



TE TAI ŌHANGA
THE TREASURY



DEPARTMENT OF THE
PRIME MINISTER AND CABINET
TE TARI O TE PIRIMIA ME TE KOMITI MATUA



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Joint Report: Welfare Overhaul: Working for Families Review – Options

Date:	5 August 2021	Report No:	DPMC-2021/22-100; REP/21/8/830; T2021/1994; IR2021/321
		File Number:	SH-3-6-1-1

Action sought

	Action sought	Deadline
Rt Hon Jacinda Ardern Prime Minister / Minister for Child Poverty Reduction	Discuss at meeting and indicate what options you would like further advice on	Ministers' meeting on 11 August 2021 at 8.30am
Hon Grant Robertson Minister of Finance	Discuss at meeting and indicate what options you would like further advice on	Ministers' meeting on 11 August 2021 at 8.30am
Hon Kelvin Davis Minister for Children	Discuss at meeting and indicate what options you would like further advice on	Ministers' meeting on 11 August 2021 at 8.30am
Hon Carmel Sepuloni Minister for Social Development and Employment	Discuss at meeting and indicate what options you would like further advice on	Ministers' meeting on 11 August 2021 at 8.30am
Hon David Parker Minister of Revenue	Discuss at meeting and indicate what options you would like further advice on	Ministers' meeting on 11 August 2021 at 8.30am

Contact for telephone discussion (if required)

Name	Position	Telephone
Deborah Tucker	Principal Analyst, Child Poverty Unit, Department of the Prime Minister and Cabinet	s 9(2)(a)
Polly Vowles	Policy Manager, Welfare System and Income Support, Ministry of Social Development	
Laura Browne	Senior Analyst, Welfare and Oranga Tamariki, The Treasury	s 9(2)(a) n/a
Eina Wong	Principal Policy Advisor, Policy and Regulatory Stewardship, Inland Revenue	s 9(2)(a)

Minister's Office actions (if required)

Return the signed report to Agencies.

Enclosure: Yes - [T2021/1994: Appendices 3 and 4 \(Treasury:4499061v1\)](#)

Joint Report: Welfare Overhaul: Working for Families Review – Options

Executive Summary

This paper provides initial advice and options in response to Ministers preferences for the Working for Families (WFF) review to broadly keep within the current fiscal envelope of spending on WFF and to focus on the following objectives:

- Objective 1: target support more to lower-income families rather than more universal support
- Objective 2: focus on low-income working families, while maintaining support for beneficiary families
- Objective 3: help make work pay and assist with the costs for people in work.

The paper also considers the extent to which the WFF review will contribute to achieving the Government’s three-year child poverty targets.

Objective 1 – Income adequacy and targeting support more to lower-income families

The primary way to support income adequacy is to increase the Family Tax Credit (FTC). This could be accompanied by a second tier of abatement to increase targeting and reduce cost. Officials have modelled increases of \$14 and \$6 (pw) per child, combined with different abatement changes that mean they are fiscally neutral, medium or higher cost. The modelling demonstrates that:

- the level of redistribution required to make adequacy-focused options fiscally neutral results in a number of the lowest income working families being financially disadvantaged (almost all of whom have similar characteristics to our current in-work poverty families). It is also difficult to reduce the costs of the increases without high abatement rates. This can result in very high effective marginal tax rates (EMTRs), counter to the objective of making work pay
- the more balanced, medium cost options provide some reductions in child poverty, and the size of the losses are lower but still significant. For the \$14pw option, around one-third of families currently receiving FTC or the In-Work Tax Credit (IWTC) lose an estimated average of \$26pw, and for the \$6pw option, around one-quarter of these families lose an average of \$8 pw
- options that increase the payment rates for FTC without abatement changes result in higher reductions in child poverty, with negligible losers, but have a medium to high estimated fiscal cost (~\$450m p.a. for the \$14pw option, and ~\$190m p.a. for the \$6pw option).

s 9(2)(f)(iv) [Redacted]

- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]

Next steps and timing

No individual option will address all the review objectives successfully, and there are significant trade-offs between the options and the objectives. We are seeking your direction as to whether to proceed with fiscally neutral or lower cost options, or the extent to which Ministers see WFF changes as the vehicle to achieve the next three-year child poverty targets.

