



Inland Revenue
Te Tari Taake



MINISTRY OF
SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

**Receipt of the Working for Families
Package:
2007 Update**

**Centre for Social Research and Evaluation
Te Pokapū Rangahau Arotake Hapori**

**Inland Revenue
Te Tari Taake**



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Executive Summary

The Working for Families Package

The Working for Families (WFF) package combines substantial changes to in-work incentives and family entitlements along with providing support to meet childcare and accommodation costs. It was estimated to provide around \$1.6 billion per year in increased financial entitlements and in-work support, mainly to low- to middle-income families with dependent children.

The aims of WFF, as set out by Cabinet, are to achieve a social assistance system that supports people to work by:

- improving income adequacy
- making work pay
- making sure they get the assistance to which they are entitled.

The changes already implemented through Working for Families, Working New Zealand and other initiatives reflect a trend towards active government assistance to increase labour force participation and improve income adequacy.

The Working for Families Evaluation Team is a collaborative cross-agency team with strong links with other parts of the Ministry of Social Development (MSD) and Inland Revenue (IRD). This report, an update of the evaluation findings for the tax year ending March 2007, is oriented to the aims of WFF. The focus is on the objective of ensuring families get the assistance they are entitled to, so the report examines this goal first. The report also covers national uptake of the main components of WFF over 2006 to 2007, specifically WFF Tax Credits, Accommodation Supplement and Childcare Assistance.

Ensuring Families Get the Assistance to Which They Are Entitled

Significant emphasis has been placed by both agencies on ensuring families get the assistance to which they are entitled, when they need it. This evaluation report finds that the multiple approaches used by both agencies, including the comprehensive national communications campaign in 2005 and 2006, has resulted in success in ensuring families receive their entitlements. As a result of these joint initiatives, awareness of WFF amongst the eligible low- to middle-income population was high with nine out of ten eligible caregivers reporting awareness.

The focus of staff in both MSD and IRD on delivery and raising awareness of WFF has resulted in families applying for the package and receiving payments. Specific initiatives such as programmes of outbound calling and direct mailing to potential WFF families and promotion of WFF at all points of contact with potential recipients have also made a difference.

As a result of policy changes and delivery initiatives the number of families receiving WFF components continues to increase:

- In the tax year ending March 2007, families have already received \$2.2 billion from WFF Tax Credits, compared with payments to families of \$1.0 billion in 2004, prior to the introduction of the WFF package. This figure will continue to

increase as further payments are made to families applying for end of year payments.

- 371,300 families received a tax credit for the March 2007 tax year, in line with the estimate of 360,000 families receiving WFF Tax Credits by the end of the March 2008 tax year. Numbers are expected to grow as end of year WFF Tax Credit assessments are processed and paid.
- The number of non-beneficiary families receiving WFF Tax Credits has increased by 114%, since the changes put in place through the introduction of WFF. There has been an overall increase to date of 25% in the total number of families receiving WFF.
- The proportion of eligible families receiving their WFF Tax Credits has been estimated at 95-97% for the tax year ending March 2006. A similar level is expected for the tax year ending March 2007.

The increases in the number of non-beneficiary families receiving Accommodation Supplement that occurred when WFF was implemented have been sustained, and continue to increase since implementation in the absence of further changes to eligibility criteria. This appears to be due to enhancements to the delivery of the supplement, and the benefits of cross-agency collaboration.

The number of families receiving Childcare Assistance continues to increase, as a result of changes to income thresholds and be supported by delivery improvements.¹

Furthermore, changes have been made to the delivery of WFF Tax Credits to ensure people receive the right level of payment and to make it easier for families to receive payments throughout the year. Accumulative adjustments of WFF Tax Credits entitlements, monitoring year-to-date income and information exchange between the two agencies, have decreased overpayments of WFF Tax Credits by IRD. Ring fencing² the period families are on income tested benefits, which aims to improve income adequacy for beneficiaries, has also contributed to reduced incidence of overpayments. The end of year assessment process ensures that families who have been underpaid receive their additional money.

Improving Income Adequacy

WFF was designed to significantly reduce poverty, especially child poverty. Data to support a detailed analysis of the impact of WFF on child poverty is not yet available,³ but results of the evaluation so far show:

- WFF is reaching the target groups of low- to middle-income families, with around three quarters of families receiving WFF Tax Credits being those on family incomes less than \$50,000 per annum.
- WFF has changed the distribution of payments to support families; the most common level of WFF components is \$125 to \$150 per week compared with \$75 to \$100 prior to WFF.

¹ These changes to income thresholds for Childcare Assistance were part of the Enhancing Parents and Other Carers Choices policy announced in Budget 2005.

² See Appendix 3 for definitions of key terms such as ring fencing.

³ This analysis is due in June 2008, based on data from the 2006/2007 Household Economic Survey. This will reflect the impact of the early WFF changes.

Key changes to improve income adequacy were made on 1 April 2005 and 1 April 2007 when family tax credit rates were increased. Both beneficiaries and non-beneficiaries have benefited from these and other increases.⁴

The three most commonly reported uses of this money were on groceries and food, school costs and clothing. Families on lower incomes more often reported using the additional money for groceries and food than those on higher incomes (39% of families with incomes under \$20,000 reported this versus 32% of families with incomes over \$70,000).

Prior to WFF, a number of low income people were experiencing persistent housing affordability problems. Changes to Accommodation Supplement as part of WFF were designed to help address this problem, whilst further work took place.

Findings of the evaluation suggest that these measures have:

- improved housing affordability for families not on a benefit, and for beneficiaries with earnings
- had little effect on aggregate housing affordability measures for beneficiaries without labour market earnings.⁵

Making Work Pay

WFF is designed to assist working people, especially low- to middle-income families, to make the most of economic opportunities by improving the returns from work.⁶ The package aims to actively support working-age parents to take up and stay in employment, by ensuring that such families are financially better off from working. It is designed to complement other initiatives, such as Working New Zealand and active case management, which support the transition into work. Families with dependent children were a priority because many low income families were not substantially better off in low paid work once work-related costs, including childcare costs, benefit abatement and tax were taken into account.

This report suggests that WFF is having a positive impact on incentives to work and is contributing to movement off benefit into work, particularly for sole parents who already had some labour market attachment. Specifically:

- the in-work tax credit is being received by a large and growing number of families. One year after its implementation the number of recipients is continuing to increase and 184,700 families received in-work tax credit in the tax year ending March 2007
- since WFF has been implemented, New Zealand has experienced the largest fall in numbers receiving DPB since the benefit was introduced in 1973 – the number of families receiving the DPB has fallen by 12,500 (from 109,700 at August 2004 to 97,200 at August 2007)

⁴ When family tax credit amounts were increased in April 2005, the child component was also removed from benefits. Both beneficiaries and non-beneficiaries benefited from the \$10 per week in April 2007.

⁵ This finding reflects the targeted nature of the changes to the maximum rates of AS, which effectively improved housing affordability for only a subset of beneficiaries with high housing costs. For example, beneficiaries with low housing costs living in Area 4 did not benefit from these changes.

⁶ Cabinet Minute of Decision CAB Min (04) 13/4 Reform of Social Assistance: Working for Families Package: Revised Recommendations.

- the in-work tax credit appears to be contributing to a decrease in the number of DPB recipients
- growth in the employment rates of sole mothers (increasing from 47% in Census 2001 to 52% in Census 2006) suggests sole parents are exiting benefit to employment.

WFF also aimed to address one of the financial barriers to employment for families with children - the cost of childcare - by increasing the amounts paid and making more families eligible for Childcare Assistance.

- The average weekly payment for Childcare Assistance in August 2007 has increased by \$28 since before WFF, from \$50 in August 2004 to \$78.

Alongside WFF, government has introduced Free Early Childhood Education (Free ECE) for three and four year olds which had further reduced the costs of childcare for 69,000 children in August 2007.

Where to Next?

The evaluation now has a wealth of quantitative and qualitative data that will enable us to report in more detail on the effects WFF has had on families, focussing on objectives C and D of the evaluation:

- C The impact of the package on net incomes, income poverty and living standards for all those affected by the changes, especially for low- to middle-income families with dependent children.
- D The degree to which the package improves employment-related outcomes for adults from low- to middle-income families with dependent children.

1. Purpose of the Report

1.1. Overview

The Working for Families Evaluation Team is a collaborative cross-agency team with strong links with other parts of the Ministry of Social Development (MSD) and Inland Revenue (IRD). In September 2007 MSD and IRD published a report on the Receipt of Working for Families for the tax year ending March 2006.⁷ It contained take up figures for WFF and a detailed description of the findings of the evaluation of the WFF communications. Since this report MSD and IRD have continued to monitor take up of WFF and have carried out further evaluation activity using longitudinal survey data and information from joined MSD and IRD data.

As with the first report, this report is oriented to the aims of WFF as set out by Cabinet,⁸ which are to achieve a social assistance system that supports people by:

- improving income adequacy
- making work pay
- making sure they get the assistance to which they are entitled.

The first report focussed on the third objective – specifically the efforts that have been made to communicate and promote WFF, particularly surrounding the 2006 package expansion. This report maintains the focus on take up of WFF, but goes into more detail about the effects of WFF on improving income adequacy.

This report examines the targeting of WFF components compared with the target group of low- to middle-income families. It reports on weekly payments before and after the package introduction and on housing affordability measures for Accommodation Supplement recipients. Finally, the report brings in findings from other parts of the evaluation, including national survey work, to describe the families receiving package components, and what they told us about how the package made a difference to their families.

A key component of WFF which is directed at supporting work is the new in-work tax credit. Information collected over the year since the introduction of the in-work tax credit allows us to understand the effect this has had on making work pay. We report on the decreasing number of Domestic Purposes Benefit (DPB) recipients since the introduction of WFF and, in particular, since the in-work tax credit has been in place.

1.2. Scope

The focus of this report is on national uptake of the main components of WFF (WFF Tax Credits, Accommodation Supplement, and Childcare Assistance) over 2006 and 2007. The period covered by administrative data is from the first WFF changes, in October 2004, to the end of August 2007. This includes the tax year ending March 2007. Information for this tax year continues to be updated and is subject to change as end of year payments of WFF Tax Credits are made.

⁷ *Receipt of Working for Families* (September 2007), Ministry of Social Development and Inland Revenue, Wellington New Zealand <http://www.msd.govt.nz/work-areas/social-research/families-whanau/receipt-of-working-for-families.html> <http://www.ird.govt.nz/aboutir/reports/research/report-wffc/>.

⁸ Cabinet Minute of Decision CAB Min (04) 13/4 Reform of Social Assistance: Working for Families Package: Revised Recommendations.

The information included in this report has been obtained from MSD and IRD administrative data and survey responses. New information derived from joining MSD and IRD data is also included. Some information contained in this report was newly generated for the purposes of research and evaluation and should not be considered official statistics. Data are described in Appendix 1.

This report consolidates WFF data for the 2007 tax year. It is a supplement to the monthly WFF Implementation Update report to the Minister for Social Development and Employment and the Minister of Revenue.

1.3. Background to Working for Families

The WFF package, featured in Budget 2004, combines substantial changes to in-work incentives and family entitlements; it also provides support to meet childcare and accommodation costs. It was estimated to provide around \$1.6 billion per year in increased financial entitlements⁹ and in-work support to low- to middle-income families.

WFF was the centrepiece of the 2004 Budget and represents a significant policy initiative. It was also a major policy initiative that involved joint implementation of social policy by MSD and IRD.

Low- to middle-income families were the key target group for the WFF changes. The package had six key components designed to work together to achieve its objectives:

- Increases to family tax credit rates, enhancements to the abatement regime, plus the new in-work tax credit.
- Childcare Assistance improvements.
- Accommodation Supplement initiatives.
- Invalid's Benefit changes.
- Special Benefit changes and the introduction of Temporary Additional Support.
- Consequential changes to other social assistance.

Major changes to the above components began in October 2004 and were implemented in stages through 1 April 2007.

Legislation passed in November 2005 gave effect to earlier commitments to further enhance the WFF package by raising the income threshold and lowering the rate of abatement for income in excess of the threshold. These enhancements were expected to provide additional WFF Tax Credits to an estimated additional 160,000 families, including 60,000 newly eligible families. These families have higher incomes than the previous target group. By 1 April 2007 nearly all families with children earning under \$70,000, many earning \$70,000 to \$100,000, and some earning more, qualified for WFF.

1.3.1. Implementing Working for Families

The WFF changes and their implementation were structured to meet the goals of improving income adequacy, making work pay and ensuring families get the

⁹ WFF Tax Credits (previously called Family Assistance), Accommodation Supplement and Childcare Assistance existed prior to WFF. Changes were made to these components and other elements of the benefit system as part of Working for Families. It was estimated that these changes would result in an increase of expenditure of around \$1.6 billion.

assistance they are entitled to. Changes were made which increased the number of families eligible for Accommodation Supplement and Childcare Assistance and increased the levels of payments. This was followed by increasing family tax credit rates, increasing abatement thresholds, reducing abatement rates, increasing minimum family tax credit and removing the child component of main benefits. An extensive advertising campaign informed families about these changes, and particular communication strategies targeted families who previously were not eligible.

The focus of the subsequent changes was on making work pay. Accommodation Supplement and Childcare Assistance changes had already removed some of the financial barriers to families moving into work, and the introduction of the in-work tax credit provided a specific incentive for families to enter or remain in work.

The timeline of the implementation of WFF was as follows:

October 2004

- Abatement of Accommodation Supplement was removed for beneficiaries.
- Accommodation Supplement entry thresholds were decreased and abatement thresholds increased for non-beneficiaries.
- Childcare Subsidy and Out-of-School and Recreation Subsidy (OSCAR) rates were increased and aligned, and income thresholds increased.

April 2005

- Family tax credit rates were increased by \$25 per week for the first child and \$15 per week for additional children.¹⁰
- The child component of main benefits was moved into the family tax credit.
- Accommodation Supplement maximum rates were increased in some areas with high housing costs. The number of Accommodation Supplement Areas increased from three to four.
- Family tax credit began to be treated as income for Special Benefit.

October 2005

- Childcare Subsidy and OSCAR rates were increased by another 10%.

¹⁰ Foster Care Allowance, Unsupported Child's Benefit and Orphan's Benefit rates were also increased by \$15 per week.

April 2006

- The child tax credit was replaced by the in-work tax credit for eligible working families, set at \$60 per family per week, plus an additional \$15 per week for fourth and subsequent children. The in-work tax credit became available to couple families working a total of 30 hours or more per week, or sole parents working a total of 20 hours per week or more.
- The minimum family tax credit was increased from \$15,080 to \$17,680 after tax.
- The WFF Tax Credits abatement thresholds (\$20,356 and \$27,481) were replaced by a single threshold of \$35,000.
- The 18% abatement rate was removed completely and the 30% rate reduced to 20% for WFF Tax Credits.
- Temporary Additional Support was introduced to replace Special Benefit.

April 2007

- Family tax credit rates were increased by \$10 per child per week.
- Minimum family tax credit was increased.

Future rates of family tax credit and the abatement threshold for WFF Tax Credits will be regularly adjusted for inflation (the first inflation adjustment will occur once there has been at least a 5% movement in the Consumer Price Index from 1 April 2007). Periodic reviews of the IWTC and PTC will be undertaken from 30 June 2008.

1.4. Evaluating Working for Families

The evaluation of WFF encompasses delivery, implementation and take-up of the package, as well as evaluating the effectiveness of the package in achieving its three central aims. As the WFF package consists of a number of components designed to work together, it is essential that the evaluation addresses the delivery, take-up and impacts of the package as a whole as well as the component parts.

