Total Incomes
Annual Report - 2023

Summary

People supported by the Ministry of Social Development (MSD) can access a range of financial support, including main benefit payments[1], supplementary or temporary assistance, and tax credits paid by MSD or Inland Revenue. The type of support MSD clients receive depends on their circumstances, for example their housing costs, take-up of support, whether they are single or have a partner, the number of children they are supporting, and why they are without full-time paid work. Clients may also earn income from part-time work while on a benefit.

Total incomes are likely to be larger for larger families, but a family of three is not expected to need the same amount of income as three single clients to have the same standard of living. Equivalisation means total incomes are adjusted by family size and composition to allow total incomes to be compared across families. Different scales were used for total incomes before and after housing costs.

Key findings:

- **Total incomes, after housing costs, have increased at a faster rate than inflation since 2017.** Total incomes are 48 percent higher than at the end of 2017, after adjusting for inflation.
- **Total incomes have also increased at a faster rate than inflation over the last year.** As at the end of April 2023 total incomes after housing costs are, on average, 5 percent higher than at the end of April 2022. An increase was seen across all family types[2].
- **The increase in real terms over the last year was due to a combination of the Annual General Adjustment and other factors.** In April 2023, main benefit rates were increased in line with inflation, and other factors have also contributed to the overall increase:
    - hardship grants increased[3], particularly in regions impacted by severe weather events, resulting in temporary increases to client total incomes[4].
    - Client earnings and Temporary Additional Support (TAS) have also increased over the past year, especially for families with children.
- **Housing costs reduce clients' total incomes by 41 percent, on average, and the amount spent on housing has continued to increase.** Single clients pay the highest percentage of their total income to housing costs on average (47 percent). Families receiving Accommodation Supplement (AS), on average, have the lowest total incomes after housing costs ($236 a week).
- **Total incomes vary across family types, with single clients generally having the lowest total incomes.** More than 60 percent of single clients have $250[5] or less per week, after housing costs.

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[1] NZ Superannuation clients are not included (except in the case when a partner of a main benefit recipient is on NZ Superannuation, where their income will be factored into the family total)
[2] Families are defined in this document as: couples with two or more children, sole parents with two or more children, couples with one child, sole parents with one child, couples (no children), and single clients (no children).
[3] This includes recoverable and non-recoverable grants, including Civil Defence Payments.
[4] Impacted regions referenced here are Gisborne, Hawkes Bay, Northland, and Auckland.
[5] Total incomes are not adjusted for inflation unless otherwise stated.

Background

The need for a detailed and regular view of beneficiary incomes, including changes over time and for different family types, was highlighted in the 2019 Welfare Expert Advisory Group (WEAG) report. Recommendation 5 of the WEAG report stated MSD should begin annually reporting on key outcomes for those interacting with the welfare system, including information on after–tax and abatement earnings.

It noted a range of possible measures including that MSD should report a measure of:

"…after-tax and abatement earnings for those receiving financial support from Inland Revenue or the Ministry of Social Development by ethnicity, gender, location, health conditions and disabilities, and number and age of dependent children (0–17 years)."

In line with this recommendation, and as part of the welfare overhaul work programme, MSD has developed a new dataset that outlines the full range of financial support main benefit clients receive, including their base benefit payment, supplementary assistance and other ad hoc grants, financial support from Inland Revenue, and any earnings. The dataset also accounts for housing costs and other deductions, like debt repayments to MSD and child support.

This dataset provides information on the overall level of payments and financial support received by main benefit clients - known as their 'total income'. While income information is an important indicator of the material wellbeing of benefit recipients, we also acknowledge it is not the sole determinant of wellbeing, and households may experience other resilience factors or challenges that are not visible in MSD data.

Total incomes include main benefits, client earnings, tax credits, Accommodation Supplement (AS), Temporary Additional Support (TAS), Special Needs Grants (SNGs), and other assistance. In this report, hardship grants include recoverable and non-recoverable grants – SNGs, Recoverable Assistance Payments and Advances, Work Assistance and Housing Support Products. Hardship grants also include Civil Defence Payments (CDP). Payments for hardship grants are smoothed over a 12-week period, which means the additional payments for people impacted by the early 2023 extreme weather events are still evident in the April 2023 data. Total incomes account for deductions and do not include Disability Allowance or Childcare Assistance. (Please refer to the technical document for more detail).

