MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

The Families Package

Final Report 2023

MSD Strategy and Insights
better
insights ▸ decisions ▸ lives

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Summary

The Families Package was introduced in 2018 to help improve incomes for low- and middle-income families with children

The Families Package was made up of the following changes:

Boosting incomes of low-and middle-income families by increasing the **Family Tax Credit by up to $26.81** and raising the **Working for Families** abatement threshold from 1 July 2018.

Helping older New Zealanders and people receiving a main benefit heat their homes by introducing a **Winter Energy Payment of up to $31.82 a week** from 1 July 2018.

Helping families in a child's early years and providing more choice around working and caring in a child's first three years of life by introducing a **Best Start tax credit of $60 a week** (replacing the Parental Tax Credit) and increasing **paid parental leave** from 18 to 26 weeks from 1 July 2018.

Increasing the **Accommodation Supplement by up to $80** and **Accommodation Benefit by $20** from 1 April 2018, by implementing changes that had been announced in the 2017 Budget.

Increasing financial assistance for carers by increasing the rate of **Orphan's Benefit, Unsupported Child's Benefit** and **Foster Care Allowance by $20.31 a week** from 1 July 2018.

Reinstating the **Independent Earner Tax Credit.** This provides up to $520 a year to people earning between $24,000 and $48,000 who do not benefit from Working for Families tax credits or other income support payments.

Since 2018, other income support reforms have been introduced with the aim of increasing incomes, reducing child poverty, and improving wellbeing. These have included increases to main benefits, increases to the income thresholds above which benefits begin to abate, and removal of section 192 deductions (formerly section 70A) that had applied to the benefits of sole parents who did not identify the other parent of their child and apply for child support.

This final report draws together findings from our work looking at the difference the Families Package made

Work looking at reforms since the Families Package is ongoing.

More than half of families with children received extra income from the Families Package. Mothers eligible for Best Start and extended paid parental leave gained an additional $6,600 on average by their child's third birthday. Lower income mothers who qualified for Best Start for the full three years had larger than average gains, with mothers supported by benefit gaining $10,200 on average.

The Winter Energy Payment had statistically significant positive effects on measures of economic wellbeing in winter months.

After two years an estimated **90% of the extra increase in accommodation assistance was captured by Accommodation Supplement recipients** as an extra increase in after-rent income. There was also no evidence that the Accommodation Supplement changes led to notable increases in rent.

Two studies that investigated the extent to which increases in assistance create a disincentive to work found that the **practical impacts of disincentives to work appear small.**

Looking at the combined effect of the Families Package and other 2018-2022 income support changes, in real terms, **total incomes after housing costs of people supported by main benefits were, on average, 43% higher in 2022 than in 2018.** The proportion of people supported by main benefit who said that they have enough income to meet their everyday needs increased, but some families are still struggling to cover their essential costs when supported by a main benefit.

Child poverty measures fell downwards between 2017/2018 and 2021/22. This continued a longer period of decline. Despite a narrowing of differences between ethnic groups, in 2021/22, 1 in 5 tamariki Māori, 1 in 4 Pacific children and 1 in 5 children impacted by disability lived in households experiencing material hardship. These rates compared with 1 in 10 for all children.

Income adequacy, improving take-up and awareness of income support payments, and improving people's experiences of claiming payments are areas for continued focus. These findings are informing policy reviews and service delivery improvements. New research projects getting underway are building the evidence base on income adequacy and costs for whānau affected by health conditions and/or disability.

Receipt of the Families Package and changes in incomes

The Families Package increased financial assistance for most families with children in the first year following its implementation

More than half of all families with children received Families Package payments in 2018/19. These families received $55 p/w more from Families Package payments in 2018/19 than 2017/18 on average, and had a 6% increase in average gross and net income from 2017/18 to 2018/19.

Three quarters of the average increase in Families Package income came from Family Tax Credit and Accommodation Supplement.

Consistent with the policy design, all families with children receiving main benefits in 2018/19 gained income from the Families Package.

Looking across families who received Families Package payments, families receiving main benefits had the highest average income gain from payments ($74 p/w compared with $49 p/w for families not receiving main benefits, and $55 p/w overall).

More detailed findings are available **here.**

Extra gains for new cohorts of families with infants and toddlers from the early-years changes

Mothers in the first cohort to qualify for Best Start and extended paid parental leave gained an additional $55 p/w as a result of being in that cohort in the first six months after their baby was born.

This is equivalent to an extra 10% increase in their income, on top of income gains from other parts of the Families Package.

Mothers eligible for paid parental leave spent seven months with no wages and salaries in the first 12 months post-birth on average.

Being in the first cohort to qualify for the early-years changes increased this time by just under a week, on average.

More detailed findings are available **here**.

Families Package payments play an important role in providing financial assistance to older New Zealanders and families on low- and middle-incomes

In the tax year ended March 2021, around **$2.1 billion** was spent on Family Tax Credits (for weekly, fortnightly, and yearly payments) by IR and MSD. The number of recipient families was **273,900.**

Best Start was received by around **112,300** families during the tax year ended March 2021.

The number of parents and caregivers receiving paid parental leave increased from **17,300** in March 2018 to **25,000** in March 2021.

The Winter Energy payment helped over **1.2 million** adults in 2022, including partners of recipients.

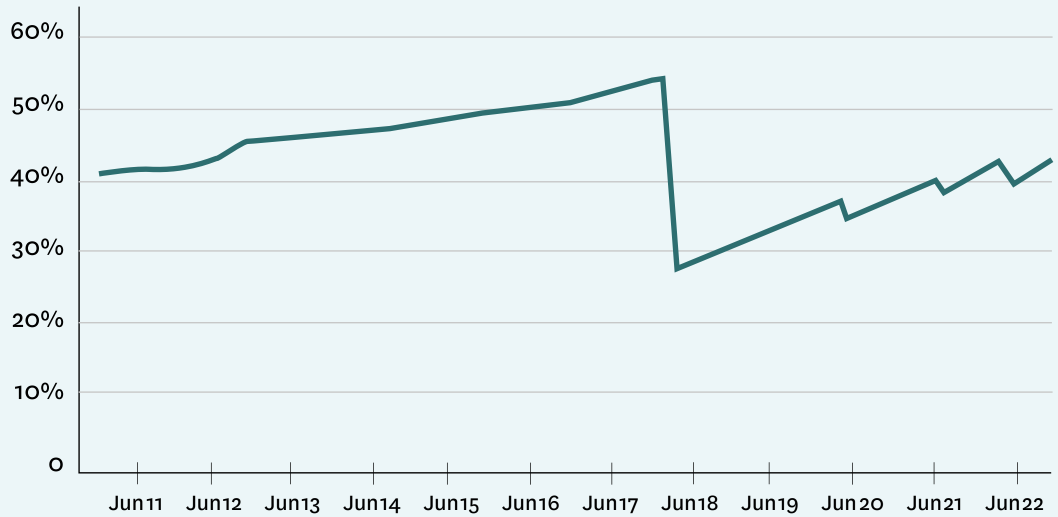
The number of Accommodation Supplement recipients was **344,700** at the end of June 2022.

