



Report

Date: 19 February 2021

Security Level: IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

Update on Families Package Monitoring and Evaluation

Purpose of the report

- 1 This briefing provides you with a 2020 update on the Families Package monitoring and evaluation work programme, and three reports that have been completed to date. The reports included are:
 - the 2020 monitoring report (with supplementary reports)
 - a study looking at the early-years changes in the Families Package (with supplementary reports)
 - a baseline synthesis of client experience research before the Families Package was introduced.
- 2 A discussion of the reports and their findings is scheduled for your MSD Officials Meeting on Monday 22 February.

Executive summary

Background

- 3 The Families Package was announced in 2017 as part of the incoming Government's 100-day plan, and reflected its focus on reducing child poverty and ensuring children get the best start in life.
- 4 The Families Package Monitoring and Evaluation work programme includes:
 - annual monitoring reports tracking trends in receipt of Families Package payments
 - projects addressing six questions about quantitative impacts of the reform
 - syntheses of client experience research.
- 5 To date, we have completed two annual monitoring reports (2019 and 2020), one study on the impact of the early-years changes in the Families Package (Best Start tax credit and the 2018 paid parental leave extension), and a baseline synthesis of client experience. Three additional impact evaluation studies have been commissioned and are underway.

Highlights from the 2020 Families Package update

- 6 The 2020 monitoring report (Attachments 1a to 1c) shows the amount of financial assistance received by low and middle-income families has increased, in-line with the intent of the Families Package. Key messages are outlined below.

Key messages from the 2020 monitoring report:

- average weekly Family Tax Credit payments have increased
- receipt of the Best Start tax credit continues to grow, helping families with costs in a child's early years
- the doubled Winter Energy Payment for 2020 helped just under 1.2 million adults and their children last winter (including partners of primary recipients)
- increased payment rates for the Accommodation Supplement have resulted in people receiving larger payments per week

- with rising housing costs the proportion of recipients receiving the maximum payment is increasing
- an estimated 330,000 families benefitted from the Families Package in its first year
- although numbers of recipients of Families Package payments have increased, particularly post COVID-19, the monitoring data does not show whether people are receiving all the payments they are entitled to.

- 7 Results for people receiving main benefits show there were larger overall income gains for benefit recipients with children than without, consistent with the Families Package policy design. Some of the income gains have been offset by increased housing costs.
- 8 More work is being done to estimate the total income gains for families in the population overall (including families not supported by a benefit). Lags in data availability mean we are currently only able to look at the 2018/19 year.
- 9 Child Poverty and Child and Youth Wellbeing monitoring reports are due early this year and will start to build evidence on whether child poverty related indicators moved in the direction intended by the Families Package.
- 10 Impact studies to estimate the difference the Families Package made to outcomes, and whether it is achieving its longer-term objectives, are only feasible in some cases, and need to wait until several years after a reform. Several studies are underway, and one focussed on the early-years changes has been completed. This study (Attachments 2a to 2c) shows that:
 - in the first six months post-birth, mothers and first parents in the first cohort to qualify for the early-years changes gained an estimated \$55 per week, a 10 percent increase in their income, as a result (on top of income gains from other parts of the Families Package)
 - the number of months mothers and first parents had no wages and salaries post-birth, a proxy for time spent at home with their baby, increased as a result of the early-years changes. This is in line with the policy intent.
- 11 Findings from the baseline synthesis of client experience research (Attachment 3) are very similar to those raised by participants in the 'Voices' consultations undertaken in developing Te Pae Tata and Pacific Prosperity, and in the 2018 consultations carried out by the Welfare Expert Advisory Group. Lack of awareness of some social assistance entitlements, the complexity of the application process, and the adequacy of assistance provided by the income support system emerge as key issues for recipients before the Families Package reform. A second synthesis of research will be completed in 2022, drawing on studies relating to the period since 2018.
- 12 These findings affirm the importance of current efforts to improve client experience and awareness of payments. The addition of a multi-media national communications and community out-reach campaign to these efforts could be considered as part of the welfare overhaul.