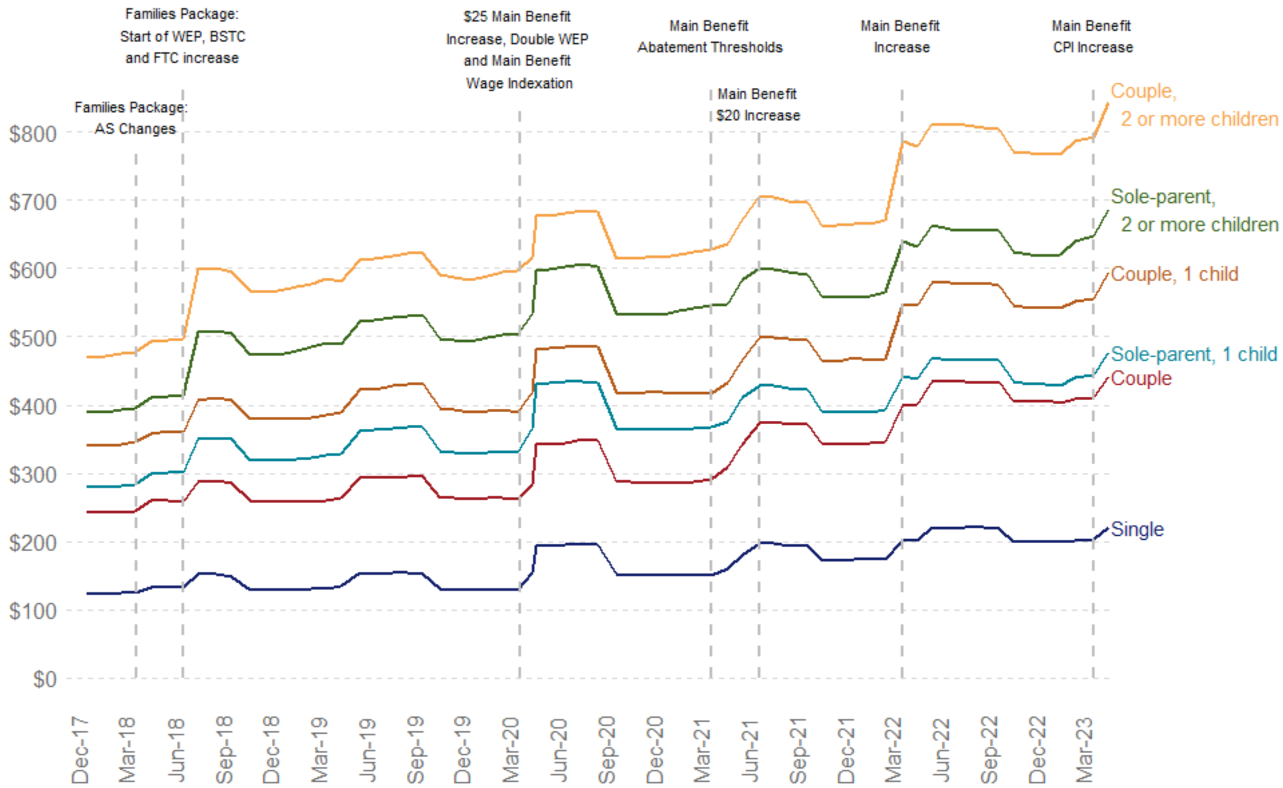
It is important to note that this report does not include an assessment of income adequacy for benefit clients or explore what level of total incomes is considered sufficient for people to fully participate in their communities. Nor does it consider full and correct entitlements. Rather, the focus is on describing the current total incomes of families and how these have changed over time.

System changes in the last five years

Since the end of 2017, average total income grew for all family types, reflecting policy changes, including increases to main benefits.

Figure one shows how total incomes for different family types changed since the end of 2017. The variation in total income between May[6] and August each year is associated with the Winter Energy Payment (WEP), which was introduced in 2018.

Figure One: Trends in average weekly total income by family type (after housing costs) over time[7]



