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Example Families and Budgets

INVESTIGATING THE ADEQUACY OF INCOMES

BACKGROUND PAPER

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Executive summary

Example families and budgets provide an important perspective on the adequacy of incomes. They provide a tangible and relatable assessment of the difference between people's incomes and their expenses at the level of an individual family. They are an important complement to survey-based, population-level information, including rates of low-income poverty and material hardship.

This analysis is broadly based on previous research that used example families and budgets in New Zealand (which were based on similar overseas research), including the Poverty Measurement Project¹ and the Living Wage^{2,3} though there are some differences. We are greatly indebted to this previous research.

Example families

This analysis explores the adequacy of the income support system by considering the circumstances of six example families with adults of working age and on low incomes:

- three are single people without children
- three are families with children (two sole parents, one couple).

It compares their incomes, in a variety of circumstances, to their estimated costs and identifies any deficits or surpluses, that is, a deficit if their income is not sufficient to meet these costs and a surplus if their income is more than sufficient.

Variations include families receiving a benefit and those working⁴ on a low wage (part-time and full-time), those in public housing and those renting in private housing.

Budgets

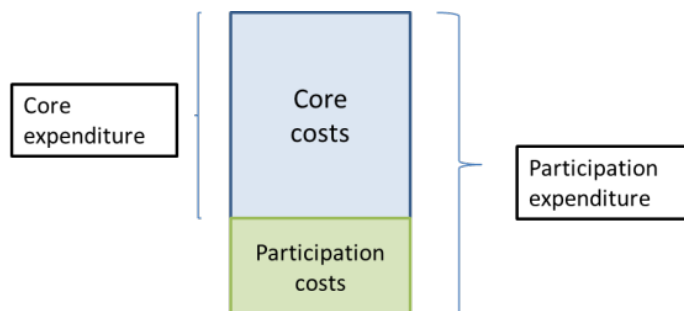
Costs are calculated for two levels of expenditure: a level sufficient to cover 'core' (or basic) costs (for example, rent, food, power, clothes, medical costs, transport, school costs, etc) and a level to cover both core and 'participation' costs (for example, including a small personal allowance, low-cost activities, cheap presents for family, etc), see Figure 1 to follow. These costs reflect modest needs and a relatively minimal interpretation of participation and include no spending on alcohol or tobacco and no debt repayments.

Overall, we are confident that the overall amount is broadly consistent with a level of 'minimal participation', but we would be unlikely to object to small reallocations between the core and participation categories or modest changes in either direction.

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- 1 Stephens, R., C. Waldegrave & P. Frater (1995) "Measuring Poverty in New Zealand", *Social Policy Journal of New Zealand: Te Puna Whakaaro* and Waldegrave, C., S. Stuart & R. Stephens (1996) "Participation in Poverty Research: Drawing on the knowledge of low income householders to establish an appropriate measure for monitoring social policy impacts", *Social Policy Journal of New Zealand: Te Puna Whakaaro*.
 - 2 Waldegrave, C., P. King & M. Urbanova (2018) *Report of the Measurement Review for a New Zealand Living Wage*, Family Centre Social Policy Research Unit.
 - 3 Advice to the Government on the Child Material Hardship Package in Budget 2015 came to similar conclusions regarding the insufficiency of incomes for families with children to meet basic costs while receiving benefits or in low-paid employment, with a slightly different approach. For more information, see 17 Oct 2014 Report at: <https://treasury.govt.nz/sites/default/files/2017-11/b15-3184221.pdf>
 - 4 For brevity, in this paper, 'work' exclusively refers to paid employment.

The estimated costs were tested with a group of experienced budget advisors in Auckland. There was general agreement that the participation budget was broadly consistent with a minimum standard of living that would not require debt to meet modest needs. However, the advisors noted that avoiding debt would still require prudent financial management and the budgets were 'tight'.

Figure 1: Core and participation expenditure



The example families' incomes (in a variety of circumstances) were then compared with both core and participation levels of expenditure to show the difference between them.

