MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Families Package

2021 Update

Background

The Families Package was introduced from 2018 to help improve incomes for low-and middle-income families with children. This is part of the Government's focus on reducing child poverty and ensuring children get the best start in life. The Package also introduced a Winter Energy Payment. The Families Package is primarily delivered through MSD and Inland Revenue.

As we move into the fourth year of the Families Package, we can now see some of the effects these changes had for families and children.

The package was made up of the following changes:

Boosting incomes of low-and middle-income families by increasing the **Family Tax Credit** and raising the **Working for Families** abatement threshold.

Helping older New Zealanders and people receiving a main benefit heat their homes by introducing a **Winter Energy Payment.** This payment was **doubled** in 2020.

Helping families in a child's early years by introducing a **Best Start tax credit** (replacing the Parental Tax Credit) and increasing **paid parental leave** from 18 to 26 weeks.

Increasing the **Accommodation Supplement** and **Accommodation Benefit**, 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**.

Receipt of the Families Package

In its **first year**, the package helped around

330,000

New Zealand families with children

On average, families who received the **Families Package** in its first year got

$55 p/w

more in payments

The **Winter Energy Payment** helped around

1.2 million

adult New Zealanders in the winter months of 2020 & 2021

In July 2021, around

78,000

parents and caregivers with children under 3 were receiving Best Start as a weekly or fortnightly payment

Measuring the impacts

Estimating the difference the Families Package made will continue for several years after the reform.

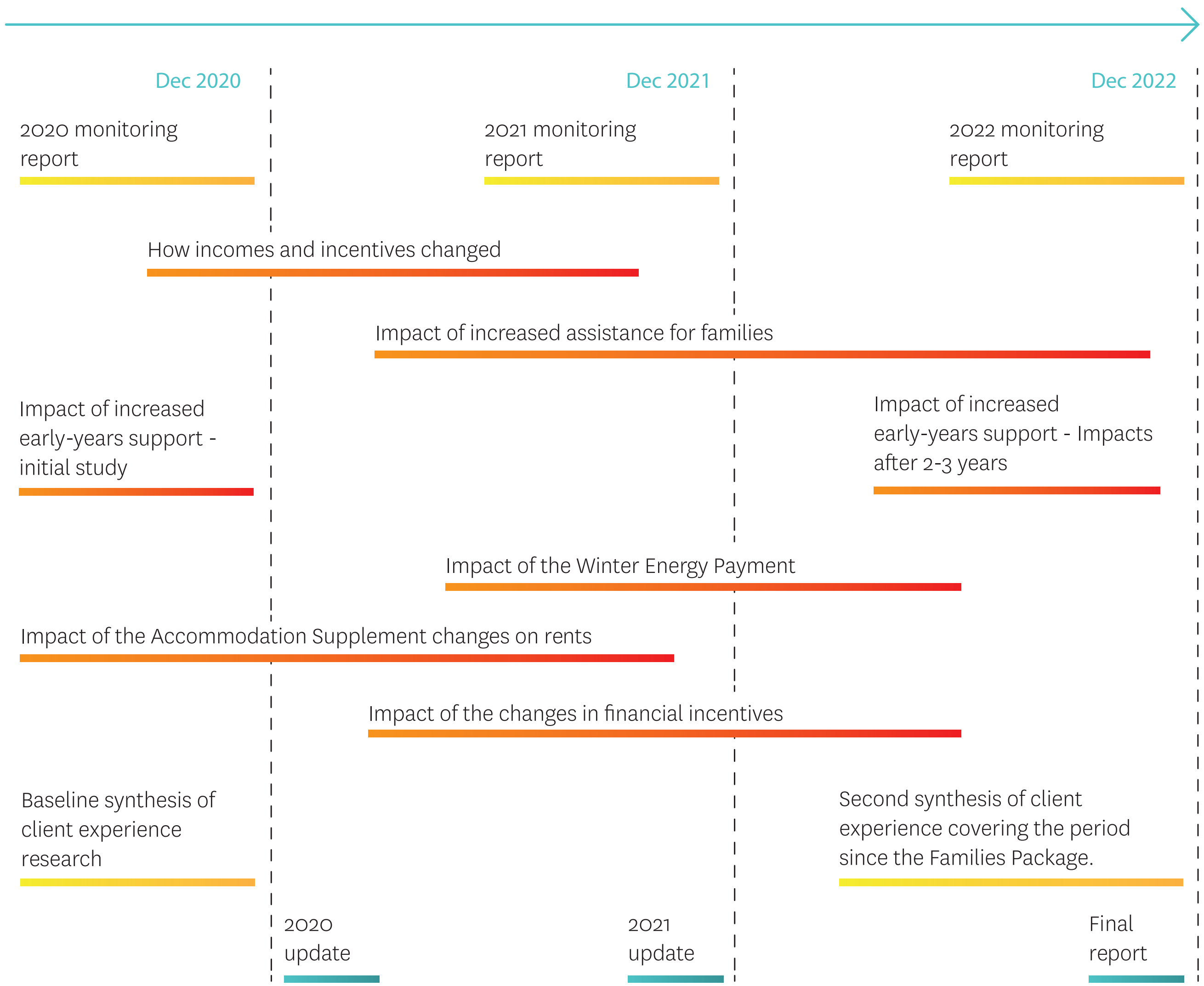
Studies completed to date include:

- three annual monitoring reports (2019-2021)
- a study on the impact of the early-years changes in the Families Package (Best Start tax credit and the 2018 paid parental leave extension)
- studies looking at how incomes and incentives changed
- a study looking at effects of the Accommodation Supplement changes on rents
- a baseline synthesis of client experience research.

Other studies have been commissioned or are underway.

Each year we provide an update on findings. These updates draw on child poverty monitoring and other relevant research, as well as our own work programme.

Our work programme



Findings to date

The findings to date were directed by the following overarching question;

What difference did the Families Package make to outcomes for families?

The major impact has been in raising the incomes of families, especially for families on lower incomes, and families with younger children.

However, some of these gains have been eroded since the Families Package was introduced with rising housing costs and disruption to families' incomes caused by the COVID-19 pandemic.

Income gains in the first year following 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 total 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).

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

Mothers and first parents in same-sex couples in the first cohort to qualify for the early-years changes 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 and first parents 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.

Once we are able to look at a three-year follow-up we expect mothers and first parents supported by benefit and others on low incomes to gain the most in early years payments.

This lift in income provides a unique opportunity to understand the difference that more income support makes.

Findings to date

Our **Model Family study** helps show how incomes and incentives changed with the Families Package.

- Model families with children had the largest income gains.
- Model single people without children gained, but not as much.

These results are consistent with the policy design.

The size of the financial incentive to leave benefit dropped slightly during winter months for 3 of the 4 model cases, due to the introduction of the Winter Energy Payment.

We looked at how incomes and financial incentives changed for four model families