The evaluation is assessing:

- A The implementation and delivery of the package as a whole and its components.
- B The impact of the package in ensuring that families get their entitlements (package receipt), including identifying barriers and facilitators to receiving the package.
- C The impact of the package on net incomes, income poverty and living standards for all those affected by the changes, especially for low- to middle-income families with dependent children.
- D The degree to which the package improves employment-related outcomes for adults from low- to middle-income families with dependent children.

This report responds directly to evaluation objectives A and B and also provides information relevant to objectives C and D (Table 1).

Table 1: How the information in the report relates to WFF policy objectives and the evaluation objectives.

Policy Objective	Link to Evaluation Objectives	Report Information
Improving income adequacy	To assess the impact of the package on net incomes, income poverty and living standards for all those affected by the changes, especially for low- to middle-income families with dependent children.	Section 3 describes the families who are receiving package components, how much they receive and how these payments are helping.
Making work pay	To assess the degree to which the package improves employment-related outcomes for adults from low- to middle-income families with dependent children.	Section 4 reports that more people are associating WFF with supporting work, and DPB recipients are transitioning into work.
Making sure people get the assistance to which they are entitled	To assess the implementation and delivery of the package as a whole and of the various components (the process evaluation). To assess package receipt, and barriers and facilitators to receiving the package (take-up).	Section 2 provides uptake information on the package and components, how many people have benefited and what components they are receiving.

1.5. Economic Context

When interpreting uptake of WFF package components, and entitlement amounts, it is important to consider the effect of labour participation rates and changes to income levels that have occurred during the period under review. When evaluating the receipt of WFF components by beneficiary groups, it is particularly important to take into account the overall reduction in the number of beneficiaries, especially in comparing current uptake with the uptake in previous years.

The WFF package was introduced in a strong economy, with an annual average Gross Domestic Product (GDP) growth of 4.0% for the tax year ending March 2005. There was slower growth to March 2006 of 2.7%, and of 1.6% for the tax year March 2007.¹¹ That GDP growth has continued, despite a decline in employment growth (see section 1.5.2), reflects the continued high domestic consumption brought on by the high value of the New Zealand dollar, the availability of credit and high world prices for dairy commodities.

The Budget Economic and Fiscal Update 2007 (BEFU 07) forecast a GDP growth of 2.6% in the year to March 2008, slowing down to 1.6% in the year to March 2009, before picking up to 2.8% in 2010.¹² Both Business and Economic Research Ltd (BERL) and the Reserve Bank also forecast a 2-3% GDP growth over this period, though a reduction in global consumer demand as a result of tightening credit markets may mean these forecasts were optimistic.

1.5.1. Property Markets

Property markets around the world have witnessed price expansion over the past 5-6 years and New Zealand is no exception. This has driven up the cost of housing more

¹¹ <http://www.stats.govt.nz/products-and-services/hot-off-the-press/gross-domestic-product/gross-domestic-product-sep07qtr-revised-hotp.htm?page=para005Master>. Table 6.2 (as published 17 January 2008).

¹² <http://www.treasury.govt.nz/budget/forecasts/befu2007/01.htm#assumptions> Budget Economic and Fiscal Update 2007 (as published 17 May 2007).

than the rate of inflation. The cost to mortgagors has been further impacted by interest rate increases, with the Official Cash Rate increasing from 6.25% in September 2004 to 8.25% in September 2007. Over the past four years, rental increases have shadowed increases in interest rates closely.

1.5.2. Employment Trends

The Household Labour Force Survey (HLFS) indicates that the last seven years have seen sustained growth in overall employment, with full time (30+ hours) employment accounting for most of this growth. Between June 2000 and June 2006, growth in full time employment has averaged 3.3% per year, compared with 1.9% for part time employment. However, between June 2006 and June 2007 growth in part time employment exceeded growth in full time employment (2.4% and 1.3% respectively).

The slow down of growth in full time employment has been driven mainly by women with partners. Data on registered live births confirms that the number of women giving birth is the highest it has been since 1972. Births have been increasing annually since 2002 and could account for some of the rise in part time employment as new mothers return to employment.

In conjunction with the employment growth over the last six years there has been a growing demand for unskilled labour. Traditionally, employers have found it more difficult finding skilled labour than they do finding unskilled labour. However, employers have increasingly reported difficulty finding unskilled labour. Reported difficulty in finding unskilled labour grew considerably from 1999, peaking at around 69% in June 2005. After that it diminished somewhat, but increased once again in June 2007. The 2007 upturn in reported labour shortages could be the result of:

- a substantial drop in inward migration flows, from an average of 15,000 per year to 10,000¹³ (BERL, 2007)
- slowing growth in labour force participation combined with a low unemployment rate
- low numbers on unemployment related benefits
- the recent upturn in economic growth in labour intensive industries, led by the services and retail sectors.

In the year to June 2007, salary and wage growth reached 3.1% according to the Labour Cost Index (salary and wage rates, excluding overtime payments) and has remained at or near 3.0% since the September 2005 quarter.¹⁴

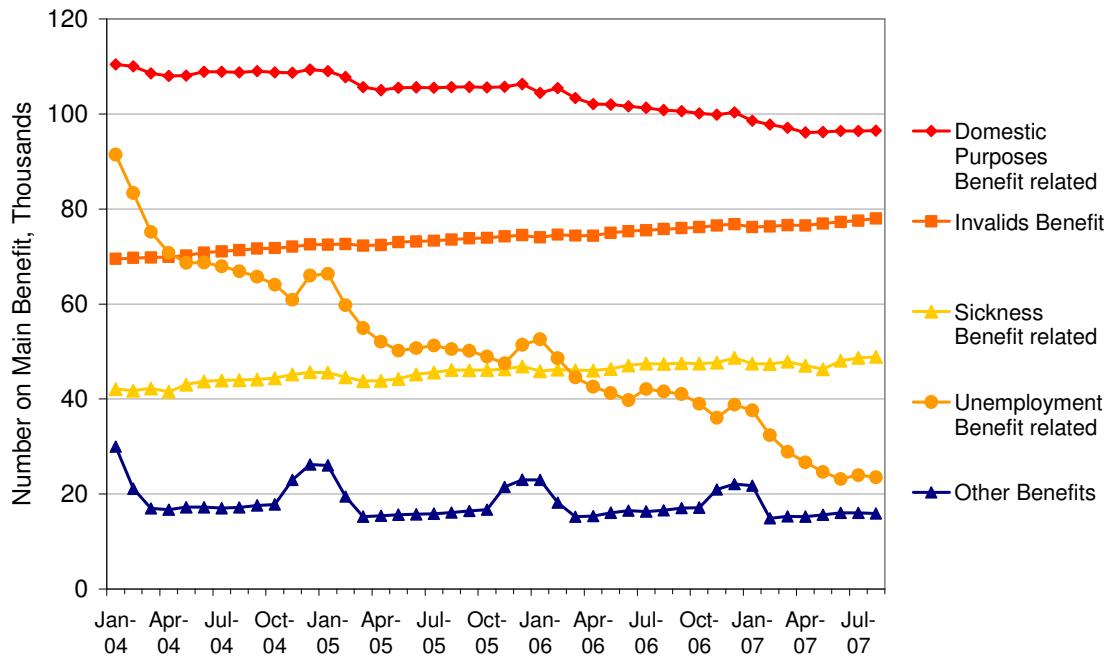
1.5.3. Beneficiary Numbers

The number of working age people receiving a main benefit has declined. As illustrated in Figure 1, the total number of working age people receiving a main benefit has declined from more than 308,000 at the end of August 2004, prior to WFF, to less than 263,000 at the end of August 2007. The downward trend has been driven by reductions in the number of people receiving Domestic Purposes Benefit (DPB) and Unemployment Benefit (UB) and partially offset by a significantly smaller increase in the number of people receiving Sickness Benefit (SB) or Invalid's Benefit (IB). The decline in DPB recipients has been analysed for the period since the introduction of WFF and findings are discussed in more detail later in the report.

¹³ Business and Economic Research Limited (BERL), Quarterly Forecasts June, 2007.

¹⁴ <http://www.stats.govt.nz/store/2007/08/labour-cost-index-salary-and-wage-rates-jun07qtr-hotp.htm> (as published August 2007).

Figure 1: Total working age clients by main benefit, January 2004 to August 2007.



Working age is 18 to 64.

DPB related include sole parents, caring for sick or infirm person, and women alone.

Transitional Retirement Benefit is included in the group 'Other Benefits' and only for the time period January 2004 to February 2004 as it ceased to exist in March 2004.

Source: MSD Information Analysis Platform (IAP).

2. Ensuring Families Receive their Entitlements

Key Findings: Ensuring Families Get the Assistance to Which They Are Entitled

Significant emphasis has been placed by both agencies on ensuring families get the assistance to which they are entitled, when they need it. This evaluation report finds that the multiple approaches used by both agencies, including the comprehensive national communications campaign in 2005 and 2006, has resulted in success in ensuring families receive their entitlements. As a result of these joint initiatives awareness of WFF amongst the eligible low- to middle-income population was high with nine out of ten eligible caregivers reporting awareness.

The focus of staff in both MSD and IRD on delivery and raising awareness of WFF has resulted in families applying for the package and receiving payments. Specific initiatives, such as programmes of outbound calling and direct mailing to potential WFF families and the promotion of WFF at all points of contact with potential recipients, have also made a difference.

As a result of policy changes and delivery initiatives the number of families receiving WFF components continues to increase:

- In the tax year ending March 2007, families have already received \$2.2 billion from WFF Tax Credits, compared with payments to families of \$1.0 billion in 2004, prior to the introduction of the WFF package. This figure will continue to increase as further payments are made to families applying for end of year payments.
- 371,300 families received a tax credit for the March 2007 tax year, exceeding the estimate of 360,000 families receiving WFF Tax Credits by the end of the March 2008 tax year. Numbers are expected to grow as end of year WFF Tax Credits assessments are processed and paid.
- The number of non-beneficiary families receiving WFF Tax Credits has increased by 114%, since the changes put in place through the introduction of WFF. There has been an overall increase to date of 25% in the total number of families receiving WFF.
- The proportion of eligible families receiving their WFF Tax Credits has been estimated at 95-97% for the tax year ending March 2006. A similar level is expected for the tax year ending March 2007.

The increases in the number of families receiving Accommodation Supplement that occurred when WFF was implemented have been sustained, and continue to increase since implementation in the absence of further changes to eligibility criteria. This appears to be due to enhancements to the delivery of the supplement, and the benefits of cross-agency collaboration.

The number of families receiving Childcare Assistance continues to increase, as a result of changes to income thresholds and be supported by delivery improvements.¹⁵

Furthermore, changes have been made to the delivery of WFF Tax Credits to ensure people receive the right level of payment and to make it easier for families to receive

¹⁵ These changes to income thresholds for Childcare Assistance were part of the Enhancing Parents and Other Carers Choices policy announced in Budget 2005.

payments throughout the year. Accumulative adjustments of WFF Tax Credits entitlements, monitoring year-to-date income and information exchange between the two agencies, have decreased overpayments of WFF Tax Credits by IRD. Ring fencing¹⁶ the period families are on income tested benefits, which aims to improve income adequacy for beneficiaries, has also contributed to reduced incidence of overpayments. The end of year assessment process ensures that families who have been underpaid receive their additional money.

2.1. Delivering Working for Families

The WFF package consists of a number of components designed to work together. This report focuses on receipt of the three main package components, each of which have seen key changes:

- WFF Tax Credits (in particular, changes to family tax credit and the introduction of the new in-work tax credit).
- Accommodation Supplement.
- Childcare Assistance.

WFF Tax Credits are administered by the IRD and paid by both IRD and MSD. Accommodation Supplement and Childcare Assistance are administered by MSD.¹⁷

Total number of families receiving a WFF component

As at October 2007,¹⁸ 377,800 families¹⁹ received at least one WFF component during the tax year ending March 2007 with an additional 207,600 singles and couples without children receiving Accommodation Supplement. The total number of families receiving WFF Tax Credits in the tax year ending March 2007 is currently incomplete, as some end of year assessments are still being made. So far 371,300 families have received WFF Tax Credits for the tax year ending March 2007. It is estimated that the final number of families receiving a WFF component in the tax year ending March 2007 will increase as a result of families who have yet to apply for or receive an end of year assessment of WFF Tax Credits (Table 2).

¹⁶ See Appendix 3 for definitions of key terms such as ring fencing.

¹⁷ Working for Families is delivered by both MSD and IRD. WFF Tax Credits, Accommodation Supplement and Childcare Assistance can be signed up and paid out by MSD. Families who receive WFF Tax Credits through MSD are predominantly beneficiary families. IRD delivers WFF Tax Credits, to non-beneficiaries and beneficiaries who choose to receive their WFF Tax Credits from IRD. An information exchange between MSD and IRD ensures continuity of Working for Families Tax Credits payments for people moving from benefit into work, or vice versa, and reduces the possibility of overpayment or underpayment.

¹⁸ As WFF Tax Credits are delivered through the tax system and are assessed on an annual basis, the correct and final measure of WFF Tax Credits uptake is the number of families, who received a payment for a particular tax year. However, within year totals are important monitoring information in the interim. In this report most final year totals are based on payments made as at October 2007, whereas monthly monitoring totals are for the month of August.

¹⁹ Reporting on the number of families who receive WFF has not been possible until this time. Previously reported numbers were based on the number of recipients, which was estimated at 370,000 for the tax year ending March 2006.

Table 2: Number of families benefiting from WFF.

Tax year ending	Families Receiving			
	WFF Package ¹	WFF Tax Credits	Accommodation Supplement	Childcare Assistance
March 2004 ²	302,900	293,200	164,700	44,500
March 2005	295,600	281,400	163,200	50,500
March 2006 ³	317,500	303,300	167,900	59,600
March 2007 ^{4,5} (as at October 2007)	377,800	371,300	171,800	65,700

¹ Includes WFF Tax Credits, Accommodation Supplement and Childcare Assistance.

² This row provides a baseline of the total number of families who received Accommodation Supplement, Childcare Assistance and WFF Tax Credits prior to WFF.

³ Updated since the 2006 Receipt of Working for Families report to include additional end of year assessments being paid to families.

⁴ WFF entitlements are assessed with tax on a March year basis. Processing of entitlements can occur up to five years after the end of the tax year, with most occurring in the following year. IRD WFF figures can be affected by late applications after the close of the assessment period. As a result the figures presented here represent a point in time measure of receipt for all years and may differ from other publications.

⁵ Excludes 3,800 recipients where there was insufficient information to associate individuals with a family group.