Limitations

It is important to note that this type of analysis is subject to limitations. Example families and budgets can, by their nature, only cover a limited set of circumstances. The results will reflect the specific assumptions chosen for the example families, and a limited number of variations to these assumptions can be considered. This analysis fundamentally rests on the reasonableness of the assumptions chosen, and on the sensitivity analysis of these assumptions.

The families chosen are broadly representative and simplified. This analysis is intended to inform broad judgements about the adequacy of incomes for families receiving benefits and in low-wage work. They cannot represent the true complexity of families' lives and circumstances, but hopefully they will provide a base from which broad judgements can be made, and from which further complexity can be explored.

Key assumptions include:

- the families are based in Manurewa (South Auckland) – though other locations are considered later in the paper
- full receipt of all entitlements for which each family is eligible
- no cash assets (savings)
- no debt (though debt is explored in a variation described in Appendix 2)
- for those in work: an hourly wage of \$18 with part-time work defined as 20 hours a week and full-time work defined at 40 hours a week.

Further variations in costs and locations (housing costs) are explored in later sections of this paper. While these results are likely to be broadly indicative, further work would be required to establish whether these reflect an acceptable minimum standard of living in New Zealand, including testing these budgets with a variety of New Zealanders.

Further work on estimating the costs of health conditions and disabilities should also be a priority, as there was insufficient time to examine these in the detail necessary for this analysis.

Clear inadequacy of current incomes

This analysis demonstrates the inadequacy of current incomes for families receiving benefits and in low-wage work compared with both core and participation expenditure.

This strongly suggests that the current system is not consistent with the Government's vision in the Welfare Expert Advisory Group's terms of reference⁵ "for a welfare system that ensures that people have an adequate income and standard of living, are treated with and can live in dignity and are able to participate meaningfully in their communities".

Single people without children

There are substantial deficits between current incomes and **core and participation** levels of expenditure across all the example single people without children, with the exception of the person who is working full-time.

- For those **not working** and those **working part-time**, deficits between current income and **participation** expenditure levels range from \$92 to \$174 a week.
 - Deficits between current income and **core** expenditure levels range from \$54 to \$136 a week.
- The largest deficits are for people receiving **Jobseeker Support**, with smaller deficits for those receiving **Supported Living Payment**⁶, in **public housing** or **sharing accommodation**.

Families with children

There are deficits between current incomes and **participation** levels of expenditure across all example families with children, including those working full-time on low wages.

Compared with **core** expenditure levels, the only families to be in surplus on current incomes are the sole parent with one child **working part-time or full-time** and the sole parent with three children **working full-time**.

For all the scenarios where these families are **receiving a benefit**, deficits between current incomes and **participation** expenditure levels range from \$66 to \$356 a week, and compared with **core** expenditure they range from \$6 to \$230 a week.

- The largest deficits are for the couple with children **receiving Jobseeker Support** (and they remain substantially in deficit even when they are **working** 60 hours a week, comparing their income to **participation** levels of expenditure).
- Sole parents face slightly smaller (but still substantial) deficits, with the sole parent with three children facing a particularly large deficit compared with **participation** expenditure levels when they are **receiving a benefit** and in **private housing**.
- Deficits are substantially reduced if **accommodation is shared** or the family is in **public housing**.
- Deficits remain for many of the scenarios where the example families are **working**.

Illustrative situations

It is also worth noting that the deficits and surpluses shown are illustrative. In reality, some people will have savings they can draw on, and some will not have housing costs as they are living with family or friends. Conversely, some people will already be substantially in debt. People

5 https://www.beehive.govt.nz/sites/default/files/2018-05/WEAG%20Terms%20of%20Reference_0.pdf

6 The results relating to the Supported Living Payment (and Jobseeker – Health Condition or Disability) are likely to be underestimates as there was insufficient time to fully investigate costs relating to health and disability.

will also respond to these financial pressures in different ways, including by going into debt, avoiding or reducing costs (such as by not going to the dentist), restricting food, not heating their home, not buying clothes or insurance, not running a car and not participating in activities.

