Working paper: Total incomes of MSD main benefit clients as at April 2022

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Summary

People supported by the Ministry of Social Development (MSD) can access a range of financial support, including main benefit payments, 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, 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.

While these factors mean comprehensively understanding the financial support received by benefit recipients is complex, this information is an important indicator of their material wellbeing. We have developed a new dataset to understand the full range of financial support main benefit clients receive – known as their 'total income'. This is part of the welfare overhaul work programme and follows Recommendation 5 of the 2019 Welfare Expert Advisory Group (WEAG) report, which stated MSD should begin annually reporting a measure of client income.

This working paper provides an initial view of total weekly incomes for main benefit clients as at the end of April 2022. Moving forward, we intend to further adapt and refine this information into an annual publication, which will monitor changes in clients' income over time. Regularly publishing this information increases transparency around the level of financial support main benefit clients receive.

Key findings[1]

1

Total incomes vary across family types, with larger families generally having the highest total incomes.

This reflects incomes needing to support the costs of more people and recent policy interventions targeting families with children. The average weekly income, after housing costs, across all family types is $325.[2]

2

There is substantial variation in income distribution for different families,

reflecting different circumstances and take-up of supports. Single clients generally have the lowest income distribution, while there is more variation in income for families with children – reflecting different family sizes.

3

Average total income, after housing costs, has grown for all families over time, reflecting policy changes, particularly increases to main benefits.

In the year to April 2022, the average total income of families overall increased by $60 (after housing costs).

4

Housing costs for main benefit clients have grown over time, although at a lower rate than the comparable rental housing market.

Housing costs vary for different clients, depending on the type of support or subsidy they receive. For example, clients accessing the Accommodation Supplement have lower total incomes (after housing costs) on average than those living in Public or Emergency/Transitional Housing.

5

From 2018, total incomes, after housing costs, increased at a faster rate than inflation.

Between 2018 and 2022, inflation increased by 12 percent (excluding housing), while total incomes across all family types grew by 59 percent on average (after housing costs). Overall, total incomes after housing costs are, on average, 43 percent higher in real terms now than in 2018.

[1] Total incomes are presented on a nominal basis unless otherwise stated.

[2] Not equivalised for families of different sizes and composition.

Working paper: Total incomes of MSD main benefit clients as at April 2022

Background

The Ministry of Social Development (MSD) regularly publishes a range of information relating to the benefit system, including the number and characteristics of benefit recipients and total expenditure on different kinds of assistance.

In addition to regular reporting, we publish other analysis on the wellbeing of New Zealanders, most notably through the Household Incomes Report, which is based on data from Stats NZ's Household Economic Survey. Other government agencies also publish information relating to the wellbeing of different groups, for example statistics relating to child poverty, including Stats NZ and the Department of the Prime Minister and Cabinet.

While previous analysis provides some insight into the financial support received by benefit recipients, comprehensively understanding the income of this group based on current reporting is difficult. The benefit system is highly complex, comprising multiple regular, temporary, and one-off payments from MSD, along with other agencies. Benefit recipients also experience a range of different circumstances, which can affect the level of support they receive, and may also receive wages from employment.

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 this 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.

Recommendation 5 of the WEAG report noted 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, we have 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.

This working paper provides an initial view of total weekly income for main benefit clients as at end of April 2022.[3] It presents a set of results on the level and composition of total incomes for different families, including changes over time. It also explores the impact of housing costs and inflation.

Moving forward, we intend to further adapt and refine this information, to develop an annual publication using the total incomes dataset. This future publication will present a consistent set of measures to monitor changes in clients' income over time. Regularly publishing this information increases transparency around the level of financial support main benefit clients receive.

It is important to note that this working paper 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. Rather, the focus is on describing the current total incomes of families, and how these have changed over time.

[3] Specifically, weekly income as at the final Friday of April 2022.

Overview of the welfare system

As set out in the Social Security Act 2018, the New Zealand welfare system provides income support to people who are not currently in paid employment or are unable to earn income from work because of sickness, injury, disability, or caring responsibilities.

Government currently spends around $34 billion each year through the welfare system, which represents around 31 percent of core Crown expenditure.[4] The welfare system includes wider supports like tax credits, student allowances, NZ Superannuation, and child support, as well as main benefits.

As at the end of April 2022, there were around 378,000 adults receiving an income-tested main benefit, representing around 12 percent of the overall working age population. Many people receiving a main benefit have dependent children – with 214,000 children (at the end of April), or around 19 percent of all children, living in families supported by a benefit.

People accessing support through the welfare system can access three different tiers of support:[5]

- **Tier one main benefit payments**, which are intended to meet the general costs of living, for example Jobseeker Support, Sole Parent Support and Supported Living Payment.
- **Tier two supplementary assistance** for specific ongoing costs, such as those related to housing, health, and disability, for example the Accommodation Supplement and Working for Families tax credits.
- **Tier three hardship assistance** that helps people meet immediate and essential costs, which cannot be met from any other income or assets, and can be recoverable or non-recoverable, for example Special Needs Grants.

There are a range of eligibility requirements for accessing these different forms of assistance and the level of financial support provided depends on factors like someone's age, the type of main benefit they are receiving, whether they are single, have a partner and/or children, and their income and assets, including from part-time work while on a benefit.

For a more detailed overview of the income support system, including different payments and eligibility requirements, see *The income support system*[6]. Further information on the key forms of support referred to throughout this paper is included in the Glossary.

The 'total incomes' reporting approach

The results in this paper are based on a new dataset that covers families receiving an income-tested main benefit from 2006 onwards. The dataset accounts for the diversity of circumstances experienced by benefit recipients, including number of children, housing costs, earnings, deductions, and take-up of different payments.

Key definitions and other relevant information required to support interpretation of the findings are outlined below.

[4] For more information, see Budget Economic and Fiscal Update 2022 (treasury.govt.nz).

[5] While some forms of second and third tier assistance are available to non-main benefit clients in some instances, the total incomes dataset only includes main benefit clients.

[6] MSD is currently working on an updated version of this paper, which is anticipated to be released in late 2022.

Data sources and time period

The dataset uses MSD administrative data – which means information collected by MSD as part of supporting clients, for example in our case management systems.[7] Some information is also estimated, such as tax credits paid by Inland Revenue. The dataset covers the period 2006–2022, with quarterly information from 2006 to 2017 and monthly information from 2018 onwards. Results presented in this paper are based on data up to the end of April 2022 and show a snapshot of weekly income.[8]

Population description

The analysis is based on families where at least one person is receiving an income-tested main benefit – 354,000 families as at the end of April.[9] Families are defined based on whether people are single or have a partner, and the number of children. If more than one person in a family receives support, this is included in their family's total income. Results are reported using the following categories (see Appendix Figure one for a full breakdown of the population in scope):

- Couple, two or more children
- Sole parent, two or more children
- Couple, one child
- Sole parent, one child
- Couple (no children)
- Single (no children)

Definition of income

The analysis uses a broad definition of income, which incorporates the full range of financial support and earnings clients receive, including most second and third tier payments,[10] in addition to their main benefit. We include some deductions – for example child support payments or any debt repayments to MSD – and report most findings after also accounting for housing costs.[11] See Figure one for an example of how total income is calculated. All results show average (mean) total income (after tax) for different groups and are reported on a nominal basis unless otherwise stated.[12] This analysis differs from the Household Incomes Report, which is based on a survey methodology, examines annual rather than weekly income, and is based on households rather than families.[13]

Equivalisation

A methodology for standardising incomes for families of different sizes and composition, so that the relative wellbeing of different households can be better compared. In most places (Figures two to seven), we do not use equivalisation as the purpose is to show differences in total incomes between different family types. However, in Figures eight and nine, incomes are equivalised, as we are seeking to compare all families based on common characteristics – for example, housing type. We used the OECD modified scale for incomes before housing costs and an alternative scale for incomes after housing costs – used in the UK's Households Below Average Incomes reports.[14]

[7] Administrative data is subject to a level of error, as it can be reliant on self-reported information and manual data entry. A data validation exercise of the total incomes dataset within the Stats NZ Integrated Data Infrastructure confirmed most outputs can be similarly reproduced, with the exception of client income and partnership, which may be undercounted in our data.

[8] Except for Special Needs Grants (SNGs), Recoverable Assistance Payments, and Advance Payment of Benefit, for which we use the average of the prior 12 weeks to account for the more ad hoc nature of these payments. In some cases, this could result in total incomes being higher than what they would be across a different time-period, if the number of SNGs received within that 12-week period was particularly high. We include recoverable payments, because we also include offsets to income in the form of debt repayments to MSD.

[9] These figures differ from official statistics, as the total incomes dataset is based on the number of families supported by a main benefit rather than the number of individual clients.

[10] Some forms of assistance are excluded, including Disability Allowance, Child Disability Allowance and Childcare Assistance. This is because these payments are provided for a specific purpose on an ongoing basis, but we do not account for associated costs in our definition of total incomes, so including them could artificially inflate total incomes for recipients.

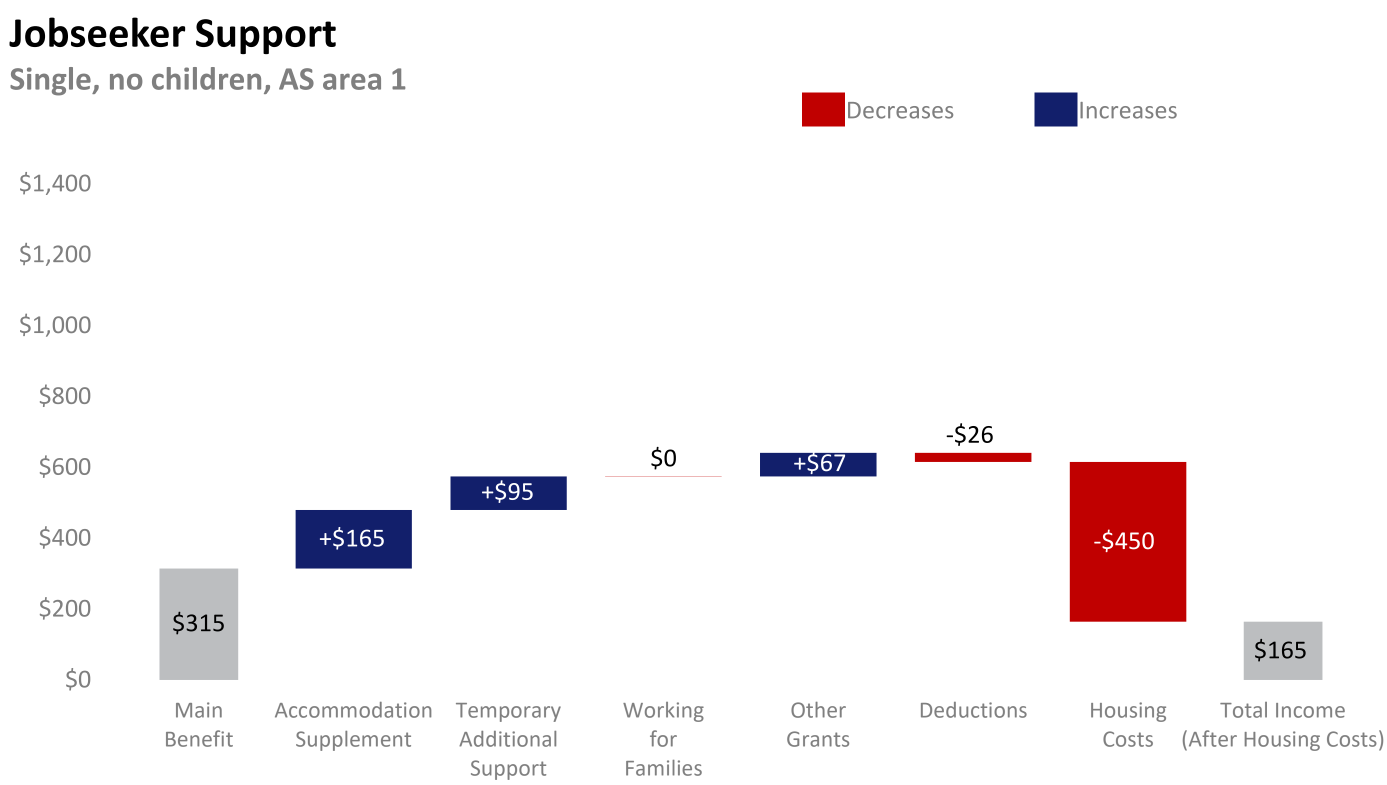
[11] Housing costs are based on the costs associated with the client's Accommodation Supplement, Income-Related Rent Subsidy or Emergency/Transitional Housing. In cases where costs are unknown (around 20 percent of clients), Accommodation Supplement entry thresholds are used as a proxy for their potential housing costs. This approach reflects our best estimate of housing costs but will not be accurate in all cases and may understate actual costs.