Next steps for the Families Package monitoring and evaluation work programme

- 13 We intend to publish the attached completed reports on the MSD website. We will work with your office on details including timing and communications.
- 14 A 2021 monitoring report and further update on the work programme will be sent to you in December 2021.
- 15 In December 2022, we will provide you with a final report on Families Package monitoring and evaluation, drawing on this work programme and related work occurring across government.

Recommended actions

It is recommended that you:

- 1 **note** that we intend to publish the following attached reports on the MSD website and will work with your office on details, including timing, communications, and key messages:
 - the 2020 monitoring report (with supplementary reports)
 - a study looking at the early-years changes in the Families Package (with supplementary reports)
 - a baseline synthesis of client experience research before the Families Package was introduced
- 2 **note** that we will provide you with a further monitoring report and update on the Families Package work programme in December 2021, and a final report on the work programme in December 2022
- 3 **indicate** whether you would like to receive further advice on options for a national communications and community out-reach campaign and new funding requirements
Yes / No
- 4 **forward** this briefing to the Ministers for Child Poverty Reduction, Finance, Children, Housing, Education, Health, Revenue, Internal Affairs, Māori Development, Women, Workplace Relations and Safety, Seniors, Pacific Peoples and Youth.
Agree / Disagree

Michelle Parsons
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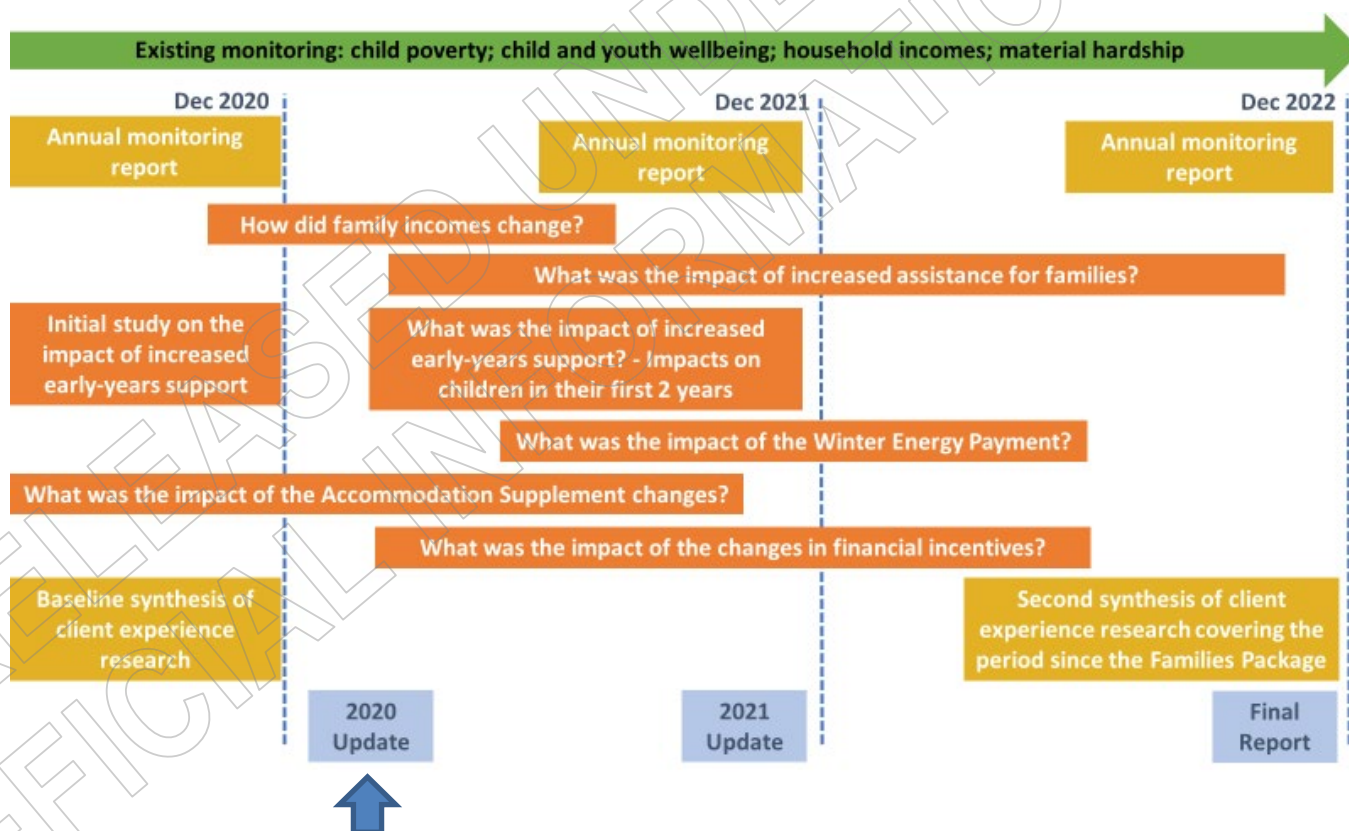
Date

