



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Families Package 2021 Update

Findings for Pacific Peoples



MSD Strategy and Insights

better

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Background

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

In our work to monitor and evaluate the changes, we are producing results specifically for Pacific peoples where-ever possible.

This document draws together the results for Pacific peoples so far. The aim is to provide a resource for Pacific policy makers, advisors, and researchers, and for others with an interest in improving the wellbeing of Pacific peoples.

The package was mainly delivered through MSD and Inland Revenue. It was made up of the following changes.



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



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



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



Increasing the **Accommodation Supplement** and **Accommodation Benefit**, by implementing changes that had been announced in the 2017 Budget.



Increasing financial assistance for carers by increasing the rate of **Orphan's Benefit, Unsupported Child's Benefit** and **Foster Care Allowance**.

Researchers at the AUT have shown that Accommodation Supplement and Family Tax Credit are especially important for the financial wellbeing of in-work Pacific households. They found the redistributive, or 'cushioning', effect of these payments in reducing poverty was greater for Pacific households than for other ethnic groups. This reflected a range of factors, including the greater risk of low pay (see Plum & Pacheco, 2019).

The Families Package was the first stage of the Government's ongoing welfare overhaul work programme.

The Families Package **helped lift incomes for Pacific peoples**

We can now see some of the effects these changes have had for Pacific peoples.

However the impact of COVID-19 lockdowns (2020 and 2021), and rising accommodation costs, have made achieving some of the Families Package's goals more challenging.

In its first year, an estimated

71%

of families with children with a Pacific parent or caregiver received Families Package payments.

Compared, the proportion who received Families Package payments was:

71%

for families with a Māori parent or caregiver

47%

for families without a Māori or Pacific parent or caregiver

54%

Overall

On average, families with a Pacific parent or caregiver who received the Families Package in its first year received

\$66p/w

more in Families Package payments.

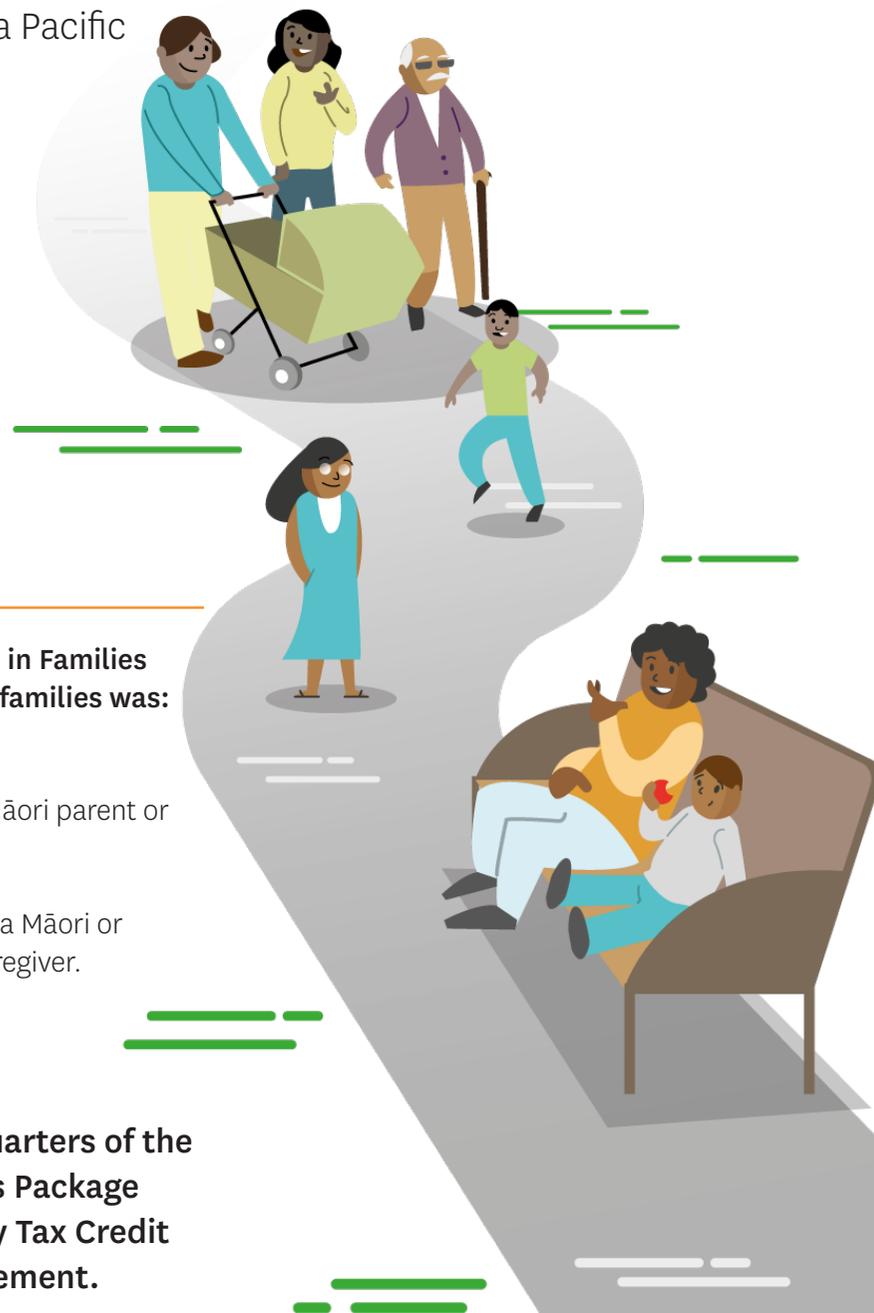
Compared, the average increase in Families Package payments for receiving families was:

\$59p/w for families with a Māori parent or caregiver.

\$51p/w for families without a Māori or Pacific parent or caregiver.

\$55p/w overall.

Across all families, three quarters of the increase in average Families Package payments came from Family Tax Credit and Accommodation Supplement.



There were extra income gains for Pacific families with babies

Early-years changes in the Families Package:

- a new Best Start tax credit of \$60p/w for each new baby born after July 2018 until they turn one. Best Start is then available to low- and middle-income families on an income-tested basis until the child turns three
- a four-week extension to the maximum length of paid parental leave for parents with babies born after July 2018, and another four week extension in July 2020 (taking the maximum paid parental leave period from 18 weeks to 26 weeks).

Pacific mothers (and Pacific 'first parents' listed on birth certificates in same-sex couples), with babies who were in the first cohort to qualify for the early-years changes, gained an additional

\$50p/w

in the first six months post-birth, on average.

This is equivalent to an extra nine percent increase in their income, on top of income gains from other parts of the Families Package.



These gains were broadly similar across Māori, Pacific, and non-Māori, non-Pacific mothers/first parents

\$55p/w for Māori

\$56p/w for non-Māori non-Pacific

For Pacific mothers/first parents, around half the increase in payments came from increased paid parental leave income and half came from the new Best Start tax credit.

We plan to follow what happened as the children in the first cohort to qualify reached age 2-3, to see how the extra income influenced employment, and some measures of health and wellbeing.



Rents have risen since the Families Package, but **there is little evidence that the extra accommodation support Pacific peoples received in the Families Package contributed to their rent rises**

From 1 April 2018, the maximum Accommodation Supplement rates were increased across all areas, and more places were zoned as areas qualifying for higher possible maximum rates.

Overall:

- just prior to the Families Package, 56% of Accommodation Supplement recipients were receiving the maximum payment for their area, and this proportion fell to 26% immediately after the April 2018 increases
- the proportion receiving the maximum is now increasing once more, and was 38% in June 2021
- this indicates that some of the income gains have been offset by increased accommodation costs since the Families Package was introduced.

An important question is:

Did the Accommodation Supplement changes contribute to the increase in accommodation costs?