Source: WFF Research Dataset as at October 2007

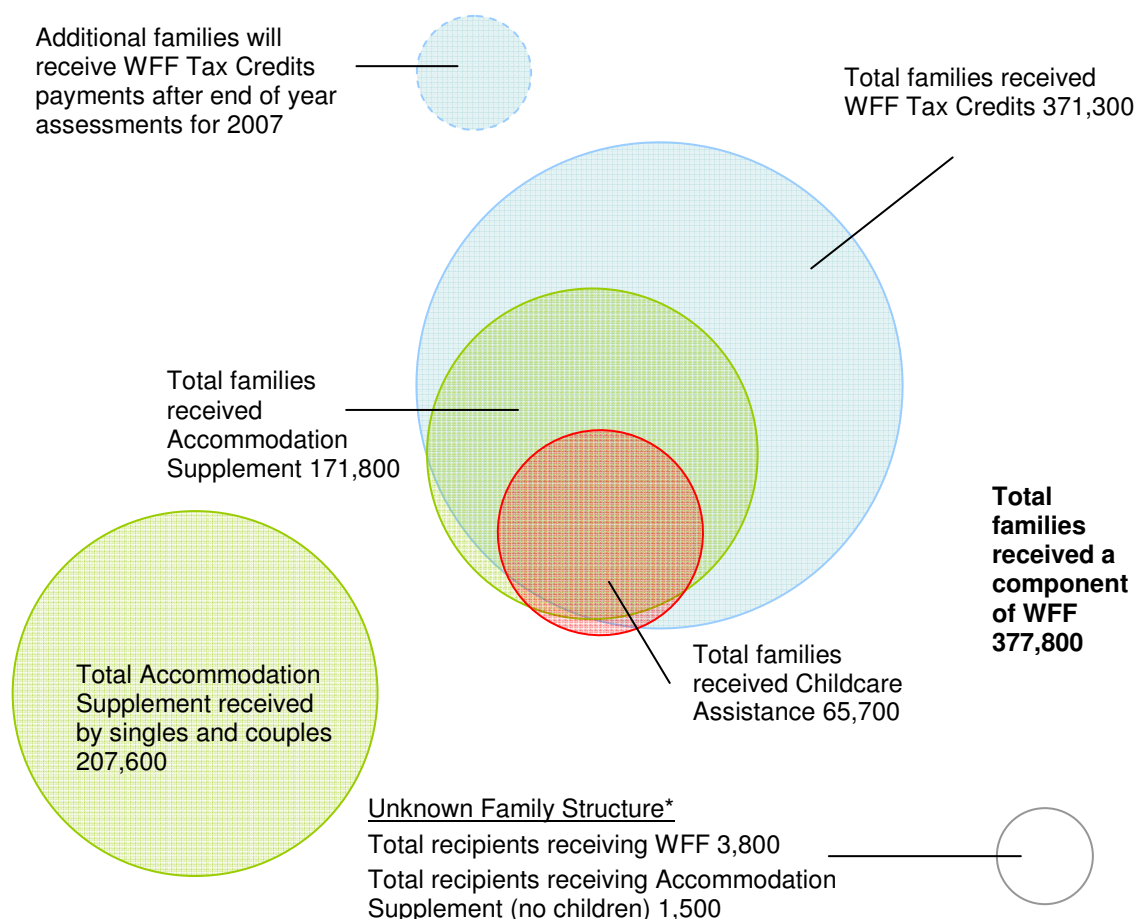
Using the Treasury's "Taxmod" micro simulation model based on 2001 Household Economic Survey data, it was estimated in 2004 that around 360,000 families would be better off as a result of WFF Tax Credits in the tax year ending March 2008. One year out the actual number of families receiving WFF Tax Credits is in line with this estimate with, as at October 2007, 371,300 families receiving WFF Tax Credits for the tax year ending March 2007, around three quarters of New Zealand families with children. This number is expected to increase as end of year assessments are finalised.

2.2. How Many Families Receive Working for Families?

Of the 377,800 families who have already received a WFF component for the tax year ending March 2007, 98% received WFF Tax Credits (Figure 2). Just under half of WFF families received only WFF Tax Credits while another third received WFF Tax Credits and Accommodation Supplement. 11% of families received all three WFF components at some stage throughout the tax year, and 6% received WFF Tax Credits and Childcare Assistance.

In the tax year ending March 2004, prior to the changes made as part of WFF, 302,900 families received at least one of Accommodation Supplement, Childcare Assistance or WFF Tax Credits. As a result of WFF changes the number of families receiving WFF has increased by 25% to 377,800 (Table 2).

Figure 2: Total WFF families, tax year ending March 2007.²⁰



* Families are determined by joining IRD and MSD data. In some cases there is insufficient information to associate individuals with a family group.
 Source: WFF Research Dataset as at October 2007

Much of the increase in families receiving WFF components is a result of more non-beneficiary families becoming eligible and taking up their entitlements (Figure 3). WFF has increased the number of non-beneficiary families receiving WFF Tax Credits by 114%.

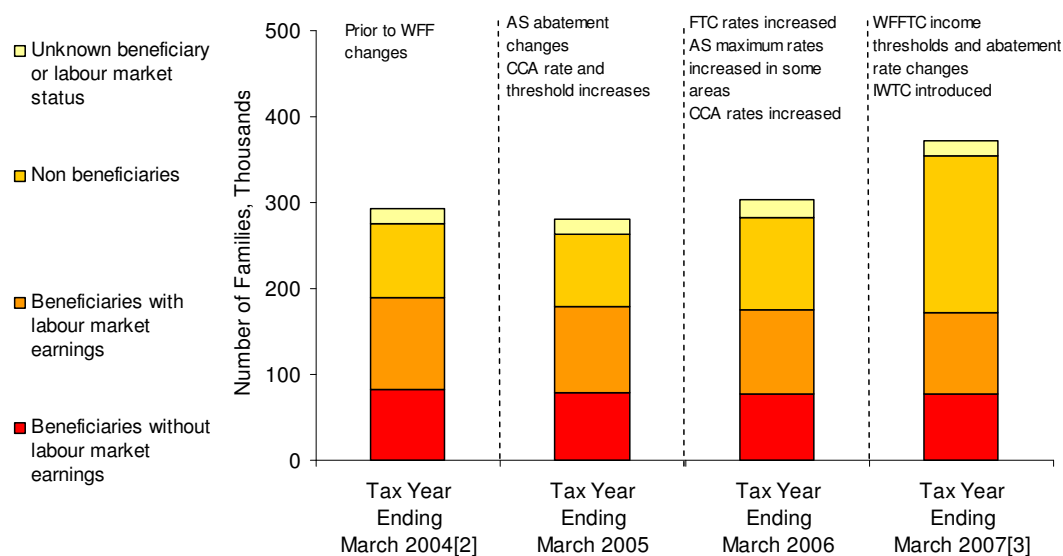
2.3. Expenditure on Working for Families

Working for Families has increased payments and made more families eligible

From the tax year ending March 2004 to the tax year ending March 2007 expenditure on WFF Tax Credits increased by \$1.2 billion or 118% (Figure 4), due almost entirely to WFF. Over the same period, expenditure on Childcare Assistance has also more than doubled, and Accommodation Supplement expenditure increased by 24%.

²⁰ As WFF Tax Credits are delivered through the tax system and are assessed on an annual basis, the correct and final measure of WFF Tax Credits uptake is the number of families who received a payment for a particular tax year. However, within year totals are important monitoring information in the interim. In this report final year totals are based on payments made as at October 2007, whereas monthly totals are for the month of August.

Figure 3: Number of families¹ receiving WFF Tax Credits.



WFFTC=WFF Tax Credits
 FTC=Family tax credit
 AS=Accommodation Supplement
 CCA=Childcare Assistance

Beneficiary and Labour Market Status		Tax Year Ending			
		March 2004 ²	March 2005	March 2006	March 2007 ³
Beneficiaries without Labour Market Earnings	Count	83,100	78,100	77,700	76,600
	% change ⁴	-	-6%	-7%	-8%
Beneficiaries with Labour Market Earnings	Count	105,900	100,900	98,000	95,000
	% change ⁴	-	-5%	-7%	-10%
Non-beneficiaries	Count	85,900	83,700	107,400	183,600
	% change ⁴	-	-3%	25%	114%
All Families including those not able to be classified	Count	293,200	281,400	303,300	371,300
	% change ⁴	-	-4%	3%	27%

¹ Excludes 3,800 recipients where there was insufficient information to associate individuals with a family group.

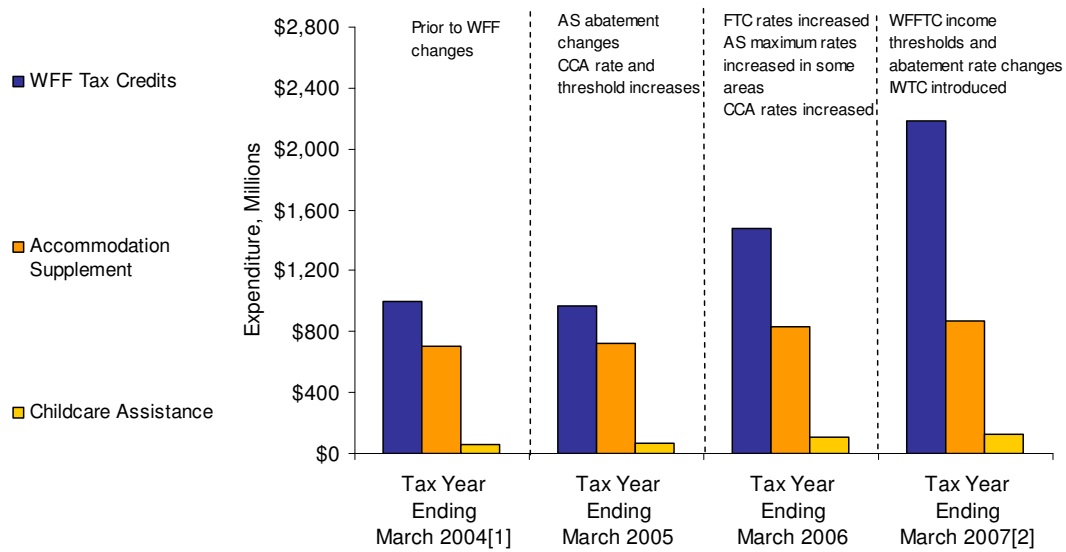
² This provides a baseline of the total number of families who received Accommodation Supplement, Childcare Assistance and WFF Tax Credits prior to WFF

³ Data for tax year ending March 2007 is likely to increase as a result of end of year assessments, which have yet to be paid. Most of these families will likely be non-beneficiaries.

⁴ Since pre-WFF (tax year ending March 2004).

Source: WFF Research Dataset as at October 2007

Figure 4: Expenditure on WFF Tax Credits, Accommodation Supplement and Childcare Assistance.



WFFTC=WFF Tax Credits
 FTC=Family tax credit
 AS=Accommodation Supplement
 CCA=Childcare Assistance

WFF Component		Tax Year Ending			
		March 2004 ¹ (\$million)	March 2005 (\$million)	March 2006 (\$million)	March 2007 ² (\$million)
WFF Tax Credits	Expenditure	\$1,001	\$967	\$1,475	\$2,184
	% change ³		-3%	47%	118%
Accommodation Supplement (including singles and couples without children)	Expenditure	\$705	\$722	\$829	\$874
	% change ³		2%	18%	24%
Childcare Assistance	Expenditure	\$57	\$69	\$103	\$129
	% change ³		21%	81%	126%

¹ This provides a baseline of the total number of families who received Accommodation Supplement, Childcare Assistance and WFF Tax Credits prior to WFF.

² The expenditure for the tax year ending March 2007 is expected to increase once the remaining WFF Tax Credits end of year payments have been processed and paid out. WFF entitlements are assessed on a March year basis. Figures can be affected by late applications. As a result the figures presented here represent a point in time measure of actual expenditure for all years and may differ from other publications.

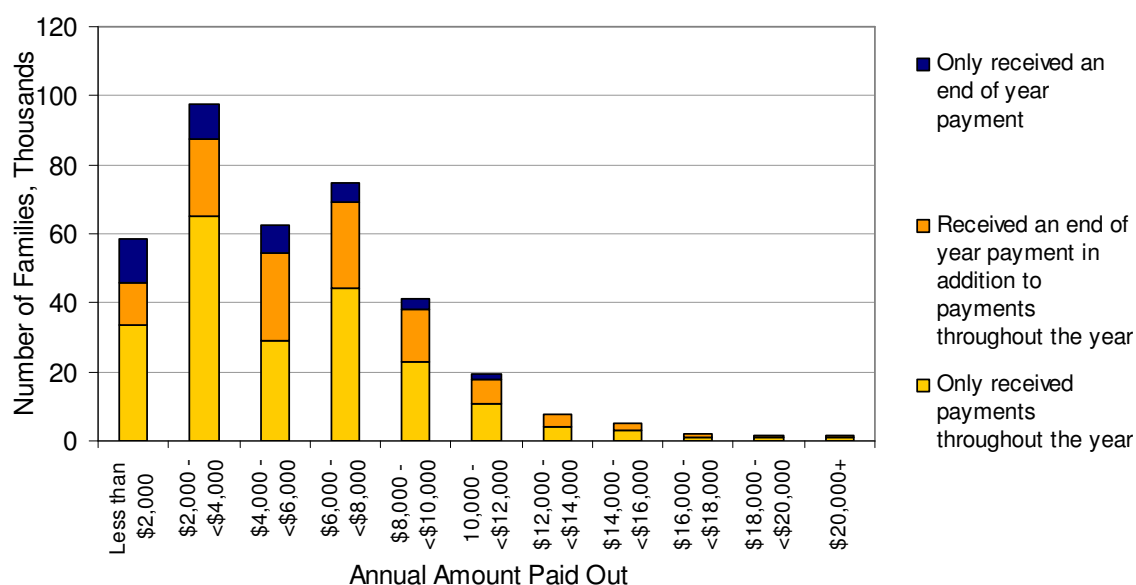
³ Since pre-WFF (tax year ending March 2004).

Source: MSD Information Analysis Platform (IAP) and IRD Data Warehouse

Regular weekly or fortnightly payments²¹ mean WFF Tax Credits have the potential to provide assistance to families when needed. Regular payments are based on a family's estimated yearly income and the number and ages of children being cared for.

Fourteen percent of the \$2.2 billion that has been paid out to date to recipients of WFF Tax Credits for the tax year ending March 2007 was paid at the end of the year. Families who receive all their WFF money²² at the end of the year are typically only eligible for comparatively small amounts of money (Figure 5) – just under a third of these families received less than \$2,000.

Figure 5: Amount of WFF Tax Credits paid¹ to each family, by timing of payment, tax year ending March 2007.



¹ The amount paid to each family for the year 2007. These figures do not take into account the period that families were eligible. So, for example, a family who becomes eligible after the birth of a child six months into the year would receive a smaller amount than a family in similar circumstances which was eligible for the entire year. See Figure 15 for how much money families receive from WFF on a weekly basis taking into account the period of eligibility.

Source: RSD

Improvements in accuracy of payments

Under and overpayments of WFF Tax Credits is an inevitable consequence of delivering weekly and fortnightly instalments through an annually based tax system. In tax credit systems like this, if a family's actual end of year income is not equal to the estimated income used to establish payment levels, they will receive an under or overpayment. Similar regimes in the United Kingdom and Australia also experience this issue.

To correct for this, at the end of the tax year an assessment is carried out to ensure families have received their correct entitlement. In the main, IRD assesses families with some income from the labour market. Families supported by a main benefit who are paid by MSD are closely monitored throughout the year to ensure accuracy of

²¹ Families can choose to receive their payments of WFF Tax Credits throughout the year in the form of weekly or fortnightly payments, at the end of year after their end of year assessments, or as a combination of both.

²² These families who will only be receiving WFF Tax Credits as Accommodation Supplement and Childcare Assistance, must be paid throughout the year as weekly or fortnightly payments.

payment.²³ Families with underpayments will receive an end of year payment to bring them up to their full entitlement. Those with an overpayment will be contacted by IRD to discuss repayment options.

Key initiatives in WFF have significantly reduced the number of families receiving overpayments and possibly falling into debt. Three initiatives were introduced in 2005, in part, to achieve this:

- **Accumulative adjustments:** calculates the remaining entitlement for the tax year when a recipient's circumstances change, taking into account previous payments
- **Proactive actions:** monitors the year-to-date income of recipients who received salary or wages as their main income and compares it with the estimated income
- **Automated information exchange:** provides up-to-date benefit and family information for beneficiaries to enable accurate calculation of entitlements for recipients who are moving from a benefit into work or transitioning back to benefit.

