from looking at trends in wage and legal aid fee growth.

- The labour cost index has increased by **43%** between 2010 and 2025.
- The hourly rate for a Family or Civil legal aid provider with four to nine years of experience – corresponding to Level 2 proceedings category – was $120 per hour for Family and District Court proceedings between 2008 and 2022. The same respective hourly rates apply to Criminal legal aid providers with the same level of experience under PAL2 proceedings.
- The hourly rate increased from $120 to $134 per hour on 1 July 2022, and this rate still applies in 2025. This means the hourly rate has increased by only **12%** between 2010 and 2025 while the labour cost index has increased by 43%.

**For remuneration to have increased commensurate to labour costs across the economy during this period, the hourly rate would need to have increased to $172 per hour, $38 more than the current actual rate**. The differential between this rate and the actual rate suggests a deterioration in effective remuneration for legal aid providers as measured by hourly rates for Level 2 proceedings category.

While these hourly rates are just two examples out of the numerous fees and rates applicable to the provision of legal aid, a similar trend is observable across most of them, pointing to a deterioration in real remuneration for legal aid providers.

## Unaffordability of legal services is likely to persist into the future

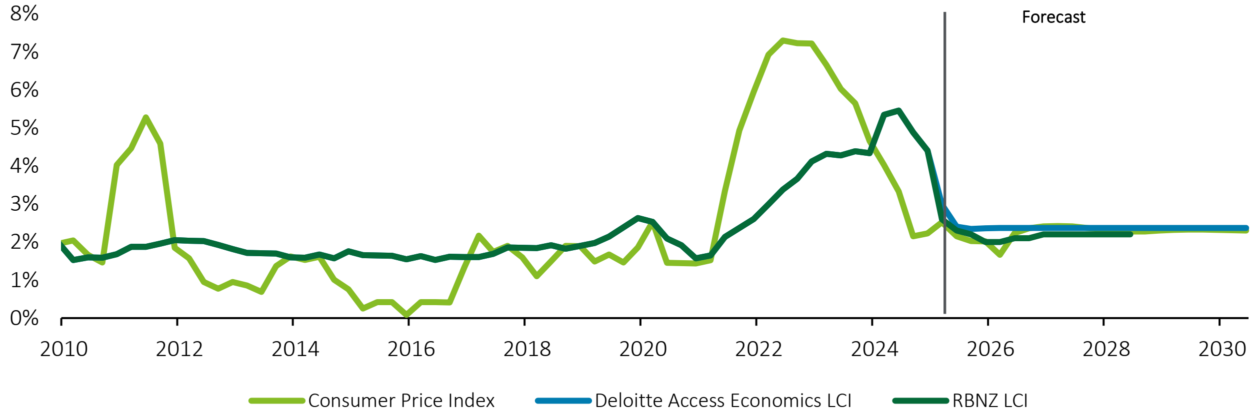
Access to legal services has become more challenging over the past decade, and forward-looking indicators suggest that this trend is unlikely to reverse in the short-term. The gap between the cost of legal services and households' incomes is expected to remain, suggesting sustained barriers to accessing legal services.

As illustrated below, during the 2020-2023 period inflation in consumer prices significantly outpaced wage growth, causing a detrimental structural shift in purchasing power across the board.

[29] Kantar Public | Access to Justice Research 2021 (October 2021) at 54.

Figure 8: Consumer Price Index and Labour Cost Index, year-on-year annual growth, 2010 to 2030

CPI and LCI Inflation Rate



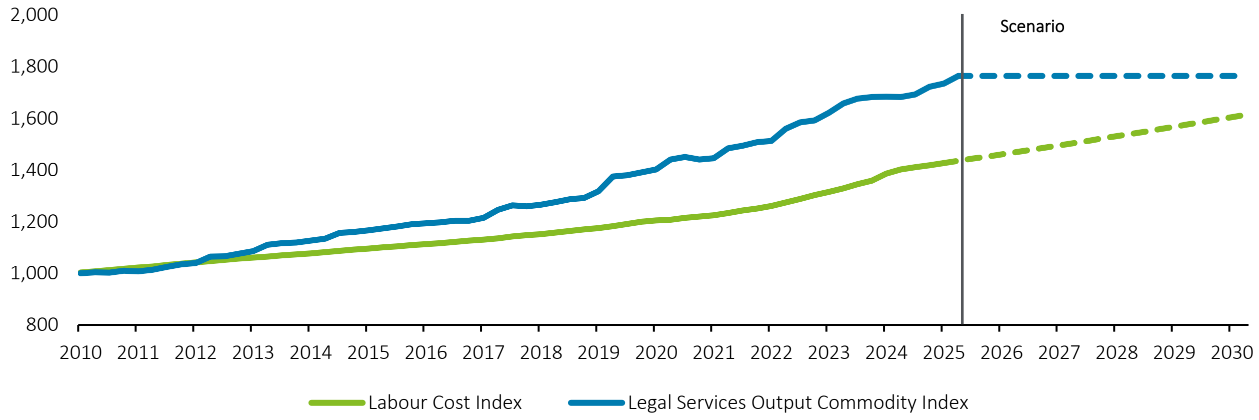

Source: Stats NZ, Deloitte Access Economics

CPI is expected to grow steadily through to 2030, with forecasts indicating annual inflation of approximately 2 – 2.5%. However, with Deloitte Access Economics and the Reserve Bank of New Zealand forecasting the LCI to grow at a rate of approximately 2.4% and 2 – 2.2% per annum, respectively, general purchasing power is expected to continue to erode over time, with a recovery not anticipated soon. The expected decrease in purchasing power will impact the affordability of legal services, even in the highly unlikely scenario that the cost of legal services remains constant, as the average person will have less disposable income to spend on legal matters.

To test this, we used a conservative scenario where the price of legal services (LSCI output) was held constant from 2025 onwards. Our analysis indicates that projected wage growth (LCI) is not expected to catch-up to current legal service price levels by 2030. This suggests that, even without further increases in the cost of legal services, the affordability gap will remain.

Figure 9: Wage and cost of legal services scenarios, 2010 to 2030

Index (Base = 1000, December 2009)




Source: Stats NZ, Deloitte Access Economics

The higher growth of legal services costs, compared to wages, illustrate the increasing affordability challenges and suggests that legal services will remain relatively expensive compared to average wages at least in the next few years.

# 3. Indicative economic evaluation of the legal aid scheme

The economic evaluation described in this report assesses the economic benefits of the legal aid scheme in New Zealand. The economic evaluation approach includes the development of an appropriate cost-benefit analysis framework, based on credible international literature.

A CBA provides a structured framework to assess and compare the economic costs and benefits of a policy or initiative. One of its main outputs is the benefit cost ratio (BCR), which represents the ratio of the total net present value of benefits to the total net present value of costs, relative to a baseline scenario or counterfactual. A BCR greater than one indicates that the benefits outweigh the costs, suggesting an overall positive return on investment (ROI).

In this context, a CBA was undertaken to evaluate the New Zealand legal aid scheme. A BCR above one indicates that each dollar invested in legal aid yields more than a dollar in benefits.

#### The counterfactual or base case

The counterfactual assumes the absence of a legal aid scheme, in which case current legal aid recipients would either self-represent or forgo seeking justice altogether due to financial barriers. This is a reasonable assumption, given that legal aid recipients, as set out in the Legal Services Act 2011, are predominantly low-income individuals unlikely to afford legal representation without support.

In the counterfactual, some litigants may turn to alternative pathways to justice including dispute resolution, community services, seeking a loan to pay for legal representation, pro bono support among others. However, these are likely to be limited in scope and so fall outside of the scope of this analysis. Instead, this report focuses on the proportion of people who would self-represent, drawing on datapoints from previous studies.

#### The factual or status quo

The factual or status quo evaluated in this CBA is the current legal aid scheme as outlined earlier in the report. This contrasts with the counterfactual, with the factual having legal aid operating as it does today for the remainder of the forecast period using relevant projections, and the counterfactual being a world in which the legal aid scheme does not exist.

As discussed in the previous section, legal aid likely delivers a wide range of significant benefits. However, many of these benefits can only be captured qualitatively in a CBA, meaning they do not directly contribute to the final monetary figure.

On the other hand, the cost of legal aid programmes is mostly comprised of the financial outlay of the programme and the time spent by legal professionals and applicants. These are relatively easier to quantify compared to the broader social and economic benefits, the implication of this being that the CBA is inherently conservative.

#### Evaluation parameters

The key evaluation parameters applied to the CBA are outlined in Table 3 below.

Table 3: Key Cost-Benefit analysis evaluation parameters

| Evaluation period | Evaluation dates | Discount rate |
|---|---|---|
| 5 years | 2026 to 2030 (financial years) | 2% |

Source: Deloitte Access Economics

The evaluation period of five years from FY26-FY30 reflects the availability of reliable and relevant projections over that period. Using a five-year evaluation period also captures the benefits relevant to legal aid that accrue over a period of multiple years, which cannot be accurately captured in other studies that only evaluate benefits and costs over a single year.

The discount rate of 2% is based on Treasury's guidance for non-commercial projects assuming the evaluation period is 30 years or less, which this analysis is.

## Costs of legal aid

The projected future costs of legal aid in New Zealand which are used as inputs to the CBA model were taken from the Ministry of Justice's 2024-2029 legal aid projections. Projections were done individually for each type of legal aid. The Ministry of Justice reported these costs in real 2024 dollars for the forecast period which we inflated to 2025 dollars for consistency with the rest of the CBA model inputs and outputs.

Table 4: Legal aid costs ($m) constant 2025 prices, 2026 to 2030 (financial years)

| | Criminal | Family | Civil | Waitangi |
|---|---|---|---|---|
| **FY26** | $197.7 | $70.9 | $15.6 | $17.6 |
| **FY27** | $199.2 | $72.1 | $15.4 | $17.8 |
| **FY28** | $199.2 | $72.6 | $15.6 | $18.1 |
| **FY29** | $199.2 | $72.6 | $15.6 | $18.3 |
| **FY30*** | $199.2 | $72.6 | $15.6 | $18.3 |

Source: Ministry of Justice, Deloitte Access Economics. *FY30 Costs were not available in the Ministry of Justice projections. For modelling these were assumed to be the same as FY29 in line with the general trend of each legal aid type.

The Ministry of Justice projections are only extended to the 2029 financial year, however, for all categories of legal aid, the costs flatlined towards the end of the forecast period. Because the CBA model period extends to the 2030 financial year, one year of required cost data was missing. This was resolved by assuming that the expenditure in 2030 would remain the same as the previous year given the generally flat trend of expenditure in the Ministry of Justice's forecasts through to FY29.

