

# Prepared for the Welfare Expert Advisory Group

## The living standards of people supported by income-tested main benefits

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TE MANATŪ WHAKAHIATO ORA



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# Introduction

The working age welfare system is a collective form of insurance, providing income support and employment assistance for people who experience adverse events that disrupt their access to labour market income.

In 2014 around 11% of the population aged 16 to 64 received a main benefit as a primary recipient or a partner. This group supported around 19% of all children.

Welfare payments provide a very modest income to recipients.

The first question motivating this research is the nature of the ‘living standards’ that those on a benefit are able to achieve. In particular:

- what is the prevalence of material hardship among beneficiaries (eg postponing visits to the doctor, not being able to pay utilities bills, household crowding)?
- what is the prevalence of other poor outcomes using wider measures of wellbeing (eg poor mental health, loneliness and low levels of happiness)?

The second question is the nature of the relationship between income and material hardship. Although our data has some limitations, we investigate the how much income needs to increase in order to reduce material hardship.

# This study uses the 2014 wave of the linked NZ General Social Survey

The NZGSS is a household survey carried out by Statistics New Zealand and is intended to collect information on the wellbeing of the New Zealand population.

Respondents to the survey have been matched to the IDI spine. This then provides additional administrative data about each individual, particularly if they were in receipt of a benefit at the time of the survey.

We use the 2014 wave of the survey as we use the MWI-9 hardship questions.

Using survey data that is linked with administrative records is a more precise means of identifying people in receipt of a benefit compared to relying on self report.

An important issue that we are investigating is the extent to which the New Zealand General Social Survey is a representative sample of those on a benefit. Compared to administrative records the linked survey underestimates the number of people in receipt of a benefit (9% as opposed to 11% of the adult population), and this is particularly pronounced for men. If the survey is not representative, it may be *under-representing* the extent of disadvantage in the benefit population.

Information from survey respondents was collected during the period from April 2014 to March 2015. This is prior to changes in benefit and other payments as a result of both the Child Material Hardship Package and the recent Families Package.

**Table 1: Sample size of the linked GSS (2014)**

|  | Response rate | Achieved sample | Link rate to IDI | IDI sample |
|--|---------------|-----------------|------------------|------------|
| New Zealand General Social Survey (2014) | 80%           | 8,795           | 77%              | 6,780      |

Source: Statistics NZ IDI

# Characteristics of those on a benefit

Administrative data shows that around 11% of the population aged 16-64 year are in receipt of a means tested main benefit.

The 2014 GSS survey estimates only 9% of the population are in receipt of a benefit. Based on this sample individuals on a benefit are:

- slightly more likely to be women
- around 58% are European ethnicity, although the population prevalence of benefit receipt is a lot higher for Māori, Pacific and MELAA (note that this is a total response definition of ethnicity)
- around one half have less than NCEA level 2 school qualifications
- 50% have dependent children
- two thirds are renting from either a private or public landlord
- many have a health issue (for example around half indicate their health is less than 'very good').

The GSS also shows some important differences in relation to family structure compared to the administrative data.

**Table 2: Demographic characteristic of individuals in receipt of means-tested main benefits (IDI linked GSS 2014)**

| Category                 | Sub-category   | Prevalence | Composition |
|--------------------------|--|------------|-------------|
| Sex                      | Men  | 7%         | 36%         |
|                          | Women  | 11%        | 64%         |
| Age                      | 16 to 25   | 8%         | 20%         |
|                          | 26 to 35   | 10%        | 21%         |
|                          | 36 to 45   | 10%        | 23%         |
|                          | 46 to 55   | 8%         | 19%         |
|                          | 56 to 64   | 10%        | 17%         |
| Ethnicity (total counts) | European   | 7%         | 58%         |
|                          | Maori  | 22%        | 33%         |
|                          | Pacific  | 15%        | 10%         |
|                          | Asian  | 5%         | 8%          |
|                          | MELAA  | 16%        | 2%          |
|                          | Other  | 17%        | 2%          |
|                          | Other not specified  | 19%        | 2%          |
| Highest qualification    | Less Upper Secondary   | 17%        | 47%         |
|                          | Upper Secondary  | 8%         | 31%         |
|                          | Tertiary   | 4%         | 17%         |
|                          | Other  | 10%        | 4%          |
| Dependent children       | Has dependent children   | 10%        | 49%         |
|                          | No dependent children  | 8%         | 51%         |
| Family type              | Couple with adult children and dependent children under 18     | 6%         | 5%          |
|                          | Couple with adult children only                                | 4%         | 5%          |
|                          | Couple with dependent children under 18 only                   | 4%         | 12%         |
|                          | Couple without children  | 4%         | 10%         |
|                          | Single without children  | 14%        | 26%         |
|                          | One parent with adult children and dependent children under 18 | 30%        | 6%          |
|                          | One parent with adult children only                            | 24%        | 10%         |
|                          | One parent with dependent children under 18 only               | 41%        | 26%         |
| Total                    | Total  | 9%         | 100%        |