In addition ring-fencing is designed to improve income adequacy for beneficiaries. It guarantees families who receive an income-tested benefit during a month, the full family tax credit for that month. Ring-fencing also contributes to reduced overpayments.

As a result of these initiatives, there has been a decrease in the number of recipients assessed who received overpayments. In total, the number of families who received an overpayment has dropped to 17% of all recipients. If only families who have received an assessment are considered, the number of recipients receiving an overpayment has dropped from 40% to 29%.²⁴

²³ Families supported by a main benefit with no other income are below the abatement rate for WFF Tax Credits, and will therefore be entitled to the full amount. No assessment will be necessary.

²⁴ The analysis investigates the end of year situation for the people who received a WFF Tax Credits payment during the year and who were assessed following the end of the tax year. Many people who receive all their payments from MSD receive the correct amount and are not assessed as to their entitlement. Consequently not all WFF Tax Credits recipients who received money through the year are assessed. For the 2006 tax year 70% (168,000) of those receiving a payment during the year were assessed, which was 59% of all recipients of WFF Tax Credits.

The percentage and number of recipients receiving payments correct to within \$1 per week has also risen from 2004 to 2006.

At the same time the percentage and number of recipients receiving less than their full entitlement during the year has risen, with the outstanding amount then paid to these recipients by IRD at the end of the year.

Table 3: Number of recipients whose WFF Tax Credits payments were underpaid, over paid or paid within \$1 per week of actual entitlement.

WFF Tax Credits Recipients	Tax Year Endings					
	2004 Recipients		2005 Recipients		2006 Recipients ¹	
	Number	%	Number	%	Number	%
Paid: <ul style="list-style-type: none"> • With no assessment carried out² • correctly throughout the year • only at the end of the tax year 	139,900	49%	137,400	50%	115,100 ¹	41% ¹
Paid within \$1 per week of actual entitlement before assessment	24,300	9%	23,800	9%	41,000	14%
Underpaid before assessment	62,500	22%	61,200	22%	79,000	28%
Overpaid before assessment	57,900	20%	52,300	19%	48,400	17%
Total recipients (based on administrative data. ³ Will differ from the number of families receiving WFF Tax Credits)	284,700	100%	274,700	100%	283,400	100%

¹The number of recipients for the 2006 tax year will increase as more end of year assessments are carried out.

²WFF Tax Credits recipients who receive all their payments through MSD often do not require an assessment. This includes situations where clients receive a lump sum payment at the end of the year and those who receive it throughout the year but are closely monitored and their accuracy of payments can be assured. Many of those not assessed receive a main benefit from MSD. Another group whose information cannot be reconciled are those where family income cannot be established. The majority of these are those self-employed who have not yet filed their income tax return. Those who receive all their entitlement as a lump sum following the reconciliation process receive exactly the correct amount.

Numbers may not add to total due to rounding.

³As of the first week of February 2007.

Base: All recipients of WFFTC.

Source: IRD Data Warehouse. The data was extracted as of the first week of February 2007.

2.4. Working for Families Tax Credits and In-Work Tax Credit Receipt

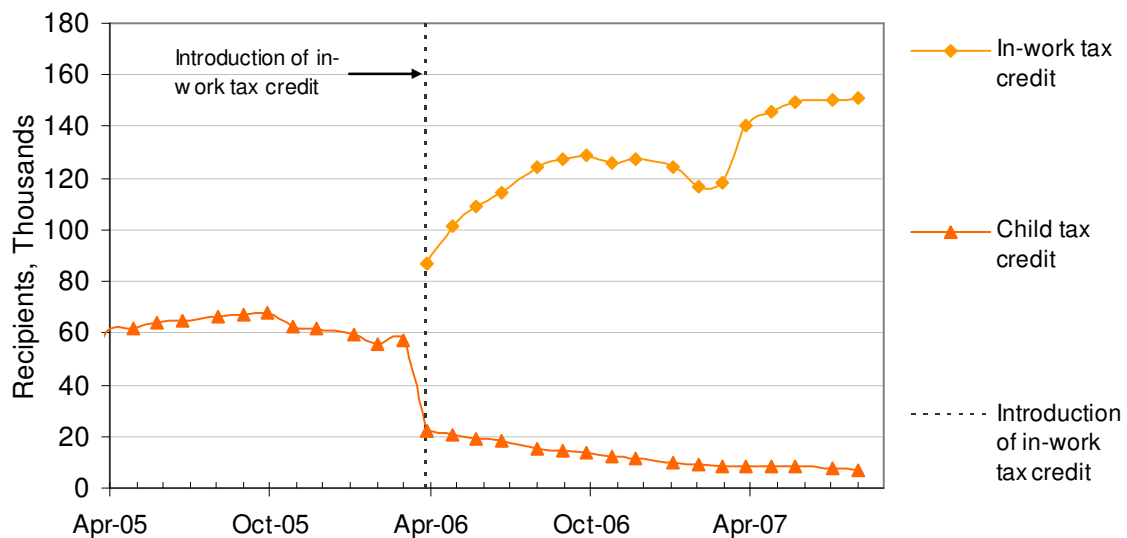
Number of families receiving in-work tax credit rising

The receipt of WFF Tax Credits includes the new in-work tax credit, which replaced the child tax credit in April 2006. In-work tax credit changes included:

- increasing payment amounts to \$60 per week, with an extra \$15 per week for each child over the first four children, compared with \$15 per week per child for child tax credit
- requiring the recipient to work a minimum number of hours (20 hours per week for one caregiver families, and 30 hours per week for two caregiver families), compared with the requirement under child tax credit for the recipient to be off benefit.

Since its introduction, the number of families receiving the in-work tax credit component of WFF Tax Credits has continued to increase. As shown in Figure 6, 150,700 families received a payment on the last payday in August 2007. A number of IRD and MSD initiatives have supported this, for example, direct mail to recipients of Domestic Purposes Benefit, front line staff signing up families who were eligible, and outbound calling to potentially eligible families. Numbers receiving in-work tax credit rose sharply again at the start of the current tax year.

Figure 6: Total number of in-work tax credit and child tax credit recipients, paid weekly or fortnightly.



Source: IRD

Over 80% of recipients of WFF Tax Credits in the tax year ending March 2007 received family tax credit and 184,700 recipients, or around half of all recipients, received in-work tax credit (Table 4).²⁵ Early figures for the tax year ending March 2008 suggest that the number of families receiving WFF Tax Credits is likely to continue to increase.

²⁵ In-work tax credit replaced child tax credit in April 2006 (tax year ending March 2007). The remaining child tax credit recipients are grandparented recipients who would have received less money as a result of the eligibility criteria of in-work tax credit.

Table 4: Percentage of recipients of WFF Tax Credits who receive each type of WFF Tax Credits.¹

Tax Year Ending	Family Tax credit	In Work Tax credit	Child Tax credit	Parental Tax credit²⁶	Minimum Family Tax credit	Unknown component²
March 2004	89%	-	41%	5%	1%	4%
March 2005	88%	-	41%	4%	0%	4%
March 2006	89%	-	50%	5%	0%	4%
March 2007	84%	49%	6%	4%	1%	8%

¹ WFF entitlements are assessed with tax on a March year basis. Figures can be affected by late applications after the close of the assessment period. As a result the figures presented here represent a point in time measure of receipt for all years and may differ from figures in other publications.

² Some recipients of WFF Tax Credits received payment from Inland Revenue for which no assessment has been completed; as a result the component for which the payment was made cannot be identified.

Source: IRD Data warehouse

2.5. Accommodation Supplement Receipt

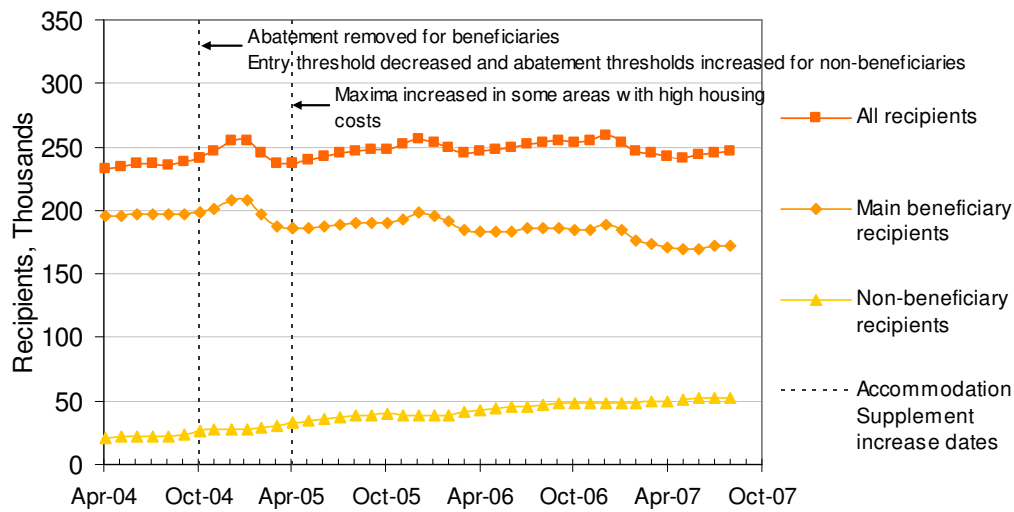
The Accommodation Supplement is a non-taxable supplement that provides assistance towards accommodation costs, including rent, board or a mortgage. Recipients do not have to be receiving a benefit to qualify for an Accommodation Supplement, but their accommodation costs must be more than a certain amount, and income and assets must be under certain limits. Singles and couples without children are also eligible to receive an Accommodation Supplement. Housing New Zealand Corporation (HNZC) tenants are not eligible to receive an Accommodation Supplement.

Changes have been made to the Accommodation Supplement under the WFF package to assist with accommodation costs for low- to middle-income groups. The most dramatic effect is seen in the increase in the number of non-beneficiaries receiving Accommodation Supplement following decreased entry and increased abatement thresholds. Receipt for this group and the existing client base are reviewed in detail below.

The changes in take up of Accommodation Supplement are influenced by the changes in the number of beneficiaries. Over the period of implementing the WFF package there has been a substantial decrease in the number of beneficiaries. At the end of August 2007, there were 246,200 singles, couples or families receiving an Accommodation Supplement, a decrease of 3% compared to the end of August 2006, but an increase of 4% compared to the end of August 2004, before the WFF changes (Figure 7). The total number of non-beneficiaries receiving Accommodation Supplement has increased 11% since August 2006 to 52,500 at the end of August 2007 – an increase of 137% compared to August 2004, prior to WFF. There have been no policy changes since April 2005 – much of the increase in recent years is the result of initiatives of frontline staff.

²⁶ Parental Tax Credit was not part of the WFF package announced in 2004, but is included here as it is delivered as part of Inland Revenue's WFF programme.

Figure 7: All Accommodation Supplement recipients at month end.

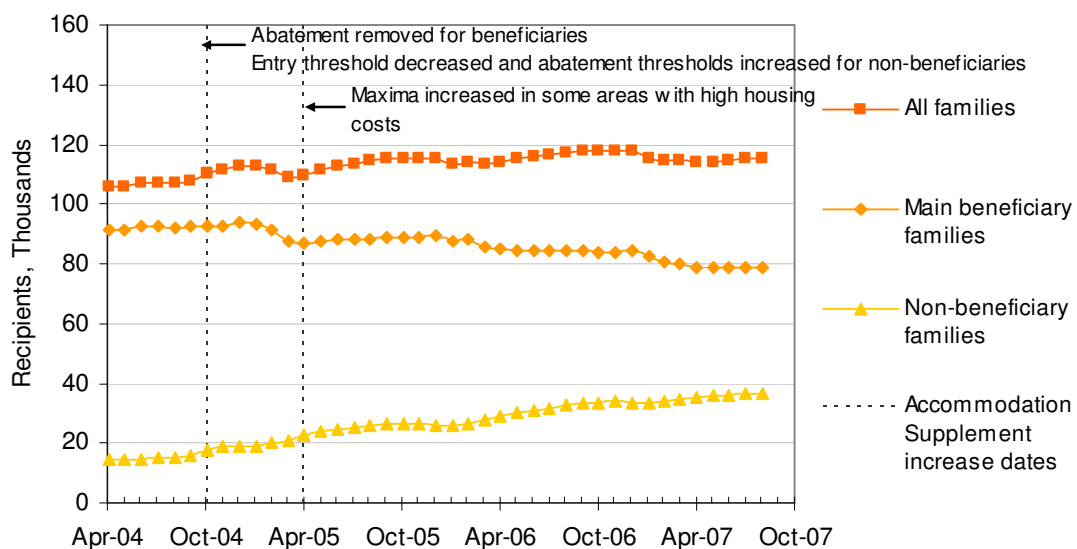


Source: MSD Information Analysis Platform (IAP).

A significant proportion of Accommodation Supplement recipients are singles or couples with no children. At the end of August 2007, there were 130,700 singles or couples with no children receiving Accommodation Supplement, 53% of all Accommodation Supplement recipients.

A key group of interest for WFF is families with children. At the end of August 2007, 115,600 families with children received Accommodation Supplement. As a result of declining beneficiary numbers, the number of recipient families has decreased by 2% from the same month in 2006, but increased by 8% compared to August 2004 (before WFF changes). As shown in Figure 8, the number of main beneficiary families with children who receive Accommodation Supplement has been declining at a similar rate to the decline in beneficiary numbers, while the number of working families with children receiving Accommodation Supplement has more than doubled.

Figure 8: Families with children receiving Accommodation Supplement at month end.²⁷

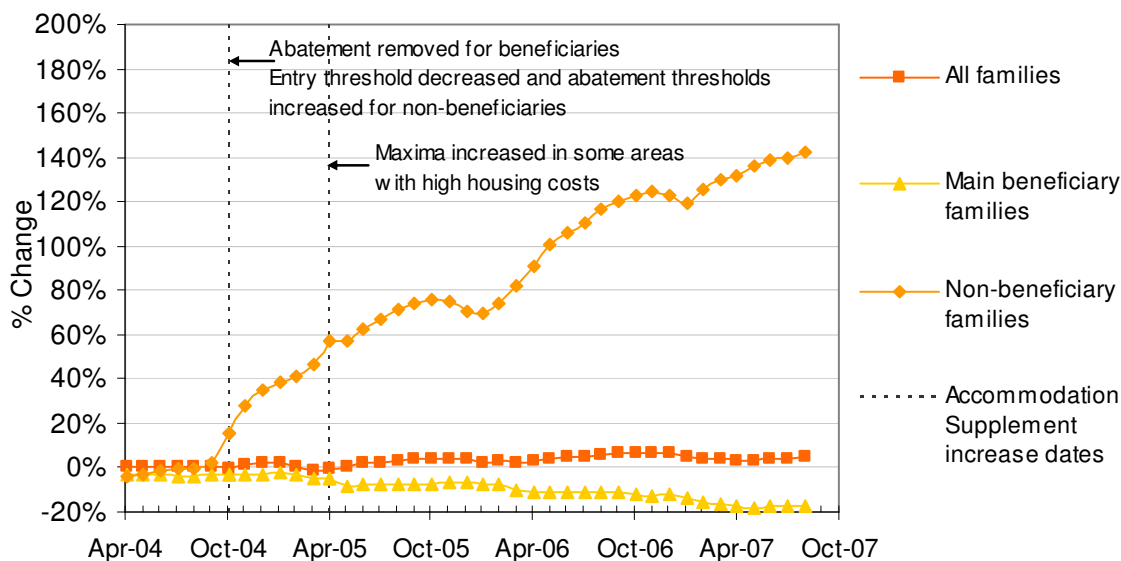


Source: MSD Information Analysis Platform (IAP).