The percentage of Accommodation Supplement recipients receiving the maximum payment dropped from **56% to 26%** after the Families Package changes. It has since rebounded, to **42%** at the end of June 2022.

This rebound tells us that some of the income gains have been offset by increased accommodation costs since the Families Package was introduced.

More detailed monitoring data are available **here**.

% of Accommodation Supplement recipients receiving the maximum payment for their area



The total incomes received by people supported by main benefits have increased

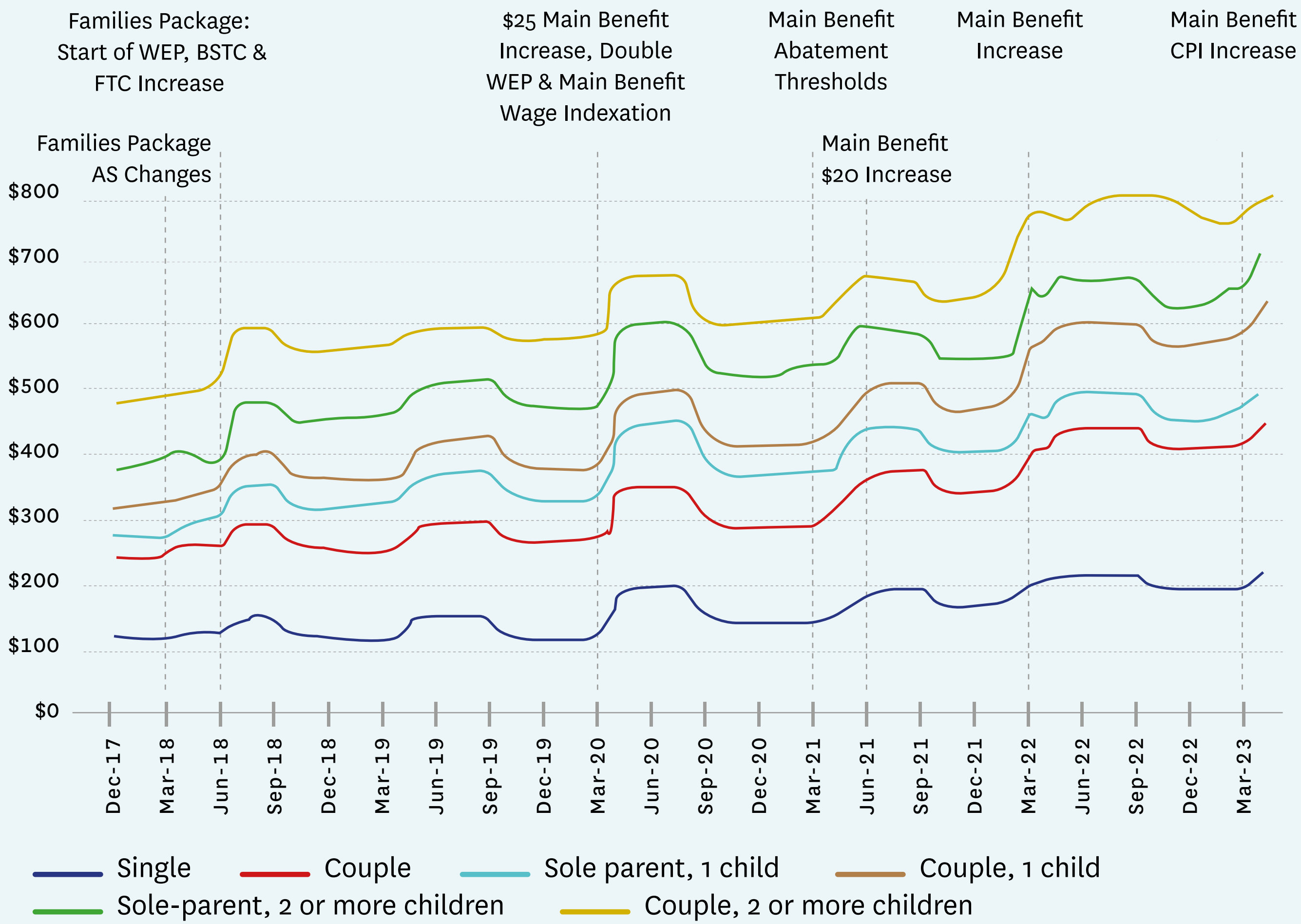
MSD has begun to report annually on these trends. Total incomes include benefit payments, Working for Families tax credits, and earned and other income.

The first annual report shows how the 2018 Families Package and 2020-2023 reforms increased the average incomes of different family types supported by main benefits.
The income gains were largest and occurred earliest for families with children.

In real terms, total incomes after housing costs of people supported by main benefits were, on average, 48% higher in 2023 than at the end of 2017.

More detailed findings are available **here.**

Average total incomes of people receiving main benefits after housing costs, not inflation adjusted.



Comparing 2023 total incomes by ethnic group shows that among families with children receiving main benefits, families with a Māori or Pacific caregiver tend to have higher total incomes after housing costs. This may reflect factors such as larger family sizes. Single Māori clients have lower total incomes after housing costs compared to other ethnic groups, which could reflect regional trends, population demographics relating to age and benefit type, and different levels of take-up for different main benefits, and for supplementary and hardship assistance. Further analysis is required to understand the drivers of these differences.

Estimating the difference parts of the Families Package made

The Winter Energy Payment had positive effects on measures of economic wellbeing

We commissioned Motu Economic and Public Policy Research to estimate the impact of the Winter Energy Payment on a range of outcomes. The Winter Energy Payment is payable to people receiving New Zealand Superannuation (NZS), Veteran's Pension (VP), or a working-age main benefit.