1. a sole parent with one five year-old child

2. a couple with two children, one is three years old, one is eight years old

3. a single person

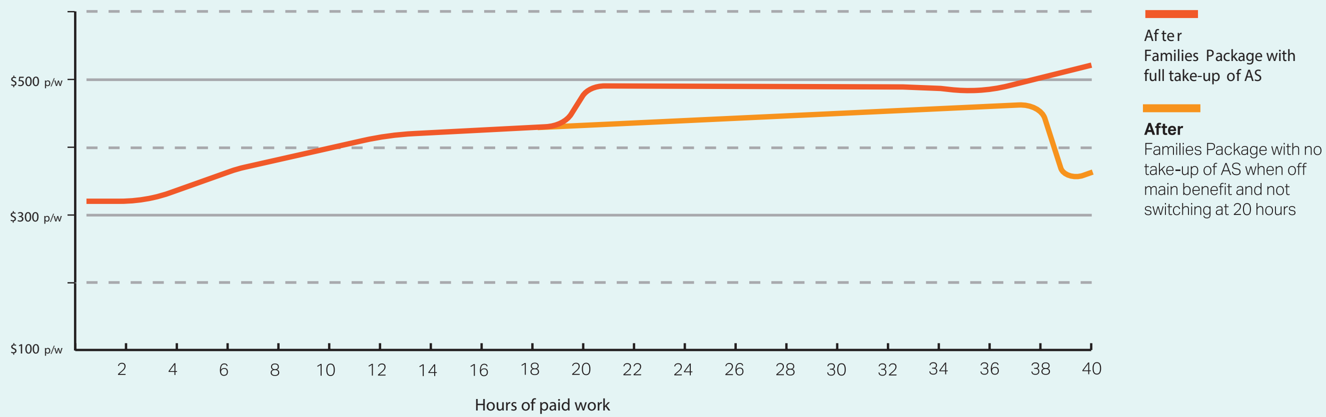
4. a single person with a permanent and severe health condition or disability

It matters that people are aware of and able to take-up entitlements to support their financial wellbeing

$p/w net income after housing costs at different hours of work if receiving the minimum wage after the Families Package

For the sole parent model family, after the Families Package:
Taking up Accommodation Supplement (AS) once off Sole Parent Support made a difference in ensuring they were better off financially in 40 hours paid work per week than working fewer hours and remaining on a main benefit.

Switching from Sole Parent Support with Working for Families tax credits to paid work with Working for Families tax credits at 20 hours would be important for ensuring they had a noticeable financial gain when working 20+ hours per week compared to working fewer hours.



Findings to date

Accommodation Supplement

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.

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.**

Findings to date

Accommodation Supplement continued

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

This plot shows long-term trends based on:

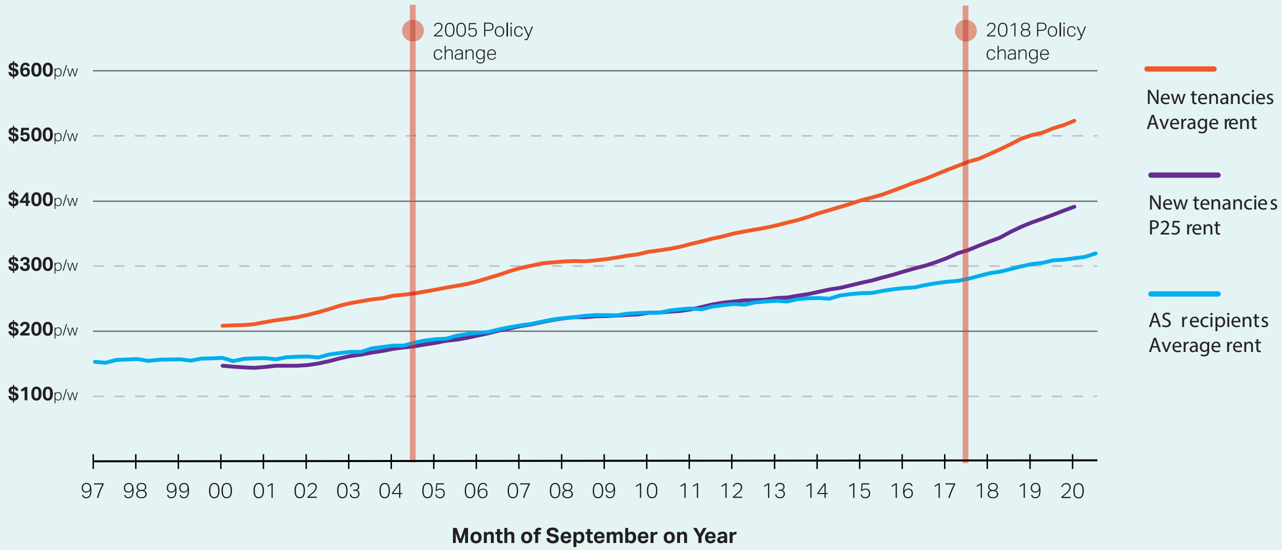
- rents paid by Accommodation Supplement (AS) recipients
- rents paid in new tenancies, from Tenancy Bonds data – the 25th percentile (P25) marks the top of the bottom quarter of new tenancy rents.