We commissioned Motu Economic and Public Policy Research to look at this question. They used unevenness in the size of the 2018 increase in maximum payments across different areas as the basis for their study. They looked at what happened to total accommodation support and what happened to rents paid by Accommodation Supplement recipients on each side of the boundaries between areas that got larger increases in maximum rates and areas that got smaller increases.

Their results suggest **the 2018 increases did not lead to a notable extra increase in rents, on top of rent increases that were occurring anyway.** Overall, the results suggest that around 90% of the extra increase in assistance was captured by Accommodation Supplement recipients as an extra increase in after-rent income.

This finding holds for Pacific Accommodation Supplement recipients, as well as overall. For Pacific recipients, 96% of the extra increase in assistance was captured as an extra increase in after-rent income.

Long-term trends show no noticeable change in overall average rents around the time of 2018 changes, or around the time of the previous 2005 adjustment to Accommodation Supplement maximum rates

Taken together with the new findings from the Motu study, longer-term trends suggest Accommodation Supplement increases are not an important driver of the growth in rents that is occurring.

This plot shows long-term trends based on:

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

The average rent of AS recipients corresponds closely to the 25th percentile of new tenancy rents until about 2013. After that the 25th percentile of new tenancy rents increased faster than the average rent of AS recipients.

Over the 20 years to September 2020, the average annual increase in rents for AS recipients was 3.4%, compared to 5.0% for the 25th percentile of new tenancy rents, and 4.7% for the average new tenancy rents.

Accommodation Supplement increases do not appear to be an important driver of the long-term growth in rents that is occurring. There is no noticeable change around the time of 2018 changes, or around the time of the previous 2005 adjustment to Accommodation Supplement maxima. Instead, it appears trend increases in rents started 2-3 years before each of these dates.

Average Weekly Accommodation Supplement and New Tenancy Rents - All areas



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

Steps towards reducing child poverty continue.

The 2021 Budget increased the weekly main benefit rates by \$32-55 per adult, bringing them in-line with a key recommendation of the Welfare Expert Advisory Group.

Some of this increase was introduced in July 2021 and the rest takes effect in April 2022. Best Start and Family Tax Credit will also be increased in April 2022.

Other initiatives have been introduced to address material hardship and directly help children and their families in areas such as housing, employment, and direct services, for example through food in schools.

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

The Government has made reducing child poverty a priority. In the Child Poverty Reduction Act 2018, the Government sets out three primary measures of child poverty and six supplementary measures. These measures are considered together because no single measure tells a complete story of child poverty.

The primary measures are:

The number of children in households with incomes much lower than a typical ('fixed line') 2018 household, **after they pay for housing costs.**

in 2019/20

18.4%

of all children were living in poverty on this measure

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

in 2019/20

13.8%

of all children were living in poverty on this measure

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

in 2019/20

11.3%

of all children were living in poverty on this measure

In 2019/20, one in four Pacific children (26.1%) lived in households experiencing material hardship (going without 6 or more of 17 essential items). The rate was almost 1 in 5 for Māori children (19.5%). These rates compared with 11.3% for all New Zealand children.

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

Most of the fall happened between 2017/18 and 2018/19. Stats NZ has produced child poverty statistics for different ethnic groups only in 2018/19 and 2019/20, **so we can't see how the fall in child poverty between 2017/18 and 2018/19 affected Pacific children.**

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

Te Pae Tawhiti and the Pacific Prosperity Strategy and Action Plan

set a new direction
for MSD

In the years since the Families Package was introduced, MSD has developed and implemented our strategic direction, Te Pae Tawhiti – Our Future, which is supported by Te Pae Tata and Pacific Prosperity, our Māori and Pacific Strategies and Action Plans. These sit at the heart of the work we need to do to help New Zealanders to be safe, strong and independent.

Te Pae Tawhiti, which we launched in 2018, signals our intention to do better for all New Zealanders. It sets out how we will bring about positive changes in the wellbeing of the people, whānau, families, and communities we serve.