It is relatively small ($20–$32 pw in winter months) and might therefore be expected to have small effects. Because the sample sizes in the surveys available for estimation of effects were also small, it proved challenging to detect statistically significant effects.

Although only a few of the estimated effects were statistically significant, the direction of results suggest that during the winter months recipients spent more on energy, required less hardship assistance, and experienced improvements in some health and wellbeing outcomes.

Effects were not estimated by ethnic group due to estimation challenges and small sample sizes.

Estimated effects in 2018 and 2019 (statistically significant results in **bold**)	Where at least one household member received NZS or VP	Where at least one household member received a working-age main benefit
The share of household spending that went on energy	Up	Up
% saying they put up with feeling cold	Down	Up
% saying their house was damp and mouldy	Down	**Up**
% saying their house was cold	Up	**Up**
% saying they had difficulty paying utility bills	Up	Down
% saying they would struggle with an unexpected bill	Down	**Down**
% saying they had not enough income to meet their needs	Down	**Down**
Overall life satisfaction	Up	Down
% that received hardship assistance	Down	**Down**
% with a hospitalisation that could be related to housing conditions	Down	Down
Length of these hospital stays	Up	Mixed
Cost of these hospital stays	Up	Down
Rate of moving onto a main benefit	n/a	Up
Rate of moving off a main benefit	n/a	Down
$ Earned income from wages and salaries	Down	Down

The Winter Energy Payment changed financial incentives by reducing the gap between income on benefit and in work in the winter months. The direction of results suggests people responded with higher rates of benefit receipt and lower earnings in winter, but none of those effects were statistically significant.

A separate study prepared by researchers from the Social Wellbeing Agency has estimated the effect of being eligible for the the Winter Energy Payment in 2020, when the payment was doubled as part of the intital response to COVID-19. Results from that study show statistically significant positive impacts on the percentage saying they had enough income to meet their needs, and how people rated their family's wellbeing.

More detailed findings are available **here** and **here**.

Changed financial incentives from the increased abatement threshold for Working for Families had no impact on earnings

Understanding people's responsiveness to different financial incentives in income support settings is important for policy development.

Another study by Motu Economic and Public Policy Research looked at whether parents responded to changed work incentives that resulted from increasing the abatement threshold for Working for Families as part of the Families Package.

The study focused on only one aspect of the changes in financial incentives that occurred with the Families Package.

The Families Package increased the abatement threshold at which Working for Families tax credits begin to reduce

from $36,350 to $42,700,

and increased the abatement rate

from 22.5% to 25%

It also increased payment rates. These changes were effective from 1 July 2018.

The change in the threshold allowed parents to earn more before the maximum Family Tax Credit began to be reduced. The increased abatement rate also reduced the value of each dollar earned beyond the threshold, making it more costly to cross the threshold.

If parents responded to these changes in 'effective marginal tax rates', we would expect to see a bunching of incomes around abatement thresholds and a shift in this bunching from old to new thresholds.

The study found no evidence of this occurring, or any indication of responsiveness to other Working for Families thresholds. This held for both wage and salary earners and those with self-employment income, and for both sole and two-parent families.

In contrast to the lack of bunching at the Working for Families thresholds, there was clear evidence of bunching in parents' incomes around the top two personal income tax rate thresholds.

This suggests the method used by the researchers was able to identify labour supply responses if they existed. Effects were not estimated by ethnic group due to the absence of any indication of effects in the overall analysis.

Results from this study differ from findings from the United States, where there is evidence of bunching around Earned Income Tax Credit thresholds, especially for self-employed parents.

Evidence of bunching tends to be found for high visibility and easily understood thresholds which have large impacts on disposable incomes. The Working for Families thresholds may not share these characteristics. This might be in part because of the relative complexity of the system of payments, making it difficult for parents to identify the effective marginal tax rates they face.

People may respond more to other changes in financial incentives to work.

More detailed findings are available **here**.

After three years, there were large income gains for mothers who qualified for Best Start and extended paid parental leave

Families who had children born before and after implementation of the Families Package qualified for very different levels of financial assistance in the pre-natal period and in their children's early years.

We estimated the effects on mothers' incomes from six months before their babies were born to their children's third birthdays.

The income gains offer opportunities for other researchers to generate new evidence on the causal effects of increased income in children's early years on lifecourse outcomes and inequalities.

Compared with mothers with births before any of the Families Package changes were implemented, mothers with births after the reform gained a total of $6,600 extra financial assistance on average. This was equivalent to a 16% increase in total financial assistance.

The gains occurred mainly through differences in their access to Best Start and the extended Paid Parental Leave, but also through exposure to other Families Package changes from an earlier point in their child's early years.

The average $ gain was greater for mothers on lower incomes, who were the most likely to qualify for the full three years of Best Start. This included mothers supported by benefit (who gained $10,200 on average, a 10% gain in total financial assistance), Māori mothers ($9,600, a 13% gain) and Pacific mothers ($8,800 a 14% gain).

It appears that the process of applying for Best Start **increased receipt of other Working for Families tax credits** among parents who may not otherwise have applied for them. This was especially the case for Asian mothers. Parents were invited to apply for the new Best Start tax credit as they registered the birth of their child through a new 'SmartStart' online tool. As part of this process, they gave consent for Inland Revenue to use the information they provided to determine their eligibility for other payments. Our results indicate that there is room for Working for Families take-up rates to be improved overall. They are consistent with other research that shows that take-up can be increased through system changes that more proactively invite and streamline initial applications and subsequent reapplications for those with potential eligibility.

One of the intentions of the policy was to provide more choice around working and caring in a child's first three years of life. We found **no statistically significant change in mothers' income from other sources** over the three and a half years, including their total cumulative income from employment.

More detailed findings from this study will likely be published in **Policy Quarterly** in November 2023.

Increases to the Accommodation Supplement led to increases in recipients' after-rent income

We commissioned Motu Economic and Public Policy Research to look at whether the 2018 Accommodation Supplement increases led to increased rents.

Results from their study suggest the increases did not lead to a notable increase in rents charged to tenants receiving Accommodation Supplement.