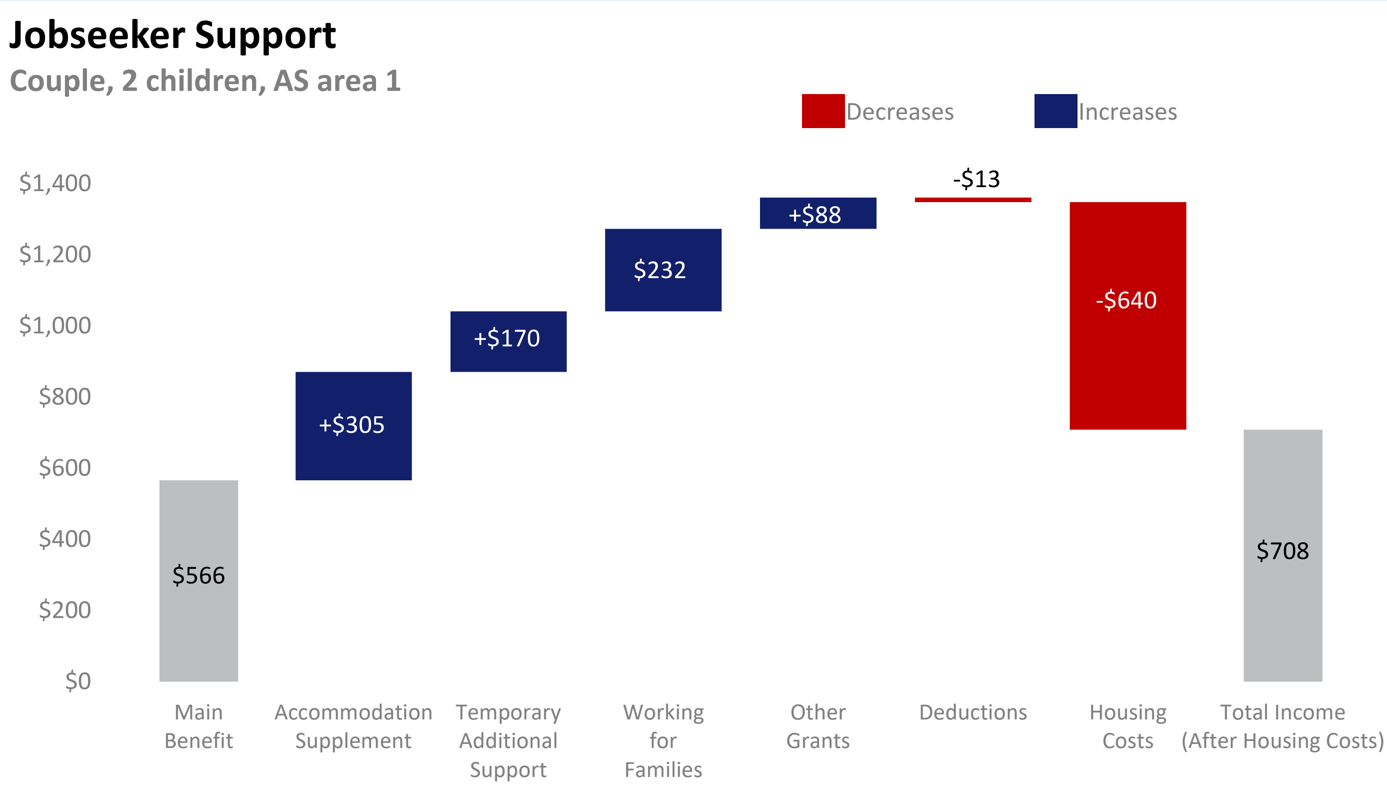
[12] Appendix Figure one also shows median total incomes and percentile breakdowns.

[13] The total incomes dataset is based on MSD's administrative definition of families, which considers a main client, their partner, and any dependent children. There may be multiple families included within one household – for example multi-generational households with more than one main benefit recipient. This reporting approach is also different to child poverty measurement, which is based on households rather than families.

[14] AHC equivalisation used in the UK's Households Below Average Income reports reflects the more limited scope for economies of scale for adults in non-accommodation costs. The scale is calculated as follows: 1.0 for first adult; 0.72 for subsequent family members aged 14 and over; 0.34 for every child aged under 14. Compared to 1.0, 0.5 and 0.3 for the OECD modified scale. This paper uses the single person family as the reference family, i.e., a single person unit has an equivalence scale value of 1.0.

Figure one: Example of how total income is calculated for two families receiving Jobseeker Support[15]





[15] AS area 1 refers to areas with high rental costs, where the maximum level of Accommodation Support is available. For more information, see: Definitions of areas – Map (workandincome.govt.nz). In this figure, 'other grants' include recoverable and non-recoverable SNGs.

Key results – income for different family types

This section provides an overview of key results – including overall total income, variation in income for different families, the composition of income from different sources of payment, and changes in income over time.

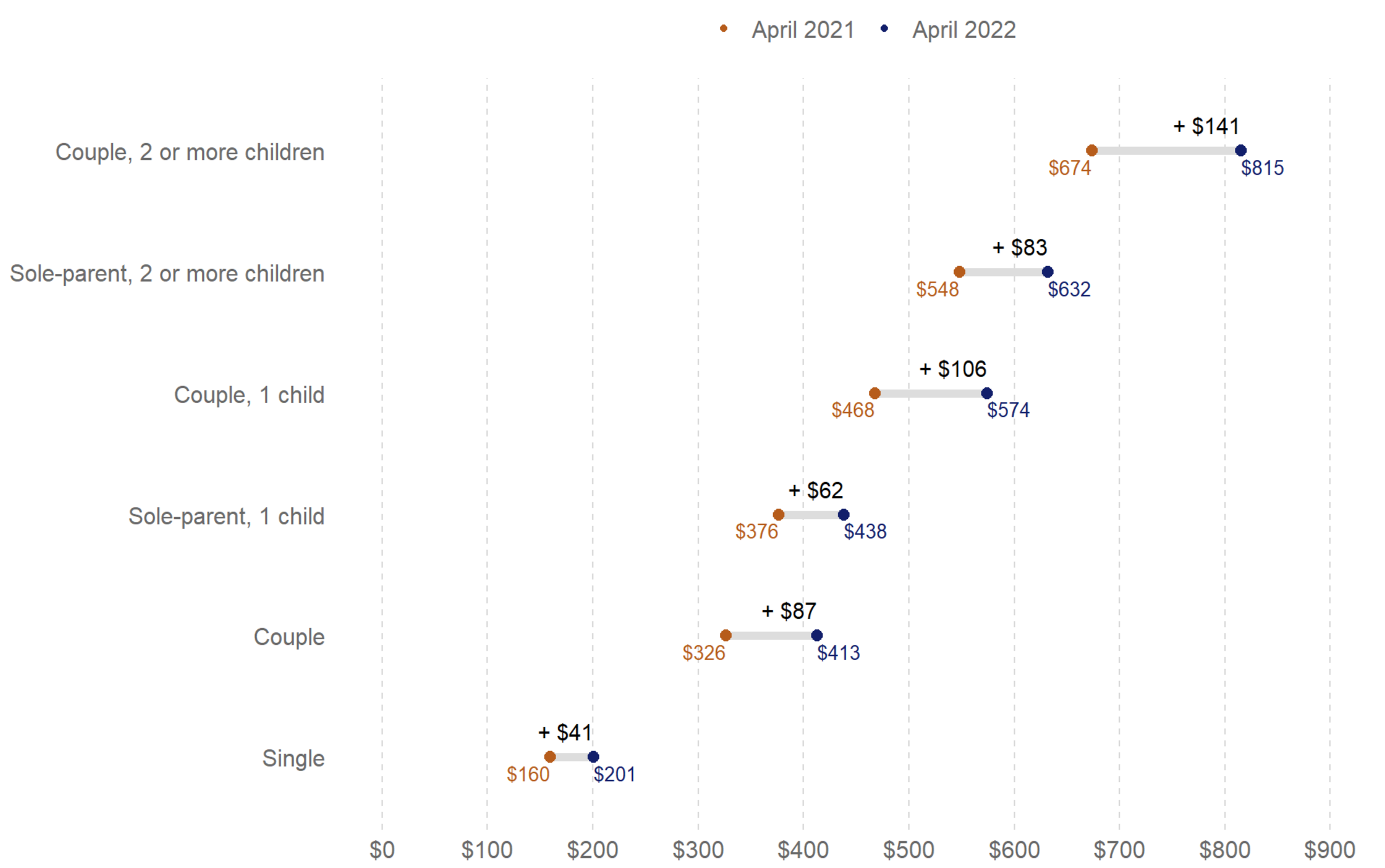
All results show income after housing costs for different family types.

The results are intended to show how much weekly income families have once their accommodation costs have been paid.

Total incomes after housing costs vary across family types.

Figure two shows the total weekly income of different family types, after housing costs, as at the end of April 2022. The figure also shows how incomes changed over the prior 12 months.[16]

Figure two: Average total incomes by family type (after housing costs) in April 2022, compared to April 2021



[16] 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 2021 may no longer be accessing support in 2022.

Families with children generally have the highest total incomes.

This figure shows families with children, in particular larger families, generally have the highest income. In comparison, single clients have the lowest income. The average weekly income, after housing costs, across all family types is $325.[17]

Income differences between family types likely reflect several factors:

- As these results are not adjusted to account for family size (i.e. we have not applied equivalisation), differences in income primarily reflect the circumstances of different family types.[18] Larger families having higher total incomes is consistent with this income needing to support the costs of more people. Higher total incomes for families with children also recognises additional costs associated with caregiving responsibilities. Single clients are also predominantly Jobseeker Support – Work Ready (JS – WR) recipients.[19] Benefit rates for JS – WR reflect an expectation these clients are seeking full-time work and stay on benefit for shorter durations — so are comparatively lower.
- Recent policy interventions, such as the Families Package, were generally targeted towards those with children. For example, families with children can access the Family Tax Credit, which contributes around $100 per week in financial support per child (for more information, see Figure four).
- Housing costs for different family types will also contribute to differences in income — for example, couples have about 70 percent more income than singles but only 36 percent higher housing costs[20] (for more information, see Figure six).