Other key findings

Other key findings in this analysis include:

- the significant contribution of public housing (or sharing accommodation) to improving adequacy
- the relatively poor financial incentives for single people to work part-time, for sole parents to move from part-time to full-time work and for secondary earners in couples to work
- the financial disincentives to partner⁷ in the current system for sole parents, with the largest deficits faced by couples with children.

While these shortfalls in income have existed for many years, this research also provides relevant context for recent trends in the welfare system such as increasing demand for hardship assistance and pressure on the public housing wait list.

Comparisons with median incomes

The example families' incomes are then compared with the median household income in New Zealand (incomes are equivalised so that comparisons can be made across different households), including both before and after housing costs. The incomes needed to meet both core and participation expenditure levels are also compared with the median household income in New Zealand. The purpose of these comparisons is to compare the example family income and expenditures with poverty thresholds that are also expressed as proportions of median incomes.

This analysis suggests that caution should be taken when comparing incomes before housing costs (BHC) as there are significant differences between BHC incomes driven by differences in housing assistance (Accommodation Supplement and Temporary Additional Support) associated with different housing costs. The example families' current BHC incomes, based on those in Manurewa, are close to or above common low-income poverty thresholds (for example, 50% and 60% of the median), reflecting the relatively high levels of housing assistance associated with the high housing costs in South Auckland.

However, when comparing after housing costs (AHC) incomes, the incomes of families receiving benefits are substantially lower and **all the incomes of the example families receiving benefits and in private housing are below 40% of the AHC median income**. There is also a smaller amount of variation when comparing AHC incomes in different locations, again due to the Accommodation Supplement and Temporary Additional Support varying significantly with housing costs and smoothing out these differences.

This analysis suggests that the incomes needed to meet core and participation expenditures are at or below current poverty measures.

- To meet **core** expenditure levels for those **receiving a benefit**, single people and families with children in **private housing** need to be around 45% of the AHC median income.
- To meet **participation** expenditure levels for those **receiving a benefit**, single people in **private housing** need to be around 50% of the AHC median income, and families with children in **private housing** need to be around 55% of the AHC median income.

7 Partner in this context means to enter a relationship 'in the nature of marriage'. In practical terms, this can be determined to be 6 weeks after moving in together.

The distance from the median varies across family and benefit types. For those receiving benefits and in private housing, their current incomes are generally significantly below current poverty measures.

- Single people without children **receiving Jobseeker Support** are at 22% of the AHC median income.
- Single people without children **receiving the Supported Living Payment** are at 28% of the AHC median income.
- Couples with children **receiving Jobseeker Support** are at 29% of the AHC median income.
- **Sole parents** are at around 38% of the AHC median income.

These findings relating to comparisons of the median income with levels of income to meet core (or basic) expenditure are broadly consistent with survey-based information on rates of poverty and material hardship. More severe material hardship experiences are reported by households with incomes in the range of the example families used in this analysis (that is, below 40% and 50% of median household income, after deducting housing costs).

Variations to location and housing costs

The impacts on the deficits and surpluses in income, and comparison to the median income, are shown across three different locations where housing costs (and therefore, housing assistance payments) are varied. The results are broadly similar across different locations.

However, there is some variation, summarised below.

- There is some variation in income deficits and surpluses by changing housing costs, with the least variation for families **receiving a benefit**.
- For those who are **working**, there is more variation:
 - Being in a lower-cost housing area improves adequacy slightly.
 - Being in a higher-cost housing area, particularly one that is relatively less generously subsidised within its Accommodation Supplement Area, worsens inadequacy because of the reduction in Accommodation Supplement (combined with the loss of Temporary Additional Support) when the person is working.
 - This suggests that financial incentives to work vary somewhat across locations depending on the interaction of housing costs and housing assistance, with lower housing cost areas having slightly stronger incentives to work and higher housing cost areas have slightly poorer financial incentives to work (particularly if these higher housing costs are not fully covered by the Accommodation Supplement and Temporary Additional Support is needed).