Hon Carmel Sepuloni
Minister for Social Development and Employment

Date

Background

- 16 The Families Package was part of the incoming Government's 100-day plan in 2017 and reflected its focus on reducing child poverty and ensuring children get the best start in life. The package formed part of the Government's first programme of action to improve child and youth wellbeing.
- 17 The Families Package monitoring and evaluation work programme:
- links to existing work programmes that are monitoring child poverty, child poverty-related indicators and other outcomes for families and children
 - focuses on questions about the impact of the package for which we have an opportunity to produce credible answers using quasi-experimental methods
 - prioritises questions that address knowledge gaps for Aotearoa New Zealand and are important to address in order to inform future policy development
 - builds evidence on the impacts of the policy for Māori, Pacific peoples and other ethnic groups, and for other key population sub-groups [REP/19/7/675 refers].
- 18 Sub-projects, deliverables, timings and links to existing work programmes can be summarised as follows:



2020 update: Key points

The 2020 monitoring report shows the amount of financial assistance received by low- and middle-income families has increased, in-line with the intent of the Families Package.

- 19 Attachments 1a to 1c provide the 2020 monitoring report, including an A3 summary, a headline report and supplementary tables. Monitoring data allows us to track what happened to expenditure and receipt. This can help to provide an indication on whether policy changes are having intended or unintended effects on expenditure and receipt.

- 20 Key messages from the 2020 monitoring report are that:
- average weekly **Family Tax Credit** payments have increased
 - receipt of the **Best Start** tax credit continues to grow, helping families with costs in a child's early years
 - the doubled **Winter Energy Payment** for 2020 helped just under 1.2 million adults and their children last winter (including partners of primary recipients)
 - increased payment rates for the **Accommodation Supplement** have resulted in people receiving larger payments per week
 - with rising housing costs the proportion of recipients receiving the maximum payment is increasing
 - in the 2018/19 tax year, a total of **330,000 families** received Working for Families tax credits (including Best Start) – This count provides an estimate of the total number of families that benefitted from the Families Package in its first year
 - although recipients of Families Package payments have increased, particularly post COVID-19, the monitoring data does not show whether people supported by benefit, and people not on benefit but potentially eligible for Working for Families tax credits and Accommodation Supplement, are receiving all the payments they are entitled to.
- 21 In addition to the Families Package, the monitoring report covers the 2020 income support package changes, and includes trends in numbers of applications for **child support**. These fell steeply following the removal of section 192 on 1 April 2020, particularly for applicants supported by benefits. The removal coincided with disruptions for families and to the benefit and tax systems as a result of the first COVID-19 lock-down and initial response, making it unclear whether the drop will be sustained.
- 22 MSD is collaborating with Inland Revenue to **streamline the process for clients to apply for child support** when completing an application for a sole parent benefit. This initiative will help make it easier for clients to apply for child support where appropriate, and make it easier for our frontline staff to process these applications. Design work will start on this approach this year, and will include testing with clients.

Estimates of how family incomes changed for people receiving main benefits show there were larger overall income gains for benefit recipients with children than without, consistent with the Families Package policy design.