Total incomes for all family types grew between April 2021 and April 2022, mostly reflecting recent increases to main benefit payments.

Figure two also shows that total incomes have grown over the last 12 months, primarily reflecting the impact of recent main benefit increases.[21] From April 2021 to April 2022, total incomes grew by between $41 to $141 on average on a weekly basis, depending on different family types. Total incomes grew the most for couples (both overall and on a per person basis), including those with and without children.

The average total income of families overall increased by $60 in the year to April 2022 (see Figure five for more information on changes in total income over time).

[17] Not equivalised.

[18] For comparison, see Appendix Figure two for a version of Figure two with equivalisation applied.

[19] For more information comparing benefit types and family types, see Appendix Figure three.

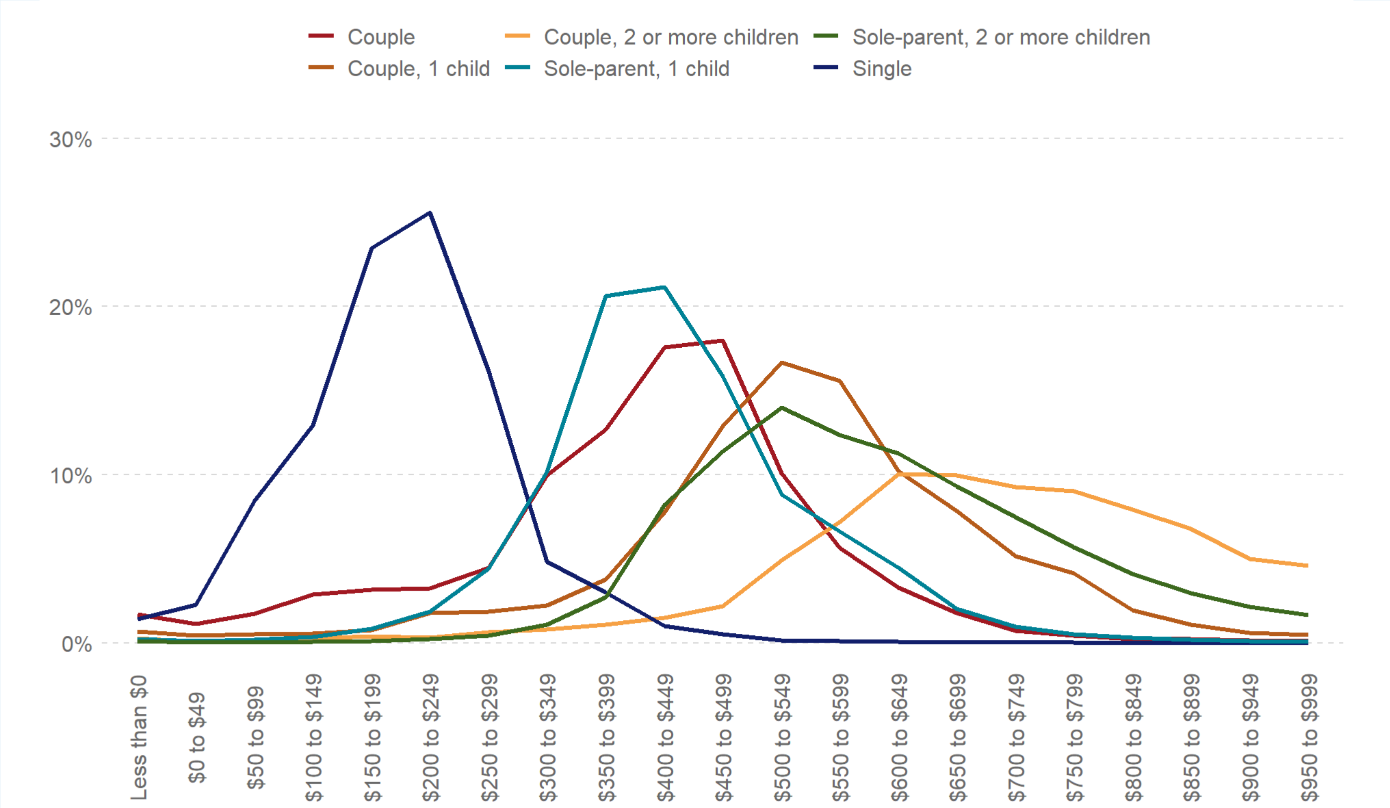
[20] For singles and couples without children.

[21] As part of Budget 2021, Government increased main benefits to the levels recommended by WEAG. These changes were implemented in two stages, with the first occurring on 1 July 2021 and the second on 1 April 2022. The first change included a $20 increase to main benefits (per person), while the second included further increases of between $20 to $85. In addition to increases to main benefits, changes in total incomes over time can also reflect changes in the composition of the benefit population (e.g. larger family sizes or more families having children) and other factors, like changing wages and accommodation costs.

There is substantial variation in income distribution for different families.

There is substantial variation within the level of financial support families receive, depending on their circumstances. Figure three shows how total income is distributed across income bands, for different family types.

Figure three: Distribution of total income by family type (after housing costs)



Variation in total incomes reflects the nature of people's circumstances and housing costs.

- Differences in income distribution could reflect take-up of housing support like the Accommodation Supplement, access to supplementary and hardship assistance like Special Needs Grants, or differences in earnings from employment.[22] Income can also vary substantially depending on the type of housing support families receive (see Figure eight for more information).
- The level of income distribution is generally lowest for single clients, with approximately 70 percent of this group having income after housing costs of between $50 and $250. This is consistent with single clients generally having the lowest total incomes overall. Single clients with higher incomes may be receiving main benefits paid at a relatively high rate – for example, the Supported Living Payment.
- In contrast, families with multiple children (including couples and sole parents) tend to have the largest variation in total incomes, which is driven by differences in the numbers of children they have.[23] The Family Tax Credit increases with the number of children, so families with more children generally have higher total incomes.

[22] The extent to which benefit recipients are taking up the full range of payments they are entitled to, known as their full and correct entitlements (FACE), may also be a driver for differences in total incomes.

[23] In some cases, families with children may still have relatively low total incomes after housing costs (below $249 p/week). This likely reflects high housing costs or low take-up of supplementary and/or hardship assistance.

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, a range of other payments also contribute to families' total incomes. This is highlighted by Figure four, which shows the average composition of total income for different family types.

- In addition to main benefit payments, the Accommodation Supplement is another key component of total income. Overall, for families that receive this support, the Accommodation Supplement contributes 17 percent to total income.
- Income through supplementary and hardship assistance, such as Temporary Additional Support, also contributes around three percent of total income overall, and Special Needs Grants (both recoverable and non-recoverable) a further five percent.
- For families with children, a large proportion of total income is comprised of tax credits paid by either MSD or Inland Revenue.[25] For families with one child, tax credits represent 18 percent of total incomes on average, and this grows to 32 percent for families with two or more. As noted, tax credits are a key contributor to differences in total incomes between families with and without children.
- Figure four also shows client income from part-time employment. Since 1 April 2021, main benefit clients have been able to earn up to $160 per week from part-time work before their benefits are abated. Income from earnings contributes four percent of total income on average across all family types, with families with two adults generally earning more from employment.

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

[24] See Appendix Figure four for a breakdown of the relative contribution of each payment to total incomes, by family type, as a proportion of total.

[25] Tax credits include the Family Tax Credit and Best Start Tax Credit.

Figure four: Average composition of total income by family type (before housing costs)[24]

From 2018, average total income grew for all families, reflecting policy changes, including increases to main benefits.

Figure five shows how total incomes for different family types changed between 2016 and 2022.[26] As shown in this figure, total incomes were generally flat up to 2017, which is consistent with main benefits being adjusted for inflation over this period.

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 dollar increase 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.

On average, all families supported by a main benefit now have higher income after housing costs than in 2016 (see Figure nine for more information the impact of inflation on total incomes over this period).

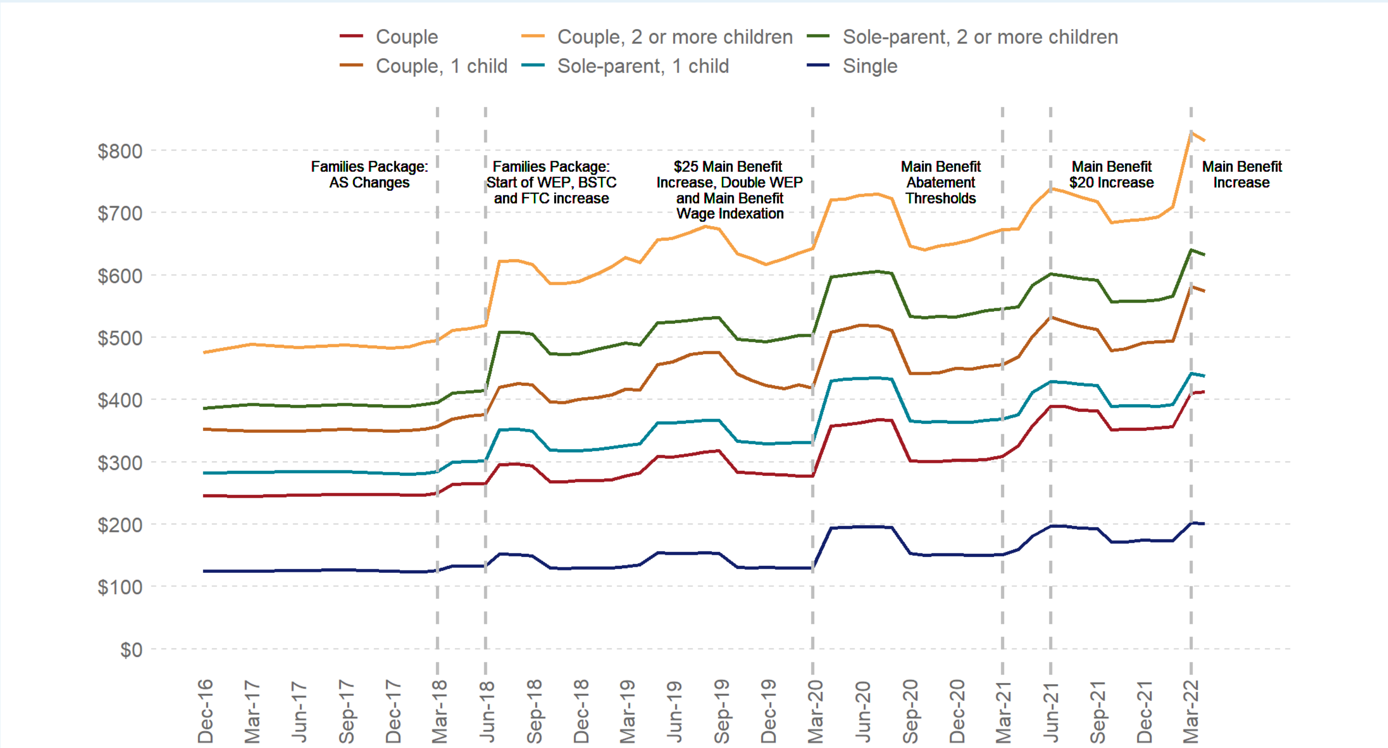
The variation in total income between May and August each year is associated with the Winter Energy Payment, which was introduced in 2018. This is a temporary payment of between $20 and $32 per week to help with the cost of heating over the winter months.[27]

[26] We have focused on this time period as we do not have reliable information on costs for all housing types, particularly people in Public Housing, prior to 2016. For a longer-term time series, which shows income for Accommodation Supplement clients only, see Appendix Figure five.