## Benefits of legal aid

### The literature on the benefits of legal aid

A core intrinsic benefit of legal aid is that it ensures access to justice for those who otherwise would not have the means to. Specifically, legal aid helps to ensure individuals have their rights or entitlements vindicated, and breaches of those rights compensated for in a procedurally fair manner by neutral adjudicators in accordance with law. By extending access to justice for marginalised groups, legal aid is an expression on the value New Zealand society places on access to justice.

There are many cost benefit analyses of legal aid globally. In general, papers tend to find that in the absence of legal aid the costs of unresolved issues shift to other areas of government spending (e.g., health care, housing, child protection, and incarceration), and as such, cutting legal aid spending results in an increase in expenditure.[30] A study, from Canada, estimated the cascading costs of unequal access to justice on public spending in other areas (e.g., employment insurance, social assistance, and health care costs) to be approximately 2.35 times more than the annual direct service expenditures on legal aid.[31]

Considering the wider benefits of legal aid, one of the most commonly cited estimates comes from Australia, where it was estimated that every $1 of funding allocated to legal aid commissions generates a return of $2.25 in quantitative benefits.[32] A cost benefit analysis in 2017 in Scotland found that for every £1 spend on family or criminal legal aid, there was a return of approximately £5. The benefits were much larger for housing legal aid, returning approximately £11 for every £1 spent.[33] A study in Northern Ireland found that for every £1 spend on legal aid, there was a return of approximately £8.32 in social value.[34]

There have also been several studies in the United States looking at the economic impact of different States' legal aid programmes. For instance, a study of the return on legal aid programmes in North Carolina found for every dollar of funding there was $2.08 in economic benefit.[35] The highest return came from a study of the economic impact of legal assistance programmes in Tennessee which found that per dollar of programme funding there was an $11.21 impact.[36]

Various studies have sought to quantify the benefits of legal aid schemes around the world. These studies contain a broad range of economic benefits attributable to legal aid schemes, and outline approaches to the quantification of those benefits.

The economic benefits of legal aid can be broadly grouped into three main categories:

- **Efficiency of the justice system**: the improved operational capacity of the courts that stems from the provision of legal aid services.
- **Value to individuals**: the benefits derived by individuals who achieve improved legal outcomes through access to legal aid services.
- **Wider government and societal outcomes**: the benefits derived by government and society when an individual achieves an improved legal outcome through access to legal aid services.

The benefits that fall under these categories are explained in more detail in Table 5 below.

Table 5: Description of legal aid benefits

| | | |
|---|---|---|
| Efficiency of the justice system | **Efficiency of legal representation** | In the absence of legal aid, a higher percentage of individuals would choose to self-represent. Self-represented litigants place significant burdens on the court and other justice systems as they require additional support in understanding rules of procedure, identifying the legal issues at hand, arguing their case, and interacting with the opposing legal counsel.[37] There is evidence in New Zealand that cases involving self-represented litigants take longer to resolve, and increase the burden on court staff and judges.[38] This benefit is also experienced as an avoided cost to the opposing counsel, who bear part of the burden of court inefficiencies from self-representing litigants. |

[30] World Bank "A tool for justice: The cost benefit analysis of legal aid" (2019) at 6.
[31] Farrow et al. "Everyday Legal Problem and The Cost of Justice in Canada: Overview Report" (2016).
[32] PwC "The benefits of providing access to justice" (2023) at iii.
[33] Law Society of Scotland "Social Return on Investment in Legal Aid" (2017) at 3 &4.
[34] The Law Society of Northern Ireland "The Value of Legal Aid in Northern Ireland" (2025) at 3.
[35] Irvine, M. "A 108% return on investment: The Economic Impact to the State of North Carolina of Civil Legal Services in 2012" (2014).
[36] Smith and Thayer "Economic impact of civil legal aid organisations in Tennessee" (2015) at 2.
[37] PwC "The benefits of providing access to justice" (2023) at A.01.
[38] Smith, M., Banbury, E., Ong, S. "Self represented Litigants: An Exploratory Study of Litigants in Person in the New Zealand Criminal Summary and Family Jurisdictions" (2009) at 78.

| | | |
|---|---|---|
| | Efficiency of duty lawyers | Duty lawyers give free legal help to people who are charged with an offence and do not have a lawyer on the first day of a case.[39] Having access to legal aid before appearing in court reduces the pressure on duty lawyers by reducing demand.[40] |
| | Efficiency of early intervention of service | Access to legal aid early in a legal dispute will support efficient and timely resolution of issues.[41] Legal aid also helps litigants to efficiently reach a resolution through alternative pathways such as mediation. This reduces the costs and pressure on the court system. |
| | Efficiency of mediation services | Legal aid is available for mediation in cases that are likely to go to court if mediation does not work.[42] Access to legal aid is likely to help individuals to reach a more efficient outcome.[43] This reduces the court cost and pressure on the court system. |

| | | |
|---|---|---|
| Value to individuals | Improved livelihood and wellbeing due to a reduction in family violence | Family violence is a severe issue in New Zealand.[44] Accessible legal avenues for justice are an important factor in reducing harm in this area. There are numerous impacts of family violence, victims experience pain and suffering which leads to increased demand for healthcare, increased risk of chronic illness, higher likelihood of substance abuse, and an increased risk of premature mortality.[45] There are also associated negative impacts on financial and social wellbeing, with an increased risk of homelessness. If a victim can access legal aid in a timely manner, this may decrease the long-term impacts of family violence. It also allows victims to seek support through measures such as protection orders. If there were no legal aid services available, vulnerable groups who may also have limited income, would not be able to access the support that they need. |
| | Reduced pain and suffering resulting from more efficient proceedings | If legal aid allows someone to be represented by a solicitor instead of being self-represented, they will likely experience less stress and anxiety during the legal proceedings and beyond.[46] This represents an improvement in mental health. |
| | Improved wellbeing from better housing outcomes | In New Zealand legal aid may be available for representation before the tenancy tribunal. Studies in the United States and the United Kingdom have found that tenants that receive legal aid are more likely to reach an agreement[47] or avoid eviction.[48] |

[39] Ministry of Justice "Going to Court: First day in Court" (2025) Justice.govt.nz <www.justice.govt.nz.>
[40] We note that this benefit may not be as relevant, or as significant, in the New Zealand legal system.
[41] PwC "The benefits of providing access to justice" (2023) at A.04.
[42] Community Law "Family civil legal aid for non-criminal cases" (2025)
[43] PwC "The benefits of providing access to justice" (2023) at A.04
[44] Carswell Consultancy "Experiences of the family violence system in Aotearoa: an overview of research 2010 – early 2020" (2020) at 4.
[45] PwC "The benefits of providing access to justice" (2023) at B.01.
[46] Law Society of Scotland "Social Return on Investment in Legal Aid" (2017) at 19.
[47] Holl, M, van den Dries, Land Wolf "Interventions to prevent tenant evictions: a systematic review. Health and Social Care in the Community" (2016) 24(5) at 539.
[48] Bradley, L. "Cutting Legal Aid: Advice sources and outcomes in civil justice. London: The Strategic Society Centre" (2011) at 11.

| | | |
|---|---|---|
| | **Reduced debt from accessing legal services** | Access to legal aid will prevent users of legal aid from going into debt to hire a private lawyer to represent them or to need to represent themselves. Legal aid in New Zealand can be a loan to individuals which means that they may have to repay the cost of legal aid. Only a quarter of all legal aid grants must be repaid, meaning most users will not incur any debt.[49] For those that have to make repayments, no repayments are required until after the case has settled and repayments are typically a low amount, meaning the burden of debt will likely be lower if a person is using legal aid than if they did not have access to the service. |
| | **Maintaining employment and income during a case** | Legal aid provides users access to legal support which saves them time and stress compared to self-representation. Studies in the United Kingdom suggest that going to family court without legal representation places extra pressure on relationships with employers.[50] Data in New Zealand also suggests that self-representation may impact employment during a case.[51] |
| | **Improved wellbeing from access to legal advice** | Advice and other services allow individuals to understand their rights and obligations.[52] This allows everyone to access justice from an even footing by removing structural barriers from those that may be disadvantaged in the legal system. This in turn improves wellbeing and equity for those who use legal aid. |

| | | |
|---|---|---|
| Wider government and societal outcomes | **Reduced health system and social services costs due to improved family violence outcomes** | New Zealand's legal aid support for those with family matters helps to prevent further family violence incidents.[53] The government incurs significant healthcare and support system costs in responding to family harm incidents. A New Zealand study found that family violence cost the economy between $4.1 billion to $7.0 billion in 2014.[54]Legal support is an intervention that can help secure freedom from family violence. The cost burden may be lower if victims can access support when they first need it. |
| | **Reduced out-of-home care costs** | Family violence can have a significant impact on children, with increased risk of adverse health and social outcomes. In some cases, children may be unable to continue living with their family and may be moved to out-of-home care for their protection.[55] This poses a significant cost for the government. Legal aid provides support for families to ensure that children are not exposed to harm and to advocate for children's best interests. |
| | **Reduced health system and social services costs due to improved mental health outcomes** | As outlined above, there are significant stresses involved with self-representation in legal issues. Through the use of legal aid services, the mental health impacts of interacting with the legal system are likely to be |

[49] Community Law "Repaying Legal Aid" (2025)
[50] Vaughan, k., Parker, l., and Bunt, L. "Standing Alone: going to family court without a lawyer" (2015).
[51] Smith, M., Banbury, E., Ong, S. "Self-represented Litigants: An Exploratory Study of Litigants in Person in the New Zealand Criminal Summary and Family Jurisdictions" (2009) at 7.1.3.
[52] PwC "The benefits of providing access to justice" (2023) at B.04.
[53] World Bank "A tool for justice: The cost benefit analysis of legal aid" (2019) at 32.
[54] Kahui, S., and Snively, S. "Measuring the Economic Costs of Child Abuse and Intimate Partner Violence to New Zealand" (2014) at vi.
[55] PwC "The benefits of providing access to justice" (2023) at C.02.

| | | |
|---|---|---|
| | | lowered.[56] As such, the cost to the government associated with mental health support is likely to also fall. |
| | Improved trust in government and legal system | Accessible legal representation supports litigants to protect their rights in court in a way that is efficient, without undermining the independence of the court.[57] Helping the most marginalised to fairly access necessary legal services will improve trust in the government and legal system. This trust is important to the continued functioning of the justice system, and for those needing help to access it in the future. |
| | Reduction in future crime | When people get better legal outcomes, they are less likely to reoffend. Legal aid reduces custodial sentences. As incarceration may lead to increased chance of reoffending, legal aid representation may decrease future crime rates.[58] Evidence in Florida suggests that legal aid decreases re-arrest and offending rates in young people.[59] |
| | Avoided other societal costs | As discussed above, not having representation in legal matters can have significant impacts on a person's wellbeing, safety, income, and employment. When any of these factors suffer, a person is more likely to need additional government support through welfare, health care and social services. In addition, the pain and suffering associated with unresolved legal issues can have long lasting, and intergenerational impacts.[60] Children in families that are unable to assert their rights may be harmed by the effects of avoidable family breakdown, disrupted schooling, and homelessness. This in turn may limit their ability to become productive and well-integrated members of society. |

Source: Deloitte Access Economics

# Quantification approach

A critical step in conducting a CBA is determining which benefit streams to quantify. This decision is informed by factors such as data availability, relevance to the specific programme being analysed, avoidance of double counting, and precedents for quantification in the literature. Based on these considerations, five of the potential benefit streams were selected for quantitative analysis:

1. Reduced justice system cost through more efficient proceedings.[61]
2. Reduced pain and suffering resulting from more efficient proceedings.[62]
3. Reduced household cost due to more efficient proceedings.[63]
4. Improved livelihood and wellbeing due to a reduction in family violence.
5. Reduced government expenditure as a result of decreased family violence.