If the latter, officials are seeking feedback from Ministers around whether there could be an indication of the parameters for the fiscal spend, and an upper limit of 'tolerance' for those families losing (i.e. proportion of households losing, extent of the losses, and from what income quartile). Following feedback, officials can undertake further work that aims to strike the right balance between these objectives, and/or that better meets particular outcomes, depending on Ministers' preferences. This further work will include the development of packages of options that can be combined across objectives.

All the adequacy options under Objective 1 could be progressed relatively quickly following Budget 2022, and these would have a full impact on the next three-year child poverty targets. Options under Objectives 2 and 3 are more complex and would take longer to develop. This could suggest a phased approach to the WFF review, progressing the changes that are focused on adequacy and/or targeting through Budget 2022, and delaying the more structural and design changes, s 9(2)(f)(iv)

Recommended Action

We recommend that you:

- a **note** that, in response to the previous Working for Families report [refer DPMC-2020/21-860; T2021/1007; REP/21/4/383; IR2021/175], Income Support Ministers agreed to the following high-level objectives for the system of tax credits for families:
 - supporting income adequacy and reducing child poverty
 - improving financial incentives for low-income earners to participate in the labour market

- b **note** that Income Support Ministers also agreed that the Working for Families review (the Review) should broadly keep within the current fiscal envelope of spending on Working for Families, and that there be a focus in the Review on:
 - low-income working families, while maintaining support for beneficiary families
 - options that shift more towards an emphasis on targeting support to low-income families rather than more universal support
 - the principle of people being better off in work, and assisting with costs for people in work

- c **note** that, alongside these areas of focus, the Government has ambitious three-year child poverty targets, and Cabinet has noted that the review will be the primary vehicle for achieving the reductions required by these targets [SWC-21-MIN-0095 refers]

Objective 1: Income adequacy and targeting support to lower-income families

- d **note** that the primary levers for improved income adequacy and greater targeting are increasing the Family Tax Credit and introducing a second tier of abatement

- e **note** that officials have modelled a number of illustrative options that would improve adequacy and make progress towards the child poverty targets, including fiscally neutral, lower-cost, and higher-cost options

- f **note** that analysis shows that, in the absence of any new investment, it is unlikely that any meaningful progress on the child poverty targets can be made through the Review without significant trade-offs (including putting new children in working households into poverty).

- g **indicate** whether you wish officials to do further work on either:
 - options within broadly fiscally neutral parameters
or
 - options that achieve reductions in measured poverty broadly in line with estimates of what is required to reach the three-year targets
or
 - medium-cost options that make some progress in reducing measured child poverty rates, but not equivalent to the shortfall estimated

Yes/no.	Yes/no.	Yes/no.
Minister for Child Poverty Reduction	Minister of Finance	Minister for Children
Yes/no.	Yes/no.	
Minister for Social Development and Employment	Minister of Revenue	

h **indicate**, for any subsequent options development under recommendation g, above, the extent to which families losing income would be acceptable, particularly for families with after-housing-cost incomes in the lowest two quartiles

Yes/no. Minister for Child Poverty Reduction Yes/no. Minister of Finance Yes/no. Minister for Children

Yes/no. Minister for Social Development and Employment Yes/no. Minister of Revenue

i **indicate** if you would like further advice on **s 9(2)(f)(iv)**

[Redacted]

- **s 9(2)(f)(iv)** [Redacted]
- **s 9(2)(f)(iv)** [Redacted]

Yes/no. Minister for Child Poverty Reduction Yes/no. Minister of Finance Yes/no. Minister for Children

Yes/no. Minister for Social Development and Employment Yes/no. Minister of Revenue

Objective 2: Helping to make work pay – improving the work/benefit interface and earning more as hours or income increase

j **indicate** if you would like officials to do further work on either:

- **s 9(2)(f)(iv)** [Redacted]
- **s 9(2)(f)(iv)** [Redacted]

Yes/no. Minister for Child Poverty Reduction Yes/no. Minister of Finance Yes/no. Minister for Children

Yes/no. Minister for Social Development and Employment Yes/no. Minister of Revenue

k **s 9(2)(f)(iv)** [Redacted]

Objective 3: Helping to make work pay – assisting with in-work costs (targeted towards low-income families)

l **indicate** if you would like officials to do further work on options that aim to assist with in-work costs, s 9(2)(f)(iv)

Yes/no.