[27] The Winter Energy Payment was temporarily doubled in 2020, as part of the response to COVID-19.

[28] Not inflation adjusted.

Figure five: Trends in average total income by family type (after housing costs) over time[28]



Housing costs

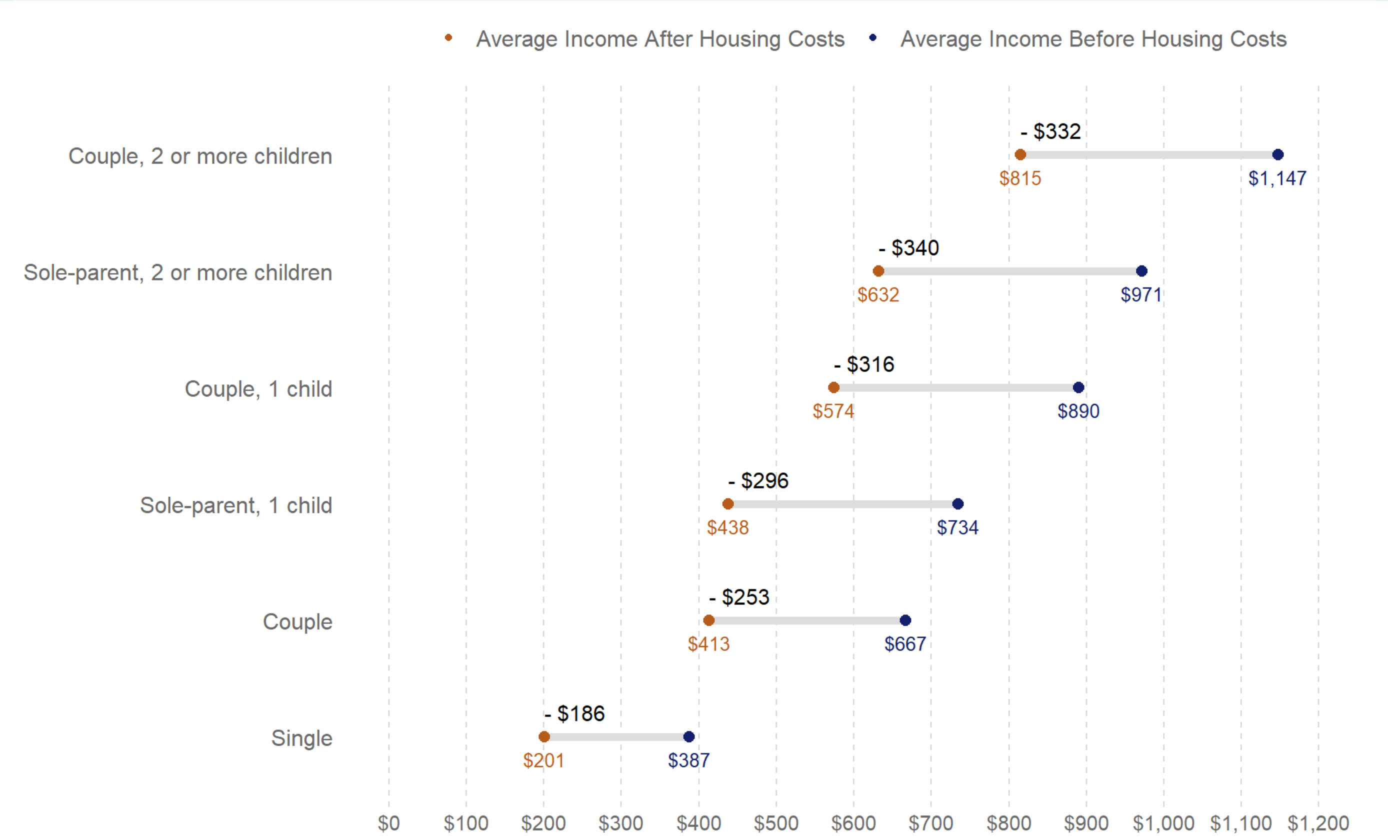
This section provides additional information on accommodation costs for different families. It shows total incomes before and after housing costs, and how housing costs have changed over time.

It also explores the total incomes of clients in different housing situations – including those living in a rental situation supported by the Accommodation Supplement, in public housing supported by the Income-Related Rent Subsidy, or in Emergency Housing.

Housing costs reduce total incomes by around 40 percent, and larger families generally have higher accommodation costs.

Figure six shows average total income, before and after housing costs, for different family types.
This figure shows the extent to which housing costs reduce disposable income – with a difference of 42 percent between total incomes before and after housing costs across all family types. Larger families generally have higher accommodation costs, although their income after housing costs remains higher on average than that for singles or couples without children – reflecting the additional number of people this income supports.

Figure six: Average total income by family type (before and after housing costs)



Housing costs for main benefit clients have grown over time, although at a lower rate than the comparable rental housing market.

Figure seven shows how housing costs for different families have changed over time. It shows that housing costs have trended upward since 2016, increasing by approximately 30 percent across all family types up to March 2022. Increases in housing costs have been largest for single clients and sole parents with two or more children.

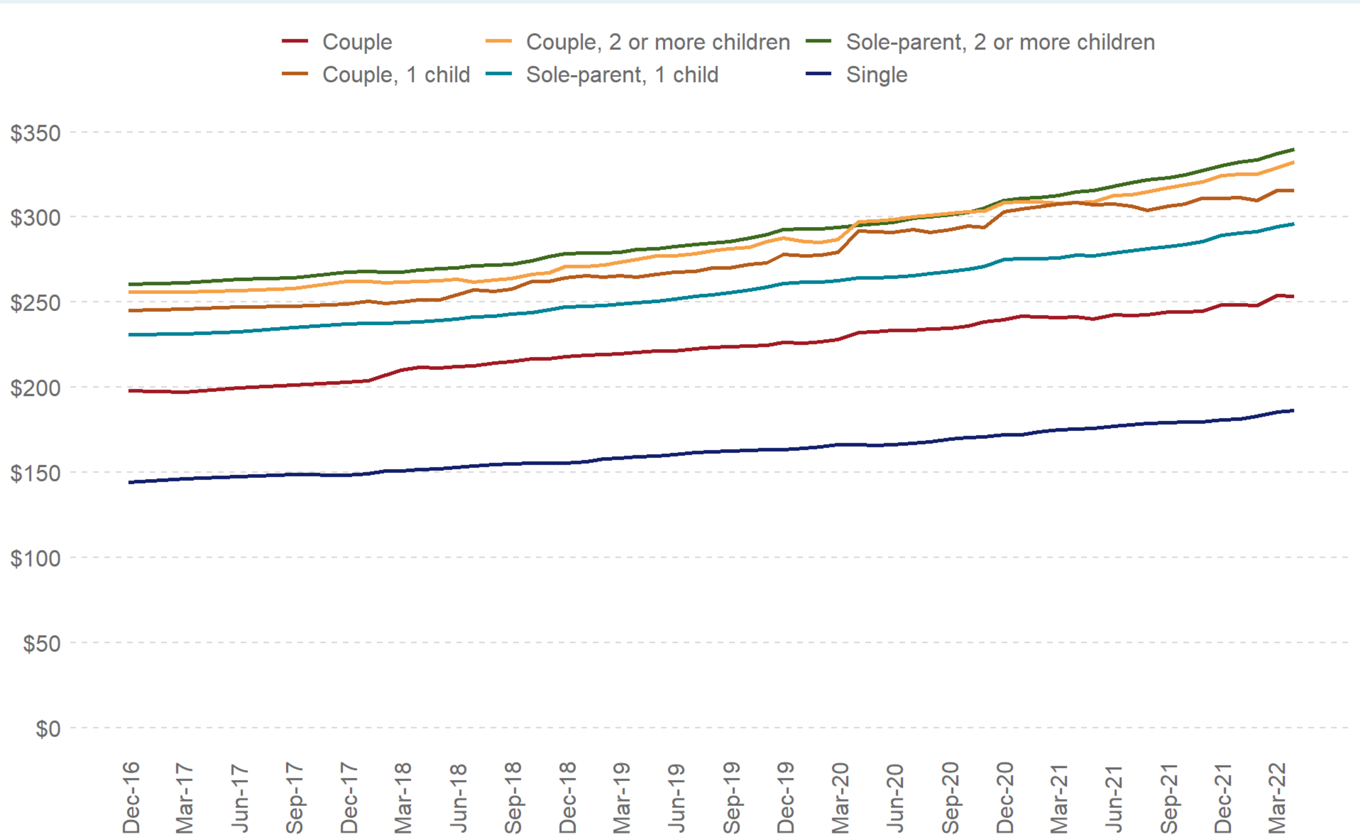
While housing costs for MSD clients have grown since 2016, increases have been at a lower rate than the comparable rental housing market. For example, based on rental bond data,[29] lower quartile rents have increased by 40 percent between December 2016 and February 2022.[30]

Housing subsidies paid to some main benefit clients are also adjusted for increases in housing costs. For example, as people's housing costs increase, the amount of support they can receive through the Accommodation Supplement also increases, up to a maximum amount. This mitigates the extent to which increases in housing costs affect total incomes.

[29] Rental bond data measures lodged bonds in the private market and the associated rent paid.

[30] While lower quartile rent increased at a higher rate, average rent overall increased in line with beneficiary housing costs (30 percent). However, lower quartile rent is more comparable to the circumstances of benefit recipients.

Figure seven: Trends in average weekly housing costs over time



Total income after housing costs varies depending on the level and type of housing support people receive.

Housing costs can vary substantially depending on people's living situation.

- Low-income people living in private rentals can access the Accommodation Supplement, which provides a partial contribution to housing costs based on factors like where they live and how much their rental costs are.
- People 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.[31]
- Similarly, from 2020, people living in Emergency/Transitional Housing have generally been required to pay a contribution of 25 percent of their income.