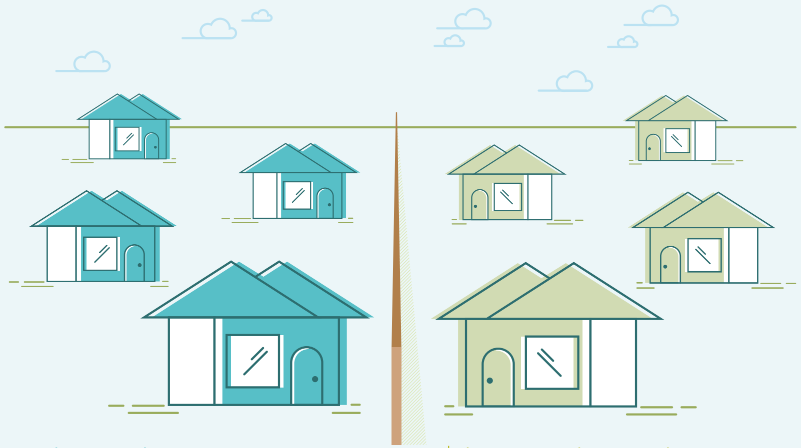
There was no evidence of any effect on the rents of Accommodation Supplement recipients who stayed in the same house.

A summary of findings is **here**.

More detailed findings are available **here**.

The Accommodation Supplement changes increased the maximum possible Accommodation Supplement. The policy was designed to help catch up with differences in housing cost growth across the country after more than a decade in which maximum rates had remained unchanged. This meant the size of the increase in maximum rates was uneven across areas.

The Motu study used this unevenness to see if increased accommodation support impacted on rents. The study did this by looking at what happened to total accommodation support and what happened to rents paid by Accommodation Supplement recipients on each side of the boundaries between areas that got larger increases in maximum rates and areas that got smaller increases.



Controlling for changes in the composition of recipients and the boundary areas, the results suggest that **after two years around 90% of the extra increase in assistance was captured by Accommodation Supplement recipients as an extra increase in after-rent income.**

- for Māori recipients, the proportion captured as extra after-rent income was 87%
- for Pacific recipients, the proportion was 96%

The Motu team looked at what explained changes they saw in composition of recipients. They found that new Accommodation Supplement recipients with higher rents on the side with larger increases in maximum rates explained the larger increase in rents in those areas. This could have reflected landlords charging higher rents for new tenants **or** new tenants being able to afford better housing because of increased accommodation support.

For recipients who did not move and who continued receiving Accommodation Supplement throughout the study period, **average rent increases were almost the same on the two sides.**

Increases to the Accommodation Supplement did not cause notable rent increases

Accommodation Supplement increases do not appear to be an important driver of the long-term growth in rents that is occurring.

A summary of findings is **here**.

More detailed findings are available **here**.

This plot shows long-term trends based on:

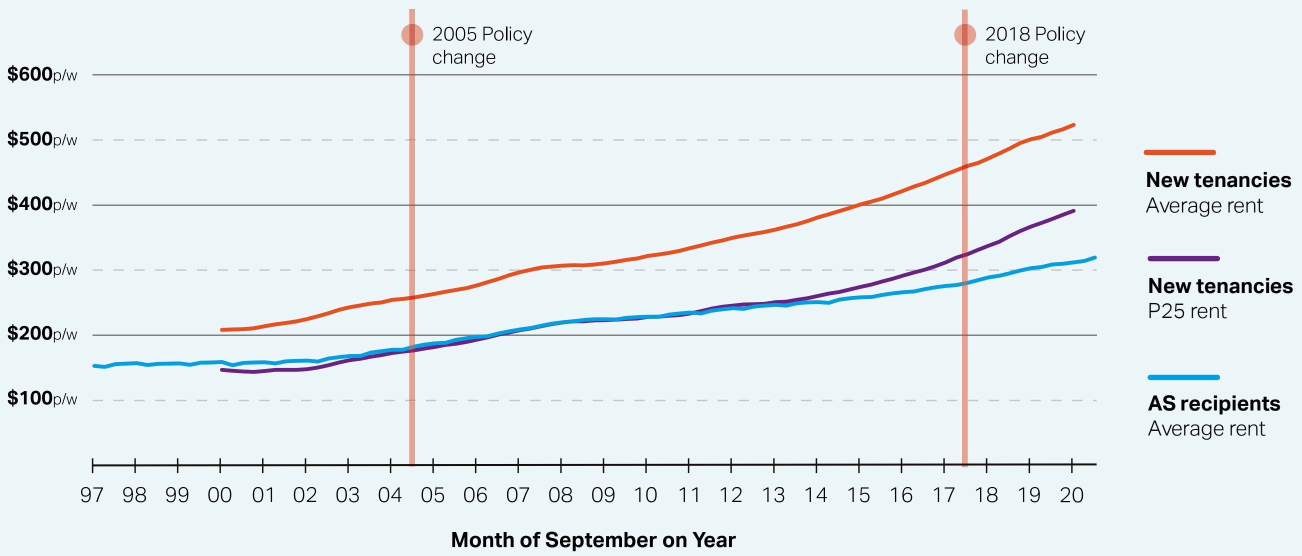
- rents paid by Accommodation Supplement recipients
- rents paid in new tenancies, from Tenancy Bonds data – the 25th percentile (P25) marks the top of the bottom quarter of new tenancy rents.

The average rent of Accommodation Supplement recipients corresponds closely to the 25th percentile of new tenancy rents until about 2013. After that the 25th percentile of new tenancy rents increased faster than the average rent of Accommodation Supplement recipients.

Over the 20 years to September 2020, the average annual increase in rents for Accommodation Supplement recipients was 3.4%, compared to 5.0% for the 25th percentile of new tenancy rents and 4.7% for the average new tenancy rents.

These long-term trends show no noticeable change around the time of 2018 changes, or around the time of the previous 2005 adjustment to Accommodation Supplement maximum rates. Instead, it appears trend increases in rents started 2-3 years before each of these dates.

Average Weekly Accommodation Supplement and New Tenancy Rents - All areas



How child poverty and economic wellbeing changed

Child poverty rates fell following the Families Package

This continued a longer period of decline.

Steps towards reducing child poverty continue. The 2021 Budget increased the weekly main benefit rates by $32 to $55 per adult, bringing them in-line with a key recommendation of the Welfare Expert Advisory Group. Some of this increase was introduced in July 2021 and the rest took effect in April 2022.