The benefits quantified in the CBA are supported by a body of international literature and defensible input data from New Zealand and comparable jurisdictions. However, even with the relatively good quantity and quality of data compared to other benefits, there are still gaps in the data which necessitated using assumptions based on international literature in place of New Zealand specific data.

Care was taken to ensure the avoidance of double counting, considering similarities between some of the benefits. Benefits 1, 2 and 3 relating to efficient legal proceedings capture three distinct elements of

[56] The Law Society of Northern Ireland "The Value of Legal Aid in Northern Ireland" (2025) at 18.
[57] PwC "The benefits of providing access to justice" (2023) at 16.
[58] Law Society of Scotland "Social Return on Investment in Legal Aid" (2017) at 23.
[59] Abel, L. & Vignola, S. "Economic and Other Benefits associated with the Provision of Civil Legal Aid" (2010) at IV.
[60] World Bank "A tool for justice: The cost benefit analysis of legal aid" (2019) at 8.
[61] Relating to the "efficiency of legal services" benefit in Table
[62] Relating to the "improved wellbeing from access to legal advice" benefit in Table
[63] Relating to the "maintaining employment and income during a case" benefit in Table

avoided cost associated with more efficient proceedings that do not have any overlap. These three elements are the costs to government from a more productive justice sector, the private emotional cost to litigants of longer legal proceedings in the form of a monetised value of mental health parameter, and the private economic cost in the form of lost wages from additional time in or preparing for court.

Benefits 4 and 5 both relate to reduced family violence, but measure distinct monetised values, with the former monetising the private benefit of avoided family violence, and the latter monetising the avoided cost to government of reduced family violence. This distinction is reflected in the Treasury CBAx values used to monetise the benefits, with the private benefits using non-government parameters and the government benefits using government parameters in CBAx.

Several established quantification frameworks informed the approach used to estimate the benefits of legal aid in New Zealand. These include:

- A PwC report investigating the benefits of legal aid in Australia.[64]
- A World Bank tool for conducting cost-benefit analyses of legal aid schemes.[65]
- A report by the Law Society of Northern Ireland and Rocket Science on the value of legal aid in Northern Ireland.[66]

These resources are referenced throughout the report and in the accompanying Technical Appendix 1.

The types of legal aid in New Zealand for which there are expenditure figures are: Criminal, Family, Civil, Waitangi, Duty Lawyer, and Police Detention Legal Assistance (PDLA). For the purposes of this analysis, Duty Lawyer and PDLA services were excluded as there were limitations to the data and approach to quantifying these benefits.

We conducted a deep dive into the reduced family violence benefits (benefits 4 and 5). The reason for this more comprehensive analysis on reduced family violence was the availability of data and established approach to support the analysis. These benefits relate specifically to family legal aid grants, whereas the efficiency improvement benefits (benefits 1, 2 and 3) are relevant to all legal aid types. Benefits specifically relating to criminal, civil, or Waitangi legal aid cases were not quantified in our analysis due to limitations in data and established approaches to doing so.

## Summary of cost benefit analysis results

The high-level summary table below demonstrates that the legal aid scheme in New Zealand is expected to deliver overall net positive net incremental benefits that do not exceed net incremental costs over the model period of five years, with a BCR of 2.06. This means that for every dollar the government invests in legal aid, an estimated $2.06 in benefits will be generated between FY26 and FY30.

This result reflects that the benefits outweigh the costs in NPV terms, with a BCR above 1 indicating a positive economic return, and therefore, a sound value for money investment. The finding of a BCR above 1 is robust through a range of sensitivity tests undertaken as part of the analysis, which is covered in more detail in Table 9.

Table 6: Cost-benefit analysis results ($m) constant 2025 prices, 2% discount rate, 2026 to 2030.

| Present value of Benefits ($m) | Present value of Costs ($m) | NPV ($m) | BCR |
|---|---|---|---|
| $3,030 | $1,473 | $1,557 | 2.06 |

Source: Deloitte Access Economics

[64] PwC “The benefits of providing access to justice” (2023).
[65] World Bank “A tool for justice: The cost benefit analysis of legal aid” (2019).
[66] The Law Society of Northern Ireland “The Value of Legal Aid in Northern Ireland” (2025).

**Importantly, the results presented here are likely a conservative estimate of the true value of legal aid** due to the exclusion of many known benefits of legal aid from our analysis. It is lower than the BCRs reported relative to the international studies cited earlier in this report (See Table 7 below), noting that our results are consistent with some previous comparable studies, which also have a BCR around 2.

This does not imply that New Zealand's legal aid system is less effective. Rather, the lower BCR in this analysis is primarily due to several methodological limitations, including:

- A more limited number of benefit streams being quantified.
- Criminal legal aid expenditure was included but benefits specific to criminal cases were not separately quantified. Only the efficiency benefits that apply to all legal aid types were included for criminal, civil and Waitangi cases. This means family cases are the only legal aid type that has benefits specific to it that have been quantified.
- Conservative assumptions and parameter choices used throughout the modelling.

These factors suggest that the results presented should be seen conservative estimate of the BCR on legal aid expenditure, with the true BCR potentially much higher.

Table 7: Comparison of benefit-cost ratios, this study vs the literature

| Study | BCR / SROI |
|---|---|
| Deloitte Access Economics (This report), 2025 (New Zealand) | 2.06 |
| Irvine, 2014 (North Carolina, United States) | 2.08 |
| PwC, 2022 (Australia) | 2.25 |
| Farrow et al., 2016 (Canada) | 2.35 |
| Law Society of Scotland, 2023 | 5.00 |
| Law of Society of Northern Ireland, 2025 | 8.32 |

Source: Deloitte Access Economics

Table 8 below summarises the monetary value in present value terms of each of the quantified benefits.

Table 8: Summary of benefit results, 2% discount rate, 2026 to 2030

| Benefit | Present value ($m), constant 2025 $ | Proportion of total benefit | Relevant legal aid type(s) |
|---|---|---|---|
| 1. Reduced justice system cost through more efficient proceedings | $76 | 2.51% | All |
| 2. Reduced pain and suffering resulting from more efficient proceedings | $178 | 5.86% | All |
| 3. Reduced household costs due to more efficient proceedings | $32 | 1.06% | All |
| 4. Improved livelihood and wellbeing due to due to a reduction in family violence | $2,405 | 79.38% | Family |
| 5. Reduced government expenditure as a result of decreased family violence | $389 | 11.19% | Family |
| TOTAL | **$3,030** | 100% | - |

Source: Deloitte Access Economics

Among the quantified benefits, Benefits 4 and 5, both related to the reduction in family violence, were the primary drivers of overall net incremental benefits. The majority of the estimated net incremental benefit is attributable to these two areas, particularly through improvements in individual wellbeing and livelihood.

Our analysis had a particular focus on the reduced family violence benefits because of the availability of data to support their quantification, and the robustness of the international literature informing the approach to doing so.

A more detailed explanation of these parameters can be found in Technical Appendix 1, but at a high level, the key drivers of the high reduced family violence benefits are:

1. Large CBAx monetised values of violent offences, sexual offences and burglary. This leads to a substantial benefit for each offence avoided.
2. Evidence from the international literature and New Zealand data reveals that victims of family violence typically have multiple acts of violence committed against them. This was reflected in the modelling by multiplying the number of violent incidents avoided per successful outcome as a result of legal aid by the multiplier. The literature that informed our analysis indicated a multiplier of 2.38[67] was appropriate, which was sensitivity tested at higher and lower multipliers.
3. When legal aid leads to a successful intervention that prevents family violence, it is assumed that family violence offences are prevented not only in the year of the intervention, but also in subsequent years. This is supported by the international evidence on the duration of family violence offending[68], which suggests that violence is experienced on average for four years by a victim. This is reflected in the modelling by using a cumulative sum of avoided family violence offences over a four-year period such that the monetised benefit of avoided family violence in year 1 are also counted in years 2, 3 and 4.

While the monetised benefit of reduced family violence is large, the results are still derived using evidence-driven, and often conservative inputs. A more detailed explanation of these parameters can be found in Technical Appendix 1, but at a high level, the evidence-driven and conservative inputs that lend credibility to our results are outlined below:

1. Only looking at the proportion of family law cases that are family violence related. Other family law matters may have a risk of history of violence, however, our analysis was restricted to those cases explicitly categorised as family violence.
2. Only looking at the proportion of high-risk family violence cases, further narrowing the scope of the benefit from the subset above. This reflects the fact that receiving legal aid is not a guarantee of an outcome that prevents family violence in all cases. It is therefore assumed that this is only the case in the most acute cases of violence.
3. Only counting benefits for the estimated proportion of family legal aid recipients who would otherwise not self-represent, as it was assumed that those who self-represent would achieve an outcome equivalent to those receiving legal representation.

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[67] The multiplier of 2.38 was informed by results from the New Zealand Crime and Victims Survey. In particular, the 2019 New Zealand Crime and Victims Survey found that 37% of victims of interpersonal violence were victimised more than once within 12 months and 15% were victimised 5 or more times – see Ministry of Justice "NZ Crime and Victims Survey – filling the knowledge gap: Oranga Tamariki Evidence Centre" (July 2019) at 17. We note that we have assumed the rates of victimisation for interpersonal violence are broadly similar to rates of victimisation for family violence.

[68] SafeLives "Insights outreach dataset 2021-22 – Adult outreach services" (2022) at 13. This data report forms part of a series of publications from SafeLives' Adult Insights dataset. It contains 2,915 unique individual cases at intake and 1,989 matched cases at exit, drawn from ten Outreach services which used the SafeLives Insights outcome measurement service between April 2021 and March 2022. SafeLives runs the largest database of domestic abuse cases in the UK and its insights database has records of more than 86,000 unique cases of adults experiencing domestic abuse from 2009 to 2022, and a further 7,000 unique cases of children in domestic abuse households from 2011 to 2022.