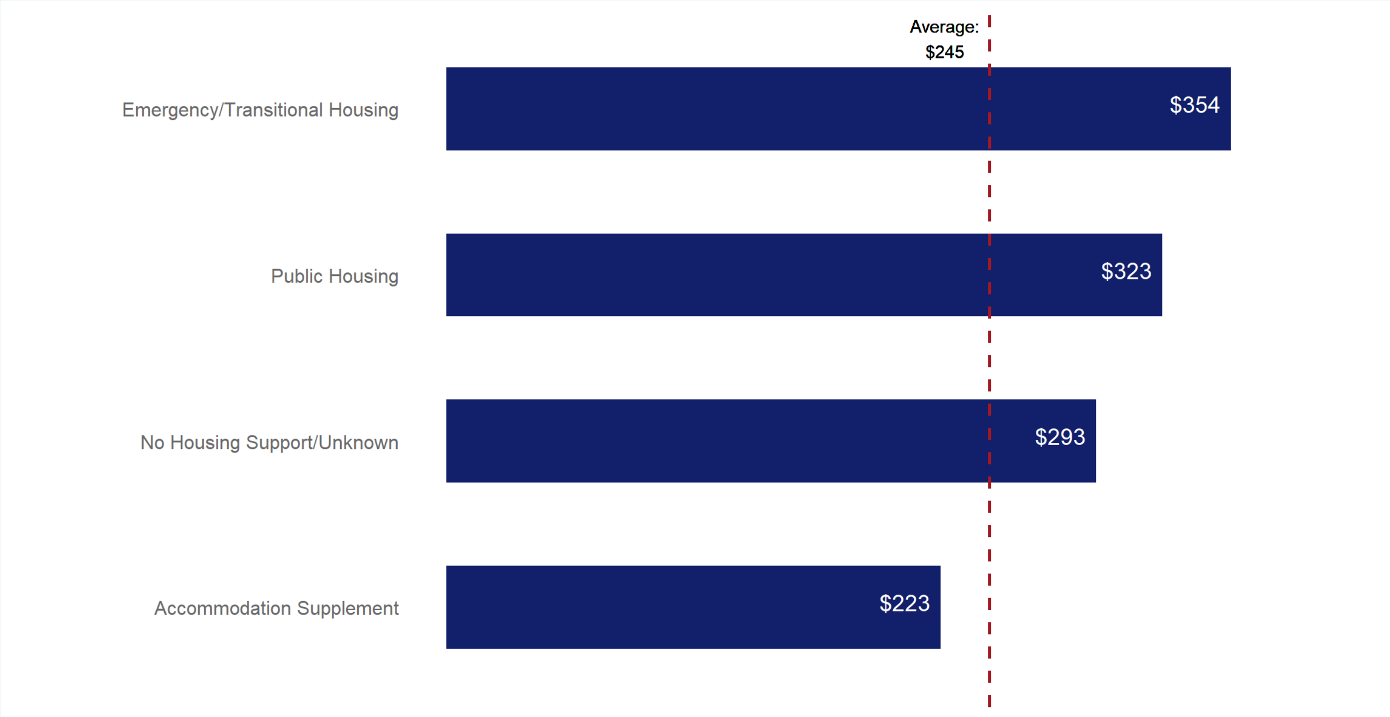
As shown in Figure eight, people receiving the Accommodation Supplement generally have lower total incomes than people in Public or Emergency/Transitional Housing, reflecting the lower housing cost subsidies paid to this group. For example, people accessing the Accommodation Supplement spend around 50 percent of their total income on housing costs.

While total incomes are higher for those in Public and Emergency/Transitional Housing, it is important to note this is only one measure of wellbeing, and individuals accessing this support may face other challenges. For example, people in Emergency Housing will be living in less secure housing that may not be of a suitable standard or fit-for-purpose for families. They may find themselves in environments that are not conducive to their wellbeing, including concentrations of disadvantage.[32]

People accessing Public or Emergency/Transitional Housing represent a relatively small group. For example, around two percent of those supported by a main benefit are in Emergency/Transitional Housing, while around 13 percent are in Public Housing. People accessing the Accommodation Supplement represent the largest proportion of those supported by a main benefit (around 64 percent).

Figure eight also shows average total incomes for those in Emergency/Transitional Housing are higher than for people in Public Housing, despite having comparable housing costs. This reflects higher total incomes before housing costs for those in Emergency/Transitional Housing, likely driven by higher take-up of hardship assistance and compositional differences in family types (for example, more families with children).

Figure eight: Average total income by housing type (after housing costs)[33]



[31] Some IRRS clients with high incomes (above NZ Superannuation) pay 50 percent per dollar after that point.

[32] For example, forthcoming analysis on the characteristics of those receiving Emergency Housing Special Needs Grants shows this group have particularly high needs and are more likely to experience challenging situations such as needing acute healthcare, support with mental health and addiction, or spending time in prison. They are also more likely to have experienced challenges as a child, like Care and Protection or Youth Justice interactions.

[33] The average overall total income of $245 in this figure (along with Appendix Figures six, seven and eight) differs from the $325 cited earlier in the paper due to equivalisation.

[34] The Annual General Adjustment is a yearly process of adjusting main benefit rates to account for inflation. Historically, CPI was used to do this adjustment for main benefit rates, however this changed to net average wage growth from April 2020. Some other payments administered by MSD (including Student Allowances and the Orphan's Benefit/Unsupported Child's Benefit) continue to use the CPI for indexation.

Impact of inflation

In the March 2022 quarter Consumers Price Index (CPI), inflation increased to 6.9 percent (annual change) — the highest rate since 1990. This has led to increased interest in the cost-of-living pressures experienced by families, particularly low-income earners and benefit recipients.

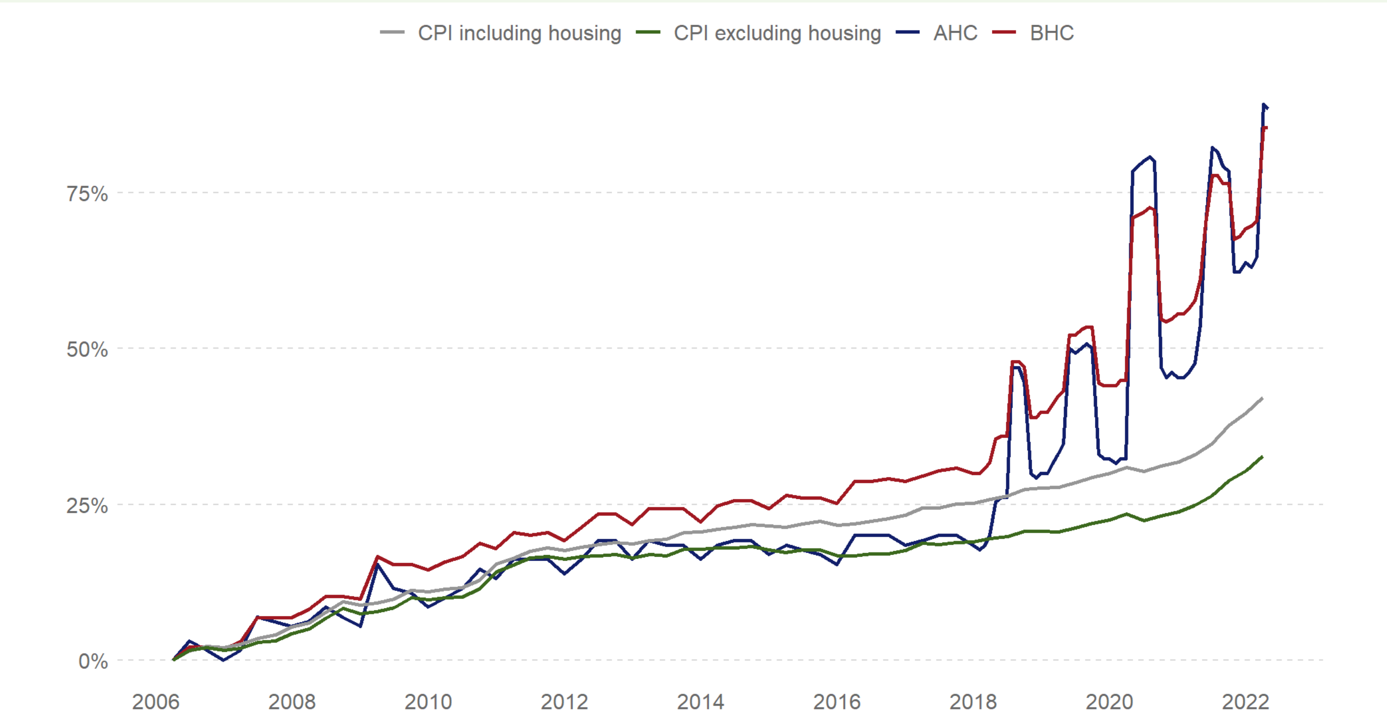
This section explores the extent to which increases in total incomes, before and after housing costs, have kept pace with inflation growth over time.

Historically, total incomes generally moved in-line with inflation.

Figure nine shows how percentage change in total incomes between 2006 and 2022 (for all family types, equivalised) compared to growth in the CPI. As shown in this figure, total income after housing costs generally tracked in-line with inflation (excluding housing) up to around 2018.

Outside of increases to base payment rates through one-off policy changes, main benefits generally move in-line with inflation. This is because payment rates are updated every year through a process called the Annual General Adjustment.[34]

Figure nine: Cumulative percentage change in overall average total income (equivalised), compared to CPI[35]



Since 2018, total incomes have increased at a faster rate than inflation.

From 2018, increases to main benefit payments compensated for rises in inflation and housing costs over time. Since 2018, inflation (excluding housing) increased by 12 percent, while total incomes across all family types grew by 59 percent on average (after housing costs). Overall, peoples' total incomes after housing costs are, on average, 43 percent higher in real terms now than in 2018.

We expect total incomes to grow faster than inflation over the longer-term.

From April 2020, changes to the Annual General Adjustment meant benefits were adjusted for wage growth,[36] rather than inflation. In the short term, if inflation increases at a higher rate than after-tax wage growth, this could erode some recent income gains from increases to main benefit — although total incomes will remain higher overall. However, historically, as after-tax wage growth is generally higher than CPI growth, we expect long-term growth in total incomes will be faster than inflation. While there are high levels of uncertainty, in the latest Budget Economic and Fiscal Update (2022), The Treasury are forecasting wage growth to again exceed inflation from mid-2023.

[35] This data compares growth in total incomes before and after housing costs to Stats NZ CPI series and "All Groups less Housing" series respectively. Inflation data is up to the March 2022 quarter. We have used this approach, rather than indexing to the Stats NZ household living-costs price index (HLPI) Beneficiary index, as this is consistent with the Household Income Report and because the HLPI Beneficiary index is not available before 2008. However, for comparison, since it began in Q2 2008, the HLPI Beneficiary index has increased by 36%, while CPI has increased by 32% in the same time, whereas total BHC incomes have increased by 68%. From 2018, seasonal variation in AHC and BHC income changes between May and August each year reflects the impact of the Winter Energy Payment. AHC data before 2016 is limited by the lack of information on housing for clients not receiving AS, but it does provide an overall indication of how it tracked over time compared to inflation. The significant spike in AHC growth in 2020/2021 is related to the doubled rate of Winter Energy Payment and benefit increases that adjusted both AHC and BHC, but as AHC were lower, the growth rate impact was larger.

[36] After accounting for income tax and the ACC earners levy.

Total income for different family types – other characteristics

This section provides additional information on the 'average total income after housing costs' measure shown in Figure two.

Rather than showing this information by family type, it provides breakdowns based on other characteristics – including main benefit type, disability, ethnicity, gender, and location.

Detailed figures for this section are included in the Appendix. These results are equivalised (except for Appendix Figure nine, showing total income broken down by family type and ethnicity).

Total incomes are highest for benefit recipients accessing the Sole Parent Support (SPS), Youth Payment (YP)/Young Parent Payment (YPP) and Supported Living Payment (SLP). For SPS and YP/YPP, this is consistent with families with children generally having higher incomes. For SLP recipients, this reflects their main benefit payment being set at a higher rate to reflect additional health condition or disability costs and the longer expected duration of requiring support.

Total incomes are lowest for benefit recipients accessing Jobseeker Support, particularly those on JS – WR. This reflects lower payment rates for this benefit, the higher prevalence of single clients accessing this support, and the generally younger age-profile compared to other payments.[37]

Benefit recipients with disabilities or health conditions generally access either SLP or Jobseeker Support – Health Condition or Disability (JS – HCD). As noted above, total incomes for SLP recipients are higher than average, reflecting the circumstance of these clients. In contrast, total incomes for JS – HCD recipients are lower, as these clients face more temporary barriers to work, and are expected to stay on a benefit for a shorter duration.