Other initiatives have been introduced to address material hardship and directly help children and their families in areas such as housing, employment, and direct services like food in schools and the Care in the Community welfare response to COVID-19.

In 2018, the Government made reducing child poverty a priority. The Child Poverty Reduction Act 2018, set out three primary measures of child poverty and six supplementary measures. These measures are considered together because no single measure tells a complete story of child poverty.

The primary measures are:

The number of children in households with incomes much lower than a typical ('fixed line') 2018 household, **after they pay for housing costs.**

In 2021/22

15.4%

of all children were living in poverty on this measure, down from 22.8% in 2017/18.

The number of children in households with much lower incomes than a typical household, **before they pay for housing costs.**

In 2021/22

12.0%

of all children were living in poverty on this measure, down from 16.5% in 2017/18.

A measure of lack of access to the essential items for living – **material hardship.**

In 2021/22

10.3%

of all children were living in poverty on this measure, down from 13.3% in 2017/18.

Eight of the nine measures of child poverty had statistically significant decreases between 2017/18 and 2021/22. There were no statistically significant changes between 2020/21 and 2021/22. Most of the fall in income-based measures occurred between 2017/18 and 2018/19. As of 2021/22, there were 77,000 fewer children in low-income households on the after-housing-costs child poverty measure than in 2017/18, 45,600 fewer on the before-housing-cost measure, and 28,700 fewer children in households experiencing material hardship.

Child poverty statistics now include effects of the COVID-19 pandemic (up until June 2022). The longer-term economic impacts of the pandemic and 2023 weather events, together with rising accommodation costs and costs of living, have increased financial pressure on families in the period since June 2022.

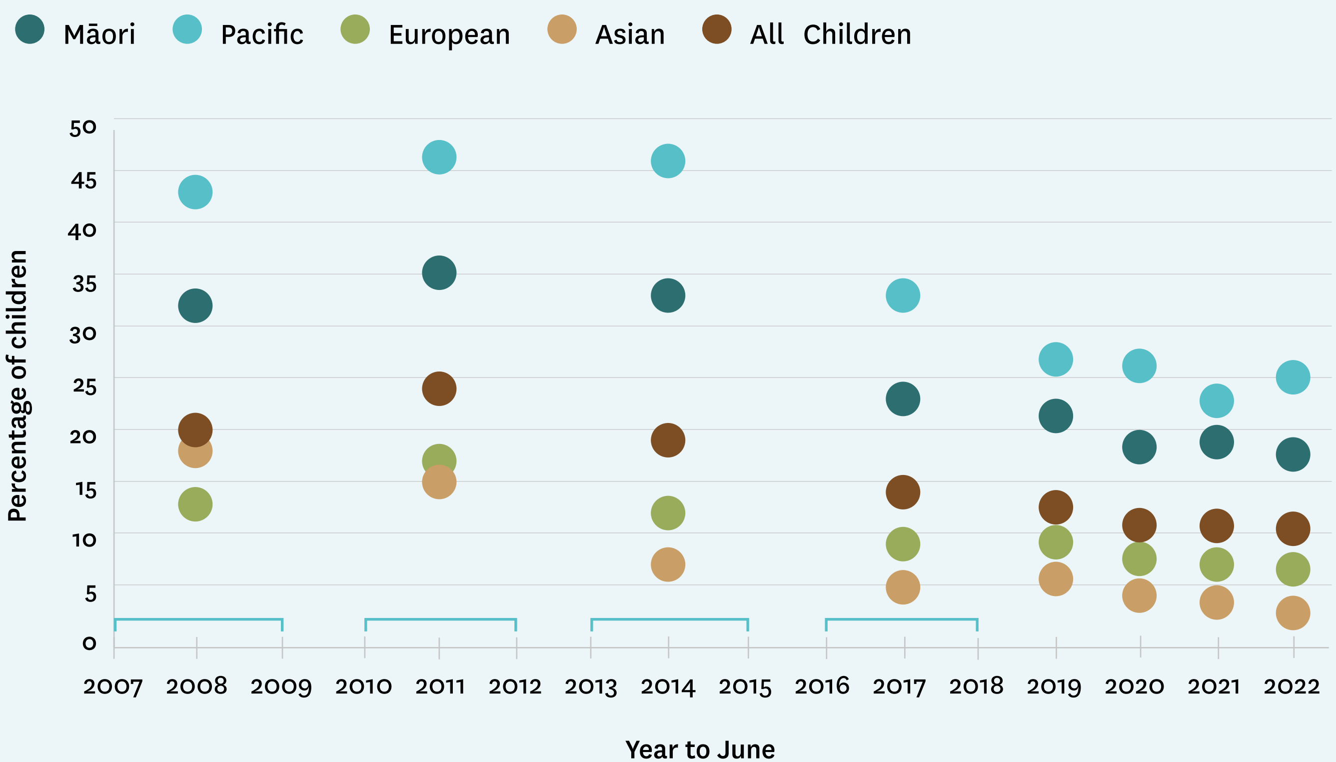
More detailed findings are available [here.]

Child poverty rates declined for all ethnic groups

Stats NZ reporting has included ethnic groups only since 2018/19. This means we are unable to see how the fall in child poverty between 2017/18 and 2018/19 following the introduction of the Families Package affected different groups in Stats NZ's monitoring.

Longer-term series from MSD's child poverty monitoring show continuation of a longer period of decline in the percentages of tamariki Māori and Pacific children in poverty and experiencing material hardship. Some ethnic disparities narrowed, especially for after-housing-costs measures.

Percentage of children living in households experiencing material hardship



Note: Data for these and after-housing-costs trends are on pages 91 and 112 of [MSD's child poverty monitoring]() and [here.]()

In 2021/22,

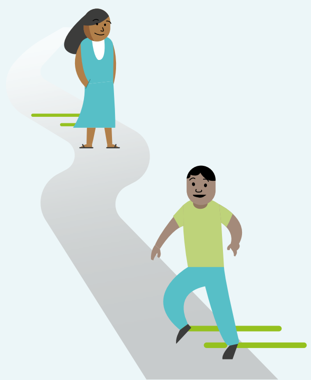
1 in 5 tamariki Māori

1 in 4 Pacific children

lived in households experiencing material hardship

These rates compared with

1 in 10 for all children



Child poverty rates are higher than average for children impacted by disability

Stats NZ reporting has included disability status only since 2019/20. This means we are unable to see how the fall in child poverty between 2017/18 and 2018/19 following the introduction of the Families Package affected children by disability status.