²⁷ New Zealand Superannuation and Veteran's Pension recipients receiving Accommodation Supplement are included in the "All recipients" line but not in the "Main beneficiary recipients" or "Non-beneficiary recipients" data.

Looking further at families with children, Figure 9 shows the percentage change in Accommodation Supplement recipients by comparing recipient numbers at the end of each month with the recipient numbers in the same month before WFF. It shows how the rate of percentage increase in the number of non-beneficiary families taking up Accommodation Supplement was especially marked in the first 12 months after the WFF changes in October 2004. By the end of August 2007, 36,600 non-beneficiary families were receiving Accommodation Supplement, an increase of 145% compared to the end of August 2004.

Figure 9: Families with children receiving Accommodation Supplement, percentage change on same month before WFF.¹



¹ Before WFF months are October 2003 – September 2004.

Source: MSD Information Analysis Platform (IAP).

An increase in non-beneficiary numbers was expected as the changes to Accommodation Supplement thresholds mean that more non-beneficiary clients are now eligible for support. The overall slight decrease in main beneficiary Accommodation Supplement recipient numbers reflects the declining beneficiary population overall (recall section 1.5.3, above).²⁸

2.6. Childcare Assistance Receipt

Childcare Assistance consists of Childcare Subsidy and Out-of-School Care and Recreation Subsidy (OSCAR). Childcare Subsidy provides financial assistance to low- to middle-income families with dependent children under the age of five to obtain access to childcare services. OSCAR helps low- to middle-income families to pay for before- and after-school programmes, and school holiday programmes for children aged five to thirteen inclusive.

The key changes to Childcare Assistance under WFF include:

- an alignment of OSCAR rates with Childcare Subsidy rates (October 2004)
- an increase of income thresholds for OSCAR and Childcare Subsidy (October 2004)

²⁸ In addition, the changes to Accommodation Supplement that apply to beneficiaries relate to the amount of Accommodation Supplement received (for those with labour market income) rather than an extension of eligibility criteria. This would be reflected in the average payment amount, rather than the number of recipients. These are reported in section 3.4.

- an increase to both OSCAR and Childcare Subsidy rates by 10% (October 2004 and again in October 2005).

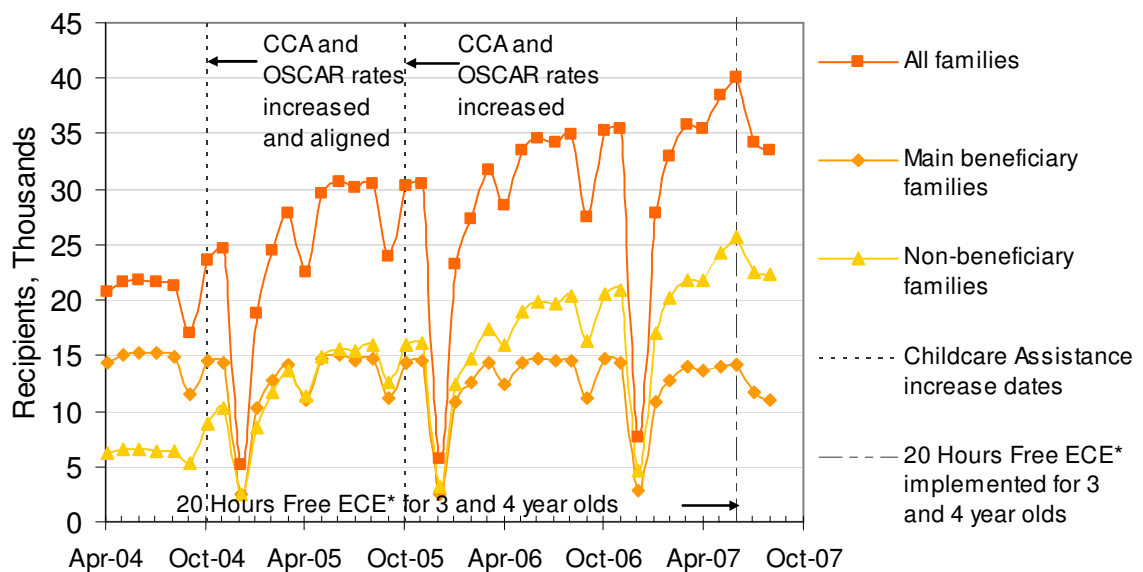
Further changes were made to Childcare Assistance income thresholds in October 2006 and April 2007 as part of the Enhancing Parents and Other Carers Choices policy announced in Budget 2005.

The implementation of the Childcare Assistance changes is a key component of the WFF package. Underpinning these changes is the assumption that low- to middle-income parents may limit their participation in the labour market because of the cost of childcare. Subsidised childcare may therefore enable low- to middle-income families to better meet the cost of childcare and consequently allow them to choose to increase their participation in training and/or the workforce.

In the five years before WFF was introduced, the number of children who received subsidised childcare had been gradually declining, although the number of subsidised childcare hours remained much the same.

Since changes under WFF in October 2004, there has been a marked increase in the number of families²⁹ receiving Childcare Assistance, particularly non-beneficiary families made newly eligible by changes to income thresholds (Figure 10). Since August 2004, prior to WFF, the total number of families receiving Childcare Assistance has increased by 58%, and the number of non-beneficiary families has increased by more than 250%.

Figure 10: Number of families receiving Childcare Assistance at month end.¹



¹ The number of families receiving Childcare Assistance declines during school holidays, with large drops in particular over the Christmas / New Year school holiday period.

* ECE=Early Childhood Education

Source: MSD Information Analysis Platform (IAP).

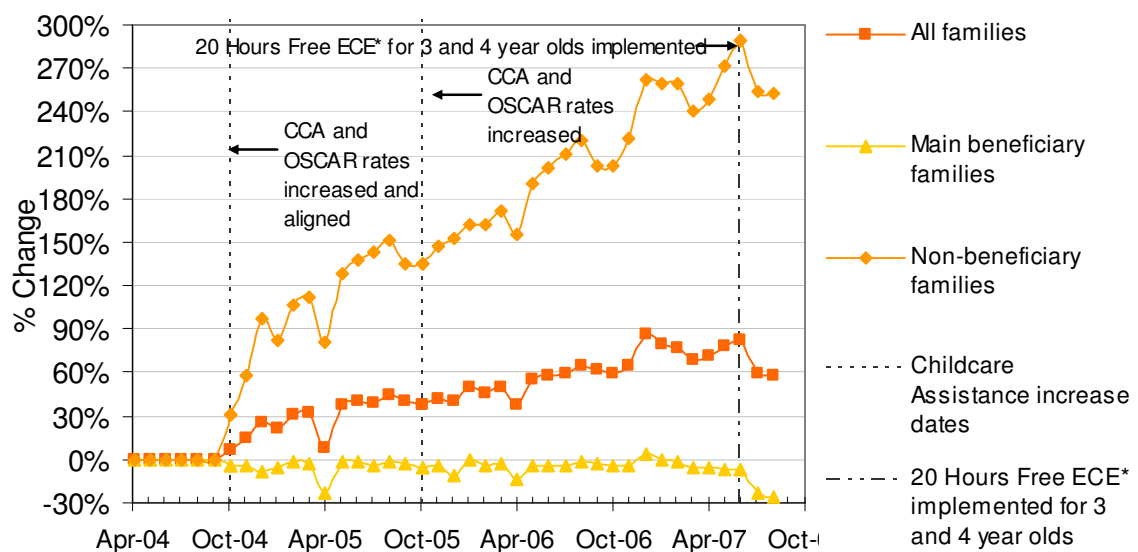
²⁹ The number of families receiving Childcare Assistance is based on the number of caregivers whose children get subsidised childcare.

At the end of August 2007, there were:

- 33,400 families with 41,700 children receiving Childcare Assistance
- 11,000 beneficiary and 22,400 non-beneficiary families receiving Childcare Assistance.

The rate of increase in the number of families receiving Childcare Assistance was rapid in the 12 months after the initial WFF changes. Figure 11 shows the percentage change in the number of families receiving Childcare Assistance by comparing recipient numbers at the end of a month with recipient numbers at the end of the same month in the year before WFF.

Figure 11: Families receiving Childcare Assistance, percentage change on same month before WFF.¹



¹ Before WFF months are October 2003 – September 2004

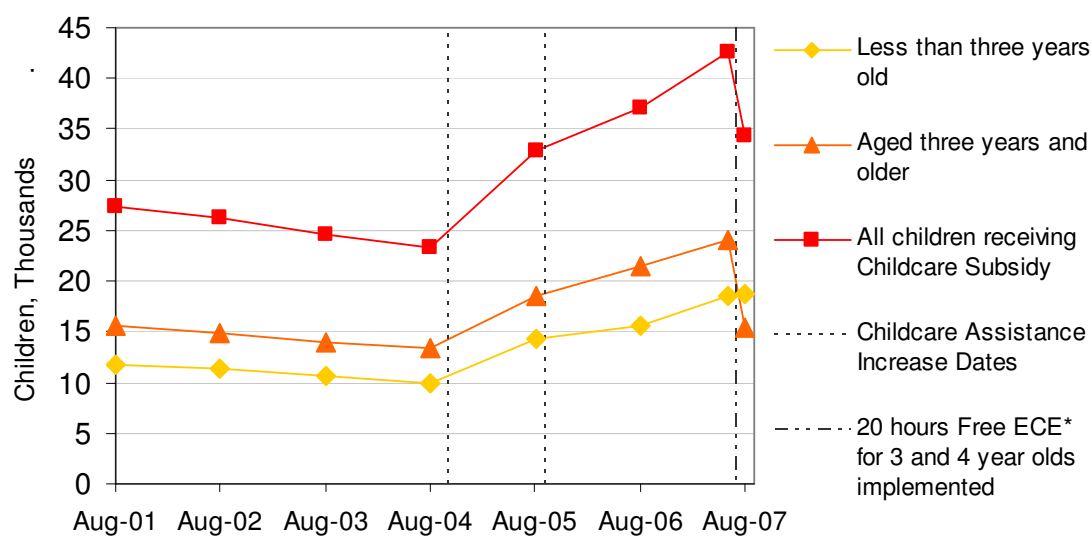
* ECE=Early Childhood Education

Source: MSD Information Analysis Platform (IAP).

The recent implementation of 20 hours Free Early Childhood Education (Free ECE) for three and four year olds has had an effect on families receiving Childcare Assistance (Figure 12). Children are not eligible for Childcare Subsidy for the free hours. The resulting decline in Childcare Subsidy numbers since this policy was implemented was therefore expected.

In addition to the 41,700 children receiving Childcare Subsidy in August 2007, 69,000 children received Free ECE. Some of these children will be receiving both Free ECE and Childcare Subsidy for the hours that they were not eligible for Free ECE. The Childcare Subsidy numbers for children under three, and therefore not affected by the Free ECE policy, continues to grow.

Figure 12: Number of children receiving Childcare Subsidy, 2001 – 2007.



* ECE=Early Childhood Education

Source: MSD Information Analysis Platform (IAP).

Beneficiary parents who have three and four year old children are usually choosing Free ECE instead of Childcare Subsidy to support their childcare costs. Parents can choose to receive either up to 20 hours Free ECE, or nine hours of Childcare Subsidy. Non-beneficiaries can claim both 20 hours Free ECE and Childcare Subsidy for the hours they are not entitled to Free ECE. As a result the decline in children of beneficiaries who are aged over three receiving Childcare Subsidy (32% decline) is greater than that for non-beneficiaries (18% decline).

2.7. Coverage of Working for Families Tax Credits

Overall, WFF has been successful in meeting the policy aim of ensuring families receive their entitlements. The package has reached more families than expected and there are ongoing increases in the numbers of families receiving WFF components.

95 - 97% of families eligible for WFF Tax Credits in March 2006 were receiving WFF Tax Credits

The eligible families receiving WFF Tax Credits for the tax year ending 31 March 2006, as a proportion of all eligible families, was estimated to be between 95% and 97%. This type of estimation is termed “coverage” and involves comparing the estimated eligible population to those actually receiving the package component. The estimate was achieved by surveying 5,500 New Zealand families and determining their eligibility for and receipt of WFF Tax Credits.

Table 5: Estimated WFF Tax Credits coverage by benefit status, tax year ending March 2006.

Benefit status¹	Estimated Coverage Range² (n=2,208)
All income from benefit	96 - 100%
Some income from benefit ³	97 - 99%
No income from benefit	91 - 95%
All eligible families	95 - 97%

¹ Families for whom benefit status could not be determined were excluded from the table (n=6). In a few cases, it was known that the respondent was a beneficiary, but information was not available for the partner on whether their income was from benefit or employment, so the family could not be categorised in this table.

² 95% confidence intervals.

³ The family received some income from benefit, and some income from labour market employment.

Source: WFF Longitudinal Survey 2006 and IRD administrative data.

Coverage was explored for families with different socio-demographic characteristics. However, as coverage rates were high, there were few observed differences. Beneficiaries, who interact more frequently with Work and Income, had higher coverage rates (96-100%, Table 5). Families with lower incomes had higher coverage than families with higher incomes. Coverage for families with incomes less than \$20,000 was 98% (between 96% and 99%) whereas coverage for families with incomes greater than \$50,000 was 92% (between 85% and 96%). Similarly, families with incomes close (within 5%) to the cut-off points where they are not entitled to any WFF Tax Credits had a lower coverage rate than families with incomes further from the thresholds. Being entitled to only a small amount of money on a weekly or fortnightly basis may be a reason for a few families not applying for WFF Tax Credits. There is no significant difference in coverage for families from different ethnic groups.

2.7.1. Coverage in Similar International Programmes

The estimated coverage for WFF Tax Credits of 95-97% is high by international standards and exceeds the ranges estimated for other programmes of similar scope or structure in the United States and the United Kingdom.

United Kingdom

The United Kingdom introduced the Family Credit in 1988 and the Working Families' Tax Credit in 1999.³⁰ Take-up rates for working families with children have been increasing over time, across the period of policy change. Take-up rates were estimated at:

- 62% in 1990/1991 for the Family Credit in Great Britain
- 72–76% in 2002/2003 for the new Working Families' Tax Credit.

³⁰ Child Tax Credit and Working Tax Credit, take-up rates 2004-05. Published by HM Revenue and Customs, Analysis Team, 2007.
<http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up.htm>

In April 2003, Child Tax Credit (CTC) and Working Tax Credit (WTC) were introduced in the United Kingdom,³¹ The most recent estimated take-up rates for WTC and CTC for families with dependent children were:

- 87-93% in 2004/2005.

Like WFF Tax Credits, take up rates for CTC in 2004/2005 of those families out of work are higher than for employed families and range between 91-95%. There is also an income gradient with those on higher incomes less likely to take up WTC / CTC in 2004/2005 (33-47% for those earning over £50,000).

United States

Take-up rates of similar programmes in the United States, as reviewed in the literature are as follows.³²

- The Earned Income Tax Credit take-up was estimated in 2002 at between 82–87% overall. Earlier research found similar overall rates of between 80–86% in 1990.
- The United States federal social assistance programme, claimed primarily by sole parents, does not have an official national estimate, but take-up estimates range between 60% and 90% depending on the type of measurement and use of data.
- The United States Food Stamp Program, claimed by low-income families, has an overall take-up estimated at 75% (with some research indicating much higher rates among sole parents).