Source: General Social Survey (2014) linked in the IDI. N=5052 for population 16-64. N=699 for those on a benefit. Prevalence is the proportion of the group in receipt of a benefit. Composition is the share of the benefit population that the group represents.

| <b>Table 2: Demographic characteristic of individuals in receipt of means-tested main benefits (IDI linked GSS 2014) [continued]</b> |   |            |             |
|--|---|------------|-------------|
| Category   | Sub-category                                      | Prevalence | Composition |
| Long-term benefit receipt <sup>^</sup>   | More Than 183 days on Benefit in Last Year        | 92%        | 88%         |
| Contact with corrections <sup>^</sup>  | Contact with corrections in previous 12 months    | 54%        | 5%          |
| Tertiary study   | Any time spent in tertiary education in last year | 10%        | 14%         |
| Labour force status  | Employed  | 4%         | 30%         |
|  | Unemployed  | 33%        | 17%         |
|  | Not in labour force                               | 25%        | 53%         |
| Household tenure status  | Rent from public landlord                         | 39%        | 21%         |
|  | Rent from private landlord                        | 13%        | 44%         |
|  | Own home  | 5%         | 35%         |
| Self-assessed health status  | Excellent   | 5%         | 14%         |
|  | Very good   | 5%         | 23%         |
|  | Good  | 10%        | 26%         |
|  | Fair  | 27%        | 25%         |
| Total  | Total   | 9%         | 100%        |

Source: General Social Survey (2014) linked in the IDI. N=5052 for population 16-64. N=699 for those on a benefit. Prevalence is the proportion of the group in receipt of a benefit. Composition is the share of the benefit population that the group represents. <sup>^</sup>Measured using administrative data

# The value of payments for those in receipt of benefits

Individuals in receipt of benefits are eligible for a range of payments (first tier benefit, supplementary payments and tax credits).

The total value of these payments are very modest, and after accounting for housing cost many recipients have very little 'residual income' for spending on necessities.

| <b>Table 3: Estimated average net weekly family income of benefit recipients (2014)</b> |                   |              |              |                     |
|---|-------------------|--------------|--------------|---------------------|
| Family type   | Transfer payments | Other income | Total income | Average family size |
| Single no dependent children  | 262               | 60           | 321          | 1.0                 |
| Couple no dependent children  | 398               | 162          | 560          | 2.0                 |
| Sole parent with dependent children   | 501               | 50           | 550          | 2.8                 |
| Couple parent with dependent children   | 599               | 125          | 724          | 4.0                 |

Source: Linked GSS 2014. Note 1: Payments estimated from administrative data. Transfer payments include benefits and tax credits. Other payments are mostly earnings, and do not include non-taxable payments from friends and family. Child support deductions and payments have been excluded. Incomes for partners have been estimated due to a lack of information on partners in the current linkage of the GSS. Note 2: Payment rates for those on a benefit are now higher as a result of changes implemented as part of the Child Material Hardship Package (2016) and the Families Package (2018).



# What standard of living did those on benefit achieve?

Our data shows that the extent of material hardship among those on a benefit is very high. For example, approximately 28% of those on benefit with children indicated that they have postponed or put off visits to the doctor 'a lot' in order to keep costs down. By way of comparison, 6% of the rest of the population under 65 years with children indicated they have postponed visits to the doctor because of costs.

Across wider measures of wellbeing related to discrimination, health, loneliness, happiness and sense of purpose there are also very high rates of poor outcomes. For example, approximately 28% of those on a benefit without children have experienced on-going chronic pain over the previous month compared to 7% of the rest of the population without dependent children.