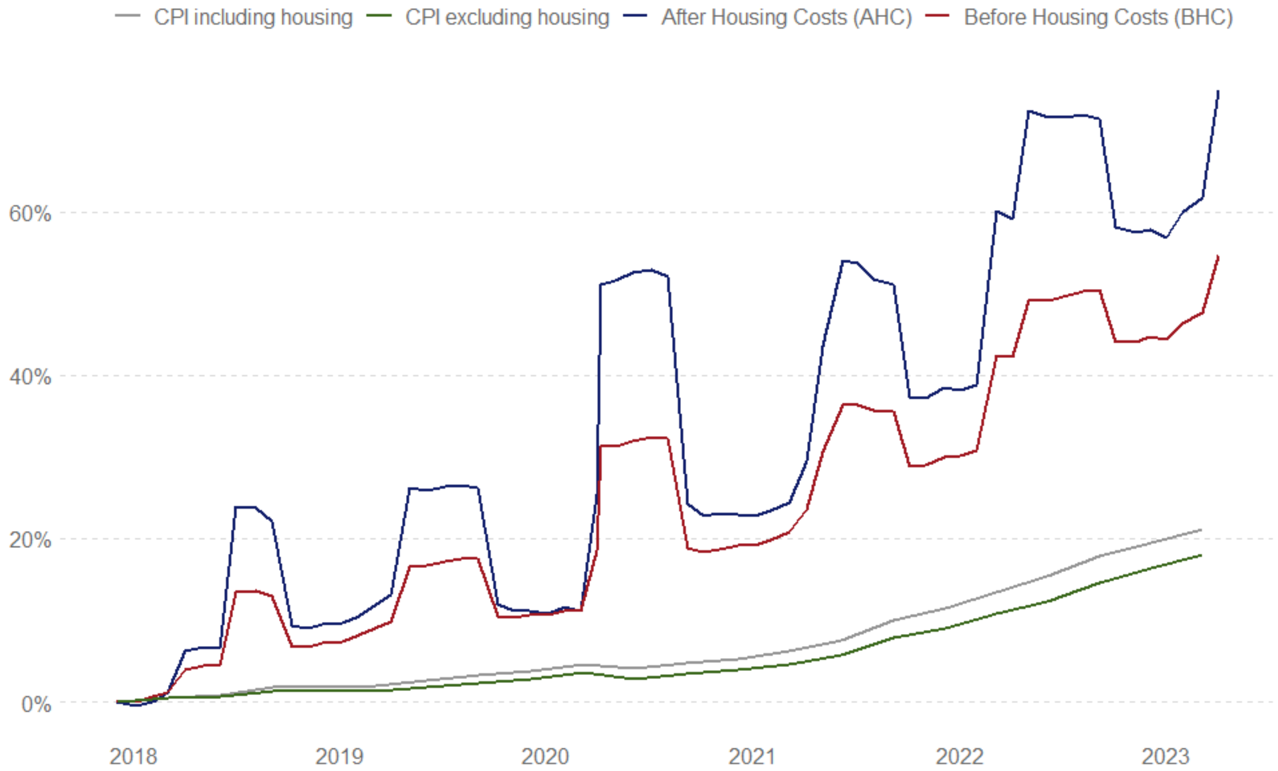
In 2018, the introduction of the Families Package led to increases in incomes for all family types, particularly those with children. Since then, several increases to main benefit payments have led to ongoing growth in total incomes. For example, there was a $25 increase per week to main benefits in April 2020 as part of the initial response to COVID-19, and further increases in 2021 and 2022 to align benefit rates with WEAG recommendations. In April 2023, in addition to regular annual general adjustment of benefits in line with wage growth, there was a one-off increase to main benefits to bring them up in line with the increase in the Consumer Price Index (CPI).

[6] Except for 2018, when the Winter Energy Payment (WEP) first began in July of 2018.
[7] Not adjusted for inflation. All results show average (mean) weekly total income (after tax) for different groups and are not adjusted for inflation unless otherwise stated. Changes shown on the graph include those associated with Family Tax Credit (FTC), Best Start Tax Credit (BSTC), Accommodation Supplement (AS), and Winter Energy Payment (WEP).

Impact of inflation

Total incomes after housing costs have increased at a faster rate than inflation.[8]

Figure Two: Cumulative percentage change in equivalised overall average total incomes from the end of 2017 to 2023 compared to growth in the CPI



Inflation (excluding housing) increased by six percent, for the year ending March 2023. Before adjusting for inflation, equivalised total incomes across all family types grew, on average, by ten percent (after housing costs), in the year ending April 2023[9].

After adjusting for inflation, peoples' equivalised total incomes (after housing costs) increased five percent on average, since the end of April 2022. Since April 2022, after adjusting for inflation, equivalised total incomes after housing costs have:

- increased for families without children by an average of five percent (families without children include single clients and couples).
- increased for families with children by three percent, on average.

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[8] This figure compares growth in total incomes before and after housing costs to Stats NZ "All Groups" CPI series and "All Groups less Housing" series respectively. Inflation data is available up to March 2023. Comparisons relating to CPI will refer to the end of March, rather than the end of April available for total incomes. In the previous report total incomes are compared to inflation between 2006 and 2022.

[9] The end of April refers to weekly income as at the final Friday of April in that year.

Since the end of 2017, inflation (excluding housing) increased by 18 percent to the end of March 2023. Before adjusting for inflation, equivalised total incomes across all family types increased by an average of 75 percent (after housing costs), up until the end of April 2023.