2.7.2. Joint Communications Strategy

High coverage has been achieved with the support of a joint communications strategy between IRD and Work and Income, and active engagement with families.

An extensive communications campaign was timed to coincide with the early implementation phases of the WFF package. It was a multi-media campaign and included advertising in television, radio, newspaper, magazine, web, bus shelters and in-bus panel advertisements, as well as direct mail. This activity was supported by a range of public relations activities, including articles in magazines, radio interviews and information displays at community events. MSD and IRD promotional and delivery staff also had an important role in providing clients with appropriate information.

Full details of the communications strategy and findings from the communication evaluation have been published previously.³³ In summary the evaluation found that the communications strategy was effective in getting the message about WFF out to its target population:

³¹ These replaced Working Families' Tax Credit, Disabled Person's Tax Credit and Children's Tax Credit, as well as some other forms of financial support for families with children. For the first time, Working Tax Credit also extended in-work financial support to families without children.

³² M Evans, G Knight, and I LaValle, Literature Review of Evaluation Evidence for Working for Families. Wellington: MSD.

³³ *Receipt of Working for Families* (September 2007), Ministry of Social Development and Inland Revenue, Wellington New Zealand. <http://www.msd.govt.nz/work-areas/social-research/families-whanau/receipt-of-working-for-families.html>
<http://www.ird.govt.nz/aboutir/reports/research/report-wfftc/>

- Nine out of ten caregivers eligible for WFF (based on 1 April 2006 criteria) reported they were aware of WFF.
- There was a high level awareness of the individual WFF components amongst eligible caregivers (95% for WFF Tax Credits, 86% for Accommodation Supplement and 79% for Childcare Assistance).
- 83% of caregivers recalled advertising for WFF, increasing to 91% when prompted.
- Some families may benefit from additional communication. These include: families who report slightly lower levels of advertising recall; families who remain unsure of their eligibility or where to apply; and families who don't recognise payments they receive as WFF.
- 82% of caregivers indicated that the aim of WFF was financial support and benefits, with 32% indicating work/employment and training, 28% indicating childcare and 19% indicating housing.³⁴

2.7.3. Active Engagement with Families

While broad-based communications were promoting WFF, delivery staff were also engaging with families in communities. Active engagement has included both the introduction of new positions in 2004 including WFF Promotional Case Managers, Working Families Case Managers and Childcare Co-ordinator roles as well as existing staff becoming actively involved with WFF.

MSD and IRD continue to work together to promote WFF. Through activities such as:

- attending expos and community events
- relationship building with union groups
- service to schools initiative
- visiting all Kohanga Reo to educate staff and promote WFF
- working with community groups
- working with other government agencies.

For example, in November 2007 the following activities were attended by MSD and IRD:

- *Grey Lynn Park Festival 2007* – this event was held in Auckland and is a community based event with significant representation from different ethnic groups.
- *Hui at Maraeroa Kohanga Reo* – this was a presentation and workshop held in Wellington. The event was held with management and staff of nine local Kohanga Reo to present Working for Families products and services.
- *Nelson A & P Show* – this event comprises competitive exhibitions, a trade fair, amusements and children's entertainment. It was held in Nelson on 24-25 November.

³⁴ Respondents could give more than one response.

- *Under the Canopies (Strong Pacific Families Expo)* – this is a community expo with an emphasis on Pacific culture. It was held in Porirua city.

Qualitative research observing case management staff in Work and Income offices around New Zealand indicates that WFF promotion is now embedded in Work and Income practice. Clients applying for the unemployment benefit are routinely informed about WFF and encouraged to apply for it as part of “WRK4U” presentations (Figure 13).

Figure 13: Screen shot from WRK4U presentation at New Brighton Work and Income office.

Work and Income
Te Hiranga Tangata
A service of the Ministry of Social Development

The Working for Families package ...

...makes it easier to work and raise a family

Working for Families Tax Credits cut out points

You have	and your total family income is for:	
	family tax credit	in-work tax credit
1 child	\$56,320	\$71,920
2 children	\$71,140	\$86,740
3 children	\$85,960	\$101,560
4 children	\$100,780	\$120,280
5 children	\$115,600	\$139,000
6 children	\$130,420	\$157,720

WORKING FOR families
Me whakararohau te iwi

Inland Revenue
Te Tari Taake

Sep 2006 19

Communications and active engagement activities have been responsive to changing needs. The 2007 promotional campaign aimed to reach all those eligible but not in receipt of WFF, with a continued focus on Maori, Pacific and Asian families. New advertisements were more representative of newly eligible target groups.

3. Who Receives Working for Families and How Does It Help?

Key Findings: Improving Income Adequacy

WFF was designed to significantly reduce poverty, especially child poverty. Data to support a detailed analysis of the impact of WFF on child poverty is not yet available,³⁵ but results of the evaluation so far show:

- WFF is reaching the target groups of low- to middle-income families, with around three quarters of families receiving WFF Tax Credits, being those on family incomes less than \$50,000 per annum.
- WFF has changed the distribution of payments to support families. The most common level of WFF components is \$125 to \$150 per week compared with \$75 to \$100 prior to WFF.

Key changes to improve income adequacy were made on 1 April 2005 and 1 April 2007 when family tax credit rates were increased. The findings of the evaluation show that both beneficiaries and non-beneficiaries have benefited from these and other increases.³⁶

The three most commonly reported uses of this money were on groceries and food, school costs and clothing. Families on lower incomes more often reported using the additional money for groceries and food than those on higher incomes (39% of families with incomes under \$20,000 reported this versus 32% of families with incomes over \$70,000).

Prior to WFF, a number of low income people were experiencing persistent housing affordability problems. Changes to Accommodation Supplement as part of WFF were designed to address this problem, whilst a longer term full review of Accommodation Supplement took place.

Findings of the evaluation suggest that these measures have:

- improved housing affordability for families not on a benefit, and for beneficiaries with earnings
- had little effect on aggregate housing affordability measures for beneficiaries without labour market earnings.³⁷

3.1. Who is Receiving Working for Families?

WFF is reaching its target population of low- to middle-income families with dependent children. As Figure 14 shows, most of the families receiving WFF Tax Credits have income below the Census 2006 median family income. Around half of all the families receiving WFF Tax Credits in 2007 had a family income of less than \$30,000, and around three quarters had an income below \$50,000. In 2006, before the implementation of in-work tax credit, 9% of WFF families had a family income of

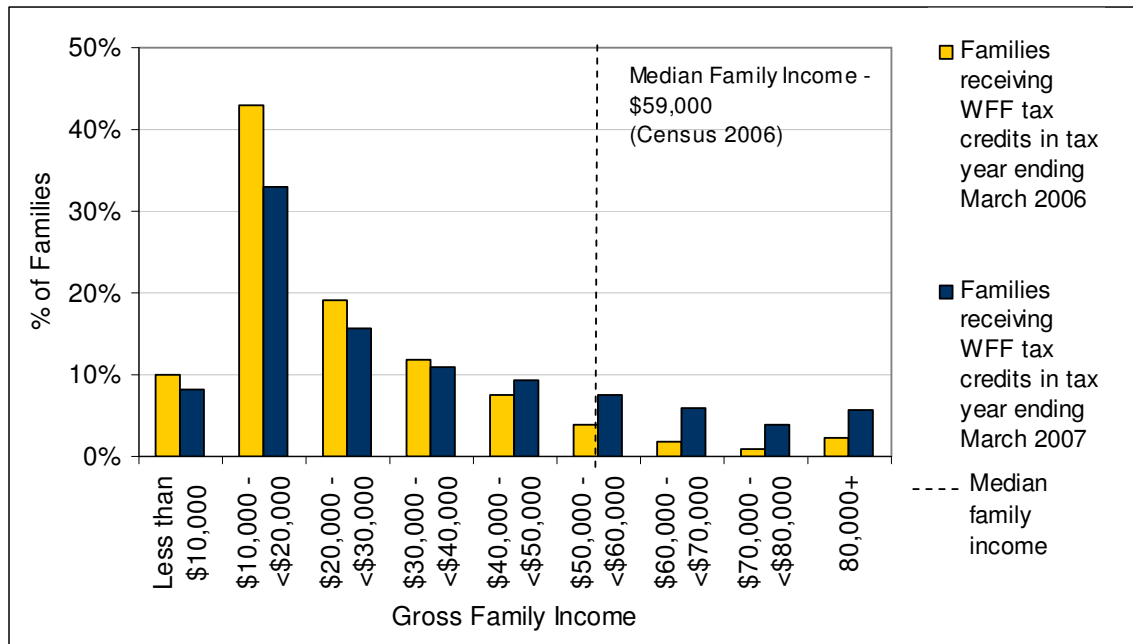
³⁵ This analysis is due in June 2008, based on data from the 2006/2007 Household Economic Survey. This will reflect the impact of the early WFF changes.

³⁶ When family tax credit amounts were increased in April 2005, the child component was also removed from benefits. Both beneficiaries and non-beneficiaries benefited from the \$10 per week in April 2007.

³⁷ This finding reflects the targeted nature of the changes to the maximum rates of AS, which effectively improved housing affordability for only a subset of beneficiaries with high housing costs. For example, beneficiaries with low housing costs living in Area 4 did not benefit from these changes.

more than \$50,000. This increased to 23% after the implementation of in-work tax credit.

Figure 14: Distribution of gross family income for families eligible and receiving WFF Tax Credits.



Census families include: couples with child(ren), couples without child(ren), and one parent with child(ren). Total annual family income is calculated by adding together the total personal income of each member of the family aged 15 years and over who stated their income and was at home on census night.

Source: WFF Research Dataset as at October 2007 and Statistics NZ Census 2006.

3.2. How Much Are Families Receiving from Working for Families?

Estimating the amount of money a family receives on a weekly basis is difficult, as family circumstances change during the tax year. The amount of money a family is eligible for depends on a number of factors including:

- family income
- number of hours worked by caregivers
- number and age of dependent children
- housing costs
- home ownership status
- location of family home
- cash assets
- childcare choices.

In addition, Accommodation Supplement and Childcare Assistance are weekly entitlements, but WFF Tax Credits are annual entitlements. Calculating weekly entitlement for an annual payment is complex. In order to illustrate the money

families can receive from WFF, Table 6 describes the WFF entitlements at a given point in time based on the following scenario:

- a two caregiver family with the combined hours of work for both caregivers totalling more than 30 hours per week
- renting in an Accommodation Supplement Area 2 (eg Wellington Central) paying \$350 per week rent
- the family has no cash assets
- each child in childcare for 10 hours per week.

Table 6: Weekly entitlement to WFF components by family income and number of dependent children.

Benefit Status	Annual Family Income	Weekly WFF component entitlement		
		1 child	2 children	3 children
Beneficiaries (Not meeting in-Work Tax Credit hour requirements)	\$25,000	\$270	\$350	\$430
Non Beneficiaries	\$25,000	\$330	\$410	\$490
	\$35,000	\$286	\$366	\$446
	\$45,000	\$189	\$279	\$359
	\$55,000	\$80	\$173	\$273
	\$65,000	\$16	\$63	\$179
	\$75,000	\$0	\$25	\$110

The amount of money a family actually receives from WFF can vary during the year. For example, factors that can influence this include:

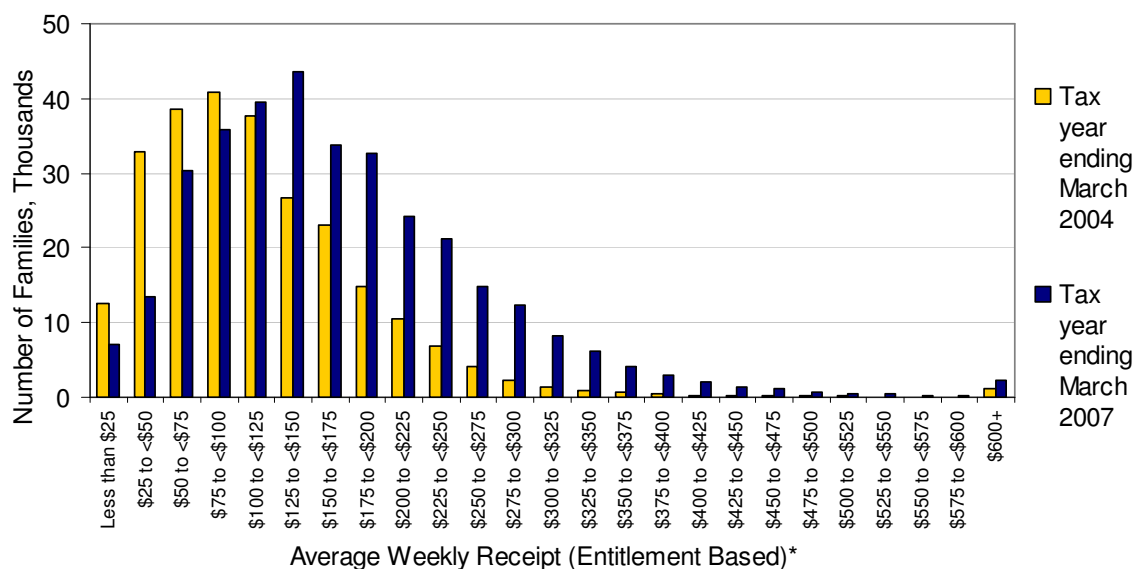
- changes in family circumstances (eg partnering, having another child, primary caregiver returning to work, moving house)
- choosing to receive all or part of WFF Tax Credits payments as a lump sum at the end of the year, after their end of year assessment
- suspension of payments to prevent overpayment to IRD as a result of earning more than was expected
- changing childcare patterns (e.g. putting school aged children in childcare during school holidays, children turning three and becoming eligible for Free ECE).

WFF has resulted in more people receiving more money

To illustrate how Working for Families contributes to family's income, we have calculated weekly averages by taking into account the length of time families receive payments during the tax year. For some families this will not reflect the amount of money they receive in any given week, because as noted above, this varies as a result of changes in circumstances and the variability of Childcare Assistance.

In Figure 15, the distribution of WFF payments of WFF Tax Credits, Accommodation Supplement and Childcare Assistance is described. Prior to WFF, the distribution of the weekly amounts received of the pre-cursor components peaked at \$75 to \$100 per week. Post WFF, in the tax year ending March 2007, this has increased to \$125 to \$150.

Figure 15: Average weekly amount of WFF components received by families, tax year ending March 2007.



Data is for Research and Evaluation purposes only and differs from official statistics.

* Based on FTC entitlement.

Source: WFF Research Dataset as at October 2007.

3.3. How Much Are Recipients Receiving from Accommodation Supplement?

Accommodation Supplement is providing more money to more families to help support accommodation costs.³⁸ Changes to Accommodation Supplement occurred in October 2004 when rules were changed to remove abatement for people while on a benefit, as well as lowering housing cost entry thresholds and increasing the income thresholds when abatement would begin for non-beneficiaries. In April 2005 the number of Accommodation Supplement geographical areas was increased from three to four and area boundaries were adjusted. This increased the number of Accommodation Supplement maxima³⁹ from nine to twelve. The maximum weekly rates were also increased in some areas.

Full details on the impact of these changes have been published previously.⁴⁰ As discussed in section 2.5, the numbers of recipients of Accommodation Supplement have continued to increase.

At the end of August 2007 the average weekly amount received from Accommodation Supplement for all recipients was \$65 (Figure 16).⁴¹ Families with children received

³⁸ Families in Housing New Zealand Corporation housing are not eligible for Accommodation Supplement.