- 23 Table 1 (page six) shows that in January 2021 **families with children receiving benefit are estimated to have gained over \$100 per week** from the Families Package and 2020 income support changes combined (not taking into account the Winter Energy Payment). Couples and single people without children receiving benefit are estimated to have gained **\$46 and \$35** per week respectively.
- 24 **Across all benefit recipients, the average gain was \$56 per week. For Māori benefit recipients the average gain was \$64 per week**, reflecting the higher proportion of Māori benefit recipients with children. Taking account of the Winter Energy Payment (by assuming that the 2020 payment was spread evenly over the year in weekly instalments), across all benefit recipients the average gain was \$76 per week. For Māori the average gain was \$84 per week.
- 25 MSD has created a new unit record dataset that records payments, earnings and housing costs of all people in receipt of income-tested main benefits in response to recommendation 5 from Whakamana Tāngata. Initial results using an experimental dataset from this work show that some of the recent increases in income support including the Families Package and the 2020 income support changes have been offset by rising housing costs.
- 26 In real terms **while families with children now have substantially higher average after housing costs incomes compared to the mid-2000s, single people with no dependent children have average after housing cost incomes that are around the same level as the mid-2000s**, because the recent gains they

have received have been eroded by increased housing costs. MSD is working on a more detailed briefing on these results.

Table 1: Average weekly increases in assistance for benefit recipients in January 2021 as a result of Families Package and 2020 policy changes⁽¹⁾

- Overall:

Family type	Number of Families	Family Tax Credit	Best Start ⁽²⁾	Main Benefit	AS ⁽²⁾⁽³⁾	TAS ⁽⁴⁾	Total	Winter Energy Payment (2020 rate in winter months)	Total assuming 2020 Winter Energy Payment spread over entire year
With children									
Couple with Children	16,000	\$41	\$24	\$31	\$30	-\$5	\$120	\$63	\$147
Sole Parent	96,000	\$32	\$17	\$31	\$32	-\$6	\$105	\$64	\$132
Without children									
Couple no Children	18,000			\$30	\$21	-\$4	\$46	\$60	\$71
Single No Children	266,000			\$28	\$8	-\$2	\$35	\$40	\$51
All beneficiaries									
Total	396,000	\$9	\$5	\$29	\$15	-\$3	\$56	\$47	\$76

- Māori⁽⁵⁾:

Family type	Number of Families	Family Tax Credit	Best Start ⁽²⁾	Main Benefit	AS ⁽²⁾⁽³⁾	TAS ⁽⁴⁾	Total	Winter Energy Payment (2020 rate in winter months)	Total assuming 2020 Winter Energy Payment spread over entire year
With children									
Couple with Children	4,000	\$47	\$26	\$31	\$26	-\$5	\$125	\$63	\$151
Sole Parent	41,000	\$35	\$16	\$30	\$28	-\$5	\$104	\$64	\$131
Without children									
Couple no Children	3,000			\$30	\$20	-\$4	\$46	\$61	\$72
Single No Children	67,000			\$28	\$10	-\$2	\$36	\$40	\$53
All beneficiaries									
Total	115,000	\$14	\$7	\$29	\$17	-\$3	\$64	\$50	\$84

Notes:

- (1) Based on the main benefit population as at January 2021 and payment rates as at May 2020. CPI adjustments that would have occurred in any case are not included in the estimated gains. The impact on Income Related Rent is not modelled. Gains experienced by those receiving Orphans and Unsupported Child Benefit, or affected by section 192 removal, are not included.
- (2) The average gains in assistance for payments such as Best Start and Accommodation Supplement may seem lower than expected because not all beneficiaries gained from these changes.
- (3) Accommodation Supplement.
- (4) Temporary Additional Support.
- (5) Māori single benefit recipients, and couples where the primary benefit recipient is Māori.