Minister for Child Poverty Reduction

Yes/no.

Minister of Finance

Yes/no.

Minister for Children

Yes/no.

Minister for Social Development and Employment

Yes/no.

Minister of Revenue

m **indicate** if you would like further advice s 9(2)(f)(iv)

Yes/no.

Minister for Child Poverty Reduction

Yes/no.

Minister of Finance

Yes/no.

Minister for Children

Yes/no.

Minister for Social Development and Employment

Yes/no.

Minister of Revenue

Operational and administrative improvements

n **note** that officials have identified a range of operational and administrative improvements that could be progressed, s 9(2)(f)(iv)

Next steps and timing

o **note** that all the options under Objective 1 could be progressed relatively quickly following Budget 2022, and would have a full impact on the three-year child poverty targets

p **note** that options under Objectives 2 and 3 would take longer to develop s 9(2)(f)(iv)

BUDGET- SENSITIVE

q **indicate** whether you would like advice on Objective 1 options ahead of advice on options meeting Objectives 2 and 3

Yes/no.

Minister for Child Poverty Reduction

Yes/no.

Minister of Finance

Yes/no.

Minister for Children

Yes/no.

Minister for Social Development and Employment

Yes/no.

Minister of Revenue

s 9(2)(a)

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Hon Kelvin Davis
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Hon Carmel Sepuloni
Minister for Social Development
and Employment

Hon David Parker
Minister of Revenue

Joint Report: Welfare Overhaul: Working for Families Review – Options

Purpose of Report

1. This paper provides further advice on the direction of the Working for Families tax credits (WFF) review (Review), in line with Ministers' preferences for options that target support more to low-income families, and helping to assist with in-work costs.
2. The next joint Income Support Ministers' meeting is 11 August 2021, and we will seek your feedback as to which options you would like to see developed further.

Context

3. In response to the previous WFF report, Income Support Ministers agreed that:
 - The original WFF objectives remain important – supporting income adequacy and reducing child poverty, and improving financial incentives for low-income earners to enter the labour market.
 - The Review will focus on:
 - i. low-income working families, while maintaining support for beneficiary families
 - ii. options that target support more to lower-income families rather than more universal support
 - iii. the principle of making work pay and assisting with the costs for people in work.
 - The Review should broadly keep within the current fiscal envelope of spending on WFF.
4. The WFF Review will be considered alongside other reviews on the Welfare Overhaul work programme. Income Support Ministers agreed that the Review would also consider:
 - the Accommodation Supplement (initial advice REP 21/5/567)
 - options for supporting disabled people in work, [s 9\(2\)\(f\)\(iv\)](#)
 - interactions with a separate, but related, review of Childcare Assistance settings that is part of the existing welfare overhaul work programme.

Links to child poverty targets

5. The Government has set ten-year child poverty targets, which require baseline rates to be halved by 2027/28. The targets on all three primary measures of child poverty are ambitious, but the target on the before-housing-cost (BHC) measure is likely to prove particularly challenging.
6. The Government recently agreed its three-year targets for the 2021/22, 2022/23 and 2023/24 years. Based on current projections, officials estimate that reaching those targets requires further policies that achieve reductions of around two percentage points, or 20-25,000 children, on each measure, on top of the estimated reductions achieved through the benefit increases announced in Budget 2021. There is, however, considerable uncertainty associated with these estimates, and we recommend they be

viewed as a 'useful benchmark' to guide options development, rather than a 'hard target'.¹

- 7. In order for policies to make a full impact on the next set of three-year targets, implementation would need to occur by July 2022 (or October 2022 if July was unfeasible). Policies implemented later than that would have a partial impact.
- 8. As well as progress on the headline rates, we also need to consider the impact of options on poverty rates for different population groups, including Māori and Pacific children, and disabled children / children in disabled households. As options are developed further, analysis of impacts for these groups will be included.