## Sensitivities

A range of sensitivity tests were conducted to assess the robustness of our headline results. The outcomes of these tests are outlined in Table 9 below with the baseline assumptions highlighted in green and instances of a BCR below 1 in red text.

Table 9: BCR Results – Sensitivity Analysis, 2026 to 2030

| Sensitivity Test | BCR |
|---|---|
| **Self-representation rates** | |
| Very low (-10% base) | 2.20 |
| Low (-5% base) | 2.13 |
| Base | 2.06 |
| High (+5% base) | 1.98 |
| Very high (+10% base) | 1.91 |
| **Family violence cumulative effect** | |
| Cumulative (five years) | 2.18 |
| Cumulative (four years) | 2.06 |
| No cumulative effect | 0.87 |
| **Family violence multiplier** | |
| 2x | 1.76 |
| 2.38x | 2.06 |
| 3 | 2.54 |
| **Efficiency gain from lawyers over self-representation** | |
| 10% | 1.96 |
| 20% | 2.06 |
| 30% | 2.15 |
| **Discount rate** | |
| Low (1%) | 2.07 |
| Central (2%) | 2.06 |
| High (8%) | 1.99 |
| **Costs** | |
| Low (-10% base) | 2.29 |
| Base | 2.06 |
| High (+10% base) | 1.87 |

Source: Deloitte Access Economics

The results remain robust across a wide range of plausible assumptions, which lends credibility to the headline BCR of 2.06. The range of BCRs across the various sensitivity tests was 0.87 - 2.54, with results suggesting that the BCR is above one in all but one instance.

The BCR was most sensitive to the cumulative effect of reduced family violence, which is what causes the lower bound of the BCR range of 0.87 - 2.54. This highlights the crucial importance of this assumption relative to the others, as sensitivity testing of other inputs led to much smaller variation in the BCR in either direction. As discussed earlier in the report, this assumption is grounded in evidence that violence is typically experienced over a long period of time rather than as an isolated incident. Successful legal aid interventions are expected to prevent violence that would have occurred over multiple years under a counterfactual with no legal aid thus no court-ordered protections or resolutions for that victim. As such, the incremental benefit of legal aid should consider that benefits continue accruing to those individuals over the average length of time abuse occurs for, with the evidence suggesting this is four years.

The way in which the reduced family violence benefit is calculated ensures that the assumption of a cumulative effect is applied appropriately. This is achieved by only evaluating the subset of family law cases that are family violence related, and only the subset of those that involve a serious risk of recurring violence. Legal aid is assumed to only lead to a successful intervention in the most serious of cases, and only for the proportion of litigants who would otherwise not self-represent. This successful intervention then reduces violence that would have otherwise occurred in the counterfactual over the cumulative period of four years.

The multiplier effect also proved to be reasonably sensitive. Similarly to the cumulative effect, the evidence is clear that victims of family violence typically experience multiple acts of violence, suggesting that successful legal aid interventions would likely prevent multiple acts of violence that would occur under the counterfactual scenario where there was no legal aid thus no court-ordered protections for that victim. This lends credibility to the inclusion of a multiplier. The assumption that only one act of violence is committed against the average victim of family violence is likely not realistic.

The multiplier effect considers the average number of violent incidents a person experiences each year, whereas the cumulative effect accounts for the average number of years violent incidents occur for before intervention.

## Future analysis can unlock a clearer case for an economic evaluation of legal aid and better inform investment decisions

As noted in the Executive Summary, our analysis was constrained by limitations in the availability and quality of data. There are several areas where future cost-benefit analyses of legal aid in New Zealand could be strengthened:

1. **Test alternative policy changes and investment scenarios:** Compare the current legal aid spend with scenarios that change coverage, eligibility, or improve service delivery. This helps inform not only whether legal aid is worthwhile, but what kind of legal aid provides the greatest return.
2. **Incorporate long-term effects**: Benefits of legal aid, such as breaking cycles of violence, may accrue over a longer time horizon. A multi-year or lifetime approach (e.g. using cohort modelling or longitudinal data) could better capture these delayed effects.
3. **Conduct primary research**: New Zealand specific research is needed to inform key assumptions, including the likelihood of self-representation among legal aid recipients and the resulting impacts on case outcomes, court efficiency and the social and economic costs and benefits.
4. **Account for distributional impacts:** Further analyses could consider who benefits most from legal aid, such as low-income individuals, Māori, or other marginalised groups, and how the scheme can be adjusted to better align with its equity goals. Distributional weighting or equity analysis will inform public sector decision-making.
5. **Assess benefits by legal aid type**: This analysis focused heavily on family legal aid, which skewed the distribution of estimated total benefits towards this legal aid type. Future work should include more benefits specific to other legal aid types, such as reduced recidivism and justice system costs for criminal legal aid.
6. **Consider the impact of AI**: Artificial intelligence (AI) continues to be a major disruptor. Although its potential impacts on legal aid or the legal industry more broadly were not something explicitly modelled in this analysis, it is worthwhile considering it in future analyses given its potential to increase system efficiencies, self-representation rates or have other effects on the industry.

While the analysis in this report provides a strong indication that net benefits exceed net cost, the mentioned improvements would help ensure that investment decisions are informed by a fuller picture of the social and economic costs and benefits of legal aid.

### Data for future research with a focus on criminal legal aid benefits

One of our recommendations for future research into the economic benefits of the legal aid scheme in New Zealand was to quantify benefits specifically relating to legal aid types beyond family law, particularly criminal legal aid, given it comprises the majority of legal aid expenditure and grants allocated.

In order to support further research to build off this preliminary indicative study, we advocate for better quality data to be made available in the justice sector particularly around legal aid without the reliance on Official Information Act requests and for the Treasury CBAx to be updated to offer more recent and comprehensive monetary values to support benefit monetisation in the New Zealand context.

A first step would be to develop a comprehensive set of potential criminal-specific benefits of legal aid based on the literature, such as reduced recidivism, reduced government cost from jail sentences or others. This would inform the data requirements needed to quantify benefits associated with criminal legal aid.

Based on our analysis in this report, some specific datapoints that would be useful to support further analysis into the benefits of criminal legal aid include:

- Data and analysis on the proportion of all criminal matters that present a high risk of violence.
- The rates of recidivism for litigants who have legal representation versus those who do not.
- The outcomes in terms of imprisonment or other punishments for litigants who have legal representation versus those who do not.
- Longitudinal study of income, wealth and livelihood impacts of litigants who have legal representation versus those who do not.
- The proportion of legal aid recipients who would self-represent in the absence of legal aid grants, and the proportion of those who would seek alternative pathways to justice.
- More consistent reporting across different courts, tribunals and case types on the length of a trial, the number of cases processed in a given year, and the time taken to dispose of cases.

A richer dataset focussed on outcomes associated with criminal legal aid would lend itself to quantification of criminal aid related benefits, ensuring a more complete account of the costs and benefits of legal aid.

# 4. The economic impacts of legal aid

## Economic impacts of legal aid

This section assesses the economic impacts of legal aid in New Zealand.

An economic impact assessment considers how a set of policies (or lack thereof) impact various markets in an economy, and how these changes flow through to all markets in the economy. That is, an economic impact assessment is an 'economy-wide' modelling exercise. This is a key point of difference between this economic impact assessment and the costs and benefits presented earlier in this report. For example, while the CBA estimates the direct savings to the government through increased efficiencies, an economic impact assessment goes a step further to consider how a more efficient government services industry impacts other industries in the New Zealand economy.

Note that the economic impacts presented in this report use the earlier estimated costs and benefits as inputs and, therefore, **are not additive to the costs and benefits of legal aid**. Instead, the analysis presented in this section should be interpreted as a complementary piece of analysis to consider the broader role legal aid plays in the New Zealand economy.

## Approach

To estimate the economic impact of legal aid services in New Zealand, we consider two scenarios for the New Zealand economy:

1. **A baseline scenario**, where legal aid does not exist from 2026 onwards
2. **A counterfactual scenario**, where legal aid continues to remain in place in New Zealand.

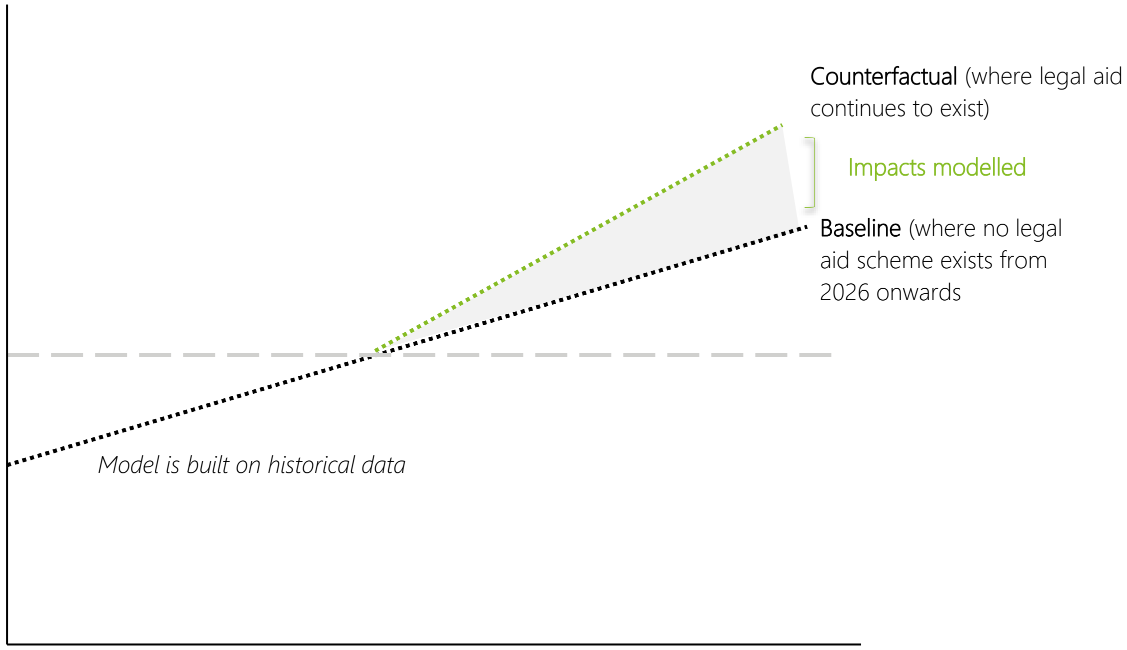
The difference between these two scenarios (e.g., the deviation in GDP level) is therefore the expected economic impact of legal aid. Note that these scenarios should not be considered as forecasts of the New Zealand economy, but instead representative 'what-if' style scenarios for considering how the New Zealand economy might change in the absence of legal aid services.

Each scenario has been modelled using the Deloitte Access Economics Regional General Equilibrium Model (**DAE-RGEM**). An overview of DAE-RGEM and the 'shocks' used to model the economic impact can be found in **Technical Appendix 2**.