After adjusting for inflation, peoples' equivalised total incomes (after housing costs) increased 48 percent on average, since the end of 2017. On average, after adjusting for inflation, equivalised total incomes after housing costs:

- Increased by 46 percent for families with children, more specifically:
  - increased for couples with one child by 47 percent.
  - increased for couples with two or more children by 51 percent.
  - increased for sole parents with one child by 44 percent.
  - increased for sole parents with two or more children by 48 percent.
- Increased by 51 percent for families without children, more specifically:
  - increased for couples by 54 percent.
  - increased for single clients by 51 percent.

Housing costs

Housing costs reduce total incomes by about 41 percent on average.

Figure Three: Average weekly total income by family type (before and after housing costs) at the end of April 2023

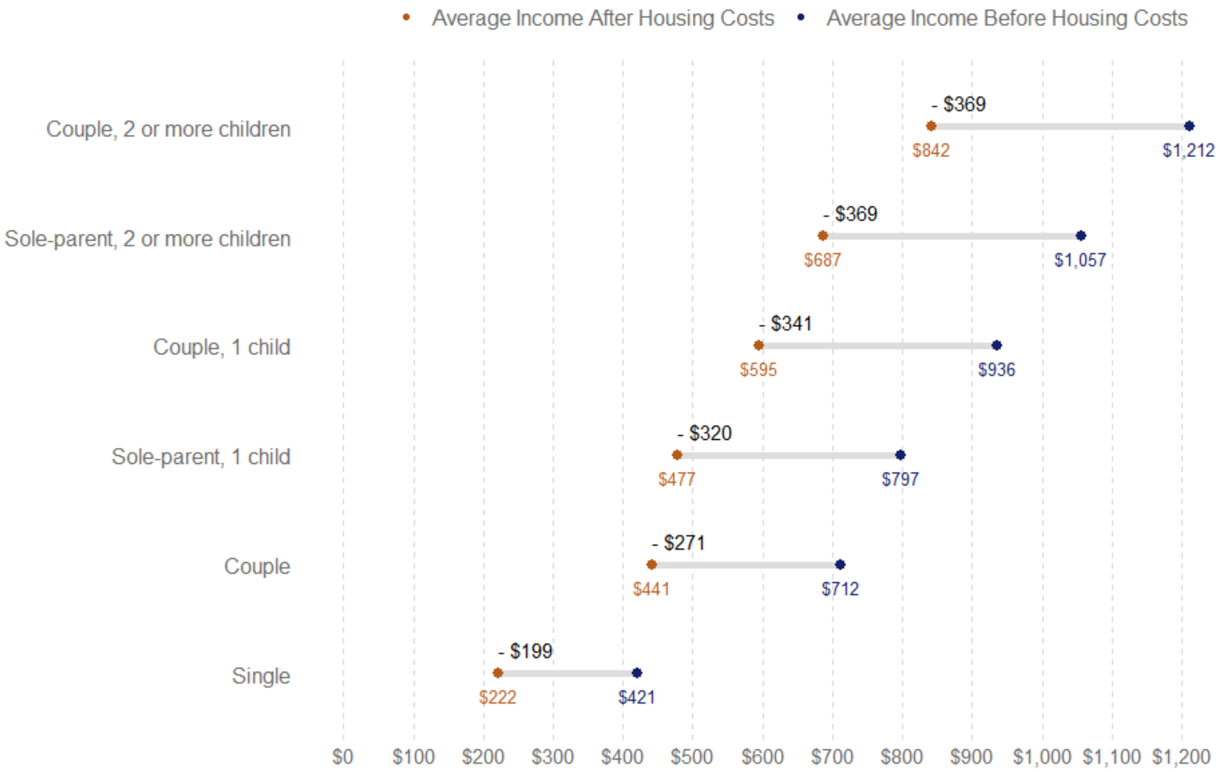


Figure Three shows average total incomes, before and after housing costs, for different family types. This figure shows the amount that housing costs reduce client incomes.

Larger families[10] generally have higher accommodation costs, although their income after housing costs remains higher, on average, than for single clients or couples without children. At the end of April 2023, while single clients spent more of their total income on housing costs on average (47 percent), couples with two or more children spent the least of their total income on housing costs on average (30 percent).

Figure Four: Average equivalised total income (after housing costs) varies across the housing a client has[11]

Average total incomes after housing costs are highest for families living in Emergency/Transitional Housing ($370 a week). Families receiving Accommodation Supplement (AS), on average, have the lowest total incomes after housing costs ($236 a week).