**Table 5: Living standards indicators by benefit status for adults 16-64 with and without children (Linked GSS 2014)**

|   | Prevalence or mean among respondents with dependent children |            |            | Prevalence or mean among respondents with no dependent children |            |            | Total on benefit |
|---|--|------------|------------|---|------------|------------|------------------|
|   | Benefit  | No benefit | Rate ratio | Benefit   | No benefit | Rate ratio |                  |
| <i>Panel A: Material hardship and housing</i>   |  |            |            |   |            |            |                  |
| In the last 12 months, to keep costs down, have you postponed or put off visits to the doctor 'a lot' (MWI-9)                             | 28%  | 6%         | 5.0*       | 20%   | 6%         | 3.2*       | 24%              |
| In the last 12 months, to keep costs down, have you gone without fresh fruit or vegetables to keep costs down 'a lot' (MWI-9)             | 24%  | 4%         | 5.9*       | 26%   | 3%         | 7.8*       | 25%              |
| In the last 12 months, to keep costs down, have you done without, or cut back on trips to the shops or other local places 'a lot' (MWI-9) | 39%  | 13%        | 3.0*       | 39%   | 8%         | 4.7*       | 39%              |
| In the last 12 months, to keep costs down, have you spent less on hobbies or other special interests than you would like 'a lot' (MWI-9)  | 58%  | 22%        | 2.6*       | 50%   | 15%        | 3.3*       | 54%              |
| In the last 12 months, to keep costs down, have you put up with feeling cold 'a lot' (MWI-9)  | 22%  | 5%         | 4.6*       | 27%   | 6%         | 4.4*       | 25%              |
| In the last 12 months, to keep costs down, have you delayed replacing or repairing damaged appliances 'a lot' (MWI-9)                     | 30%  | 10%        | 3.1*       | 28%   | 6%         | 4.7*       | 29%              |
| When you need to buy clothes or shoes for yourself, do you feel very limited by the money available (MWI-9)                               | 52%  | 14%        | 3.9*       | 45%   | 9%         | 5.1*       | 49%              |
| Couldn't buy a \$300 non-essential item that you would like (MWI-9)   | 59%  | 26%        | 2.3*       | 55%   | 16%        | 3.3*       | 57%              |
| More than once in the last 12 months not paid utilities because of a shortage of money (MWI-9)  | 37%  | 9%         | 4.0*       | 26%   | 5%         | 5.1*       | 32%              |
| Not enough money to meet every day needs such as accommodation, food, clothing and other necessities                                      | 44%  | 12%        | 3.8*       | 42%   | 9%         | 4.6*       | 43%              |
| Household crowding (one or more bedrooms needed using Canadian index)   | 25%  | 10%        | 2.5*       | 8%  | 5%         | 1.6        | 16%              |
| House or flat has a major problem with dampness or mould  | 16%  | 7%         | 2.4*       | 18%   | 5%         | 3.8*       | 17%              |
| MWI-9 index (0 to 20 with higher indicating better living standards)  | 8.1  | 13.7       | n/a        | 8.6   | 15.0       | n/a        | n/a              |
| Multiple hardship score (0 to 12 count of hardships)  | 4.3  | 1.4        | n/a        | 3.8   | 0.9        | n/a        | n/a              |