Approach to options development

- 9. The current system of income support across WFF and the benefit system is relatively targeted. Many low-income families receive a combination of main benefits, WFF and/or support to meet housing costs. This delivers more assistance to those with lower incomes and higher needs, but also results in overlapping abatement of payments, and relatively high abatement rates, reducing assistance as incomes rise.
- 10. The current targeted approach somewhat limits the scope to significantly redistribute WFF using higher abatement rates, particularly over certain income ranges. (Appendix One summarises the distribution of income and work across NZ families.) This Review needs to consider the overall coherency of the income support system to ensure WFF settings do not create tensions with other parts of the system. (Appendix Four includes two example families to show how the benefit and tax credit systems interface for low-income working families.)
- 11. The options in this paper present trade-offs between the focus areas of the Review. These are primarily around the 'iron triangle' of fiscal costs; income adequacy/reducing child poverty; and work incentives/making work pay. Some options can be combined, and address either one or more objectives, while others compete with each other. No option addresses all the objectives successfully within the current fiscal envelope. Options across objectives are not mutually exclusive and future advice will present potential packages. A summary of the options across objectives and a description of current WFF tax credits can be found in Appendix Two.
- 12. The paper is divided into three parts under the three key objectives.

Objective 1: Income adequacy and targeting support more to lower-income families

- The primary means for achieving Objective 1 is to increase the FTC and introduce two-tiered abatement. The options presented range from lower cost and highly redistributive options, through to those that would have a larger impact on child poverty reduction but are more costly and not within the fiscal envelope.
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]

¹ The 20-25,000 estimate is based on the mid-point of the modelled projections. When expressed as a range, the required reductions are between 7,000 and 37,000 on the before-housing-cost measure (with a midpoint of 22,000), and between 9,000 and 41,000 on the after-housing-cost measure (with a midpoint of 25,000). This underscores the uncertainties involved, and the importance of using these figures only as a broad guide to options development.

Objective 2: Helping to make work pay – improving work/benefit interface

- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]

Objective 3: Helping to make work pay – assisting with in-work costs (targeted towards the 'working poor')

- s 9(2)(f)(iv) [Redacted]
 - i. s 9(2)(f)(iv) [Redacted]
 - ii. s 9(2)(f)(iv) [Redacted]
 - iii. s 9(2)(f)(iv) [Redacted]
 - iv. s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]

Objective 1: Income adequacy and targeting support more to lower-income families

Issues

13. As recent income support changes were focused on beneficiaries, Ministers agreed that the WFF review should address income adequacy for low-income working families, while maintaining support for beneficiary families. Broadly half of children in poverty are in working households, with the vast majority of the children of the working poor in couple-led families.

Options – FTC increases and two-tiered abatement

14. The options presented combine an increase to FTC rates with changes to abatement settings. Options using these levers target low-income families generally, rather than in-work poverty families.
15. A number of the options introduce a ‘two tiered’ abatement structure, which aims to claw back the payment at a higher rate for those on higher incomes, and adjusting abatement rates. Options range from low cost and highly redistributive, through to higher cost, larger FTC increases to achieve more significant reductions in child poverty. The design choices depend on trade-offs around cost, financial incentives to work (e.g. the increase to the EMTR) and child poverty impacts.
16. We have modelled two FTC increases of \$6pw per child and \$14pw per child. These are purely illustrative and were set in order to achieve reductions in child poverty broadly in the vicinity of the shortfalls identified. The reductions for the \$14pw option are closest to the mid-point of the required estimated reductions in the measures, but still fall slightly short, particularly on the before-housing-cost measure (see footnote 1 above). We have also modelled these increases alongside different abatement settings to demonstrate the results and some of the key trade-offs. These can be further refined in subsequent modelling.