Income for different family types

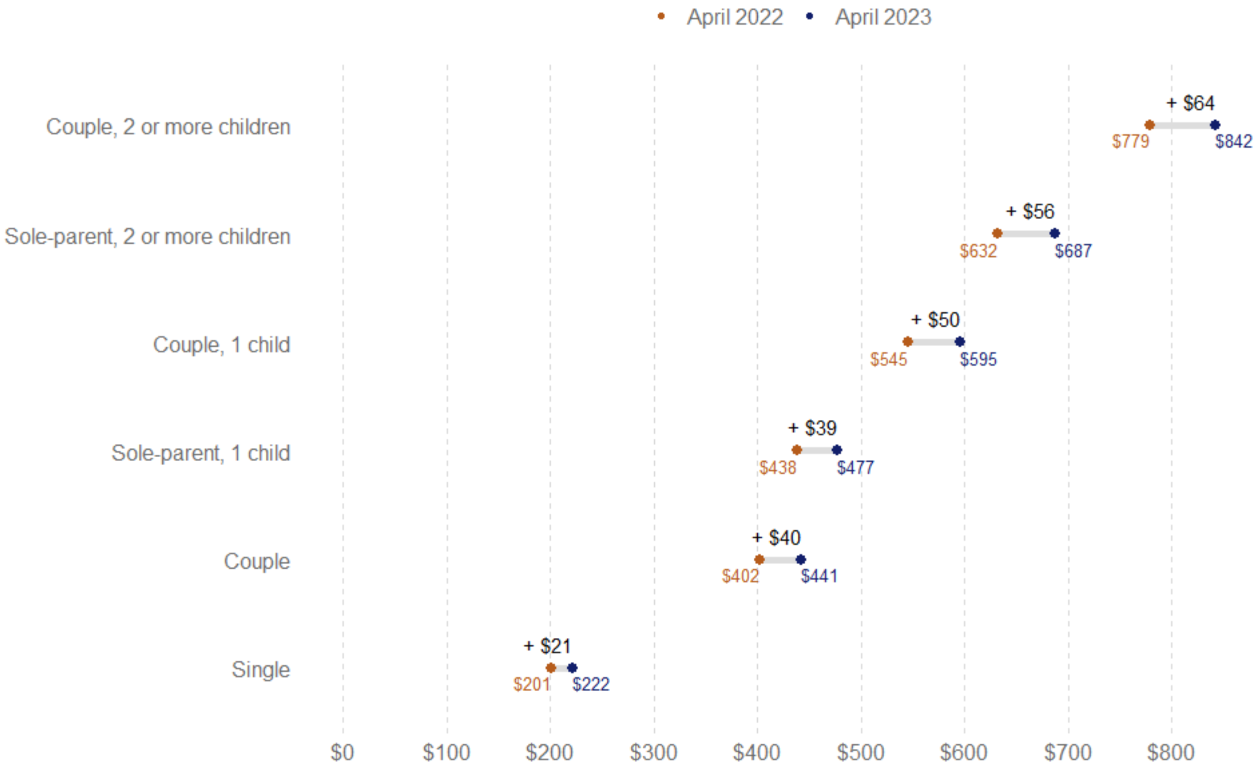
Total incomes after housing costs vary across family types.

Figure Five shows that couples with two or more children had the highest average income at the end of April 2023. In comparison, single clients had the lowest average income. The average weekly income, after housing costs, across all family types is $355 (an increase of $32 from April 2022).

Total incomes grew across all family types over the last year, primarily reflecting the impact of main benefit increases[12] (increasing between $21 to $64 a week, on average, depending on family type). Total incomes grew the most percentagewise for single clients, couples, and couples with one child (approximately 10 percent).

[10] Where larger families are families with two or more children.
[11] Families living in Public Housing are supported by the Income-Related Rent Subsidy (IRRS), which generally limits the amount of rent they pay to no more that 25 percent of their income. Similarly, families in Emergency/Transitional Housing contribute 25 percent of their income towards rent.
[12] In addition to the Annual General Adjustment of benefits in line with wage growth, April 2023 saw a one-off increase to main benefits to account for the increase in CPI. Other factors, such as the composition of the benefit population, changing wages, and accommodation costs can also have an impact.