More work is being done to estimate how family incomes changed for families in the population overall

- 27 We will be using linked household survey, Inland Revenue and MSD payments data held in the Stats NZ Integrated Data Infrastructure (IDI) to estimate the proportion of all families that gained income from the Families Package and average gains, and receipt by ethnic group. Lags in data availability mean we are currently only able to look at total income gains (inclusive of tax credits received as a lump sum) for the 2018/19 year.
- 28 The work includes collaborating with Treasury to use the Tax and Welfare Analysis (TAWA) microsimulation model to re-estimate the distribution of Families Package income gains, based on an improved version of TAWA and more up to date survey data. The estimates made before the package was introduced were based on 2015 data. The updated estimates will better reflect families circumstances at the time the Families Package was introduced.

Child poverty and Child and Youth Wellbeing monitoring reports are due early this year and will start to build evidence on whether child poverty and other outcomes moved in the direction intended by the Families Package.

- 29 Upcoming reports include the following:
 - Stats NZ reports on child poverty measures – results from the 2019/20 Household Economic Survey, which is the first to include a full year of post-Families Package income, will be released on 23 February 2021
 - Department of Prime Minister and Cabinet reporting on child poverty related indicators, next expected in early 2021
 - a Special Child Poverty Report from MSD, complementing the Stats NZ release, expected to be released in April 2021
 - MSD's Incomes Report and companion report on material hardship, expected to be next released in July 2021
 - Child and Youth Wellbeing Annual Reports, first due in April 2021.
- 30 Across our work programme, we will describe trends in a range of indicators for groups of families whose incomes were affected in different ways by the Families Package, and by ethnic group.
- 31 A large number of changes were made as part of the Child and Youth Wellbeing Strategy and Programme of Action with the aim of reducing child poverty and improving outcomes for children and their families. Given this, and COVID-19, it may be feasible to provide information on the degree of change in relevant indicators for different sub-groups. However, it will not be feasible to provide evidence on the amount of this change that was caused by the Families Package.

Impact studies to estimate the difference the Families Package made to outcomes, and whether it is achieving its longer-term objectives, are only feasible in some cases.

- 32 Impact studies require a way to robustly estimate what would have occurred in the absence of the Families Package. They also need to wait until several years after the reform because of lags in data availability, and the time it takes improvements in incomes to impact outcomes. For example, possible health impacts from warmer housing, and improvements in children's development and health from increased family incomes, take time.
- 33 The way the early-years changes in the Families Package were implemented offers a good basis for impact study, and a unique opportunity to build the evidence base on the causal impact of increased financial assistance on lifecycle outcomes for children and their families.

34 An initial study focussed on these changes is attached, including a plain language summary, full technical report, and rapid evidence review undertaken to inform the study (Attachments 2a to 2c). Key findings are that:

- **in the first six months post-birth, mothers and first parents in the first cohort to qualify for the early-years changes gained an estimated \$55 per week, a 10 percent increase in their income, as a result** (on top of income gains from other parts of the Families Package).
- **the number of months mothers and first parents had no wages and salaries post-birth, a proxy for time spent at home with their baby, increased as a result of the early-years changes.** This is in line with the policy intent. The estimated effect size (close to one additional week with no wages and salaries) was small relative to the four-week extension in paid parental leave. This may reflect the effect of rising housing costs and financial constraints on the amount of leave parents felt able to take.

35 Over the coming year, the Ministry of Health and Oranga Tamariki–The Ministry for Children will collaborate with MSD to build on the initial study. **We plan to estimate the impacts of additional financial assistance on measures of children’s health and wellbeing in their early years.**

36 Three other impact studies are commencing. Motu Economic and Public Policy Trust has been engaged to deliver studies on the impacts of the **Accommodation Supplement changes (due October 2021), the Winter Energy Payment (due June 2022), and changes in financial incentives (due June 2022).**

In the baseline synthesis of research on client experiences, lack of awareness of entitlements, the complexity of the application process, lack of alignment with Māori values and culture, and inadequacy of assistance were key issues for recipients in the period before Families Package reform.

37 A first synthesis of published research on client experiences from the period prior to the implementation of the Families Package (pre-2018) has been completed and is attached (Attachment 3). An important limitation to note is that most of the evidence is from small scale qualitative studies, and it is not clear how common the experiences reported were.