[37] Jobseeker Support clients under 24 have a lower payment rate.

Patterns of total income by ethnicity can reflect family composition. For example, Māori and Pacific Peoples families tend to be larger, so incomes for families with two or more children are higher for these ethnicities. In contrast, single Māori clients have lower incomes compared to other ethnicities, which could reflect regional trends, population demographics relating to age and benefit type, and different levels of take-up for supplementary and hardship assistance. Further analysis is required to understand the drivers of these differences in more detail.

Females generally have higher total incomes than males or gender diverse clients. This reflects the high proportion of females in families with children, who generally have higher incomes. This disparity also reflects that most single clients, who generally have the lowest incomes, are male.

There is some variation in total incomes by Regional Council, with clients living in areas with lower accommodation costs (Gisborne, West Coast, Southland) generally having higher after housing costs incomes. Clients living in Bay of Plenty, Wellington, Waikato, or Auckland have below-average after housing costs incomes, reflecting the impact of housing cost pressures in these areas. A greater proportion of families live in areas with generally higher housing costs – for example, around 60 percent of families live in Bay of Plenty, Wellington, Waikato, or Auckland, compared to only five percent in Gisborne, West Coast, or Southland.

Appendix

Figure one: Breakdowns of total population and different total incomes categories

Family type	Number of families	Number of children	Number of people[38]	Number of clients
Couple	16,943	–	29,541	18,400
Couple, 1 child	4,854	4,854	8,984	5,131
Couple, 2 or more children	8,889	26,840	16,900	9,239
Single	225,709	–	225,709	225,709
Sole-parent, 1 child	46,508	46,508	46,508	46,508
Sole-parent, 2 or more children	50,614	135,545	50,614	50,614
Total	**353,517**	**213,747**	**378,256**	**355,601**

Families by Benefit	
Emergency Benefit	1%
Jobseeker Support – Health Condition or Disability	21%
Jobseeker Support – Work Ready	29%
Other main benefits[39]	1%
Sole Parent Support	21%
Supported Living Payment	27%
YP/YPP	1%

Families by Housing	
Accommodation Supplement	64%
Emergency/Transitional Housing	2%
Public Housing	13%
Unknown/Other	21%

Families by family type	
Couple	5%
Couple, 1 child	1%
Couple, 2 or more children	3%
Single	64%
Sole-parent, 1 child	13%
Sole-parent, 2 or more children	14%

[38] The number of people is larger than the number of clients, as the former includes partners of clients that are not receiving a benefit in their own right.

[39] The 'other' category includes SLP Australia Social Security Agreement, Widows Benefit Overseas, SPS Overseas, Emergency Maintenance Allowance, and Jobseeker Support Student Hardship.

Figure one cont: Breakdowns of total population and different total incomes categories

Category	Mean	Median	20th Percentile	40th Percentile	60th Percentile	80th Percentile
Single	$201	$203	$134	$186	$223	$269
Sole-parent, 1 child	$438	$427	$356	$403	$450	$521
Sole-parent, 2 or more children	$632	$596	$481	$556	$641	$758
Couple	$413	$418	$313	$398	$455	$512
Couple, 1 child	$574	$550	$447	$521	$581	$674
Couple, 2 or more children	$815	$754	$602	$701	$812	$970
Total	**$325**	**$257**	**$165**	**$226**	**$301**	**$487**

Families by Regional Council	
Auckland	30%
Bay of Plenty	8%
Canterbury	11%
Gisborne	2%
Hawkes Bay	4%
Manawatū-Whanganui	6%
Marlborough	1%
Nelson	1%
Northland	5%
Otago	3%
Southland	2%
Taranaki	3%
Tasman	1%
Unknown	5%
Waikato	11%
Wellington	9%
West Coast	1%

Families by age	
<18 years	1%
18–24 years	15%
25–39 years	34%
40–54 years	27%
55–64 years	21%
65+ years	2%

Families by age of youngest child	
Aged 14+ years	4%
Aged 5–13 years	13%
No children	69%
Under 5 years	14%

Figure two: Average total incomes by family type (after housing costs) in April 2022 compared to April 2021 (equivalised)

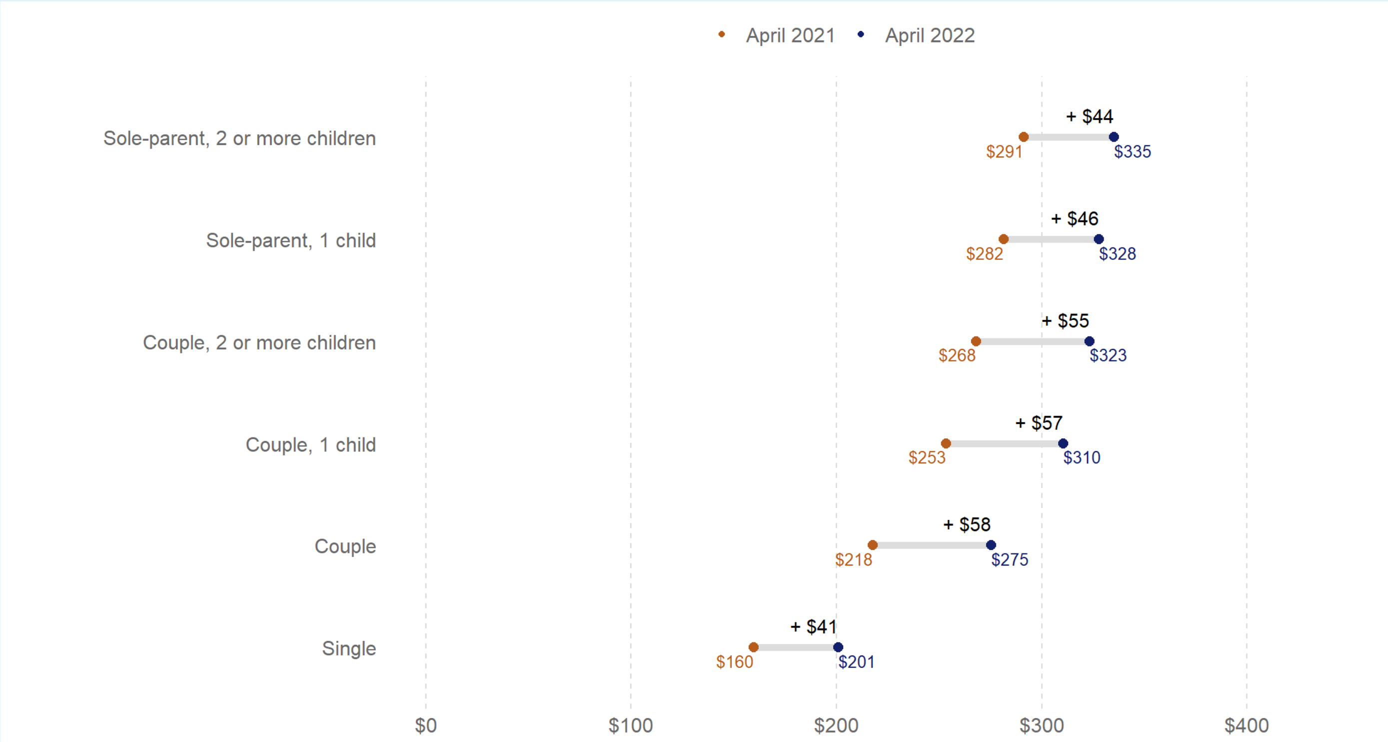
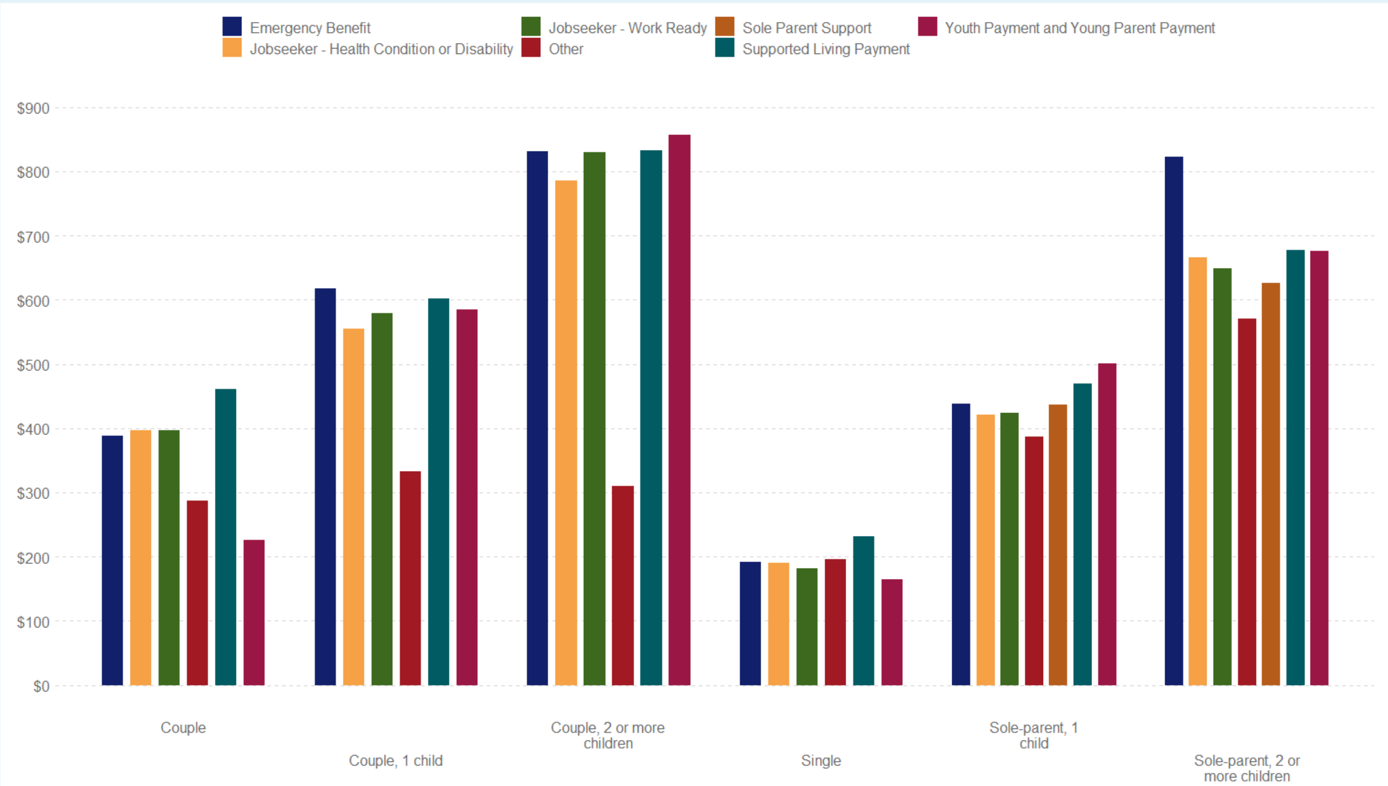


Figure three: Average total income by benefit and family type (after housing costs)



[40] Not inflation adjusted.