Figure Five: Average total incomes by family type (after housing costs) at the end of April 2023, compared to the end of April 2022[13]



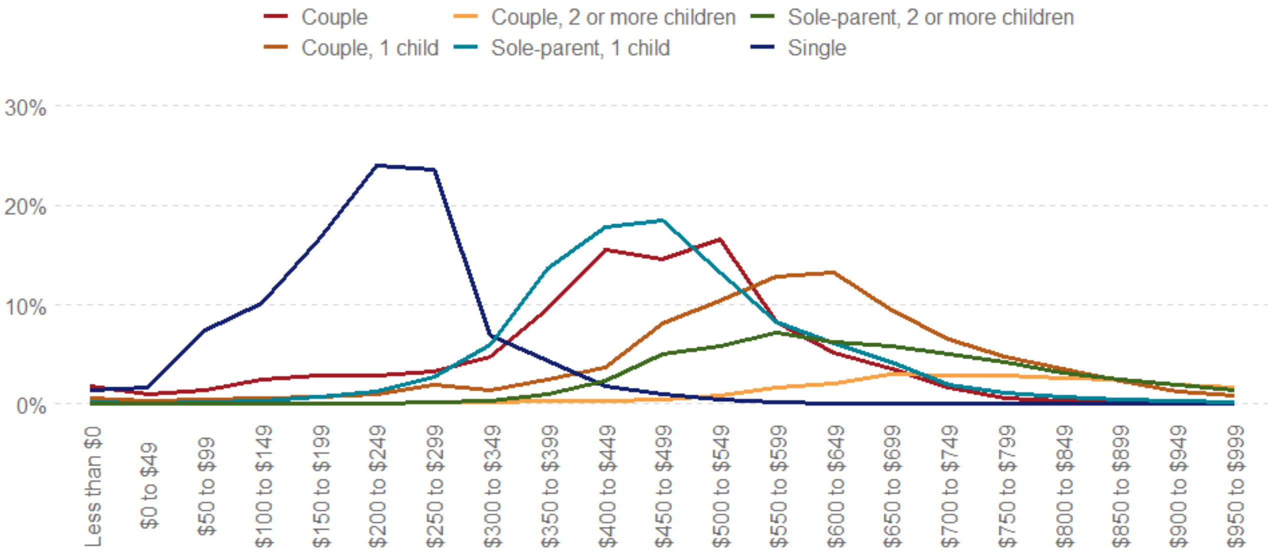
There is substantial variation in income distribution for different families.

Variation in total incomes reflects the nature of people's circumstances and housing costs. The average total incomes were lowest for single clients, with 80 percent of this group having income after housing costs of $289 or less. This is consistent with single clients generally having the lowest total incomes overall. Last year, 80 percent of single clients had incomes (after housing costs) of $269 or less.

Couples with two or more children and sole parents with two or more children had the largest variation in total incomes. Differences in total incomes for families are often driven by the number of children[14]. The Family Tax Credit increases with the number of children, so families with more children generally have higher total incomes.

[13] Note that this figure does not show the same population at different points in time – i.e. some families or individuals who received a main benefit in 2022 may no longer be accessing support in 2023.
[14] In some cases, families with children may still have relatively low total incomes after housing costs. This likely reflects high housing costs or low take-up of supplementary and/or hardship assistance.

Figure Six: Total income (after housing costs) distribution across income bands, for different family types[15]



Families can access a range of financial support, in addition to main benefit payments.

While main benefit payments are the largest component of financial support provided to MSD clients, client earnings and a range of other payments also contribute to families' total incomes. This is highlighted by Figure Seven, which shows the average composition of total income for different family types. The 'Other' category includes Clothing Allowance, Miscellaneous Subsidy, Training Incentive Allowance, Orphans and Unsupported Childs benefit, and Special Disability Allowance.

It is important to note that Figure Seven shows the average composition of total incomes across different family types. There is substantial variation in the payments that different clients are entitled to, depending on their circumstances. The average composition is also affected by some payments available to all benefit recipients (e.g. main benefits), others linked to actual costs (e.g. the Accommodation Supplement), and others available to specific family types (e.g. the Family Tax Credit).

The most substantial increase to client incomes over the year was due to increases in main benefits, as a result of policy changes and the Annual General Adjustment of main benefits. Temporary Additional Support (TAS) has grown across all family types, increasing the most for families with children (between 14 to 18 percent on average). Deductions[16] have also seen an increase across all families (between five to eight percent on average).

Client earnings have increased over the last year, especially for families with children (between 14 to 23 percent on average). Additionally, families with children have seen

[15] Some families had $1,000 or more: less than 8 percent of sole parents with two or more children, less than 23 percent of couples with two or more children, and less than 2 percent across other family types.
[16] Deductions include debt repayments/collections to MSD, child support payments, and payments to residential care providers.

increases in tax credits[17] (between four to eight percent on average) compared to last year.

Hardship grants[18] have continued to increase over the past year. As the result of severe weather events, hardship grants (which includes CDPs) have seen a significant increase within impacted regions as families have had additional needs and faced additional expenses. Other regions have also seen an increase, but at a lower rate.