38 Themes are similar to those raised by participants in the 2018 consultations carried out by the Welfare Expert Advisory Group and in MSD’s engagement with Māori and Pacific communities in 2018 and 2019.

39 As you will be aware, since 2018, an extensive work program has aimed to improve client experience. In addition to delivering the Government’s policy reforms and COVID-19 response:

- in 2018 MSD established a new strategic direction, Te Pae Tawhiti, setting out the three key shifts we needed to make to achieve better outcomes for New Zealanders: Mana manaaki – a positive experience every time; Kotahitanga – partnering for greater impact; and Kia takatū tātou – supporting long-term social and economic development
- in 2019 these were supported by the Te Pae Tata and Pacific Prosperity strategies for realising the aspirations of Māori and Pacific peoples and achieving equitable outcomes, and in 2020 new values to guide behaviour were introduced
- numbers of front-line staff have been increased, and work has been undertaken to help clients easily access clear information about what support they can get, and to make it easier to complete online application forms on mobile devices
- a ‘Heartbeat’ project has been established to measure and feed back information on client experience as a mechanism for ensuring client experience informs service and policy design and improving performance – feedback

received confirms that we have continued to strengthen our service culture and improve people's experiences of dealing with us.¹

- 40 A second synthesis of research on client experience will be completed in 2022, drawing on studies relating to the period since 2018. Projects that will provide useful insights for whānau Māori and contribute to the second synthesis include:
- an in-depth kaupapa Māori qualitative study focused on section 192 which will be commissioned with evaluation funding made available as part of Budget 2019, due for completion in 2022
 - a three year work programme at Auckland University of Technology, Massey University and University of Auckland using qualitative and quantitative methods to look at the experiences of low-income working whānau and their neighbours (other people with whom they share their everyday life) – the research will have a focus on the difference that increased minimum wages and Families Package changes made
 - the Southern Initiative's Tamariki Wellbeing project which has involved supporting a small group of mothers to interview other whānau with pēpi to understand their lived experiences of engaging with Work and Income, both before and during lockdown.

Implications of the findings to date

- 41 MSD and cross-agency reference groups have been established to support delivery of the Families Package work programme and dissemination of findings. The findings to date can help inform:
- continuing policy and service development as part of the welfare overhaul response to the recommendations of the Welfare Expert Advisory Group
 - policy aimed at child poverty reduction and improving child and youth wellbeing
 - responses to the 2019 review of financial assistance for caregivers
 - the review of Working for Families
 - the future design and delivery of income support responses to COVID-19.
- 42 The impact studies will help build the Aotearoa New Zealand evidence base on the nature and extent of trade-offs in income support policy design, including evidence on the size of:
- the financial costs of providing increased financial assistance
 - the more immediate benefits in terms of reduced material hardship, reduced hospitalisations and improved service access and wellbeing
 - the longer-term down-stream benefits for children and adults
 - the effects of changes in financial incentives on labour supply decisions of those in employment.
- 43 However, more work, and in some cases a multi-year follow-up, is needed before drawing conclusions about the size of these effects. We are encouraging academic research teams to continue to explore impacts after the Families Package monitoring and evaluation work programme is completed in 2022.
- 44 Monitoring and evaluating the Families Package is helping to track progress in realising part of the vision for Māori set out in MSD's *Te Pae Tata – Māori Strategy and Action Plan*, and supporting the strategic shifts and aspirations for Pacific peoples set out in *Pacific Prosperity – Our People, Our Solutions, Our Future*.