Conclusions and further work

This analysis suggests that the current welfare system provides a minimal safety net well below basic adequacy levels for people receiving benefits and those in low-paid work. The extensive targeting of income support also means that financial incentives to work are relatively poor for entering low-wage part-time work for many people and for secondary earners in families with children. The results raise fundamental questions about the balance in the current New Zealand welfare system between the adequacy of incomes, work incentives and fiscal costs.

Fundamentally, the magnitude of inadequacy suggests that substantial increases to income support would be needed for people to have incomes sufficient for meaningful participation in their communities. These increases would also need to include people working on low wages to ensure that their incomes were adequate and to preserve financial incentives to work (that is, maintain a reasonable gap between income on a benefit and income from work).

To both increase adequacy and preserve (or improve) financial incentives to work will require significant investment in the welfare system (the inescapable iron triangle). This investment should be considered in the context of the unenviable choices that the families currently facing these inadequacies must make (choosing between skimping on food, avoiding or delaying visits to the doctor, not heating their homes or limiting opportunities for their children to participate in activities). Living in poverty has a detrimental impact on the longer-term wellbeing of these families, especially for children. These poorer wellbeing outcomes are associated with higher fiscal costs in sectors such as justice and health, lower revenue to government and broader impacts such as lower social cohesion.

This analysis also supports the importance of the take-up of financial assistance (and full and correct entitlement) in reducing inadequacy. If people are not taking up the assistance they are eligible for, their incomes will be even lower than those shown in this analysis. Another paper for the Welfare Expert Advisory Group explores the issue of the take-up of income support in more detail.⁸

It is also worth noting, given the likely substantial deficits in income for many people, that this analysis highlights the importance of free or low-cost services to ensure access for low-income people (for example, free GP visits for under-13 year olds, free community activities for children and adults) and the likely high rates of inaccessibility of services that are currently relatively high cost (for example, psychological services, dental services).

This analysis with example families was carried out within the time and resources available. Further work should be done to establish a minimum income standard and illuminate the trade-offs associated with any changes. This would include expanding this work on example families and budgets to cover a wider range of circumstances and testing these budgets with focus groups across New Zealand, especially as regards to what New Zealanders consider to be a minimum acceptable income standard.

8 WEAG (2019). *The Take-up of Income Support: Analysis and options*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington, NZ.

Example families and scenarios

Six example families

Six example families are used in this analysis. These families are assumed to live in Manurewa in South Auckland, though scenarios of alternative locations are also provided. All families have working-age adults.

Three are single people without children:

1. One receives the **Supported Living Payment (SLP)**. They have a permanent and/or severe health condition or disability that means that they are unlikely to be able to work regularly in the long term.
2. One receives **Jobseeker Support – Health Condition or Disability (JS–HCD)**. They have a more temporary and/or less severe health condition or disability that limits their ability to work in the short term.
3. One receives **Jobseeker Support – Work Ready (JS–WR)**. They are unemployed and searching for work.

Three are families with children:

4. One sole parent with one child (2 years old) receives **Sole Parent Support (SPS)**.
5. One sole parent with three children (aged 2, 5 and 8 years old) receives **Sole Parent Support (SPS)**.
6. One couple with two children (aged 10 and 15 years old) receives **Jobseeker Support – Work Ready (JS–WR)**.

The example families were chosen using Ministry of Social Development (MSD) administrative data. The family types chosen (excluding the specific ages of the children) represent six of the most common family types accessing a main benefit, making up around 75% of the benefit population.

The ages of the children used also reflect the age of the children in the benefit population for the example families. More than half of the families have a pre-schooler in their care. While it is relatively less common for beneficiary families to have a secondary school-aged child included in their benefit, the couple with children family includes a secondary school-aged child to ensure the costs of one of the families reflect the higher costs of a teenager.