Figure Seven: Average composition of total income by family type (before housing costs) as at the end of April 2023[19]

[17] Tax credits include the Family Tax Credit (FTC) and Best Start Tax Credit (BSTC).
[18] Hardship grants include a broad range of support, including recoverable and non-recoverable grants.
[19] Average contributions from each income type over $20 are shown, as well as the average amount in deductions.

Differences across demographic groups[20]

Regional View

Figure Eight: Average equivalised total income (after housing costs) is highest for Gisborne and Hawkes Bay[21], this will be partially driven by hardship grants as the result of severe weather events

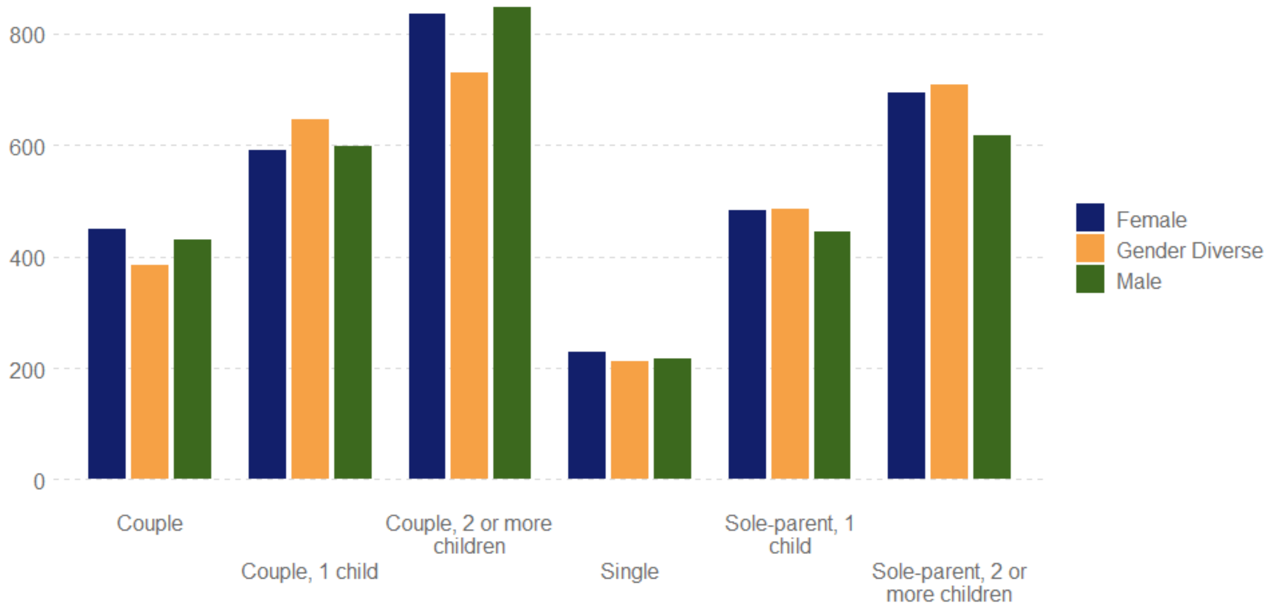
Age of youngest child

Figure Nine: Average equivalised total income (after housing costs) is higher for those with younger dependent children[22]

[20] Differences across demographic groups are shown as at the end of April 2023.
[21] Shown here by regional council.
[22] Where dependent children are from 0 to 17 years old.