Figure four: Average composition of total income by family type as a proportion of total (before housing costs)

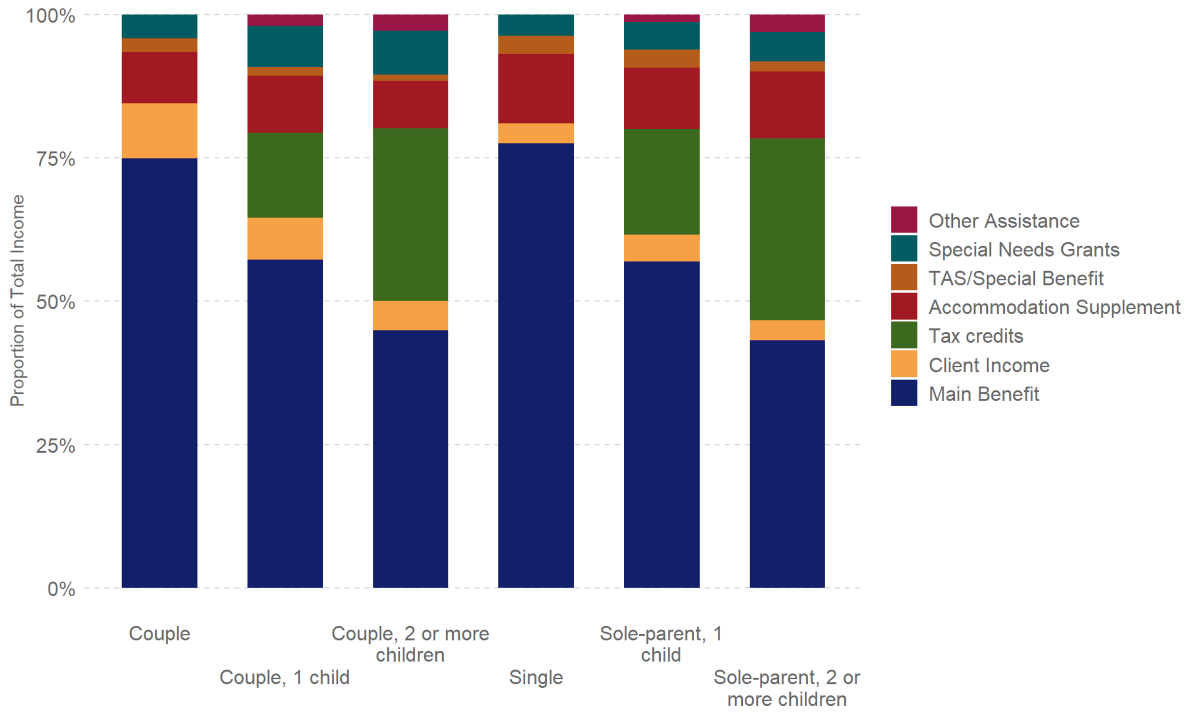


Figure five: Trends in average total income by family type (after housing costs) between 2006–2018, Accommodation Supplement clients only[40]

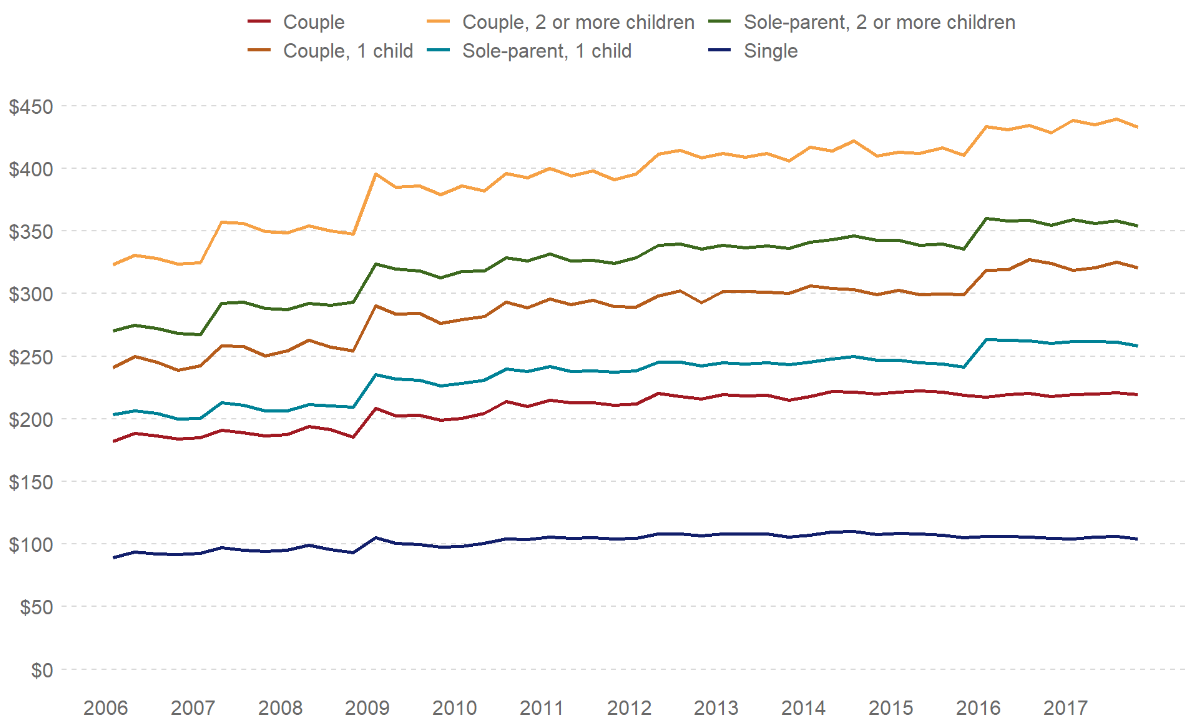


Figure six: Average total income by benefit type (after housing costs)

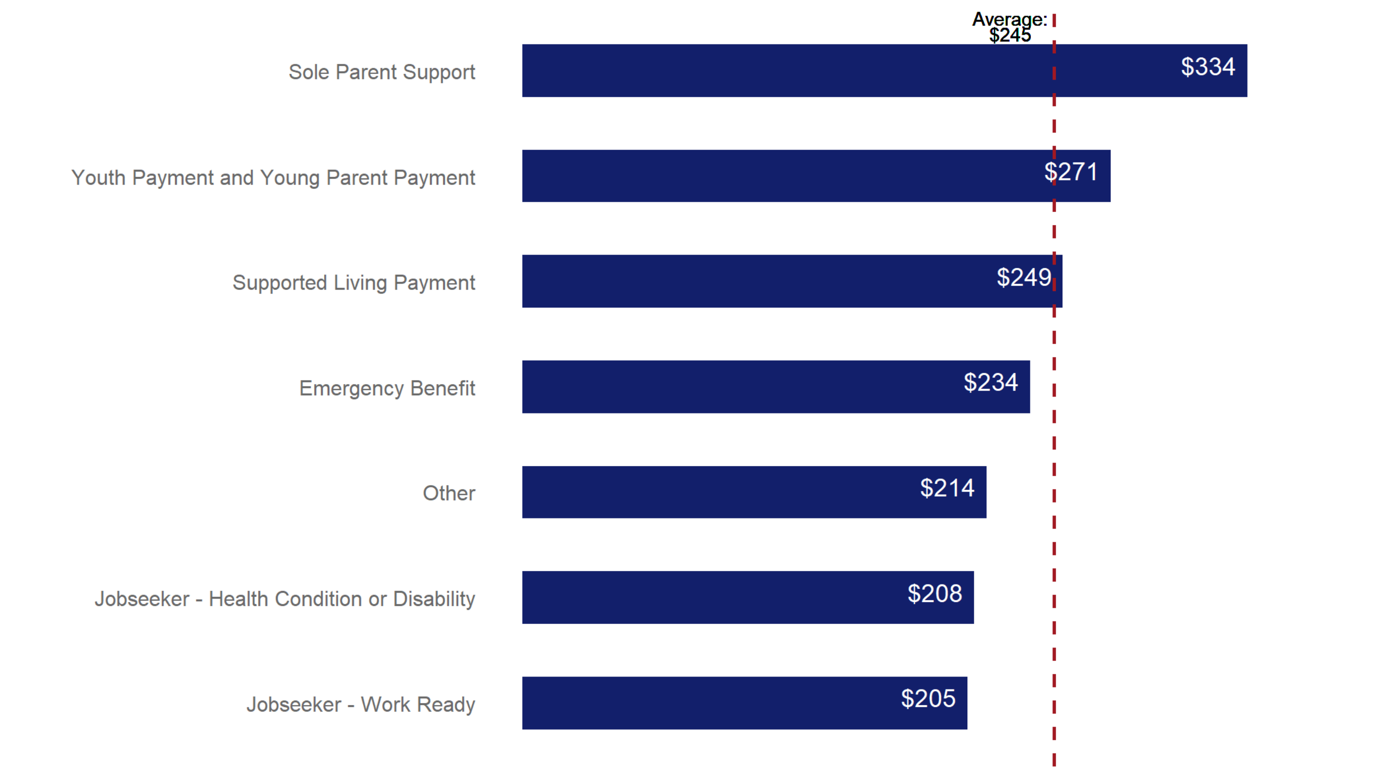
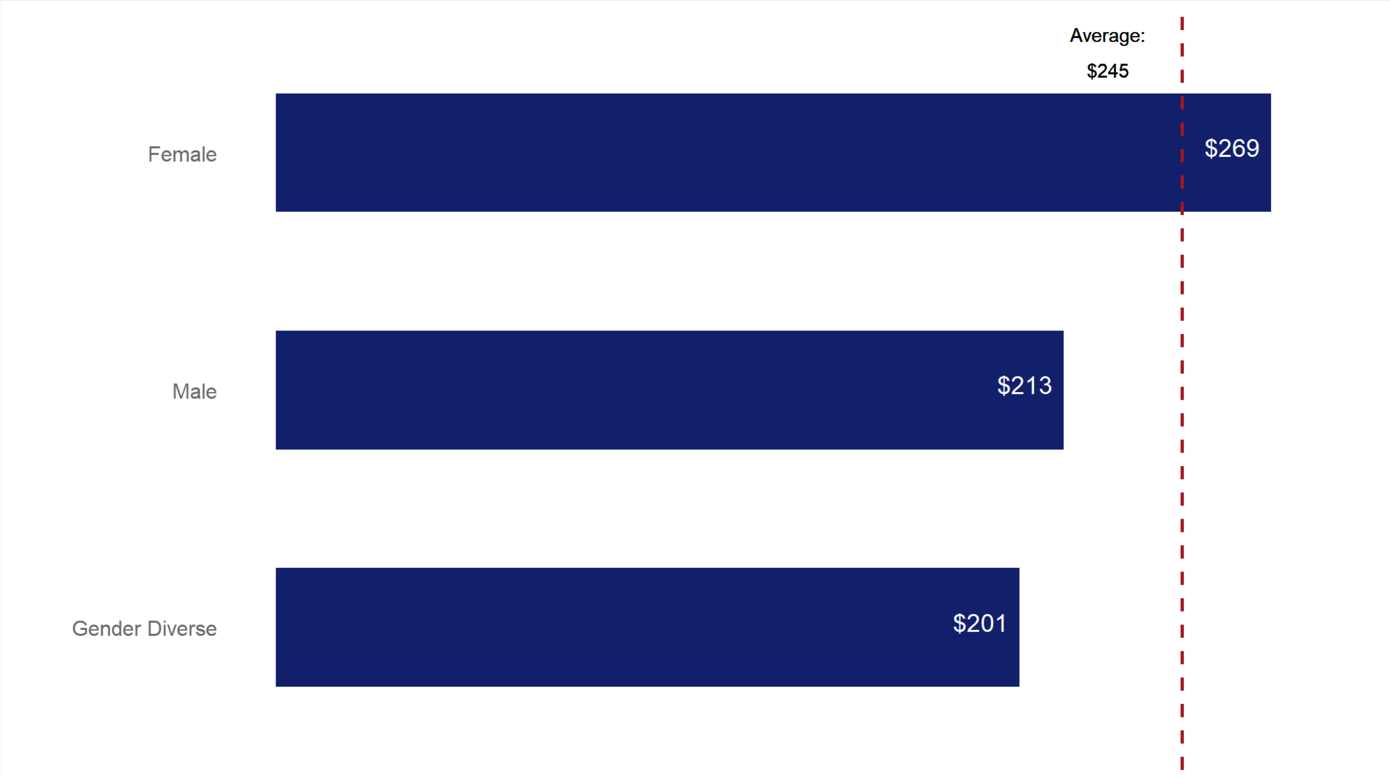