In 2021/22, disabled children were two times more likely to experience material hardship than non-disabled children.

Children in households with at least one disabled person were three times more likely to experience material hardship than children in households with no disabled people.

In contrast, the proportions in poverty on the after-housing-costs measure were the same.

Material hardship in 2021/22

21.5%

of **disabled children** were living in households experiencing material hardship, compared with

8.9%

of **non-disabled** children

21.1%

of **children in households with at least one disabled person** experienced material hardship, compared with

6.3%

of **children in households with no disabled** people

Of all children living in households experiencing material hardship:

1 in 5 (19.7%)

were disabled

More than 1 in 2 (55.8%)

lived in a household with at least one disabled person (themselves or another person)

More detailed results are available **here**.

More research is needed to better understand and respond to the circumstances of people with health conditions and disabled people, and families with children with health conditions or disabilities.

Surveys tracking children and young people's wellbeing show mixed results

Two recent surveys have asked secondary school students about their lives. Each had more than 7,000 participants.

- The Youth19 survey ran in the Auckland, Northland & Waikato regions in 2019. Previous iterations of the survey ran nationwide in 2001, 2007 and 2012.
- The What About Me? survey ran nationwide between June and November 2021. This was a time when many young people's lives were disrupted by COVID-19. Regional and national lockdowns affected their participation in the survey.

Another source of data on trends in children's health and wellbeing is the nationwide Health Survey.

Both the Youth 19 and What About Me? surveys identified areas of strength and resilience for Aotearoa New Zealand's young people, and areas of improvement when compared to previous surveys.

Both surveys found high mental health needs, and sharp increases in these needs between 2012 and 2019.

What people said about their family or whānau's economic situation varied:

- in the What About Me? survey, the percentage of young people who worried about affording housing costs or kai/food often or all the time was around the same as in previous surveys.
- in the Youth19 survey the proportion of students whose families or whānau worry about money for food increased.

These findings contrast with results from the New Zealand Health Survey, which show a large reduction in the proportion of children aged 0-14 living in households where food runs out often or sometimes (from 22% in 2015/16 to 13% in 2021/22)

More detailed findings from Youth19 are available **here.**

More detailed findings from What About Me? are available **here.**

More detailed findings from the New Zealand Health Survey are available **here.**

Economic wellbeing improved for adults receiving main benefits

Stats NZ and The Treasury regularly report on how adults' wellbeing is tracking.

However, their reporting does not show us how wellbeing is changing over time people in families with dependent children compared with other family types.

It also can't tell us how people supported by main benefits are faring relative to others in the population.

We commissioned the Roy McKenzie Centre for for the Study of Families to fill these gaps. The team looked at indicators of:

- socioemotional wellbeing
- economic wellbeing
- housing
- health
- social connectedness
- safety.

Trends in these indicators show wide-ranging improvements for people supported by main benefits.

Looking at the proportion of working-age people saying they have enough money to cover their essential costs, between 2016 and 2020:

For sole parents receiving main benefits, the proportion increased

from

64% to 71%

For couples with children receiving main benefits, the proportion increased

from

54% to 66%

For single people without children receiving main benefits, the proportion increased

from

54% to 70%

For couples without children receiving main benefits, the proportion increased

from

70% to 71%

Over the same period, the proportion of working-age people not on benefit saying they had enough money to cover their essential costs increased

from 92% to 95%

The gap between those receiving a benefit and those not remains for most indicators. Over time, people receiving a main benefit have consistently scored much lower than people not receiving main benefits on indicators of economic wellbeing, housing conditions, safety, social connectedness, and health.

Despite large differences in economic wellbeing, which is often associated with poorer social wellbeing, **differences between those receiving a main benefit and those not were small for socioemotional wellbeing indicators,** such as life satisfaction, ability to express oneself, and family wellbeing.

We can't say how much of the improvement seen was accounted for by the Families Package and other income support reforms. This was because there were many other changes occurring, including changes in the size and composition of the population supported by main benefits following COVID-19. In 2016 9.9% of working age people and 16.2% of children were supported by main benefits. In 2020 these proportions had increased to 11.8% and 18%.

Trends in incomes, incentives and adequacy for example families

Income adequacy for example families has improved but is an area for continuing focus

We updated the 'Example Families and Budgets' analysis prepared by the Welfare Expert Advisory Group to 2022 incomes and costs.

Incomes and costs were calculated for six example families of different types. Several different work and housing scenarios were considered for each family.

The work scenarios included the adults not working, working part time, or working full time. The housing scenarios included living in public housing, private rental housing, or shared rental housing.

The families' estimated core living costs, and participation costs that include some social participation such as holidays to see family and low-cost activities for children, were compared to their income in each scenario.

More detailed findings are available **here**.

Between 2018 (after the Families Package) and 2022:

Incomes increased by around $150 - $160 for single person example families and by $190 - $300 for example families with children. As a result, all example families saw a reduction in the level of their income deficits, or an increase in their income surplus relative to costs, and some shifted from deficit to surplus.

Sole parent example families saw particularly large gains in income where they had a child under 3 years old – this meant they received an additional $65 a week through the Best Start payment tax credit.

However, incomes remain below the level needed to meet core costs for most example families when on benefit

Sole parent families could meet core costs in most scenarios and participation costs when working.

Couples with children had the largest deficits of all family types and could only meet core costs when one or both parents were working. They could not cover participation costs in any scenario.

Single people without children could not cover their core costs, except when living in public housing or working full time.

And, benefit incomes after housing costs continue to be below after-housing-cost poverty lines

One commonly used poverty threshold is 50 percent of median after-housing-cost income. The incomes of the example families receiving benefits were below this poverty threshold.

The incomes needed to cover the example families' costs are around the same level as current after-housing-costs measures of poverty.

Costs, wages, and payment rates are as of April 2022

Where available, costs for this analysis are calculated using the same approach as used by the Welfare Expert Advisory Group. Where updated information is not available, the costs used in that analysis are adjusted for inflation, using either the Beneficiary Household Living-cost price Index, or the Consumer Price Index, to bring them up to date.