The impacts of legal aid have been modelled using a series of 'shocks'. A shock can be thought of as the change in the economy which we want to trace out the broader impact of. For example, legal aid generates demand for legal services, which increases the output of legal services in the economy. Legal services use, for example, labour as an input to deliver legal services, so as output increases, so too will employment. By applying a 'shock' to increase output of legal services to DAE-RGEM, we can trace these impacts out. The following shocks have been applied to model the impacts of legal aid:

1. **A legal services subsidy shock**, to capture the additional economic activity from increased demand for and access to legal services generated by legal aid (which essentially acts as a subsidy for low-income households accessing legal aid).
2. **A government services productivity shock**, to capture the efficiency and cost savings across government services which are generated by legal aid. Specifically, this shock incorporates the increased court system efficiency from reduced self-representation and reduced cost to government from avoided family violence.
3. **A labour supply shock**, to capture the reduced (time) costs to households arising from legal aid enabling more efficient proceedings.
4. **A labour productivity shock**, to capture the increased workforce productivity from decreased absenteeism and increased presentism which arise from decreased incidence of family violence as a result of legal aid.

Figure 10: The interpretation of CGE results

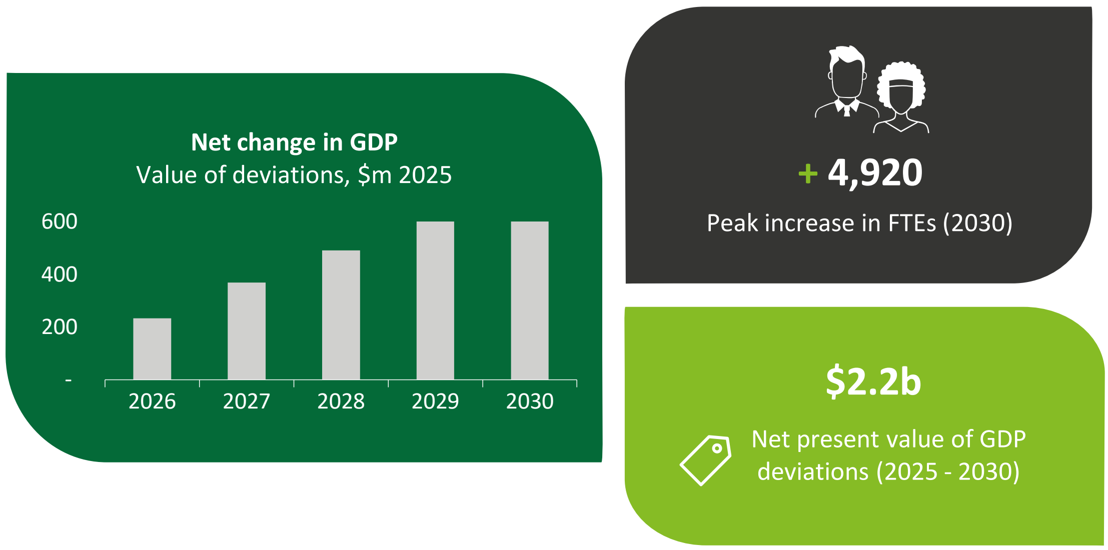



Source: Deloitte Access Economics

## Results

Our economic impact assessment finds that, relative to a scenario without legal aid, the expected economic impact of legal aid services between 2025 and 2030 is $2.2 billion in NPV GDP terms (in 2025 NZD, at a 2% discount rate). In annual terms, the New Zealand economy is $664 million (in 2025 NZD) larger in 2030 relative to a scenario without legal aid, which equates to approximately 0.1% of New Zealand's annual GDP.

Figure 11: Summary of economic impact assessment results




Source: Deloitte Access Economics

One of the key drivers of the economic impact is the economic activity resulting from additional demand for legal services. Between 2026 and 2030, as a result of the additional demand for legal services generated by legal aid, the economic impact is $1.5 billion relative to a scenario with no legal aid in net present value terms (in 2025 NZD). We note that the cost of providing legal aid in New Zealand, for the four categories considered in this report, is $1.5 billion in NPV terms (in 2025 NZD).

While the most intuitive economic impact of legal aid is higher demand for legal services, there are other factors captured in our CGE analysis. As outlined in the table below, these relate to increased efficiency savings to government (inside and outside of the justice system), cost savings to households and labour productivity impacts of avoided violent incidents. These estimated impacts draw from the benefits were able to be quantified in the CBA. Consistent with the CBA analysis, the estimated impacts likely materially underestimate the economic impacts of legal aid. Had the data and approach to quantify benefits specific to criminal, civil and Waitangi legal aid been available at the level of depth done for benefits we were able to quantify, it is likely that the estimated wider economic impacts of legal aid would be higher.

Table 10: Economic Impact results ($m) constant 2025 prices, 2% discount rate

| Shock | Description | Results |
|---|---|---|
| A legal services subsidy shock | To capture the additional economic activity from increased demand for and access to legal services generated by legal aid | $1.52b GDP impact overall. Amount that informed the shock was $1.55b, implying that **$1 of expenditure on legal aid creates $0.98 of follow-on economic impact** |
| A government services productivity shock | To capture the efficiency and cost savings across government services which are generated by legal aid | $539m GDP impact overall. Amount that informed the shock was $415m, implying that **$1 of government efficiency associated with legal aid creates $1.30 of follow-on economic impact** |
| A labour supply shock | To capture the reduced (time) costs to households arising from legal aid enabling more efficient proceedings | $37.5m GDP impact overall. Amount that informed the shock was $32.3m, implying that **$1 of savings to individuals associated with legal aid creates $1.16 of follow-on economic impact** |
| A labour productivity shock | To capture the increased workforce productivity from decreased absenteeism and increased presentism which arise from decreased incidence of family violence as a result of legal aid. | $103.5m GDP impact overall. Amount that informed the shock was $126.2m, implying that **$1 of savings to individuals associated with legal aid creates $0.82 of follow-on economic impact** |

Source: Deloitte Access Economics

In interpreting these results, **it is important to note that this economic impact assessment only captures a subset of the benefits related to legal aid that we quantified in the CBA**. Specifically, we have constrained the economic impact assessment to capture the subset of benefits which we view will likely have a quantifiable impact on economic activity in the New Zealand economy. As with the CBA modelling, it is expected that our CGE results understate the true economic impacts of legal aid considering only a small subset of benefits, with the impact expected to be larger if benefits such as reduced recidivism relating to criminal legal aid was considered. Further details of the benefits selected for the purposes of our CGE modelling are detailed under **Technical Appendix 2**.

# Technical Appendix 1: Cost-Benefit Analysis Approach

## General assumptions

| Input | Value and assumptions | Source |
|---|---|---|
| **Model period** | **2026-2030 financial years (FY26-FY30)**<br>The model period includes five years of analysis. | **Deloitte Access Economics** |
| **Discount rate** | **2%** (central rate)<br>2% is the Treasury recommended discount rate for non-commercial proposals. There is mandatory sensitivity testing at the commercial rate of 8%, and the model was further sensitivity tested at 1%. | **Treasury** |

## Benefits: Efficiency

*Note that assumptions that are consistent between the different benefits in this category are only stated once.*

**Benefit 1**: Reduced justice system cost from more efficient proceedings

**Description**: The avoided cost of inefficiencies in the court hearing process from self-represented litigants.

**Equation**: $Total\ cost = \sum litigants \times efficiency \times cost\ of\ operating\ the\ court\ per\ matter \times people\ who\ would\ self\text{-}represent$

**Relevant Legal Aid type**: All

**Methodology source**: PwC Australia[69]

| Input | Value and assumptions | Source |
|---|---|---|
| **Litigants** (total number of Legal Aid grants) | We used historic Legal Aid grants data from the Ministry of Justice, assuming one grant is equivalent to one litigant. The Ministry of Justice expenditure projections do not specify the underlying grants projections. However, they do provide commentary on the broad trends affecting them. Deloitte Access Economics interpreted the trends commented on in the | Legal Aid Grants (Ministry of Justice, 2025)<br>Legal Aid Projection 2024 (Ministry of Justice, 2024) |

[69] PwC "The benefits of providing access to justice" (2023).

| | | |
|---|---|---|
| | Ministry of Justice's projections and reflected this in the expected number of grants in the future.<br><br>This Ministry's qualitative expectations for the number of legal aid grants in the future varied for criminal, family, civil, and Waitangi cases. We interpreted the Ministry's analysis and reflected it in the number of grants for each legal aid type flowing through the model.<br><br>• Criminal: Held at 2024 grants figure because the Ministry of Justice expects the number of criminal cases needing legal aid grants to remain broadly stable.<br><br>• Family: Grown at the average historic growth rate from 2015-2024 because the Ministry of Justice expects growth in response to broader eligibility criteria brought about in Budget 2022.<br><br>• Civil: Grown by the average growth rate from 2015-2022 (2023-2024 excluded because they were very large and have a distorting effect on the projections). The Ministry of Justice expects civil legal aid cases to grow modestly driven by largely refugee cases and broader eligibility criteria brought about in Budget 2022.<br><br>• Waitangi: Held at 2024 grants figure given the Ministry of Justice's own view being that Waitangi Tribunal cases are extremely hard to predict on a yearly basis. The decision to hold cases constant is erring on the side of being conservative. | |
| Efficiency factor | 20%<br><br>The efficiency factor relates to the expected average efficiency gain attributable to having legal representation provided through legal aid compared with a litigant who self-represents. This was sensitivity tested at 10% and 30% to test scenarios in which legal representation in New Zealand leads to lower or higher efficiency gains compared with in Australia respectively. | PwC Australia (2023) |
| Cost of operating the court per matter | $4,596.24 (NZD, 2025 $)<br><br>There are numerous factors which contribute to the cost of a particular matter that passes through the Courts. For the purpose of this analysis, an average across all the courts was used given the granularity of data needed to provide a view for each of the individual courts that see litigants with legal aid support was not available or up to date.<br><br>To derive the annual number of court matters, the court workload data for all courts that had data available was compiled. To derive the annual cost of operating the courts, Treasury's 2025 Budget appropriations spreadsheet was used by filtering for "Courts" vote line items in 2024 and further filtered for costs relating to courts there was no workload data for.<br><br>Once all the relevant cost items had been summed to a grand total, the grand total was divided by the number of disposed | Courts workload data, Treasury Budget 2025 data, Deloitte Access Economics analysis |

| | | |
|---|---|---|
| | cases in 2024. This yielded a cost per matter in 2024 nominal dollars which was then inflated to 2025 dollars.<br><br>This approach is not perfect and has a few limitations including that some cases will have been disposed of in 2024 but commenced in a prior year, so the costs are spread across multiple years. Further, other cases will have been brought to the court in 2024 but not resolved until a future year. In addition, workload data for certain courts did not break down to new business, disposed, and active. Some tribunals or smaller courts did not have up to date workload data.<br><br>This cost per matter is similar to what was found by PwC Australia ($7,711.03 adjusted to NZD 2025 $). The figure we calculated is lower than the PwC Australian figure likely driven by lower salaries for court staff in New Zealand. | |
| People who would self-represent | **18%** (Criminal cases), **25%** (Family cases), **23%** (Civil cases), **23%** (Waitangi Tribunal cases). *<br><br>Efficiency gains to the court will only occur from those litigants who would have self-represented in the absence of legal aid. The self-representation rate in New Zealand courts cannot be used because it does not account for the counterfactual of a litigant currently receiving legal aid not receiving it under the counterfactual. Therefore, research conducted in Northern Ireland was used to inform the proportion of litigants who would self-represent in the absence of legal aid.<br><br>We note these proportions may not hold exactly true in the New Zealand context. However, limitations around similar data availability in New Zealand meant that the use of research conducted in Northern Island was the best available evidence at hand.<br><br>It is important to note that the proportion of people who would self-represent absent legal aid is different from the proportion of people who currently self-represent. The proportions used in our model represent a counterfactual, a world without legal aid, and the proportions are based on the Value of Legal Aid in Northern Ireland study (2025) which specifically gauges what proportion of legal aid recipients would self-represent in a counterfactual scenario.<br><br>*Waitangi Tribunal cases are assumed to have the same self-representation rate as Civil cases. | Value of legal Aid in Northern Ireland Final Report (2025) |