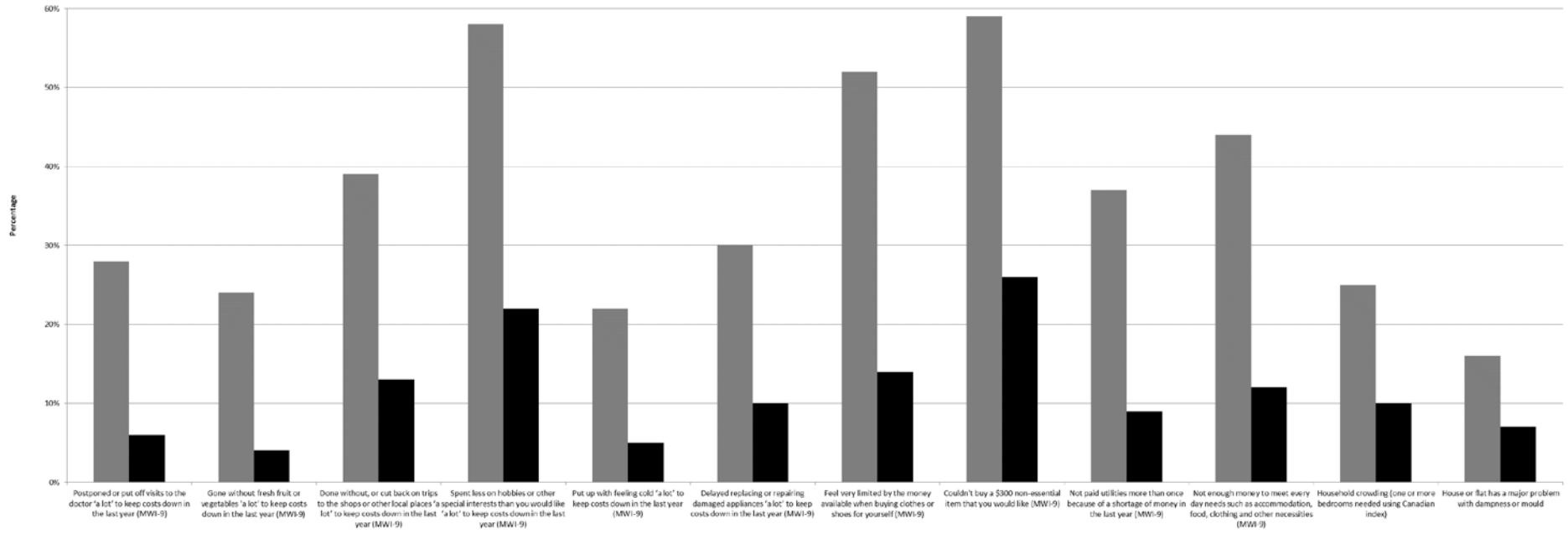
Source: Linked GSS 2014. Note: Risk ratios that are significantly different from 1 at the 0.05 level are identified with '\*'

**Table 5: Living standards indicators by benefit status for adults 16-64 with and without children (Linked GSS 2014) [Continued]**

|  | Prevalence or mean among respondents with dependent children |            |            | Prevalence or mean among respondents with no dependent children |            |            | Total on benefit |
|--|--|------------|------------|---|------------|------------|------------------|
|  | Benefit  | No benefit | Rate ratio | Benefit   | No benefit | Rate ratio |                  |
| <i>Panel B: Other wellbeing measures</i>   |  |            |            |   |            |            |                  |
| In the last 12 months have you been discriminated against  | 31%  | 18%        | 1.7*       | 32%   | 16%        | 2.1*       | 31%              |
| Can most people in New Zealand be trusted? ('cannot be trusted' based on bottom 2 on 11 point scale)   | 8%   | 1%         | 9.1*       | 4%  | 1%         | 3.8*       | 6%               |
| Were you a victim of crime in the last 12 months   | 24%  | 15%        | 1.6*       | 21%   | 14%        | 1.4*       | 22%              |
| How safe do you feel walking alone in your neighbourhood after dark (not 'very safe' or 'safe')  | 51%  | 40%        | 1.3*       | 57%   | 38%        | 1.5*       | 54%              |
| How easy or hard is it for you to be yourself in New Zealand? (neither very easy or easy)  | 19%  | 14%        | 1.3        | 31%   | 13%        | 2.4*       | 25%              |
| Have you been depressed in last four weeks (all, most, or some of the time)  | 35%  | 13%        | 2.8*       | 43%   | 14%        | 3.1*       | 39%              |
| During the past four weeks, how much did pain interfere with your normal work including both work outside the home and housework? (extremely or quite a bit) | 17%  | 6%         | 2.7*       | 28%   | 7%         | 4.1*       | 23%              |
| SF12 mental health index (0 to 100 with higher score indicating better health)   | 42.4   | 49.8       | n/a        | 40.0  | 50.3       | n/a        | n/a              |
| SF12 physical health index (0 to 100 with higher score indicating better health)   | 48.5   | 52.4       | n/a        | 41.9  | 51.8       | n/a        | n/a              |
| In the last four weeks, how much of the time have you felt lonely? (all or most of the time)   | 10%  | 3%         | 3.1*       | 7%  | 3%         | 2.2*       | 9%               |
| Low subjective life satisfaction (bottom 5 options)  | 11%  | 3%         | 3.8*       | 17%   | 4%         | 4.8*       | 14%              |
| Low sense of purpose (5 or less worthwhile)  | 16%  | 6%         | 2.8*       | 28%   | 6%         | 4.3*       | 21%              |