The gap between incomes on benefit and in work narrowed, but remained higher than in 2003

Poor financial incentives to work can result in poverty 'traps', preventing people from moving into work and increasing their income. They can also affect the incentives to increase the level of hours worked or decisions to exit work, particularly for those in low-paid or precarious work. Providing financial incentives that support employment is therefore an important poverty alleviation tool.

We compared the incomes of people on benefit with those in low-wage work (i.e. the gap between benefit and work) between 2003 and 2022 to demonstrate how this aspect of the financial incentives to work has changed over time. We also considered how housing and childcare costs affect the financial incentives to work and compared trends with other OECD countries.

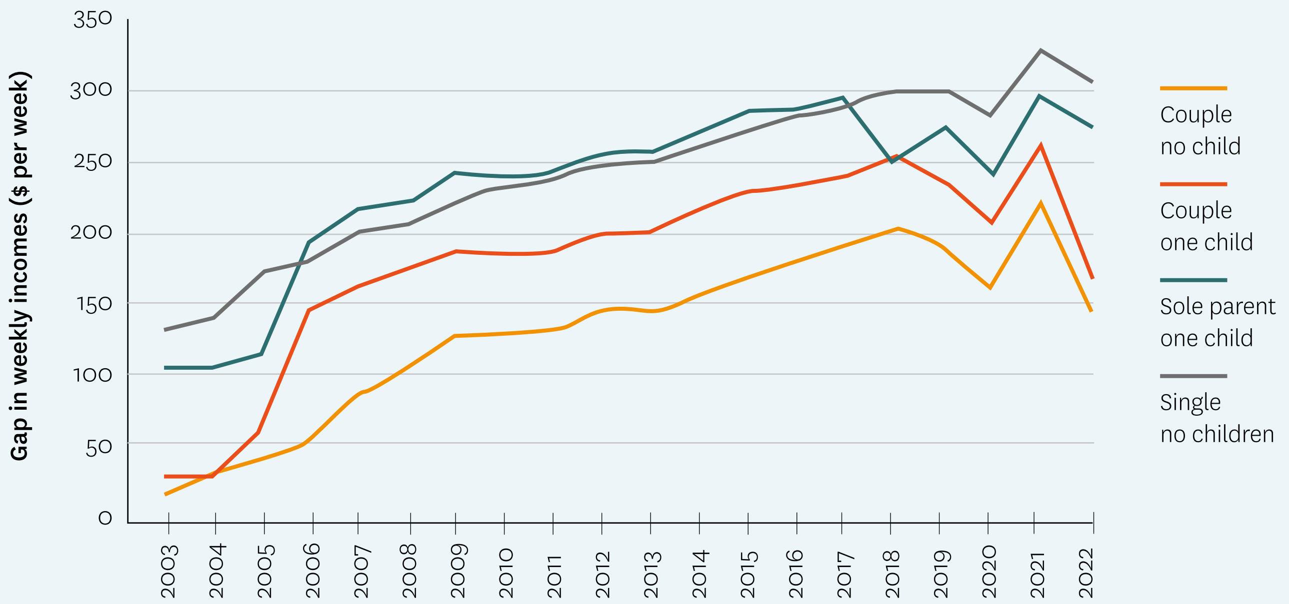
More detailed findings are available **here.**

The gap between benefit and in-work incomes, and the financial incentives to work, increased for most of the 2003-2022 period, particularly for single people without children. The Families Package and recent main benefit increases reduced the gap, and for couples with children the gap went back to 2006/07 levels due to main benefit rates increasing by more for couples. A large reason for the increases in incentives to work between 2003 and 2022 is that wages outpaced inflation, with main benefits only increasing by inflation between 2003 and 2016.

While financial incentives to work have increased since 2003, there are still reasonably poor financial incentives to increase the level of hours worked for many low-income families. This is because when earnings increase, their income support payments are withdrawn relatively quickly.

High childcare costs and low take-up of in-work assistance can also have a negative impact on financial incentives to increase hours of work.

Real value of gap between core benefit incomes and incomes at 40 hours on the minimum wage ($2021)



The 'replacement rate' trends observed in NZ are broadly comparable with the average trend across OECD countries. Replacement rates show the level of out-of-work incomes relative to the level of in-work incomes.

Estimates of eligibility and take-up rates for Families Package payments

Over the 2007-2020 period, eligibility for Working for Families Payments decreased but take-up rates remained relatively stable

If take-up rates are low, efforts to use income support payments to reduce child poverty and hardship and promote parents' employment may be less effective.

Because poverty, hardship, and employment affect wellbeing, low take-up can undermine broader outcomes too.

As part of our work to monitor and evaluate the income support reforms, we are estimating rates of eligibility for and take-up of different payments in the Aotearoa New Zealand income support system.

Our estimates should be viewed as approximations. We don't have all the information needed to accurately calculate eligibility and take-up rates.

More detailed findings are available [here].

The estimated proportion of families eligible for Family Tax Credit and/or In-work Tax Credit fell from 72% in the 2010 tax year to 49% in the 2020 tax year.

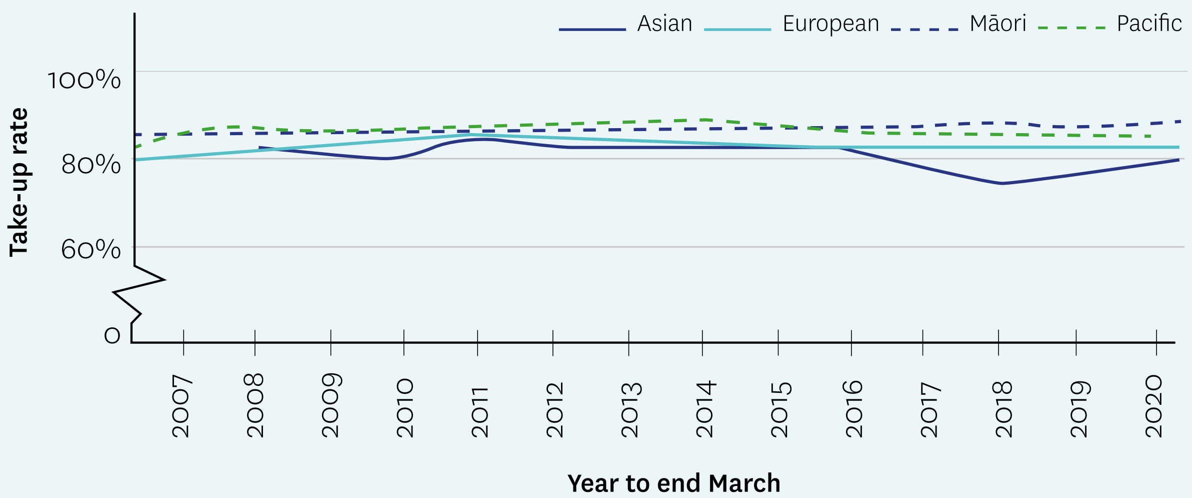
This fall occurred as income from employment grew, more forms of income became assessable for determining entitlement, and Working for Families payments became more targeted to families on lower incomes. The exception to the downward trend was the 2019 tax year. In July 2018, the Families Package increased Working for Families payment levels and increased the abatement threshold and abatement rates. These changes increased the number of families eligible, and the eligibility rate temporarily rebounded.