**Benefit 2**: Reduced pain and suffering from more efficient proceedings

**Description**: The avoided mental and emotional hardship from more efficient proceedings.

**Equation**: $Total\ cost = \sum litigants \times time \times efficiency\ factor \times cost\ of\ pain\ and\ suffering \times people\ who\ would\ self\text{-}represent$

**Relevant Legal Aid type**: All

**Methodology source**: PwC Australia[70]

| Input | Value and assumptions | Source |
|---|---|---|
| Litigants | *See benefit 1* | *See benefit 1* |
| Time taken to resolve a matter | **504 days** (criminal), **191.5 days** (others)<br><br>The time taken to resolve a matter is defined here as the average length of time a trial takes to reach a resolution.<br><br>The assumed efficiency gain of legal representation over self-representation means that legal aid litigants are enduring the mental and emotional hardship of going through legal proceedings for a shorter amount of time.<br><br>There is a lack of conclusive data on the typical duration of a court proceeding, likely due to the highly variable nature of trial lengths. The evidence suggests that criminal trials typically take longer to resolve than other legal types, with a paper by Cronin et al. (2017) citing an average time to resolve matters in the high court at 191.5 days. Because court specific data was not readily available, this duration is assumed to apply to all courts.<br><br>For criminal matters, an answer to a question from parliamentarian Chris Penk to the then Minister for Courts was used as an indication of the average number of days for a criminal trial to be disposed. The answer, with data from the Ministry of Justice, states that the 12-monthly average age at disposal for criminal trial cases disposed from the High Court as at 30 September 2018 was 504 days. | Cronin et al., 2017 (others)<br><br>Chris Penk to the Minister for Courts, 2018 (criminal) |
| Efficiency factor | **20%**<br><br>The efficiency factor relates to the expected average efficiency gain attributable to having legal representation provided through legal aid compared with a litigant who self-represents. This was sensitivity tested at 10% and 30% to test scenarios in which legal representation in New Zealand leads to | PwC Australia (2023) |

[70] PwC "The benefits of providing access to justice" (2023).

| | | |
|---|---|---|
| | lower or higher efficiency gains compared with in Australia respectively. | |
| Cost of pain and suffering | **\$27.51 per day**<br><br>PwC Australia used a monetary of value of avoided suffering at \$22 AUD per day in 2022 terms. We converted this to NZD and inflated it to 2025 terms to arrive at the value above.<br><br>\$27.51 is slightly smaller than but comparable to the figure from the Northern Irish study of \$33.22, with our analysis taking the former to err on the side of being conservative and the fact that Australia is likely a more comparable jurisdiction to New Zealand than the United Kingdom.<br><br>Although New Zealand's Treasury CBAx has a monetary value for mental health, it was derived from a social housing study that we deemed as having limited applicability to our analysis of legal aid. It is also significantly lower than the values used in relevant international literature which suggests it is not an appropriate value to include in a non-housing CBA. As such, we relied on figures from the international literature as cited above. | PwC Australia (2023) |
| People who would self-represent | **18%** (Criminal cases), **25%** (Family cases), **23%** (Civil cases), **23%** (Waitangi Tribunal cases). *<br><br>Efficiency gains to the court will only occur from those litigants who would have self-represented in the absence of legal aid. The self-representation rate in New Zealand courts cannot be used because it does not account for the counter-factual of a litigant currently receiving legal aid not receiving it under the counterfactual. Therefore, research conducted in Northern Ireland was used to provide a defensible proportion of litigants who would self-represent in the absence of legal aid.<br><br>These proportions may not hold exactly true in the New Zealand context, however given the similarities of the Northern Irish legal system to New Zealand's, these figures are likely a robust indication. We also undertook sensitivity testing of self-representation rates in the absence of legal aid for this reason.<br><br>The proportion of people who would self-represent absent legal aid is different from the proportion of people who currently self-represent. The proportions used in our model represent a counterfactual, a world without legal aid, and the proportions are based on the Value of Legal Aid in Northern Ireland study (2025) which specifically gauges what proportion of legal aid recipients would self-represent in a counterfactual scenario.<br><br>*Waitangi Tribunal cases are assumed to have the same self-representation rate as Civil cases. | Value of legal Aid in Northern Ireland Final Report (2025) |

**Benefit 3**: Reduced household cost due to more efficient proceedings

**Description**: The avoided loss of litigants' income from more efficient proceedings.

**Equation**: $Total\ cost = \sum litigants \times time \times efficiency\ factor \times wage\ cost$

**Relevant Legal Aid type**: All

**Methodology source**: World Bank[71]

| Input | Value and assumptions | Source |
|---|---|---|
| Litigants | ***See benefit 1*** | ***See benefit 1*** |
| Average days per trial | **16.9 days**<br>This duration is based on High Court trials. We acknowledge that this is likely not representative of all court proceedings in New Zealand especially considering most cases go through district courts rather than higher courts such as the High Court. However, it likely provides a reasonably estimate of the length of a typical court proceeding accounting for the fact that additional time before the trial may be needed to prepare the case. | High Court of New Zealand Annual Review 2024 |
| Cost of lost wages | **$115.47 per day (2025, NZD $)**<br>To provide a conservative estimate of the typical legal aid recipient's income, the lowest income band from the Legal Services Act 2011 was used to provide an indication of the annual income of a litigant with no dependents. This comes out to $28,984 per year which divided by 251 working days in a year is $115.47 per day.<br>Without a view of what proportion of legal aid recipients are employed, this conservative earnings estimate is needed as an average figure as it is likely that some legal aid recipients will earn more than this amount while others will earn substantially less, or in some cases nothing at all.<br>This figure aligns with the lowest quintile of household earnings in New Zealand, thus providing a conservative estimate of the lost earnings. | Legal Services Act 2011 |
| Efficiency factor | **20%**<br>The efficiency factor relates to the expected average efficiency gain attributable to having legal representation provided through legal aid compared | PwC Australia (2023) |

[71] World Bank "A tool for justice: The cost benefit analysis of legal aid" (2019).

| | | |
|---|---|---|
| | with a litigant who self-represents. This was sensitivity tested at 10% and 30% to test scenarios in which legal representation in New Zealand leads to lower or higher efficiency gains compared with in Australia respectively. | |
| **People who would self-represent** | **18%** (Criminal cases), **25%** (Family cases), **23%** (Civil cases), **23%** (Waitangi Tribunal cases). *<br><br>Efficiency gains to the court will only occur from those litigants who would have self-represented in the absence of legal aid. The self-representation rate in New Zealand courts cannot be used because it does not account for the counter-factual of a litigant currently receiving legal aid not receiving it under the counterfactual. Therefore, research conducted in Northern Ireland was used to provide a defensible proportion of litigants who would self-represent in the absence of legal aid.<br><br>These proportions may not hold exactly true in the New Zealand context, however given the similarities of the Northern Irish legal system to New Zealand's, these figures are likely a robust indication. We also undertook sensitivity testing of self-representation rates in the absence of legal aid for this reason.<br><br>It is important to note that the proportion of people who would self-represent absent legal aid is different from the proportion of people who currently self-represent. The proportions used in our model represent a counterfactual, a world without legal aid, and the proportions are based on the Value of Legal Aid in Northern Ireland study (2025) which specifically gauges what proportion of legal aid recipients would self-represent in a counterfactual scenario.<br><br>*Waitangi Tribunal cases are assumed to have the same self-representation rate as Civil cases. | Value of legal Aid in Northern Ireland Final Report (2025) |

## Benefits: Avoided family violence

*Note that assumptions that are consistent between the different benefits in this category are only stated once.*

**Benefit 4**: Improved livelihood and wellbeing due to a reduction in family violence

**Description**: The avoided instances of family violence that may be incurred by an individual who receives improved legal outcomes through Legal Aid.