At its heart are **three shifts** we need to make as an organisation in all our work to achieve our outcomes



Mana manaaki

A positive experience every time

We will look after the dignity of people with warmth, listening, respect, compassion, openness and fairness, helping people, whānau, families, and communities.



Kotahitanga

Partnering for greater impact

We are stronger when we work together with whānau, families, hapū, iwi, providers, communities, and other government agencies.



Kia Takatū Tātou

Supporting long-term social and economic development

We will prepare ourselves for the future and take a long-term approach to community, regional, and economic development. To improve employment outcomes, we will support people to acquire skills for current and future job markets.

Pacific Prosperity is the first strategy and action plan that we have developed for Pacific peoples at a national level. We designed this strategy after a year-long talanoa process – a process of meaningful conversations – to hear the ‘Voices’ of Pacific peoples, families, and communities. It sets out focus areas and actions to achieve better outcomes.

The vision for Pacific Prosperity is that Pacific peoples, families, and communities thrive and flourish in Aotearoa.

Implementing the Government’s Families Package and other income support changes contributes to realising this vision. It contributes to the objective of supporting long-term social and economic development by supporting Pacific peoples, families, and communities to have dignity, financial stability, and stable housing.



Experiences of the income support system showed **the need for the Te Pae Tawhiti shifts**

We looked at research on client experience of the income support system from before the Families Package. Key issues included lack of awareness of entitlements, the complexity of the application process, lack of alignment with Pacific and Māori values and culture, and the inadequacy of assistance provided by the income support system.

Findings from this '**Baseline Synthesis**' of client experience research were similar to some of the themes from the Pacific Prosperity talanoa in 2018/19. In the talanoa, Pacific families said they want to receive dignified and non-judgemental support from us in safe, respectable and empowering environments. They want to be included in matters that affect them, be helped to determine their own solutions and be in control of their own destinies and pathways to success.

Work is underway to understand **how Pacific peoples are experiencing the income support changes**

The talanoa findings affirm the importance of the Te Pae Tawhiti shifts, the Pacific Strategy and Action Plan, and MSD and Inland Revenue's current efforts to improve client experience and awareness of payments.

Studies coming up in 2022 are gathering evidence on how these efforts are tracking, and whether lack of awareness and low take-up of payments are still factors that might be limiting the success of income support reforms in achieving their aims.

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

A large national survey will be asking **low-and middle-income people** about their awareness, understanding, take-up, and experience of income support payments. This is a joint MSD-Inland Revenue study. It will have a focus on producing evidence for Pacific peoples.

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

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

At the end of 2022 we will be gathering results from these and other studies together in **a second synthesis** of client experience research covering the period since the Families Package.

Coming up in our work programme



Over the coming year, studies now underway will tell us about:

- how the adequacy of income support has changed for ‘model’ families, updating research undertaken for the Welfare Expert Advisory Group that looked at the gap between the level of income available from the income support system and what families need for core needs, and to participate in their communities
- how health and other outcomes are tracking for families and for people needing support from the benefit system
- the difference the Winter Energy Payment made to spending on heating and health
- the effects of changes in financial incentives that occurred with the Families Package
- the effects of the early-years changes over a longer follow-up.

Looking further ahead

We will be exploring the use of the Stats NZ Te Kupenga survey to understand the relationship between income and wellbeing for Māori, and for Pacific peoples who also identify as Māori. Te Kupenga is an important survey resource that can help us to look at measures relevant to whānau wellbeing. It can help us establish a baseline for assessing changes in wellbeing when a repeat Te Kupenga survey is available after the 2028 Census. And it can help us learn more about wellbeing in whānau/aiga with multiple ethnic affiliations.

We also will be:

- estimating take-up rates for different income support payments and how these are changing over time
- doing more work to hear how people are experiencing the income support system
- monitoring how incomes and incentives are changing for people receiving benefits.

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

For more detail

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For more information about the IDI please visit

<https://www.stats.govt.nz/integrated-data/>.