Figure seven: Average total income by gender (after housing costs)



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

Figure eight: Average total income by Regional Council (after housing costs)

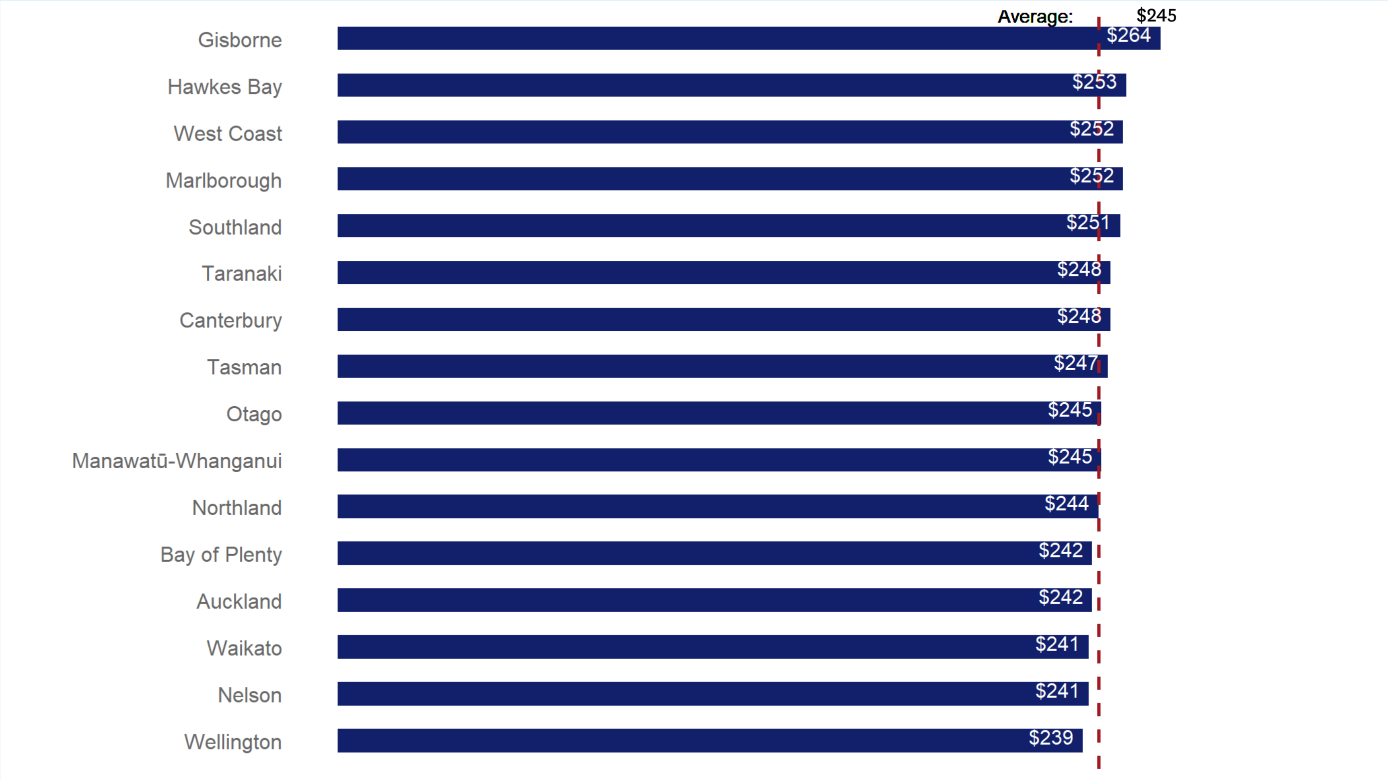
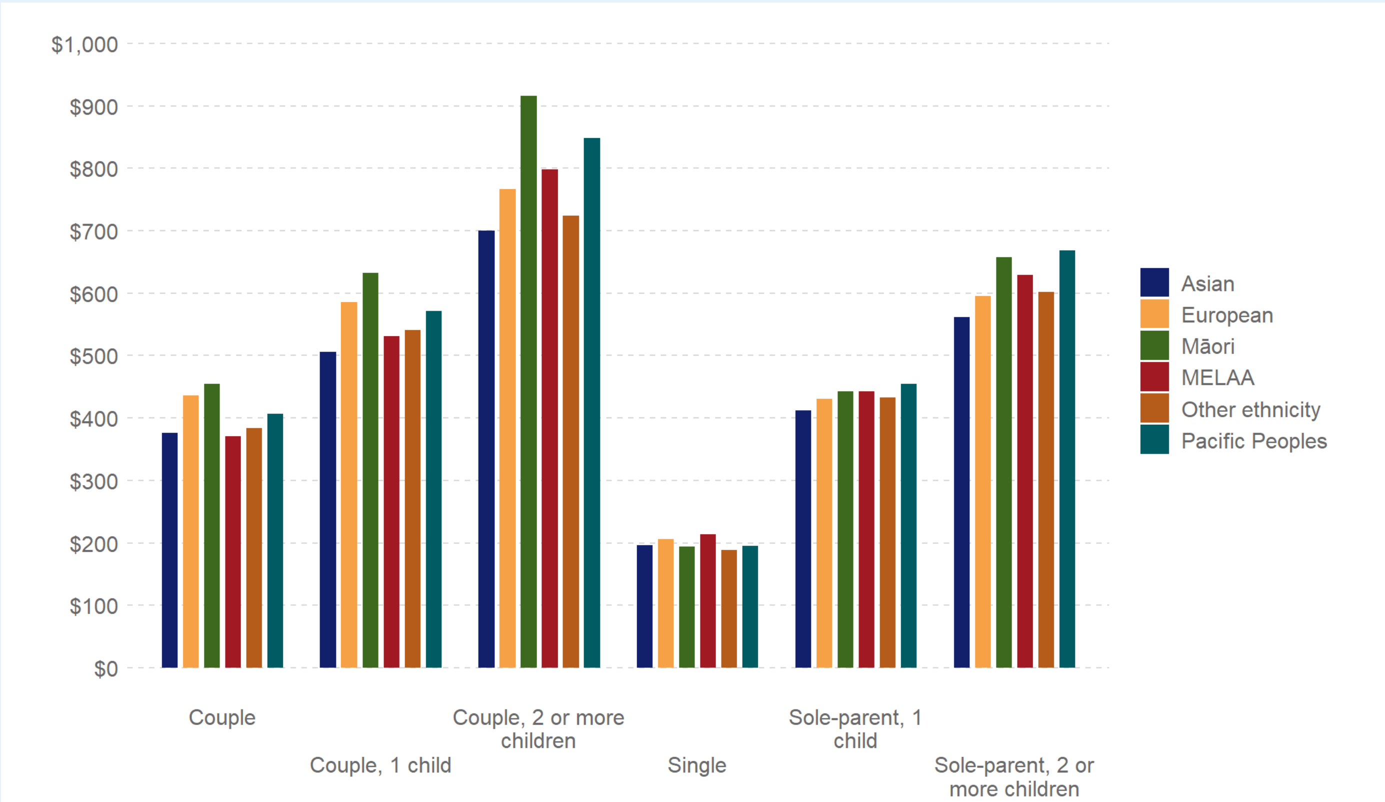


Figure nine: Average total income by ethnicity[41] and family type (after housing costs)



Glossary

Term	Definiton
First-tier main benefits	
Jobseeker Support Work-Ready (JS - WR)	A weekly benefit paid for up to 52 weeks while clients look for work or are in training for work.
Jobseeker Support - Health Condition or Disability (JS - HCD)	A weekly benefit paid for up to 52 weeks for clients who are unable to work due to a health condition, injury or disability.
Sole Parent Support (SPS)	A person is entitled to this benefit if they do not have a partner and have at least one dependent child aged under 14 years. In the case of shared custody, only the parent with the greater parenting responsibilities can be paid SPS.
Supported Living Payment (SLP)	A weekly payment to support people who have, or are caring for someone with, a health condition, injury or disability that severely restricts their capacity to work in the long term.
Youth Payment (YP)	This is a benefit to support young people (16-17 years) without children, who can't live with their parents or guardians and are not supported by them or anyone else.
Young Parent Payment (YPP)	People are entitled to this benefit if they are aged 16-19 years and have dependent children, whether they are single or partnered. People may still be supported by their parents if they are receiving this payment and are under 18; however, there is a parental income test in this case.
Second-tier supplementary benefits	
Accommodation Supplement (AS)	An income- and asset-tested weekly payment that assists with a client's accommodation costs. It is available to both people receiving main benefits and those working on low and middle incomes, to help with costs from the private housing market. It is regulated as a partial contribution to families' housing costs, and calculated according to accommodation costs, income, assets, family status, and residential region.
Income-Related Rent Subsidy (IRRS)	An income- and asset-tested subsidy available to people in public housing (which includes properties provided by both Housing New Zealand and community housing providers). The subsidy (paid to housing providers) means that these tenants pay an Income-Related Rent, which limits the amount of rent they pay to generally no more than 25 percent of their net (after-tax) income.
Winter Energy Payment (WEP)	A benefit paid with the client's main benefit, to support eligible clients to meet their household heating costs during the winter period from May until October.
Temporary Additional Support (TAS)	Extra help paid for a maximum of 13 weeks. It is paid as a last resort to help clients with their regular essential living costs that cannot be met from their chargeable income and other resources. A client does not have to be getting a main benefit to qualify for TAS.
Third-tier hardship benefits	
Special Needs Grant (SNG)	One-off recoverable or non-recoverable financial assistance to clients to meet immediate needs or emergency costs if they are unable to pay for it through other means. A client does not have to be getting a benefit to qualify for SNG.
Other terms	
Family Tax Credit (FTC)	Income-tested tax credits to provide ongoing financial support for families with children, including those receiving main benefits. People receiving main benefits can choose to receive their FTC through MSD (along with their benefits and any other payments) or from IR. Although it is paid regardless of income source, the amount a client receives depends on family situation.
Best Start Tax Credit (BSTC)	A universal payment to support families with children in the first year of children's lives. For the second and third years of children's lives the payment is targeted to low- and middle-income families. BSTC starts after any paid parental leave payments from IR and is also available to carers of children receiving OB, UCB or FCA.