**Equation**: $Total\ cost = \sum litigants \times risk\ factor \times [outcome \times (associated\ outcome\ cost)] \times people\ who\ would\ not\ self\text{-}represent \times multiplier$

**Relevant Legal Aid type**: Family

**Methodology source**: PwC Australia[72]

| Input | Value and assumptions | Source |
|---|---|---|
| **Litigants** (total number of family violence victims who benefit from legal aid enabled interventions) | We used historic Legal Aid family law grants data from the Ministry of Justice, assuming one grant is equivalent to one litigant. The Ministry of Justice expenditure projections do not specify the underlying grants projections. However, they do provide commentary on the broad trends affecting them. Deloitte Access Economics interpreted the trends commented on in the Ministry of Justice's projections and reflected this in the expected number of grants in the future.<br><br>Family legal aid expenditure increase is largely driven by the increase in eligibility and remuneration to providers from Budget 2022. The increase in family legal aid was less than initially expected in light of eligibility changes, so the Ministry of Justice are expecting modest growth to continue. We reflect this by growing the number of grants by the average of the historic growth rate which is less than the growth rate from the past two years.<br><br>We assume that family violence avoided in one year leads to further avoidance of violence not only in that year but also in **four subsequent years**. We therefore calculate the number of litigants who benefit from avoided family violence using the cumulative sum of grants over four years. This was sensitivity tested at one and five years cumulatively to test scenarios in which legal aid prevents violence for one or five years respectively.<br><br>The four-year figure used above was based on a comprehensive study conducted by Safe Lives UK in 2022 that found the average length of abuse occurs for four years, however, this duration varies significantly across their sample. This was applied to the assumption that under the counterfactual, four years of abuse would be endured before help was received, and that therefore, successful legal aid prevents four years of additional suffering for that victim. | Legal Aid Grants (Ministry of Justice, 2025)<br><br>Legal Aid Projection 2024 (Ministry of Justice, 2024)<br><br>Safe Lives UK (2022) |
| **Risk factor** (proportion of family law cases | **13.75%** | Family Court Applications (Ministry of |

[72] PwC "The benefits of providing access to justice" (2023).

| | | |
|---|---|---|
| presenting with a risk of violence) | The average proportion of family violence cases out of all family law cases from 2015 to 2024. Not all Family cases relate to family violence. We use the proportion of family violence cases going through Family Court as a conservative measure of family law cases presenting with a risk of violence. | Justice, 2025) |
| **Outcome** (proportion of matters presenting as a high family violence risk) | **60.33%** (general violent offences), **7.22%** (sexual assault offences), and **0.44%** (burglary offences).<br>The Ministry of Justice has data on the number and proportion of charges for each offence relating to family violence. The offence types relating to family violence that are deemed high risk include:<br>1. Homicide and related offences<br>2. Acts intended to cause injury<br>3. Sexual assault and related offences<br>4. Dangerous or negligent acts endangering persons<br>5. Abduction, harassment and other offences against the person<br>6. Robbery, extortion and related offences<br>7. Unlawful entry with intent/burglary, break and enter<br>Our analysis separates high family violence risk into three categories based on the specific Treasury CBAx monetised values relevant to them. General violent offences (1, 2, 4, 5, 6), sexual assault offences (3) and burglary offences (7).<br>We took the average proportion of these three categories out of all charged family violence offences<br>It's assumed Legal Aid only helps to prevent violence in the most high-risk family violence case, given that legal intervention is not a guarantee against subsequent violence. This gives the analysis a suitable degree of conservativeness. | Family Violence Offences (Ministry of Justice, 2025) |
| **Cost** (cost of violence per incident to the individual) | **$27,966.50 (NZD, 2025 $)**<br>The per-incident cost of 'Violent Offences' (non-government).<br>**$226,399.98 (NZD, 2025 $)**<br>The per-incident cost of 'Sexual Offences' (non-government).<br>**$22,159.76 (NZD, 2025 $)**<br>The per-incident cost of 'Burglary'(non-government)<br>The Treasury CBAx is a tool for attributing monetary values to often intangible events. The monetised values of violent offences, sexual offences and burglary cited above come from a 2006 Treasury working paper that estimated the costs of crime in New Zealand in 2003 and 2004. The values from the working paper were inflated to 2025 dollars and reported in the CBAx spreadsheet. The age of these data-points is a limitation in the accuracy of the monetisation of family violence done through this cost benefit analysis. | Treasury CBAx Model<br>*Database* sheet, rows 251, 252, and 254 |

| | | |
|---|---|---|
| People who would not self-represent | 75% (for family law cases)<br><br>The benefit of avoided family violence is assumed to accrue only to those who would not self-represent and seek justice in the absence of legal aid. We arrived at this figure from a 2025 Northern Irish Legal Aid Review. This is likely a conservative figure as it applies to all family law cases. The subset of family law cases that are family violence related may have lower rates of self-representation in the absence of legal aid in practice given the highly vulnerable position victims of violence are in.<br><br>Specifically, the figure looked at the self-representation rate of 25% for family cases, and takes the remainder (75%) who would therefore not self-represent. | Value of legal Aid in Northern Ireland Final Report (2025) |
| Multiplier | 2.38x<br><br>Offenders can be charged and convicted of multiple offences against a particular person. The assumption that one successful legal aid case leads to one reduced act of violence against that individual victim in a given year is likely far too conservative in reality.<br><br>The multiplier was calculated based on data from the 2019 New Zealand Crime and Victims Survey. The survey provided a breakdown of the proportion of respondents by the number of violent acts they had been victim to over a 12-month period. The options were 1, 2-4, or 5+. A weighted average was calculated based on the proportions attributable to each category with the mid-point of the 2-4 range taken, and the lower bound of the 5+ category taken. The weighted average concluded that 2.38 acts of violence were experienced on average by each victim, a conservative estimate given the 5 was used in the calculations when some victims likely experienced far more than 5 acts of violence. | NZ Crime and Victims Survey (2019) |

**Benefit 5**: Avoided cost to government - family violence

**Description**: The avoided cost of family violence that may be incurred by the government if the litigant received inferior legal outcomes in the absence of Legal Aid.

**Equation**: $Total\ cost = \sum litigants \times risk\ factor \times outcome \times cost\ (government) \times people\ who\ would\ not\ self\text{-}represent \times multiplier$

**Relevant Legal Aid type**: Family

**Methodology source**: PwC Australia[73]

| Input | Value and assumptions | Source |
|---|---|---|
| **Litigants** (total number of family | We used historic Legal Aid family law grants data from the Ministry of Justice, assuming one grant is equivalent to one litigant. The | Legal Aid Grants |

[73] PwC "The benefits of providing access to justice" (2023).

| | | |
|---|---|---|
| violence victims who benefit from legal aid enabled interventions) | Ministry of Justice expenditure projections do not specify the underlying grants projections. However, they do provide commentary on the broad trends affecting them. Deloitte Access Economics interpreted the trends commented on in the Ministry of Justice's projections and reflected this in the expected number of grants in the future.<br><br>Family legal aid expenditure increase is largely driven by the increase in eligibility and remuneration to providers from Budget 2022. The increase in family legal aid was less than initially expected in light of eligibility changes, so the Ministry of Justice are expecting modest growth to continue. We reflect this by growing the number of grants by the average of the historic growth rate which is less than the growth rate from the past two years.<br><br>We assume that family violence avoided in one year leads to further avoidance of violence not only in that year but also in **four subsequent years**. We therefore calculate the number of litigants who benefit from avoided family violence using the cumulative sum of grants over four years. This was sensitivity tested at one and five years cumulatively to test scenarios in which legal aid prevents violence for one or five years respectively.<br><br>The four-year figure used above was based on a comprehensive study conducted by Safe Lives UK in 2022 that found the average length of abuse occurs for four years, however, this duration varies significantly across their sample. This was applied to the assumption that under the counterfactual, four years of abuse would be endured before help was received, and that therefore, successful legal aid prevents four years of additional suffering for that victim. | (Ministry of Justice, 2025)<br><br>Legal Aid Projection 2024 (Ministry of Justice, 2024)<br><br>Safe Lives UK (2022) |
| **Risk factor** | **13.75%**<br><br>The average proportion of family violence cases out of all family law cases from 2015 to 2024. Not all Family cases relate to family violence. We use the proportion of family violence cases going through Family Court as a conservative measure of family law cases presenting with a risk of violence. | Family Court Applications (Ministry of Justice, 2025) |
| **Outcome** (proportion of matters presenting as a high family violence risk) | **66.77%**<br><br>The average proportion of family violence convictions that were for serious offences from 2015 to 2024. These offences include:<br>- Homicide and related offences<br>- Acts intended to cause injury<br>- Sexual assault and related offences<br>- Dangerous or negligent acts endangering persons<br>- Abduction, harassment and other offences against the person<br>- Robbery, extortion and related offences<br>- Unlawful entry with intent/burglary, break and enter | Family Violence Offences (Ministry of Justice, 2025) |
| **Cost** (cost of violence per | **$7,030.86 (NZD, 2025 $)**<br><br>The per-incident cost of 'All Other Offences' (government). | Treasury CBAx Model |

| | | |
|---|---|---|
| incident to government) | | *Database* sheet, row 260 |
| **People who would not self-represent** | **75% (for family law cases)**<br>The benefit of avoided family violence is assumed to accrue only to those who would not self-represent and seek justice in the absence of legal aid. We arrived at this figure from a 2025 Northern Irish Legal Aid Review. This is likely a conservative figure as it applies to all family law cases. The subset of family law cases that are family violence related may have lower rates of self-representation in the absence of legal aid in practice given the highly vulnerable position victims of violence are in.<br>Specifically, the figure looked at the self-representation rate of 25% for family cases, and takes the remainder (75%) who would therefore not self-represent. | Value of legal Aid in Northern Ireland Final Report (2025) |
| **Multiplier** | **2.38x**<br>Offenders can be charged and convicted of multiple offences against a particular person. The assumption that one successful legal aid case leads to one reduced act of violence against that individual victim in a given year is likely far too conservative in reality.<br>The multiplier was calculated based on data from the 2019 New Zealand Crime and Victims Survey. The survey provided a breakdown of the proportion of respondents by the number of violent acts they had been victim to over a 12-month period. The options were 1, 2-4, or 5+. A weighted average was calculated based on the proportions attributable to each category with the mid-point of the 2-4 range taken, and the lower bound of the 5+ category taken. The weighted average concluded that 2.38 acts of violence were experienced on average by each victim, a conservative estimate given the 5 was used in the calculations when some victims likely experienced far more than 5 acts of violence. | NZ Crime and Victims Survey (2019) |

## Costs

| Input | Value and assumptions | Source |
|---|---|---|
| Cost projections | **2026-2030 financial years (FY26-FY30)**<br>The model period includes five years of analysis.<br>These are the costs to the Government of running the legal aid scheme. These costs are incremental to the counterfactual of legal aid not existing because the government would not incur any explicit costs of providing legal aid in the absence of the scheme. There are costs associated with not providing legal aid, however where appropriate these have been captured as avoided costs in the benefit side of our calculations. | Ministry of Justice Legal Aid Projections (2024) |
| Inflation rate | **2.6%**<br>June 2024 to June 2025 projected inflation rate as per the May 2025 RBNZ Monetary Policy Statement. This was used to inflate the projected costs in the Ministry of Justice projections to 2025 constant prices. | Reserve Bank of New Zealand (2025) |

**Ministry of Justice legal aid cost projections ($m) inflated to 2025 constant prices.**

| | Criminal | Family | Civil | Waitangi |
|---|---|---|---|---|
| **FY26** | $197.7 | $70.9 | $15.6 | $17.6 |
| **FY27** | $199.2 | $72.1 | $15.4 | $17.8 |
| **FY28** | $199.2 | $72.6 | $15.6 | $18.1 |
| **FY29** | $199.2 | $72.6 | $15.6 | $18.3 |
| **FY30*** | $199.2 | $72.6 | $15.6 | $18.3 |

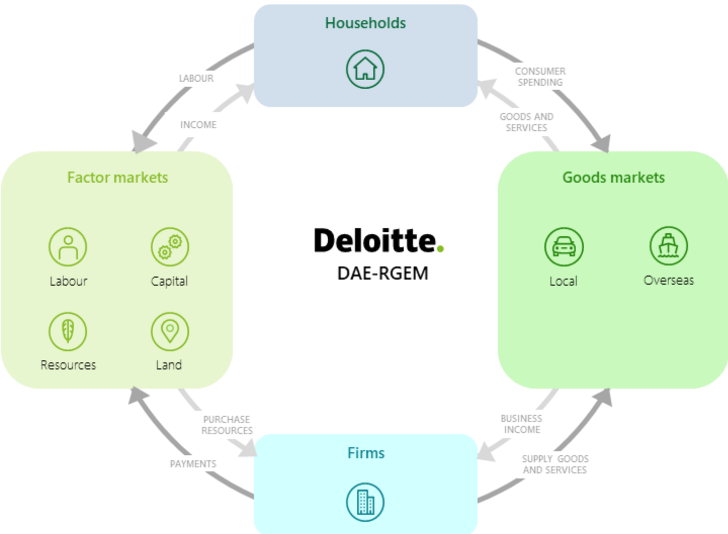
Source: Ministry of Justice, Deloitte Access Economics. *FY30 Costs were not available in the Ministry of Justice projections. For modelling these were assumed to be the same as FY29 in line with the general trend of each legal aid type.