The average rent of AS 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 AS recipients.

Over the 20 years to September 2020, the average annual increase in rents for AS 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



Child poverty measures trended down in the two years that followed the Families Package

Steps towards reducing child poverty continue.

The 2021 Budget increased the weekly main benefit rates by $32-55 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 takes effect in April 2022. Best Start and Family Tax Credit will also be increased 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, for example through food in schools.

The Government has made reducing child poverty a priority. In the Child Poverty Reduction Act 2018, the Government sets 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 2019/20

18.4%

of all children were living in poverty on this measure

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

in 2019/20

13.8%

of all children were living in poverty on this measure

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

in 2019/20

11.3%

of all children were living in poverty on this measure

All measures of child poverty trended downwards between 2017/18 and 2019/20.
As of 2019/20, there were 43,000 fewer children in low-income households on the after-housing-costs child poverty measure than in 2017/18, 26,000 fewer on the before-housing-cost measure, and 18,000 fewer children experiencing material hardship.

The data used for these statistics pre-dates COVID-19.
The economic impact of the pandemic and the associated lockdowns in 2020 and 2021, together with rising accommodation costs, may have since increased financial pressure on some families.

The next update on child poverty trends will be in February 2022.

We looked at

research on client experience of the income support system

from before the Families Package.

Findings from this '**Baseline Synthesis**' of client experience research were similar to themes from MSD's 'Voices' consultations in 2018 and 2019, and from the Welfare Expert Advisory Group's 2018 consultations.

Lack of awareness of entitlements, the complexity of the application process, lack of alignment with Māori and Pacific values and culture, and the inadequacy of assistance provided by the income support system emerged as key issues for recipients before the Families Package.

These findings affirm the importance of **MSD's Te Pae Tawhiti** shifts set out in our Statement of Intent and **Te Pae Tata** and **Pacific Prosperity,** our Māori and Pacific Strategies and Action Plans.

We are working to understand **how different groups of people are experiencing the income support changes**

Studies coming up in 2022 are gathering evidence on how MSD and Inland Revenue's current efforts to improve client experience and awareness of payments are tracking, and whether lack of awareness and low take-up of payments are still factors that might be limiting the success of income support reforms in achieving their aims.

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

A large national survey will be 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 will have a focus on producing robust evidence for Māori and Pacific peoples, as well as overall.

At AUT, Massey University, and the University of Auckland, researchers are working on a three-year project using qualitative and quantitative methods to look at the experiences of **low-income working whānau and their neighbours** (other people with whom they share their everyday life). This research focuses on the differences that increased minimum wages, the Families Package, and other government initiatives are making in reducing or redressing in-work poverty.

Oranga Tamariki have recently completed an engagement with **caregivers receiving an Orphan's or Unsupported Child's benefit.** The caregivers gave their views on income support. Findings from this engagement will be available in early 2022.

At the end of 2022 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.

Coming up in our work programme

Studies in 2023 and 2024

We will be **exploring the use of the 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.

We will also be:

- monitoring how **incomes and incentives** are changing for people receiving benefits
- estimating **take-up** rates for different income support payments and how these are changing over time
- tracking how **wellbeing** is changing for people receiving main benefits.

In 2024, we will look at how the **Aotearoa NZ income support system compares internationally.** This timing will allow the OECD database used for comparisons to be updated for the 2022 benefit increases in this country, and for policies as at 2022 to be captured for other countries.

For more detail

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