³⁹ Accommodation Supplement is calculated using the formula:
 $70\%(\text{accommodation costs} - \text{entry threshold}) \leq \text{maxima} - \text{abatement}$.

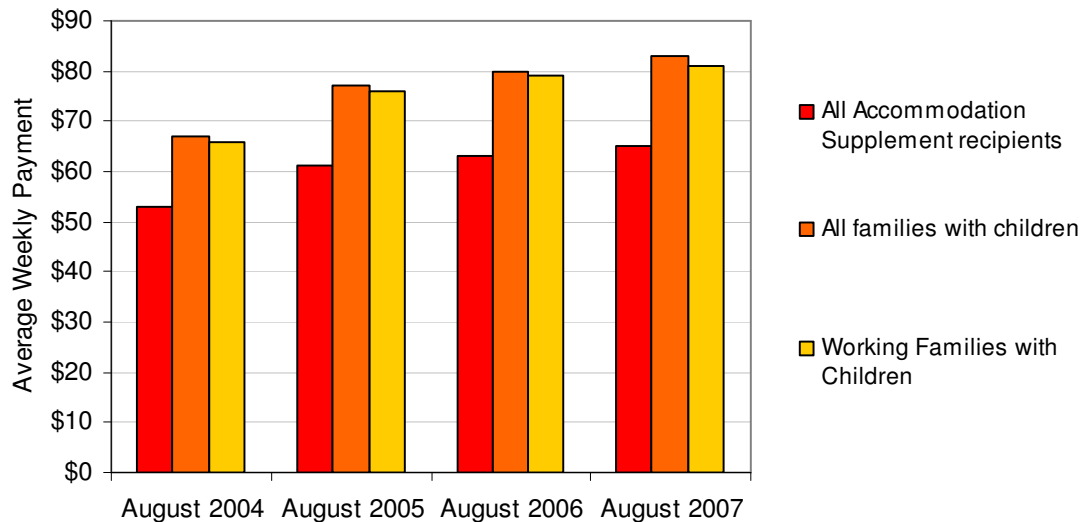
Maxima is the maximum that a recipient can receive. This depends on the location of the recipient and the number of people in their household.

⁴⁰ *Receipt of Working for Families* (September 2007). Ministry of Social Development and Inland Revenue, New Zealand.

⁴¹ This is for all Accommodation Supplement recipients, regardless of whether their payments were affected by the changes.

an average of \$83 per week, while singles and couples without children received an average of \$50 per week. The average weekly payment to families with children is \$16 more than in 2004 prior to WFF and \$9 more for singles and couples without children.

Figure 16: Average weekly payments of Accommodation Supplement during the month of August.



3.4. Housing Affordability

A central aim of Accommodation Supplement is to make housing more affordable. There are several ways to evaluate housing affordability; a common measure is the ratio of housing costs to income, or OTI (outgoing-to-income) measure. This measure is used to identify people who spend a high percentage of their income on accommodation. An individual's OTI will change when either or both of their outgoings or income change. If housing costs increase, the OTI will increase. If a component of income – such as Accommodation Supplement – increases and housing costs remain the same, the OTI will decrease. The OTI measure for Accommodation Supplement recipients is presented in Figure 17.

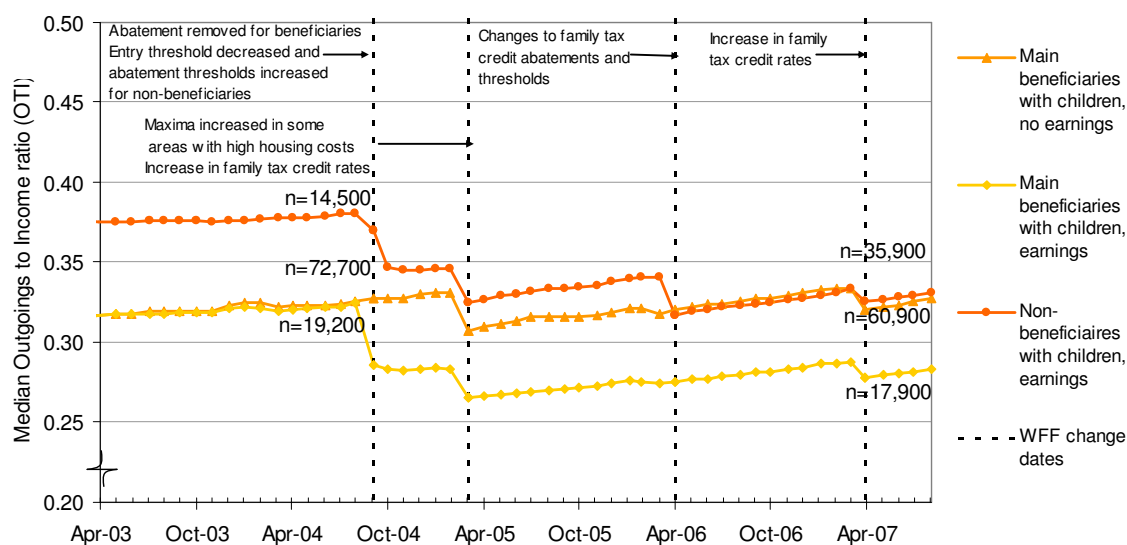
Figure 17: OTI measure for Accommodation Supplement recipients.⁴²

$$\text{OTI} = \frac{\text{Cost of rent, mortgage (and related costs of home ownership), or accommodation part of board less Accommodation Supplement}}{\text{Net income from earnings, net benefit, family tax credit, and imputed income from cash assets}}$$

The effects of the WFF package on median OTIs are shown in Figure 18. In October 2004 there were large decreases in OTIs for both non-beneficiary families and beneficiary families with earnings. These were due to increases in Accommodation Supplement payments due to changes to the income abatement rules. Overall, the changes to Accommodation Supplement had muted effects on median OTIs for beneficiary families without earnings. This is because people without earnings were not affected by changes to income abatement rules and beneficiaries are more likely to live in lower cost areas where the maxima remained the same.

⁴² A more detailed specification of how we calculated these OTI measures is included in appendix 2.

Figure 18: Proportion of income spent on accommodation costs by Accommodation Supplement recipients.



Falls in OTIs occurred in April 2005 when the Accommodation Supplement regions and maxima were changed. These changes resulted in increased Accommodation Supplement payments for people, especially in high cost housing areas. However, the drop in OTIs at this time is only partially explained by the Accommodation Supplement changes; increases in WFF Tax Credits introduced in April 2005 also contributed to the drop by increasing total income. OTIs also reduced in April 2006 and April 2007 for non-beneficiaries when WFF Tax Credits thresholds were changed, in-work tax credit was introduced and family tax credit rates were increased.

The changes in average OTIs since April 2007 may reflect:

- increases in accommodation costs
- choices to move to higher-quality accommodation
- higher rents paid by newly eligible people, notably those not receiving a benefit.

3.5. How Much Are Families Receiving from Childcare Assistance?

At the end of August 2007, 33,400 families received Childcare Assistance. The majority of children (34,300) receiving subsidised childcare were pre-school children (Childcare Subsidy) compared with 7,400 school-aged children (OSCAR). On average, children receiving subsidised pre-school care at the end of August 2006 received 23 hours per week and those in OSCAR received 12 hours per week⁴³. The average weekly payment per recipient for childcare was \$78, which is \$28 higher than the average before WFF changes. In addition, many three and four year olds who were previously receiving Childcare Assistance are now receiving the 20 hours Free Early Childhood Education.

3.6. How Have Working for Families Payments Been Used?

As part of a survey carried out in mid 2007, caregivers reported that WFF components (WFF Tax Credits, Accommodation Supplement, and/or Childcare Assistance they received) had been:

⁴³ The number of hours children receive OSCAR subsidies will be higher during school holidays. During school holidays children are eligible for care for the whole day, as opposed to before and after school during term time.

- a big help or very big help in meeting their family's needs (59%)
- some help in meeting their family's needs (39%).

When asked specifically how money they received from WFF had helped, respondents identified many different ways.⁴⁴ Families on lower incomes most commonly reported that they were using WFF money to buy food and groceries. For families, whose incomes were above \$40,000 the most commonly reported use of the money was on children's education costs. Other uses that came up frequently included:

- paying household bills and utilities, like power
- providing clothing for the family and children
- helping with accommodation
- paying bills including power and phone
- general living costs.

⁴⁴ Qualitative data were collected from survey respondents on how they used WFF money. They were able to give a list of uses. Their responses were coded into common themes for analysis purposes.

Table 7: Ways the money from WFF has helped.

Uses of WFF Money ¹	Total Family Income			
	<\$20,000	\$20,000- <\$40,000	\$40,000- <\$70,000	\$70,000+
Groceries and food	39%	38%	32%	32%
Children's school costs (fees, uniforms, stationery), school sports and activities	23%	32%	38%	35%
Clothing (for children and families)	25%	25%	28%	26%
Budgeting and debt management	14%	17%	20%	14%
General living costs	12%	16%	13%	13%
Other costs of having children (sports and family activities, toys, presents for special occasions)	11%	15%	15%	11%
Cost of utilities (power and phone) and bills	14%	14%	12%	9%
Accommodation costs (help with rent/mortgage, better accommodation)	20%	13%	4%	9%
Childcare costs (able to afford good childcare)	9%	6%	6%	12%
Help with medical costs (pay for medical costs and children's visits to the doctor)	8%	4%	5%	1%
Improved wellbeing and standard of living	7%	8%	8%	3%
Transport costs	5%	6%	5%	5%
Giving parents employment and study options	4%	3%	5%	5%
Other responses	1%	2%	2%	1%

¹Families could provide more than one use of the money.

Base: All respondents who received WFFTC and said the money received from WFF in the last 12 months has helped.

Source: WFF Survey data 2007 (Q10c).

For example:

To pay bills and for food and for normal day to day expenses.

It helps [us] to eat nutritionally.

Help in paying all the fees, uniform and activities that they have at school.

School uniforms and day-to-day living expenses, school camp, stationery, general standard of living.

It just relieves us from financial pressure.

It helped me to be able to keep my head above water.

I work full-time and as a single parent I need to work so it enables me to go to work. If you can get assistance as a top up for lower paid work it is better than just being on the DPB.

We can buy extra things for the kids; clothes and shoes.

4. Making Work Pay

Key Findings: Making Work Pay

WFF is designed to assist working people, especially low- to middle-income families, to make the most of economic opportunities by improving the returns from work.⁴⁵

The package aims to actively support working-age parents to take up and stay in employment, by ensuring that such families are financially better off from working. It is designed to complement other initiatives, such as Working New Zealand and active case management, which support the transition into work. Families with dependent children were a priority because many low income families were not substantially better off in low paid work once work-related costs, including childcare costs, benefit abatement and tax were taken into account.

This report suggests that WFF is having a positive impact on incentives to work and is contributing to movement off benefit into work, particularly for sole parents who already had some labour market attachment. Specifically:

- The in-work tax credit is being received by a large and growing number of families. One year after its implementation the number of recipients is continuing to increase and 184,700 families received in-work tax credit in the tax year ending March 2007.
- Since WFF has been implemented, New Zealand has experienced the largest fall in numbers receiving DPB since the benefit was introduced in 1973 – the number of families receiving the DPB has fallen by 12,500 (from 109,700 at August 2004 to 97,200 at August 2007).
- The in-work tax credit appears to be contributing to a decrease in the number of DPB recipients.
- Growth in the employment rates of sole mothers (increasing from 47% in Census 2001 to 52% in Census 2006) suggests sole parents are exiting benefit to employment.

WFF also aimed to address one of the financial barriers to employment for families with children - the cost of childcare - by increasing the amounts paid and making more families eligible for Childcare Assistance.

- The average weekly payment for Childcare Assistance in August 2007 has increased by \$28 since before WFF, from \$50 to \$78.

Alongside WFF, government has introduced Free ECE for three and four year olds which had further reduced the costs of childcare for 69,000 children in August 2007.

A key objective of WFF is to support families into work and help them to sustain employment. WFF increases the choices for families – making housing in different areas more affordable, subsidising childcare, and helping families to balance work and parenting. Over the long term, the evaluation will track employment (in terms of earnings, wages, and hours worked) and examine how effectively the WFF components are working together to support employment. Much of this work will

⁴⁵ Cabinet Minute of Decision CAB Min (04) 13/4 Reform of Social Assistance: Working for Families Package: Revised Recommendations.

follow from observing families prior to and following the introduction of the in-work tax credit.

To date we have made the following findings about differences for working families over the time since the WFF package was introduced:

- strong economic conditions have provided a good environment for families to move from benefit receipt into employment
- IRD is delivering WFF Tax Credits to increasing numbers of families (primarily working families)
- while people most often think about “financial assistance” when asked about the aims of WFF, about a third also say that it is about supporting work or training⁴⁶
- nearly two-thirds (63%) of people surveyed agreed that “the in-work tax credit is a good incentive to stay off a benefit”
- the number of working (non-beneficiary) families receiving WFF is continuing to increase
- Accommodation Supplement has improved housing affordability measures for people (including beneficiaries) who have some employment earnings.

4.1. Domestic Purposes Benefit and the In-work Tax Credit

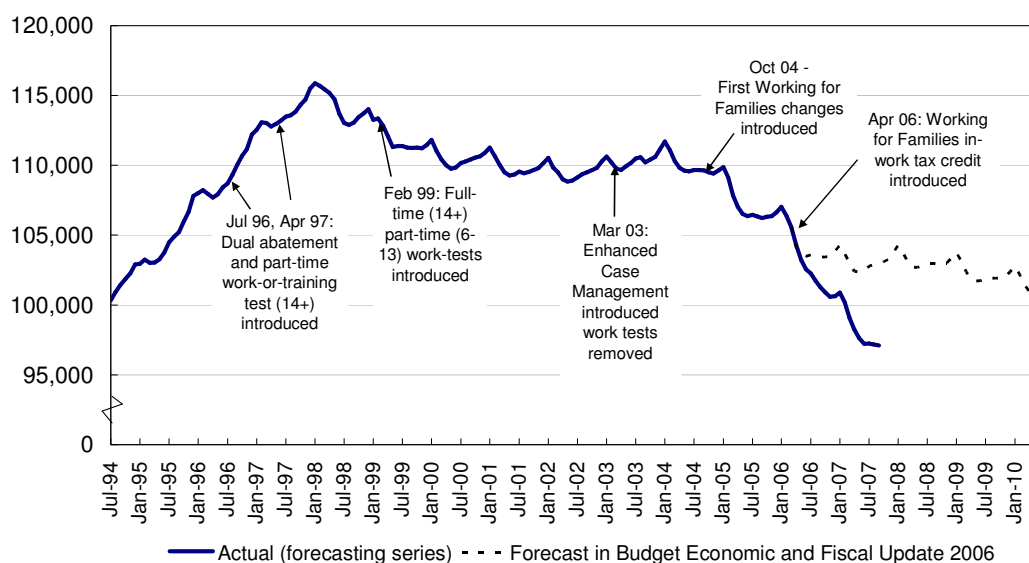
Since WFF has been implemented, New Zealand experienced the largest fall in numbers receiving DPB since this benefit was introduced in 1973. Numbers fell from 109,700 at August 2004 (just prior to the introduction of the first WFF changes) to 97,200 at August 2007, a reduction of 12,500 or 11%.⁴⁷

In particular, the introduction of the in-work tax credit appears to be having an effect on the number of DPB recipients (Figure 19). The drop in numbers was particularly rapid just prior to and following the introduction of in-work tax credit, possibly partly as a result of Work and Income advice about the benefits of the in-work tax credit for working families.