These families are broadly representative and simplified. They are intended to inform broad judgements about the adequacy of incomes for families receiving benefits and in low-wage work. They will not be able to represent the true complexity of families' lives and circumstances, but hopefully, they will provide a base from which broad judgements can be made and further complexity can be explored – for example, extending the work to look at health and disability costs or different types of families and more locations.

Housing and work scenarios

Housing

The assumptions for each family for housing vary between public housing,⁹ living in a private rental (paying the lower-quartile rent for that location and house/flat size), sharing a private rental with another family unit (paying the lower-quartile rent) and a higher-cost rental (paying median rent)¹⁰. These largely reflect common housing options available for lower-income families. They also demonstrate how varying housing types and costs can affect the budgets of low-income families.

Work

For each family, scenarios also show how the weekly incomes and costs differ when the family is on benefit or moves into part-time (20 hours per week) or full-time (40 hours per week) work. The employment earnings assume \$18 per hour, which is just above the current minimum wage. Assumptions about costs associated with work are included, particularly the additional transport costs and slightly more spending on food (to reflect the use of some pre-prepared food as a result of less time for food preparation). Tables 1, 2 and 3 show the main work and housing scenarios of the six families.

Table 1: Example single people without children, including work and housing scenarios

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)

Table 2: Example sole parents, including work and housing scenarios

Example family	4. Sole parent, 1 child (age 2)				5. Sole parent, 3 children (ages 2, 5, 8)			
Housing – renting	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs

9 Public housing means that the family pays an Income-Related Rent (as the housing provider receives an Income-Related Rent Subsidy).

10 Renting in the private housing market means the family receives Accommodation Supplement.

Table 3: Example couples with children, including work and housing scenarios

Example family	6. Couple, 2 children (ages 10, 15)			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)

Incomes

Based on the assumptions for housing and work, the families’ weekly incomes have been calculated using MSD’s effective marginal tax rate (EMTR) model. This calculates their after-tax (net) weekly income, including:

- wages
- main benefit payments
- Working for Families tax credits (including the Family Tax Credit (FTC), In-Work Tax Credit (IWTC), Minimum Family Tax Credit (MFTC) and Best Start Tax Credit (BSTC))
- Independent Earner Tax Credit (IETC)
- Accommodation Supplement (AS) or Income-Related Rent Subsidy (IRRS)
- Winter Energy Payment (WEP) (averaged over the year)
- Temporary Additional Support (TAS).

The impact of Childcare Assistance (CCA) on childcare costs is also shown.

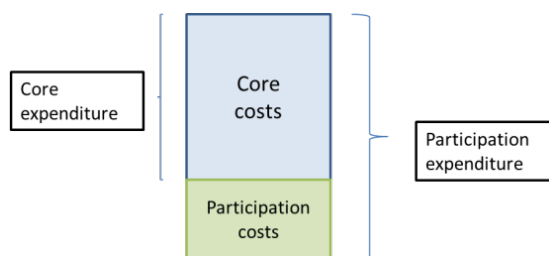
These payments are from mid-2018. This means that they reflect the impacts of the Families Package (which largely came into force on 1 July 2018). However, the two example families with 2-year-olds do not receive the Best Start Tax Credit as they are not eligible (Best Start is available to children born on or after 1 July 2018).

The modelling assumes full take-up of entitlements that the family is eligible for; that there are no stand-downs or deductions from benefits for the week that is shown; and that they have no significant cash assets (savings). The components of the example families’ incomes are described in detail in Appendix 1.

Budgets

The budgets of costs are an attempt to define the basic costs required for low-income families (called 'core' expenditure) and the additional costs required for people to be able to participate meaningfully in their communities (called 'participation' expenditure, including both core and participation costs, as shown in Figure 2 to follow).