BUDGET- SENSITIVE

17. Table 1 below summarises the key impacts of the FTC options.

FTC increase per week	New second tier abatement threshold <i>All options have first threshold at \$42.7k, abating at 25%.</i>	Fiscal cost p.a.	Winners		Losers		Child Poverty impacts	
			Number of gaining families ^a	Average gain pw for gaining families	Number of losing families ^a	Average loss pw for losing families	Reduction in number of Children Fixed AHC50	Reduction in number of Children BHC50
\$14 per child	No abatement changes	\$449m	331k	\$26	S ^b	S	22 ± 8k	16 ± 6k
	2 nd threshold at \$62k abating at 38% <i>increases EMTRs by 13ppt</i>	\$203m	245k	\$24	77k	(\$26)	18 ± 8k <i>21 ± 8k lifted, 3 ± 3k newly into poverty</i>	17 ± 6k
	\$55k at 46%** <i>increases EMTRs by 21ppt</i>	\$22m	219k	\$24	103k	(\$47)	9 ± 8k <i>19 ± 8k lifted, 10 ± 4k newly into poverty</i>	15 ± 6k
\$6 per child	No abatement changes	\$190m	325k	\$11	S	S	11 ± 7k	6 ± 4k
	\$62k at 29%** <i>increases EMTRs by 4ppt</i>	\$106m	256k	\$10	66k	(\$8)	10 ± 7k	6 ± 4k
	\$55k at 32% <i>increases EMTRs by 7ppt</i>	\$11m	224k	\$10	98k	(\$21)	7 ± 7k <i>11 ± 7k lifted, 4 ± 3k newly into poverty</i>	6 ± 4k

**these options are illustrated in Appendix Three.

^a The sampling error for the number of winning and losing families is around 10,000 families.

^b S signifies that the numbers are lower than the threshold for clearing IDI confidentiality checking.

Key conclusions

More substantial targeting to reduce costs leads to more households losing, including the 'working poor'

18. Because around half of all families with children receive WFF (i.e. tend to be around or below the median equivalised household income), the fiscally neutral options that are achieved via the two-tiered abatement structure largely trade-off gains for households in the bottom income quartile (mainly beneficiary families) with losses for households in the second income quartile. These households are almost all low-income working families, and average losses increase with family size.²
19. For the fiscally neutral \$14pw increase option, we estimate that a significant number of new children are dropped into AHC50 poverty (10,000 ± 4,000). These children are almost all from non-beneficiary families and couple parents; that is, they have similar characteristics to our current in-work poverty families. A significant number of the worse-off families are already in AHC50 poverty in the status quo. We expect a significant number would also be in material hardship.
20. More balanced, medium cost options provide some reduction in child poverty, and the size of the losses are lower but still significant. We estimate that, for the \$14pw option, around one-third of families currently receiving FTC or IWTC lose an average of \$26pw and, for the \$6pw option, around one-quarter of these families lose an average of \$8 pw.

Increases without abatement changes result in negligible losers but higher fiscal costs

21. Flat increases to the FTC (with no abatement change) of \$14pw per child reduce child poverty by around 16,000 on the BHC50 measure and around 22,000 on the AHC50 measure, at a cost of around \$450m (pa).
22. Some reductions can still be achieved by flat increases of around \$6pw per child. This translates to around 6,000 on the BHC50 measure and around 11,000 on the AHC50 measure, at a cost of around \$190m (pa).

Reducing costs can also lead to high EMTRs and make it harder to make work pay

23. Higher abatement rates can result in excessive EMTRs when considering tax and abatement rates on other supports such as Accommodation Supplement, student loans, Childcare Assistance, Best Start, etc. The example families in Appendix Four demonstrate that low-income working families already face relatively high EMTRs in the current system.
24. While it is a judgement call, we would recommend not setting the abatement rate at over 32% (ie not more than 7% over the current 25% rate). Setting the rate above this increases the likelihood that families will face EMTRs over 100%, so they will be losing more than they are gaining through higher earnings.

All options involve trade-offs, but further work can aim to strike a balance

25. All options involve putting more weight on some of the key objectives for the review, and trading off others. If Ministers want to explore these options further, officials can undertake further work that aims to strike a balance between these objectives, and/or that better meets particular outcomes.