# Technical Appendix 2: Computable general equilibrium modelling

## Introducing DAE-RGEM

The Deloitte Access Economics – Regional General Equilibrium Model (DAE-RGEM) is a large scale, dynamic, multi-region, multi-commodity computable general equilibrium model of the world economy with bottom-up modelling of New Zealand regions. The model allows policy analysis in a single, robust, integrated economic framework. This model projects changes in macroeconomic aggregates such as GDP, employment, export volumes, investment and private consumption. At the sectoral level, detailed results such as output, exports, imports and employment can also be produced. A stylised diagram of DAE-RGEM is provided below.

Figure 12: Stylised diagram of DAE-RGEM




Source: Deloitte Access Economics

The model is based upon a set of key underlying relationships between the various components of the model, each of which represent a different group of agents in the economy. These relationships are solved simultaneously, and so there is no logical start or end point for describing how the model actually works. However, they can be viewed as a system of interconnected markets with appropriate specifications of demand, supply and the market clearing conditions that determine the equilibrium prices and quantity produced, consumed and traded.

## Modelling the economic impacts of legal aid services

The economic impact of legal aid services in New Zealand has been modelled by considering two future 'what-if' scenarios for the New Zealand economy:

1) **A baseline scenario**, where legal aid services in New Zealand do not exist. This scenario is calibrated by aligning DAE-RGEM to macroeconomic projections for GDP, employment, labour supply and population for the New Zealand and global economies (from a mixture of in-house macroeconomic projects and forecasts from the IMF).
2) **A what-if scenario**, based on a 'status-quo' assumption of continued access to legal aid in New Zealand. This scenario is modelled by applying a series of 'shocks' to estimate deviations from the baseline scenario which may be expected as a result of the removal of legal aid services.

Under the what-if scenario, the following shocks have been applied to DAE-RGEM:

1) **A legal services output subsidy shock**: To model the economic activity generated by legal aid (through creating additional demand for legal services), a shock has been applied to mimic legal aid acting as a 'subsidy' for households accessing legal services. This shock is applied to the Business Services industry in DAE-RGEM (which includes legal services).
2) **A government services productivity shock**: To model the government services efficiencies (both inside and outside the justice system) which are attributable to the legal aid system, we have introduced government services productivity shock.
3) **An effective household disposable income shock**: To model the savings to households which legal aid generated through more efficient legal proceedings, we have introduced a shock to increase labour force participation in the what-if scenario. This shock mimics the avoided need for individuals to take time off work to self-represent.
4) **A labour productivity shock**: The decreased occurrence of domestic and family violence resulting from legal aid services has a livelihood and wellbeing impact, which has been quantified in the CBA. However, this benefit is comprised of a broad number of aspects, some of which are incompatible with a CGE modelling framework. For the purposes of our economic impact assessment, we have therefore restricted the livelihood and wellbeing benefit to just the component related to 'lost output'. The livelihood and wellbeing parameter from CBAx is derived from an underlying 2003 study from the United Kingdom Home Office. This study found that the lost output per violent incident against the person is £1,648 (2003/04 GBP).[74] However, this parameter (while from the same study used by Treasury's CBAx) relates to the UK and is averaged across the UK population. To account for the potential that the average recipient of legal aid in New Zealand may be more likely to be lower income, under/unemployed or unengaged in the labour force, we have considered the lost output per incident as a percentage of median UK incomes in 2003. We have then applied this percentage to our assumed average income of grant recipients ($28,894) to get lost output per incident of $2,565.62. This has been used to apply a negative labour productivity shock to DAE-RGEM, mimicking the reduced economic output resulting from the labour productivity impacts of experiencing a violent incident.

## Model configuration

For the purposes of this modelling exercise, DAE-RGEM has been configured at the national level for the New Zealand economy, with international regions of Australia and 'Rest of World' (capturing all countries except New Zealand and Australia). The table below outlines the industry disaggregation of DAE-RGEM used for this modelling.

Table 11: Industry aggregation of DAE-RGEM

| Industry |
|---|
| Agriculture |
| Forestry |
| Mining |
| Manufacturing |
| Electricity (Clean) |
| Electricity (Conventional) |
| Electricity Transmission and Distribution |

[74] Home Office "The economic and social costs of crime against individuals and households 2003/04: Home Office online report 30/05" (June 2005) at Table 2.1, <https://assets.publishing.service.gov.uk/media/5a747fb0e5274a7f9c586771/Green_Book_supplementary_guidance_economic_social_costs_crime_individuals_households.pdf>.

| |
|---|
| Water |
| Construction |
| Trade |
| Accommodation and Food Services |
| Road Transport |
| Water Transport |
| Air Transport |
| Financial and Insurance Services |
| Business Services |
| Other Services |
| Government Services |
| Dwellings |

Source: Deloitte Access Economics

## Components of DAE-RGEM and key linkages

### Households

Each region in the model has a so-called representative household that receives and spends all income. The representative household allocates income across three different expenditure areas: private household consumption; government consumption; and savings.

The representative household interacts with producers in two ways. First, in allocating expenditure across household and government consumption, the representative household generates demand for production. Second, the representative household owns and receives all income from factor payments (labour, capital, land and natural resources) as well as net taxes. Factors of production are used by producers as inputs into production along with intermediate inputs. The level of production, as well as supply of factors, determines the amount of income generated in each region.

The representative household's relationship with investors is through the supply of investable funds – savings. The relationship between the representative household and the international sector is twofold. First, importers compete with domestic producers in consumption markets. Second, other regions in the model can lend (borrow) money from each other.

- The representative household allocates income across three different expenditure areas – private household consumption; government consumption; and savings – to maximise a Cobb-Douglas utility function.
- Private household consumption on composite goods is determined by minimising a CDE (Constant Differences of Elasticities) expenditure function. Private household consumption on composite goods from different sources is determined is determined by a CRESH (Constant Ratios of Elasticities Substitution, Homothetic) utility function.
- Government consumption on composite goods from different sources, is determined by maximising a Cobb-Douglas utility function.
- All savings generated in each region is used to purchase bonds whose price movements reflect movements in the price of generating capital.

### Producers

Apart from selling goods and services to households and government, producers sell products to each other (intermediate usage) and to investors. Intermediate usage is where one producer supplies inputs to another's production. For example, milk producers supply inputs to the dairy sector.

Capital is an input into production. Investors react to the conditions facing producers in a region to determine the amount of investment. Generally, increases in production are accompanied by increased investment. In addition, the creation of machinery, buildings and other goods that form a region's capital stock is undertaken by producers. In other words, investment demand adds to household and government expenditure from the representative household. To determine the demand for goods and services, producers interact with international markets in two main ways. First, they compete with producers in overseas regions for export markets, as well as in their own region. Second, they use inputs from overseas in their production.

Sectoral output equals the amount demanded by consumers (households and government) and intermediate users (firms and investors) as well as exports.

Intermediate inputs are assumed to be combined in fixed proportions at the composite level.

To minimise costs, producers substitute between domestic and imported intermediate inputs based on an Armington assumption as well as between primary factors of production (through a CES aggregator).

The supply of labour is positively influenced by movements in the wage rate governed by an elasticity of supply (assumed to be 0.2). This implies that changes influencing the demand for labour, positively or negatively, will impact both the level of employment and the wage rate. This is a typical labour market specification for a dynamic model such as DAE-RGEM. There are other labour market 'settings' that can be used. First, the labour market could take on long-run characteristics with aggregate employment being fixed with any changes to labour demand being absorbed through movements in the wage rate.

Second, the labour market could take on short-run characteristics with fixed wages and flexible employment levels

## Investors

Investment takes place in a global market and allows for different regions to have different rates of return that reflect different risk profiles and policy impediments to investment. The global investor ranks countries based on two factors: current economic growth and rates of return in a given region compared with global rates of return.

Once aggregate investment is determined in each region, the regional investor constructs capital goods by combining composite investment goods in fixed proportions, and minimises costs by choosing between domestic, imported and interregional sources for these goods via a CRESH production function.

## International

Each of the components outlined above operate, simultaneously, in each region of the model. That is, for any simulation, the model forecasts changes to trade and investment flows within, and between, regions subject to optimising behaviour by producers, consumers and investors. Of course, this implies some global conditions that must be met, such as global exports and global imports, are the same and that global debt repayment equals global debt receipts each year.

# Disclaimer

## Restrictions and limitations

This report is commissioned by and in accordance with the scope agreed with our addressee client the NZLS. This report is based on the specific facts and circumstances relevant to our addressee client. Our report is intended to inform the NZLS's submission on the Legal aid scheme review.

This report includes a compilation of evidence from desktop research and data sources. Some of the evidence presented, particularly from the desktop research, are perspectives provided from third parties, which may not necessarily represent the view of Deloitte.

Deloitte, its partners, principals, employees, and agents make no statements or representations whatsoever concerning this report, and the reader acknowledges that it may not rely on any such statements or representations made or information contained within this report.

The Deloitte team responsible for this report remained entirely separate from the auditing of the NZLS.

## Reliance on information

In preparing this report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that is available from public sources

We reserve the right to review the analysis and conclusions included or referred to in this report and, if we consider it necessary, to revise our work in the light of any information existing at the current date which becomes known to us after the date of this report.

This report has been prepared with care and diligence and the statements and conclusions in this report are given in good faith and in the belief, on reasonable grounds, that such statements and conclusions are not false or misleading. However, in no way do we guarantee or otherwise warrant any statements, forecasts or scenarios.

Scenarios are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, which may be beyond the control of the NZLS and its management. Actual results will vary from the scenarios and these variations may be significantly more or less favourable.

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