Figure 2: Core and participation expenditure



These budgets are trying to capture the idea of an “acceptable minimum standard of living”. Implicit in this is the assumption that people should not need to borrow money to meet this minimum level.

These budgets have been constructed using similar methods to previous work by the Poverty Measurement Project and the Living Wage (though there are some differences). This analysis is broadly consistent with this previous work. Overall, we are confident that the overall amount is broadly consistent with a level of minimal participation, but we would be unlikely to object to some reallocations between core and participation categories or modest changes in either direction.

Key assumptions

The family is assumed to have no debt, to be consistent with the purpose of this work to identify an acceptable minimum standard of living that does not require debt to meet modest needs. We recognise that many low-income families do have debt, and this reality is explored in the additional scenarios (in Appendix 2). The family is also assumed to not spend anything on alcohol or cigarettes (outside the personal allowances in the participation expenditure) and to have all the main furniture and appliances they need (though the assumptions do include amounts for repair and maintenance and a small amount to save for the purchase of any replacements or additions).

Variations in locations of the families (and their rental costs and impacts on housing assistance) are explored further in a later section of this analysis.

Feedback from budget advisors

The budgets have also been tested with a group of experienced budget advisors in Auckland. There was general agreement that the budgets were consistent with a minimum standard of living that would not require debt to meet modest needs. However, the advisors noted that avoiding debt would still require prudent financial management and the budgets were “tight”.

Other key feedback from the advisors focused on highlighting the limitations associated with this analysis. This included noting that many costs can vary based on location, for example, power can be more expensive in smaller locations, petrol and transport costs can vary significantly, and people with poor credit can struggle to access the cheapest deals for power

and broadband. Other caveats included the implicit assumption that hours of work and income remain constant and there was no reflection of any unpaid sick leave (particularly common for families with children) or stand-downs creating 'gaps' in income.

The advisors also noted key differences between desirable spending (used in some of the assumptions) and the actual spending of low-income people – these mostly related to the reality of significant levels of debt for many families; significant costs associated with health conditions and disabilities; inability of their current incomes to cover dentistry, insurance, haircuts or clothing; and occasionally buying more expensive pre-prepared food such as takeaways instead of cooking at home.

Core expenditure

Core expenditure includes:

- rent
- electricity/gas/water
- food
- phone and broadband
- clothes/shoes
- medical costs
- dental costs
- transport costs
- bank fees
- insurance (contents, car)
- personal care
- household contents and services
- school costs
- childcare costs

The budgets for costs have been estimated based on two main methods:

- using data on actual costs and/or spending by low-income households currently
- expert judgement of desirable spending to ensure an acceptable minimum standard of living.

All these costs are assumed to be modest. For example, food spending is based on the most basic basket that would provide adequate nutrition, and phone and broadband costs are based on the cheapest available plans with the least data and minutes.

Rents are based on the actual rents in South Auckland, and the example families are assumed to pay rent in the lower-quartile (25th percentile) of the private rental housing market. Several other assumptions are based on a proportion (50% or 60%) of average household spending in New Zealand, for example, personal care (that is, haircuts).

This contrasts with the assumptions for dental costs, which assume that people should be able to attend the dentist once a year, and the visit should include a dental check and one or two basic procedures (for example, an X-ray, a filling), with the costs of each procedure based on a survey of actual costs of dentists.

While many costs will vary for different families, the most significant cost that is likely to vary (and have a material impact on a deficit or surplus in income) is transport. The transport costs assumptions used for our example families are described in detail in Appendix 1. We assume that our families (including the single people) own a car (with no re-payments, that is, they own it outright) and that they drive a reasonable distance each week even when they are not working (this could be travel for job interviews or to the supermarket, doctor, etc). The weekly costs associated with the car include maintenance costs, such as repairs, tyres, warrants of fitness and registration, and savings for a new (cheap and second-hand) car.