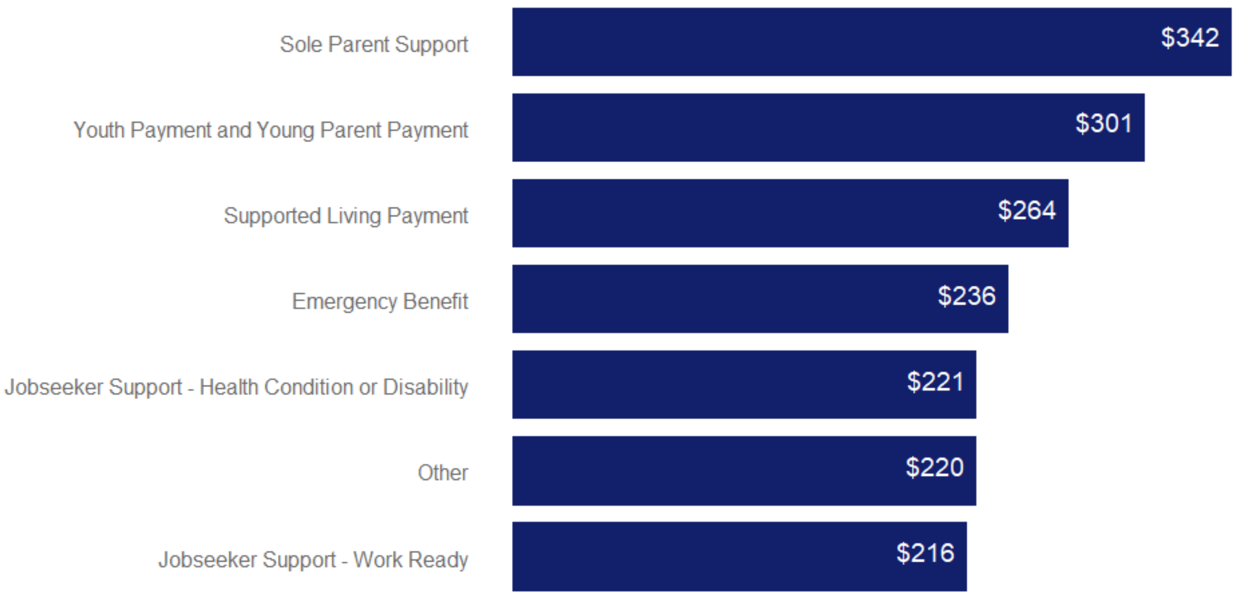
Gender

Figure Ten: Average total income varied by Gender (after housing costs)



Benefit type

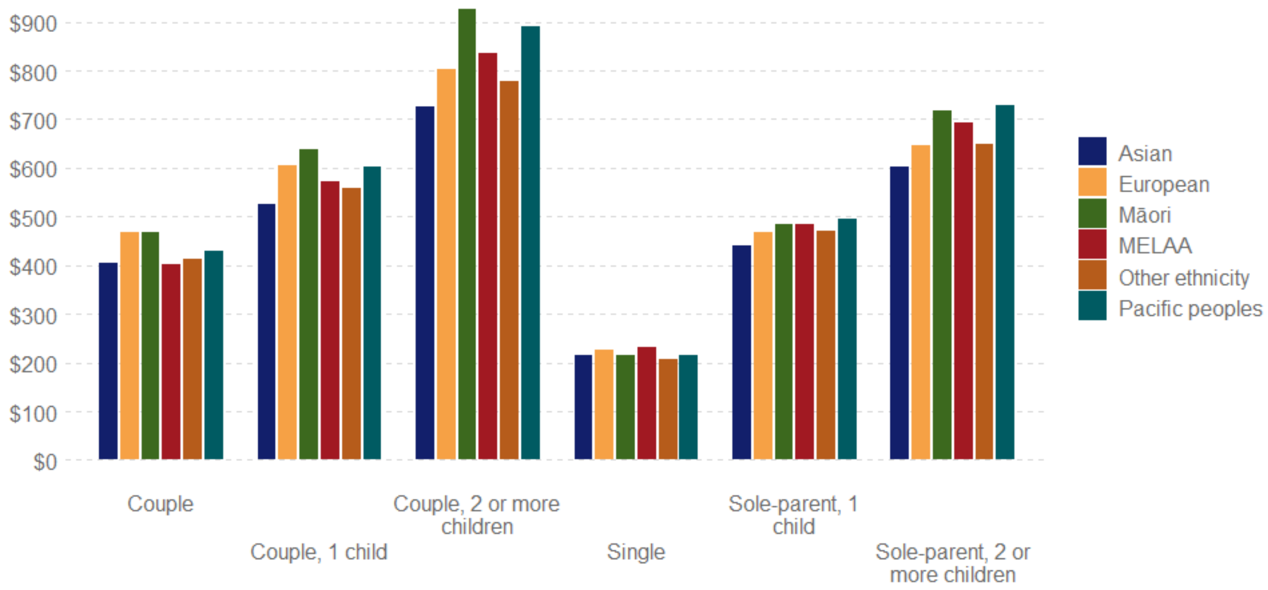
Figure Eleven: Average equivalised total income (after housing costs) varies across the client's main benefit type[23] with benefit types that support families with children having the highest total income



[23] The 'Other' category here includes Supported Living Payment Australia Social Security Agreement, Widows Benefit Overseas, Sole Parent Support Overseas, Emergency Maintenance Allowance, and Jobseeker Support Student Hardship.

Ethnicity

Figure Twelve: Average total income (after housing costs) varies by total ethnicity[24] and family type



[24] Based on a total response approach to reporting ethnicity. MELAA stands for Middle Eastern/Latin American/African