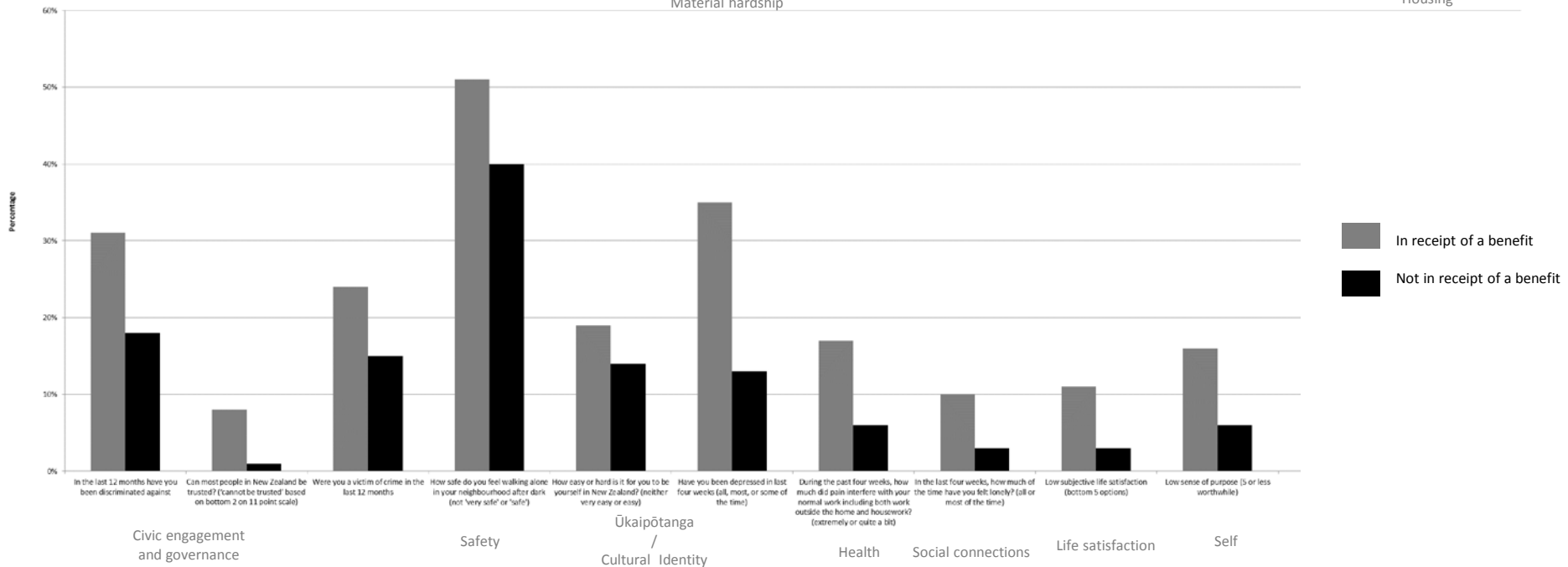
Source: Linked GSS 2014. Note: Risk ratios that are significantly different from 1 at the 0.05 level are identified with \*\*