¹ See <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/corporate/annual-report/2019-2020/index.html> and <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/corporate/annual-report/2019-2020/our-story/trust.html>

Opportunities to respond to the findings to date as part of the welfare overhaul

- 45 Findings from our baseline synthesis of client experience research from before 2018, and MSD's engagement with whānau and Pacific communities since then, affirm the importance of MSD and Inland Revenue's current efforts to improve client experience and awareness of payments. These are important mechanisms for ensuring that the increased support available is received by the people it is designed to assist.
- 46 Addition of a more comprehensive communications and culturally tailored community out-reach campaign as part of the welfare overhaul could have significant benefits.² In the context of the COVID-19 recovery, good awareness and take-up of in-work supports such as Working for Families tax credits, Accommodation Supplement and childcare assistance could help people retain a connection to paid employment if their hours or pay rates are reduced, and prevent transitions to main benefit receipt.
- 47 A comprehensive campaign would require new funding, and planning to ensure capacity within agencies to deliver it and respond to increased applications. MSD is seeking your feedback on whether you would like further advice on options and funding requirements.

Planning for engaging with clients losing Best Start as their child turns three

- 48 In July 2021 the first cohort of families to qualify for Best Start will lose their entitlement when their child turns three, if they have continued to receive the payment on an income tested basis in their child's second and third years. We will communicate with families who are due to lose entitlement about the other supports available to them, including financial and employment assistance, and 20 Hours ECE.

Opportunities to expand monitoring and evaluation as part of the welfare overhaul

- 49 There are no recent surveys that provide quantitative, nationally representative estimates of levels of awareness of payments, the degree to which receipt of payments is at the level it should be, and people's perceptions of adequacy and the difference additional financial support makes.³ As a result, knowledge gaps remain about awareness and take-up, and about how representative published client experience research and MSD's Heartbeat information gathering is.
- 50 A useful addition to the monitoring and evaluation work programme that accompanies the welfare overhaul would be surveys that address these knowledge gaps. Surveys could potentially be integrated with a national communications campaign, for example surveys undertaken before and after a campaign could help inform the development of the campaign, and assess its effectiveness.
- 51 Another useful addition to the monitoring and evaluation work programme would be analysing measures of wellbeing for Māori collected in the 2013 and 2018 Stats NZ Te Kupenga surveys. This survey is an important resource that can help us look at measures relevant to whānau wellbeing, and to explore groupings within households. Te Kupenga can now be linked with administrative data in the IDI on incomes, providing new opportunities for contextual analysis that can help us understand the relationship between income and wellbeing from a Māori world-view, and establishing

² As part of the 2004-2007 Working for Families reform, multiple approaches were implemented to ensure families got the assistance they were entitled to, including a comprehensive, culturally tailored, national communications campaign in 2005 and 2006. The Working for Families evaluation found that these approaches were successful in ensuring families were aware of their entitlements and in increasing receipt of payments. See the 2006 evaluation update for details of the campaign (p.20-22) and 2007 update for results at <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/receipt-working-for-families/index.html>

³ Such surveys formed part of the evaluation of the Working for Families reform. See <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/receipt-working-for-families/index.html>

a baseline for assessing changes in wellbeing when a repeat Te Kupenga survey is available after the 2023 or 2028 Census.

- 52 We will explore options to expand the monitoring and evaluation work programme in Budget-21 and Budget-22 to address the abovementioned opportunities.

Next steps for the monitoring and evaluation work programme

- 53 We intend to publish the attached reports on the MSD website and will work with your office on details including timing and communications.
- 54 A 2021 monitoring report and further update on the work programme will be sent to you in December 2021. In December 2022 we will report to you with a final report on Families Package monitoring and evaluation, drawing on this work programme and related work occurring across government.

Attachments

Families Package and 2020 Income Support Packages – 2020 Monitoring Report:

- Attachment 1a: A3 Summary of the 2020 Monitoring Report
- Attachment 1b: Headline Figures of the 2020 Monitoring Report
- Attachment 1c: Supplementary Information for the 2020 Monitoring Report

Estimating the Impact of the Introduction of the 2018 Families Package Early-years Changes:

- Attachment 2a: Summary of Findings of the Early-years Changes Study
- Attachment 2b: Technical Report of the Early-years Changes Study
- Attachment 2c: Possible Effects of the Best Start Tax Credit: A Rapid Review of International Evidence

Client Experiences of the 2018-2020 Social Assistance Changes:

- Attachment 3: A Baseline Research Synthesis of pre-2018 Findings

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