² Under the fiscally neutral/\$14pw increase option, the average loss for families with 3+ children (around 1 in 5 of the families that lose) is \$73pw.

Objective 2: Continuing to help make work pay – improving work/benefit interface

Issues

39. The previous WFF paper advised on issues with the design of WFF. In summary:
- Low and middle-income families face high EMTRS, particularly sole parents and second earners, and current settings may mean people fail to earn more as hours or pay rates increase – see example families in Appendix Four.
 - Needing to be off-benefit to qualify for MFTC/IWTC creates problems for people whose circumstances change frequently, such as those in precarious temporary/casual work. This can mean switching between receiving WFF from MSD and from IR, and also affects receipt of wider income support such as child support, Winter Energy Payment, and Accommodation Supplement.
 - There are issues at the benefit/work interface for those on benefit and working part-time with varying hours, who face complexity, high compliance costs, and risk of incurring debt.
40. These issues point to the need for a system that is flexible, that enables and facilitates people to work and to remain working in an environment of uncertainty. It requires income support to provide income smoothing, and minimised risk for sole parents in particular to leave the benefit system. There also needs to be an operational/administrative system that is user-friendly for people needing to report changing income on a regular basis, and to reduce debt to government.
41. Options to improve the work/benefit interface will have the biggest impact overall on women with children, who are much more likely to be sole parents or second earners. Women are predominantly the part-time workers (making up 75% of the part-time workforce, with younger people making up the remainder). Jobs in the part-time low-wage end of the labour market are more likely to be temporary or short tenure, and with variable hours, than full-time permanent roles. Sole parents, Māori and Pacific women, and disabled people are overrepresented in these forms of part-time work, and most of these groups are also overrepresented in the benefit system.

s 9(2)(f)

42. s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

43.

s 9(2)(f)(iv) [Redacted]

44. s 9(2)(f)(iv) [Redacted]

⁴ s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

Objective 3: Helping to make work pay – assisting with in-work costs for the ‘working poor’

Issues

- 51. In addition to options set out under Objective 2, there are further options to make work pay and better assist with the costs of working, particularly for the working poor.
- 52. Options here need to ensure that the tax and income support system does not discourage anyone who wants to work from working – and ideally, that people are not in poverty when they are working. Options could seek to address two key issues:
 - *In-work poverty has been increasing, particularly for single-earner households.* Broadly half of children in poverty are in working households. Around two thirds of these families are single-earner households. In-work poverty rates for two-parent households with only one full-time earner are around three times the rate for those with two earners. Rates have been rising for one-earner households since the early 1990s, but have remained fairly steady for households with two or more working adults.⁶ These households are generally unable to access income support due to the primary earner’s income.
 - *Sole parents and second earners face significant barriers to employment.* Nearly all of the children who are in families supported by main benefits (93%) are in sole parent families, and only 7% are in couple-led families. Some of the obvious barriers to working include childcare (availability, suitability, affordability, and parental preferences), EMTRs, and whether work pays after factoring in other in-work costs. The subsidised 20 hours ECE entitlement is available to children from age three, but low-income workers are less likely to use formal childcare in the zero to two age range due to cost.

53. s 9(2)(f)(iv) [Redacted]

Options

s 9(2)(f)(iv) [Redacted]

54. s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

55. s 9(2)(f)(iv) [Redacted]

⁶ Perry, Bryan (2019) ‘Household Incomes in New Zealand’, MSD, November 2019. T2021/1994

- s 9(2)(f)(iv) [redacted]
- s 9(2)(f)(iv) [redacted]

Assistance with in-work costs (some work is already underway)

56. s 9(2)(f)(iv) [redacted]
57. Some work has already been commissioned on some of these approaches, including:
- A separate workstream is preparing advice on potential changes to the Accommodation Supplement, which includes s 9(2)(f)(iv) [redacted]
 - s 9(2)(f)(iv) [redacted]

58. Officials are currently undertaking a review of the existing childcare subsidy. s 9(2)(f)(iv) [redacted]

Next steps

59. s 9(2)(f)(iv) [redacted]
60. s 9(2)(f)(iv) [redacted]

Broader scope considerations

61. s 9(2)(f)(iv) [redacted]
62. s 9(2)(f)(iv) [redacted]

Administrative and operational options

63. In the previous WFF report, officials highlighted the need to simplify the system to improve client experience, and better respond to changes in customers' work and care arrangements. This is part of the third objective of the original WFF reform – supporting people into work (and to remain in work) by making sure they get the assistance they are entitled to in a timely manner.