# Living standards indicators for adults 16 to 64 with dependent children (Linked GSS 2014)



## Material hardship

## Housing



In receipt of a benefit  
 Not in receipt of a benefit

## Civic engagement and governance

## Safety

## Ūkaipōtanga / Cultural Identity

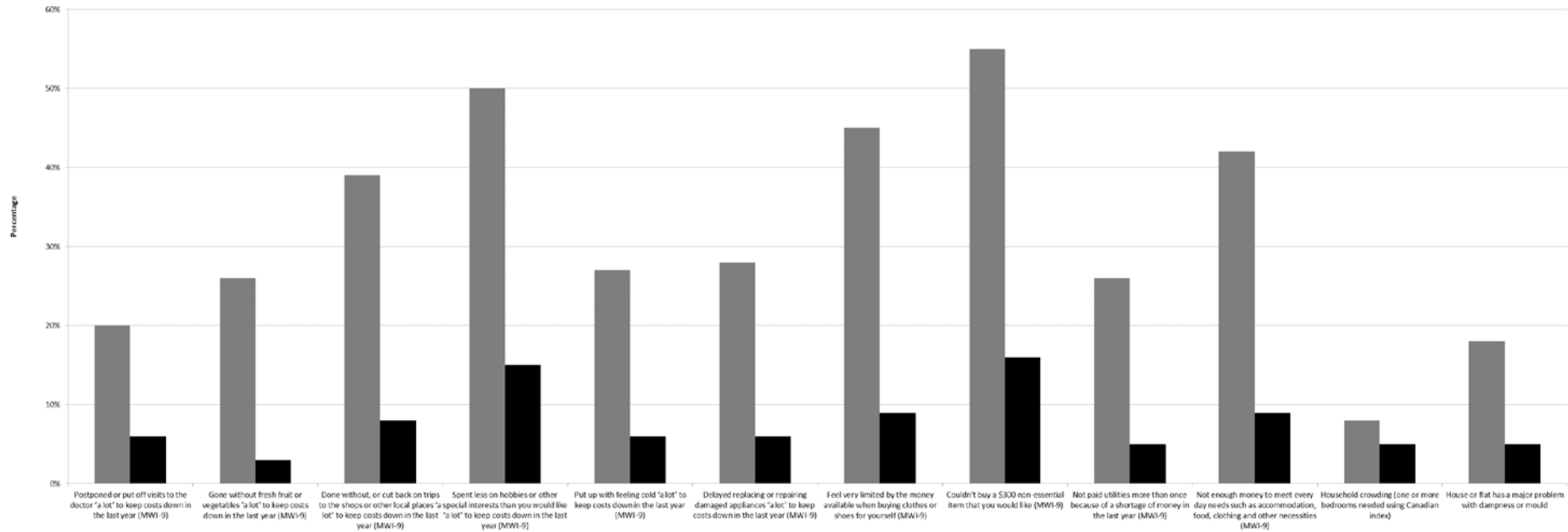
## Health

## Social connections

## Life satisfaction

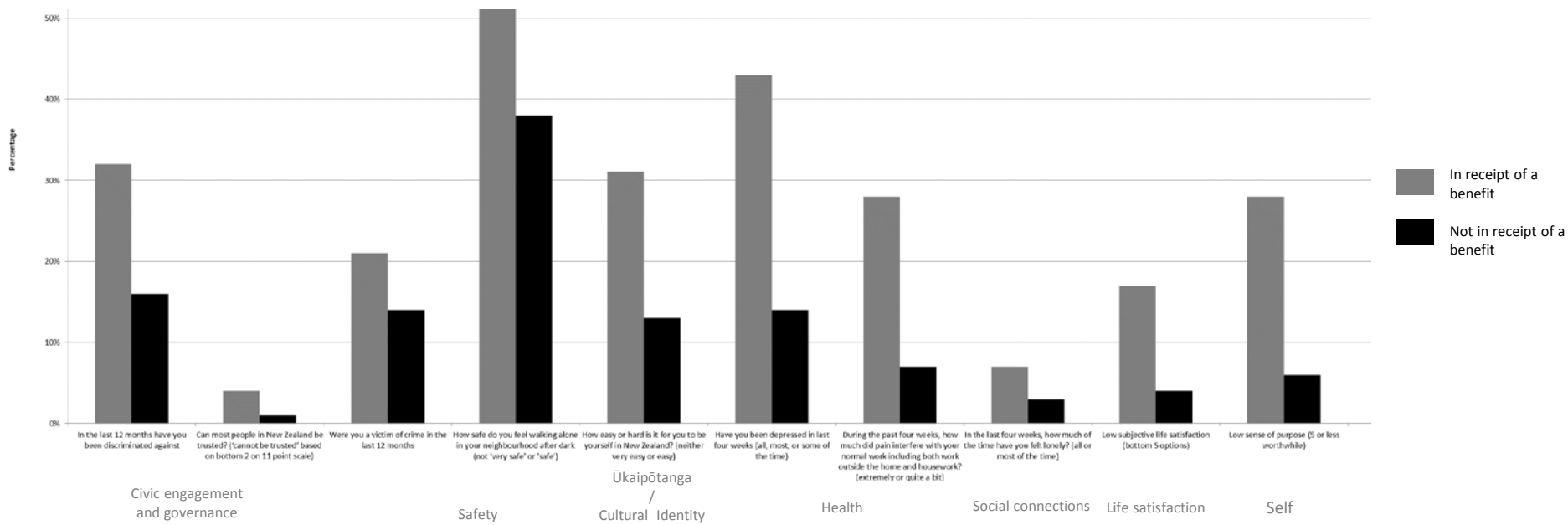
## Self

# Living standards indicators for adults 16 to 64 without dependent children (Linked GSS 2014)



## Material hardship

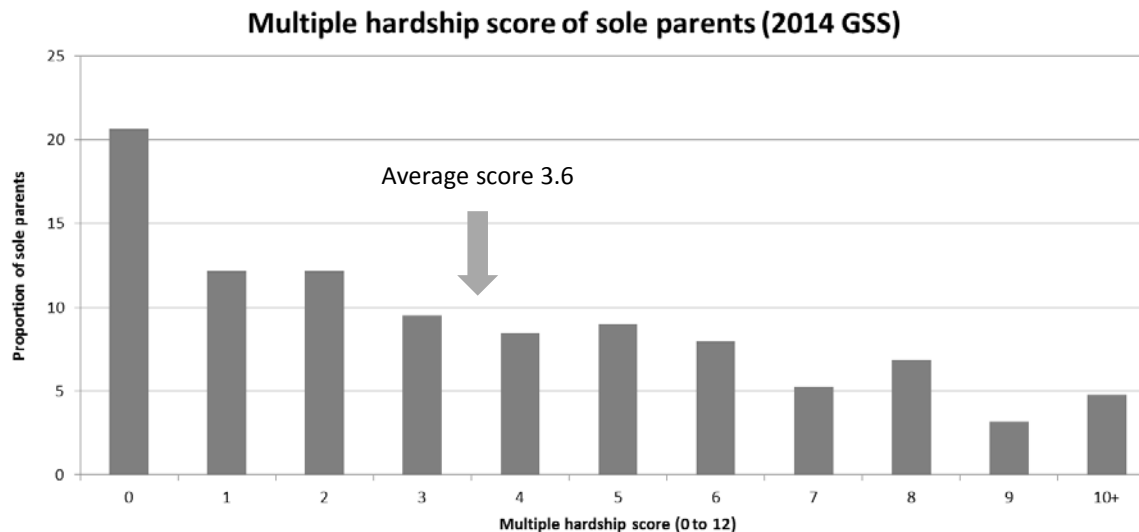
## Housing



In receipt of a benefit  
 Not in receipt of a benefit

# What is the relationship between a person's annual income and their level of hardship?

- there is a large body of evidence about how a change in income affects child and adult outcomes (Cooper and Stewart, 2015; Cooper and Stewart, 2017)
- a specific question in this literature relates to how much changes in income will affect levels of material hardship (Krishnan et al., 2002; Jensen et al., 2004)
- at this stage in the research our analysis only focusses on sole parents where we believe we have more accurate measures of annual household income using administrative data
- we focus on how income changes a person's 'multiple hardship score'. This is a count of the number of material hardships experienced



- our early indicative results suggest that a 1% percentage change in a person's income will change their hardship score by around 1.6%, controlling for the number of children, others in the household and also other characteristics
- these results suggests that income clearly matters for material hardship, although large increases in income are needed to substantially reduce hardship levels
- there are also many other factors that are important in determining hardship levels such as health

# What can you take away from this draft research?

The research shows high rates of material hardship and other poor outcomes for those on a benefit.

There are however a number of important caveats:

- the data we are using is from 2014 and since that time there have been changes to payment levels and housing costs
- the survey appears to undercount those on a benefit, and may not be a fully representative sample of the most vulnerable in the population
- the sample size is relatively small and so some of the estimates are measured imprecisely
- our analysis of the relationship between income and hardship for sole parents should be treated as very indicative because of data and methods limitations
- we are aiming to update this work using the 2016 GSS which has just become available