The estimated proportion of eligible families who take-up the payments appears to have been relatively stable over time. Take-up rate estimates range between 83% and 90% overall. These estimates are within the range found for comparable payments in other countries.

However results from our study examining income gains for the first cohort to qualify for Best Start and paid parental leave show there is room for improvement, especially for Asian mothers.

Eligible families with Asian parents had low estimated take-up in recent years. The late 2010s was a period of rapid growth in the Asian population of Aotearoa New Zealand. Low awareness, uncertainty about entitlements, administrative, personal and cultural barriers to claiming, or reluctance to claim payments among recent migrants may be factors explaining the trends.

Estimated take-up over time by ethnic group(s) of parents and caregivers.



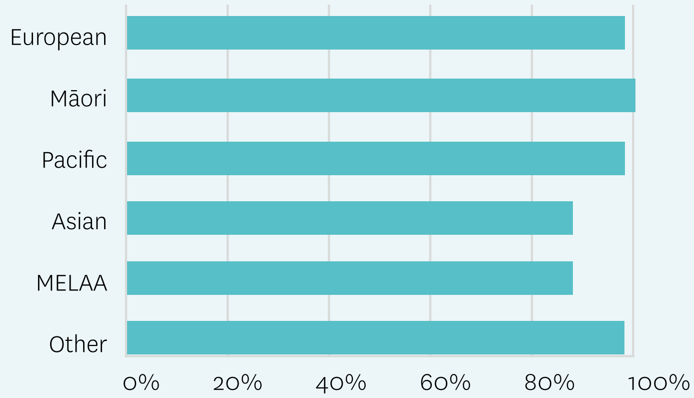
Eligibility and take-up rates are high for the Best Start tax credit

All families with children born or due on or after 1 July 2018 who meet residence requirements can receive Best Start for some time.

An estimated 96.5% of children born in the first 15 months from 1 July 2018 were eligible for Best Start. Families of the remaining 3.5% were estimated to be ineligible on residence grounds.

We estimate lower than average eligibility rates for children of Middle Eastern, Latin American or African (MELAA) ethnicity or from 'Other' ethnic groups. This reflected higher proportions estimated to be ineligible on residency grounds.

Percent of children estimated to be eligible by ethnic group(s) of child

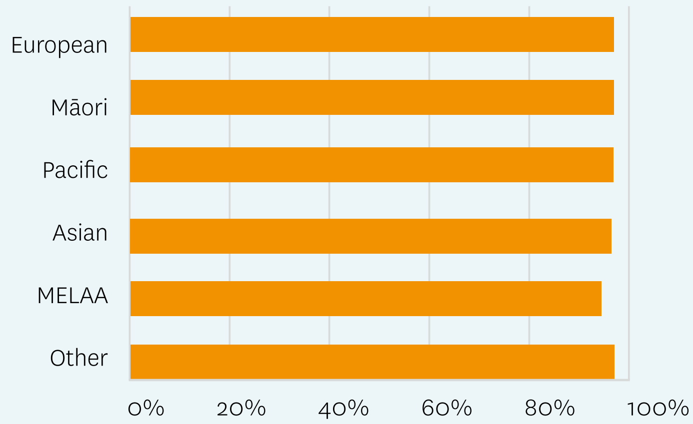


Best Start appeared to be taken up for 96.9% of the children in eligible families.

The estimated take-up rate was slightly lower than average for children with a parent or caregiver who had migrated from China or had refugee status, and for children of MELAA ethnicity.

The high take-up overall is likely to be due to the near-universal nature of the payment and the ease of the application process. Parents and caregivers were invited to apply for Best Start as they registered the birth of their child through a new 'SmartStart' online tool.

Percent of eligible children with take-up by ethnic group(s) of child



More detailed findings are available here.

Next steps

Our next work-programme update will be released in early 2024.

We are working to understand how different groups of people experienced the income support changes.

A small, in-depth qualitative study has been listening to **young Māori and Pacific mothers** talk about their experiences.

A nationally representative survey is asking low-and middle-income people about their awareness, understanding, take-up, and experience of income support payments. This is a joint MSD-Inland Revenue study. It has a focus on producing robust evidence, including for Māori and Pacific peoples.

In late 2023, we will be gathering results from these and other studies together in a **second synthesis of client experience research** covering the period since the Families Package.

New projects are looking at the relationship between income support reforms, incomes, and wellbeing.

In 2024, work will start on an evaluation of the **Child Support pass on policy** being implemented in July 2023.

We have commissioned a study that will **explore the use of the 2018 Stats NZ Te Kupenga survey** to understand the relationship between income and wellbeing for Māori. Te Kupenga is an important survey resource that can help us to look at measures relevant to whānau wellbeing. It can help us establish a baseline for assessing changes in wellbeing when a repeat Te Kupenga survey is available after the 2028 Census.

Other projects underway include more research on financial incentives, take-up, and understanding the circumstances of people with health conditions and disabled people.

Work is underway looking at how responsive people on main benefits were to the **changes in financial incentives that occurred when main benefit abatement thresholds were raised** in 2020 and 2021.

Work is also underway to estimate **eligibility and take-up rates for Accommodation Supplement.**

Child poverty monitoring shows that we need to better understand the circumstances of **people with health conditions and disabled people**, **and families with children with health conditions or disabilities.**

Over the course of 2023 and 2024 we will use survey and administrative data, and in depth interviews with those impacted by health conditions and/or disabilities, to help fill some evidence gaps.

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