⁴⁶ Findings of Wave 2 of the Communications Survey: See *Receipt of Working for Families* (September 2007), Ministry of Social Development and Inland Revenue, Wellington New Zealand. <http://www.msd.govt.nz/work-areas/social-research/families-whanau/receipt-of-working-for-families.html>
<http://www.ird.govt.nz/aboutir/reports/research/report-wffc/>

⁴⁷ These numbers and figure 19 come from the MSD forecasting series, which takes average numbers in force over the month. These will differ slightly from numbers taken from the MSD Information Analysis Platform (IAP) as these relate to counts at the month-end. Changes affecting recipients with children aged 14+ or aged 6–13 are noted in Figure 19.

Figure 19: Domestic Purposes Benefit recipients, all classes 1994 – 2010. Actual and forecast average number in force.



Source: MSD forecasting series

4.2. Deciding between Work and Benefit

Choosing work is not always straightforward. Some of the barriers to work identified by respondents to a survey in 2006 were:

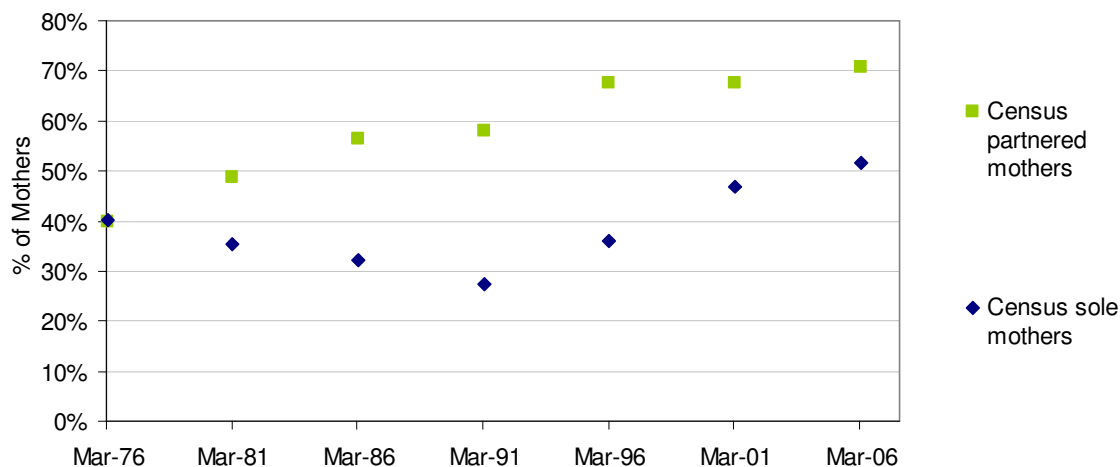
- finding work with suitable hours
- availability of childcare
- health problems
- having the skills and experience necessary to gain a job.

Trends in the total number of beneficiaries and the number exiting into employment suggest that families are overcoming these barriers. For example, the percentage of sole parents on benefit has continued to decrease since a peak in the early nineties (Figure 21).

Employment rates have risen significantly for women with children in comparison to other women since WFF was implemented. Sole mothers' employment rates have increased from 47% in the March 2001 census to 52% in March 2006 (Figure 20). The growth in the employment rates of sole mothers since 2001 has narrowed the employment rate gap between sole and partnered mothers. Preliminary analysis of the HLFs data confirms that WFF is contributing to sole parents' employment rates.⁴⁸

⁴⁸ Fitzgerald, J & Maloney, T (2007). The impact of changes in family assistance on partnering and women's employment in New Zealand: A preliminary look. https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=NZAE2007&paper_id=25

Figure 20: Percentage of sole and partnered mothers employed, all hours¹ 1976-2006.

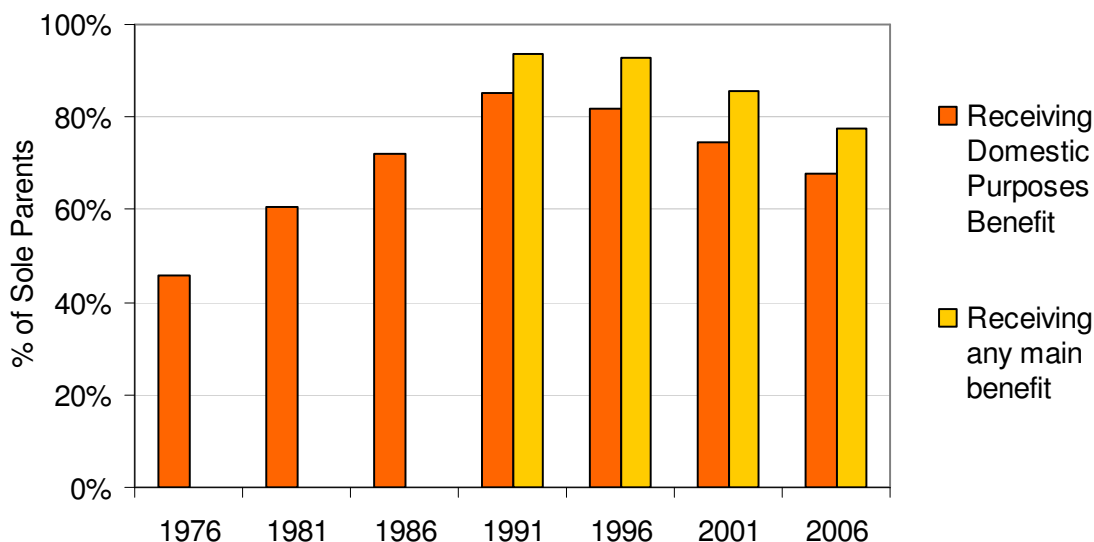


¹ Working any length of time.

Source: Statistics New Zealand Census data

An increasing trend is also seen in the number of DPB recipients stating employment as a reason for exiting benefit. In the year ending December 2006, after the introduction of the in-work tax credit, there was a 17% increase over the previous year in the number of sole parents saying that they were exiting the DPB to employment. This was greater than forecast.

Figure 21: Estimated proportion of sole parents receiving main benefit, 1976-2006.



Based on unpublished Statistics NZ data and MSD Information Analysis Platform (IAP) benefit counts
Data on % receiving any main benefit not available prior to 1991.

The in-work tax credit introduced in April 2006 appeared to make the most difference for sole parents who already had some labour market attachment (Table 8). In the year to August 2006, the number of DPB recipients with other income in addition to benefit fell by 11%, compared with a 3% fall in numbers of recipients with no other income, indicating that those already working part-time are seeking further work.

Similarly, numbers of DPB recipients with other income have continued to drop over 2007.

Between 2005 and 2006 the fall in numbers was most rapid for those with other income in excess of \$300 per week (with a 25% fall) or between \$180 and \$300 per week (with a 12% fall), though these have levelled out in 2007. These groups would have been the most readily able to shift off benefit and take up the in-work tax credit. Some would already have been working sufficient hours (20 hours a week) to qualify, while others would have increased their working hours.

Table 8: Number of DPB recipients with and without income in addition to benefit.

DPB Recipients at end of August	No other income	With other income (\$ per week)					Total
		All with other income	\$1-80	\$81-180	\$181-300	>\$300	
2005	80,000	26,400	8,900	9,000	5,900	2,600	106,400
2006	78,000	23,600	8,200	8,200	5,200	2,000	101,500
2007	75,600	21,600	7,300	7,500	4,800	2,000	97,100
Change							
2005-2006	-2,000 -3%	-2,800 -11%	-700 -8%	-700 -8%	-700 -12%	-600 -25%	-4,800 -5%
2006-2007	-2,400 -3%	-2,000 -8%	-900 -11%	-700 -8%	-300 -7%	0 -1%	-4,400 -4%
2005-2007	-4,400 -6%	-4,800 -18%	-1,600 -18%	-1,400 -16%	-1,100 -18%	-700 -25%	-9,200 -9%

Source: MSD Information Analysis Platform (IAP).

Note: Numbers may not sum due to rounding. Percent change calculated on unrounded data.

The response to WFF is likely to have been boosted by other initiatives that exist around DPB, including Enhanced Case Management and Childcare Assistance. Continued buoyancy in the labour market and economic growth will also have contributed. but it is likely that changed policy and delivery settings have made a substantial contribution to the decline in DPB numbers.

5. Where to Next?

The evaluation now has a wealth of quantitative and qualitative data that will enable us to report in more detail on the effects WFF has had on families, focussing on objectives C and D of the evaluation:

- C The impact of the package on net incomes, income poverty and living standards for all those affected by the changes, especially for low- to middle-income families with dependent children.
- D The degree to which the package improves employment-related outcomes for adults from low- to middle-income families with dependent children.

Appendix 1: Data sources and Technical notes

Data Sources

Data have been supplied from MSD's Information Analysis Platform (IAP), which records the receipt of MSD-administered components of the WFF package (WFF Tax Credits, Accommodation Supplement and Childcare Assistance). IRD administrative data have been used to analyse recipients of the WFF package (WFF Tax Credits including the in-work tax credit). IAP and MSD administrative data from January 2003 onwards have been used to analyse the number of recipients over time and rates of payment, and to describe the recipient populations.

Technical Notes

WFF Tax Credits recipient numbers and payments refer to "through the given month". Accommodation Supplement and Childcare Assistance recipient numbers and payments refer to the end of the given month. All numbers have been rounded, so rows and columns may not sum to totals or to 100%. Forecasts are based on BEFU 04 unless otherwise indicated.

Note that the terms non-beneficiaries and working families are used interchangeably. In theory, there may be non-beneficiaries who are not working. Where package receipt requires earnings and/or a certain number of employment hours, we note this in the text. People and families are classified based on information available throughout a year. Therefore, they will be classified as a beneficiary, or as having received WFF based on any benefit or WFF payment throughout the year. This may not align to current receipt.

Accommodation Supplement is available to singles and couples without children. We emphasise in the text surrounding Accommodation Supplement when families with children are the group being described.

Determining the Number of Families Receiving WFF

MSD and IRD continually monitor the number of families that benefit from WFF. This is achieved by two different methods.

Monitoring the uptake of WFF components through payments made throughout the year.

Monthly monitoring provides up-to-date counts of the number of families receiving each component of WFF. As families can receive more than one component of WFF, the monthly monitoring data does not allow calculation of the total number of families receiving WFF. Monthly totals are less than the total number of families that benefit throughout the year from WFF as some families only receive WFF payments for part of the year due to changes in circumstances (e.g. family income increases).

Joining payments made throughout the year to payments made through end of year assessments and assigning of these payments to family units.

This extensive data joining exercise has been undertaken to identify people and families who have received a payment from WFF in at least one month in the tax years ending March 2006 and March 2007, regardless of whether they have received a payment from MSD, IRD, or both organisations. Looking at this data enables us to estimate how many families received WFF as a whole. However, this process requires the majority of the end of tax year assessment to have been carried out, and

as such, preliminary data is not available until around six months after the tax year ends, with more final data not available until one year after the end of the tax year.⁴⁹

As WFF Tax Credits are delivered through the tax system and are assessed on an annual basis, the correct and final measure of WFF Tax Credits uptake is the number of families who received a payment for a particular tax year. However, within year totals are important monitoring information in the interim.

The differences in the counts are shown below:

	Families Receiving			
	WFF	WFF Tax Credits	Accommodation Supplement	Childcare Assistance
Recipients of WFF in August 2006	-	274,600	117,300	34,900
Number of Families receiving WFF during the tax year ending March 2007 as at October 2007	377,800	371,300	171,800	65,700

⁴⁹ This joining requires all end of year assessments to be made therefore the total number of families benefiting from WFF cannot be calculated until 12 months after the tax year ends. During this 12 month period most end of year assessments will have been made, but families can continue to apply for payments up to five years after the end of the tax year. As such, the numbers are subject to change.

Appendix 2: Calculation of OTI ratios for Accommodation Supplement recipients

$$OTI = \frac{(O_{\text{HOUSING COSTS}} - B_{\text{ACCOMMODATION SUPPLEMENT}})}{Y}$$

Where the components of the formula are:

Variable	Name	Definition
OTI	Outgoings to income	The outgoings-to-income ratio for the week
Y	Total income	Total weekly income
O _{HOUSING COSTS}	Housing outgoings	Weekly outgoings of rent, 62% of board, or home ownership with related costs
B _{ACCOMMODATION SUPPLEMENT}	Accommodation Supplement	Weekly Accommodation Supplement

$$Y = B_{\text{NETT RATE}} + I_{\text{NETT}} + B_{\text{SPECIAL}} + I_{\text{IMPUTED}} + B_{\text{FAMILY TAX CREDIT}}$$

Where the components of the formula are:

Variable	Name	Definition
Y	Total income	Total weekly income
B _{NETT RATE}	Nett benefit rate	Nett parent benefit weekly rate amount entitlement (less abatement)
I _{NETT}	Nett earned income	Nett weekly earned income of both primary earner and partner
B _{SPECIAL}	Special Benefit	Weekly special benefit or Temporary Additional Support
I _{IMPUTED}	Imputed income	Weekly income imputed from the cash assets of both the primary earner and partner
B _{FAMILY TAX CREDIT}	Family tax credit (estimated)	This is the estimated amount of weekly family tax credit (by entitlement). It does not include any other WFF Tax Credits available via IRD and is based on predefined IRD tables (for non-beneficiaries and beneficiaries receiving family tax credit from IRD). Also, it assumes full custody of the children.

There are various ways of calculating OTI ratios to measure housing affordability. The method above has been used in previous WFF evaluation reports and is used here for consistency.

Appendix 3: Key terms

Beneficiary Family

Information on receipt of a benefit is sourced from either MSD or IRD data. MSD defines a beneficiary as a person or family in receipt of a main benefit (Unemployment, Domestic Purposes, Widow's, Emergency Maintenance Allowance, Independent Youth, Orphan's and Unsupported Child, Sickness or Invalid's). When used in relation to a period of time, such as a month or tax year, beneficiary does not necessarily indicate current benefit receipt or imply continuous benefit receipt.

IRD information is sourced from the Data Warehouse. IRD uses the Employer Monthly Schedule (EMS) filed by MSD for beneficiary payments to identify those in receipt of any main benefit in that month and to provide the value of the payments received. The EMS does not indicate whether the recipient was paid for the entire month or only part of it; payments may be for an entitlement in previous months. MSD information is sourced from the IAP and is entitlement as at a particular date: the official month end, which is often the last Friday of the month. A daily entitlement rate is available rather than the value of payments made. While there is a high correlation between the two information sources there are some differences, notably when benefit receipt has stopped or started during the period of interest.

Family tax credit paid by MSD also appears on the EMS schedule and the above discussion on timing issues for main benefit also applies.

Beneficiary status from survey data is self-reported.

Non-Beneficiary Family

Non-beneficiary families are those who do not receive any income from a main benefit.

Family

The term "family" is used for one or two parents and their children. Singles or couples without children may be eligible for Accommodation Supplement and are part of the WFF groups. They are not referred to as families, rather as singles or couples.

Recipient

Person within the family who receives the payment. Families can have more than one recipient if different family members receive payments for different components.

Ring-fencing

Ring-fencing is a WFF strategy that protects WFF Tax Credits payments made to beneficiaries when they then move into work with an income that would abate their entitlement. The aim is to protect beneficiaries against periods of high earnings. Ring-fencing only applies to clients with benefit income. It is applied to the periods on benefit where the monthly income from all sources is below a certain threshold.

WFF Receipt

Administrative data is the prime source of information on receipt of any WFF components. Any payment is sufficient to classify the family as a recipient.