64. s 9(2)(f)(iv) [Redacted]

65. s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

66. s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

67. s 9(2)(f)(iv) [Redacted]

Other improvements

68. Officials have identified a range of improvements that could be progressed [Redacted]
s 9(2)(f)(iv) [Redacted]

- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]

Operational improvements

69. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Next steps







70. Officials will provide further advice on administrative and operational options for improving the WFF scheme, following feedback from Ministers at their meeting on 11 August 2021.

Appendix One: Overview of Families with Children

There are approximately **623k families** with children in New Zealand.

If there were only 100 Families with Children in New Zealand...

- Around 24 families would be sole parents 👤 and around 76 would be couple parents 👤👤
- At any one time, around 51 families would have both parents working 👤👤, and around 33 families would have only one parent working 👤/ 👤👤.

<p>At any one time, around 16 families would not have any earnings from wages/self-employment.</p> <p>Sole parents (not earning) Couple parents (not earning)</p> 	<p>Non-earning families</p> <p>Families that are not in work are likely to be primarily supported by main benefits, though may have other sources of income. The main support these families would be entitled to via Working for Families is the Family Tax Credit.</p>
<p>Around 13 families would be in some work with annual combined earnings less than \$43k (gross).</p> <p>Sole parents Couple parents</p>  <p>Earnings at this level are equivalent to less than 40 hours of work on minimum wage per week.</p>	<p>Benefit-work interface</p> <p>Parents with low hours of work are likely to also receive a main benefit and the Family Tax Credit. Sole parents working at least 20 hours and couples working at least 30 hours become eligible for the Minimum Family Tax Credit. Parents working at least one hour will be eligible for the In-Work Tax Credit if they are not receiving a main benefit.</p>
<p>Around 18 families would be in work with annual combined earnings between \$43k and \$83k.</p> <p>Single earner Dual earner</p>  <p>Earnings at this level are equivalent to between 40 and 80 hours of work on minimum wage per week.</p>	<p>Low-middle income families</p> <p>The Family Tax Credit and In-Work Tax Credit will begin to abate for families with an annual income above \$42,700. WFF will be fully withdrawn for families with one child within this income range. Accommodation Supplement also abates over this period.</p> <p>Further analysis has shown that some of the families in this group are either already in, or very close to the threshold for AHC50 poverty.</p>
<p>The remaining families (around 53) would be in work with annual combined earnings above \$83k.</p> <p>\$84k to \$115k (~15 families)</p>  <p>\$115k to \$161k (~18 families)</p>  <p>\$161k and over (~20 families)</p> 	<p>Middle-high income families</p> <p>The Family Tax Credit and In-Work Tax Credit will continue to abate. With family income around \$115k, Working for Families will be fully withdrawn for families with two children and mostly withdrawn for families with three children. Only large families continue to receive Working for Families above this income level.</p>

The 95% margin of error in these estimates is around 6 thousand actual families, or one 👤.

Table 2-ii: Summary of options across objectives

Lever	Policy change	Specific options	Timing
Objective 1: Income adequacy and targeting support to lower-income families			
Rates	Increase FTC rate	\$14 per child and \$6 per child increases modelled. Other increases available on either a per child or per family basis.	Budget 2022, implementation by July 2022
Targeting	Two-tier abatement regime for FTC/IWTC	Four example regimes modelled (in combination with above increases to FTC). The higher the abatement rate, the greater the impact on work incentives and the increased risk that families will face EMTRs in excess of 100%.	Budget 2022, implementation by October 2022

s 9(2)(f)(iv)

Objective 2: Helping to make work pay - improving the benefit/work interface

s 9(2)(f)(iv)

Objective 3: Helping to make work pay - Assisting with in-work costs

s 9(2)(f)(iv)