People who can access public transport are likely to be better off than people who need to drive significant distances. While there are likely to be significant differences in transport costs between families, our judgement is that making reasonable alternative assumptions about transport costs for the example families is unlikely to materially change the high-level findings in this analysis.

Another key limitation of the costs is for those with health conditions or disabilities. We have assumed that medical costs for our example families receiving health and disability-related benefits are triple those for other people. Given the complexity of the funding for health and disability costs across the welfare and health systems, there has been insufficient time to explore scenarios of higher health and disability costs. This would be a good area for further work. For this reason, the estimates of deficits in income for people with health conditions and disabilities should be treated with caution as they may underestimate the true costs that these people face.

It is important to note that these costs will be different for every person and family, and the amounts assumed are intended to be broadly indicative of costs in mid-2018. The full list of assumptions can be found in Appendix 1.

Participation expenditure

Determining additional participation expenditure is more difficult and subjective; and a brief summary of the assumptions made is provided below. The assumptions have attempted to estimate relatively modest costs for participation. Participation expenditure includes the core expenditure items listed above and adds:

- sports/fitness costs (for adults and children), based on playing one term of football for school-aged children at around \$100 a term), one term of athletics for pre-schoolers (at around \$50 a term) and a cheap gym membership for adults for the year (at \$7 a week)
- activities or cultural events for adults, based on doing a low-cost (\$5) activity (for example, community-centre class), attending a cultural event or contributing to shared food twice a month for each adult
- other activities for children, based on doing a low-cost (\$5 or \$10) activity (for example, visits to council pools or a recreation centre) twice a month per child
- presents for immediate family and a few friends, based on \$10 per present, twice a year for immediate family and once a year for three friends
- transport costs for two holidays to visit family or friends, based on a return Auckland to Wellington journey by bus twice a year with no accommodation costs (staying with family or friends) and additional spending of \$20 per family per day
- a small contingency for unexpected expenditure, assumed to save \$5 per week per adult and \$2 per week per child
- a small personal allowance, of \$10 per week per adult and teenager and \$5 per week per child under the age of 13 years.

Costs for activities include additional transport costs. Where appropriate (for example, childcare costs, transport, sporting activities), costs have been based on actual costs sourced in South Auckland. Appendix 1 includes detail on the assumptions for costs.

Again, it is important to note that these costs will be different for every person and family. For example, some people may not play sport or attend the gym but may use this money for other participatory activities, such as a coffee or beer with friends or on pets. Child costs could involve less spending on activities and more on toys or books.

Limitations

This type of analysis is subject to limitations. Example families and budgets can only cover a limited set of circumstances. The results reflect the specific assumptions chosen for the example families, and a limited number of variations to these assumptions can be considered. This analysis fundamentally rests on the reasonableness of the assumptions chosen and on the sensitivity analysis of these assumptions.

Comparison of incomes with costs

The comparison of the example families' current incomes with both core and participation expenditure levels is shown in the tables to follow. **All families show significant deficits in income when they are receiving a benefit, and most also show deficits when working on low wages.** It is important to note that these results reflect the specific circumstances of the example families chosen. Further variations in costs and locations (housing costs) are explored in a later section of this analysis.

It is also worth noting that these deficits and surpluses shown are illustrative. While some families will respond to these financial pressures by going into debt, others will manage by avoiding or reducing costs, such as not going to the dentist, restricting food, not heating their home, not buying clothes or insurance, not running a car and not participating in activities.

Single people without children

Table 4: Deficits and surpluses of current weekly income compared with core and participation expenditure for single people without children (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		Private (sharing)
	Public	Private	Private	20hrs	Private	40hrs	
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)		Benefit (JS-WR)		Benefit (JS-WR)
Income	501	461	423	502	423	695	313
Core expenditure	554	559	559	604	550	615	407
Participation expenditure	593	598	598	643	588	653	445
Deficit/surplus with participation expenditure	-92	-137	-174	-140	-164	42	-132
Deficit/surplus with core expenditure	-54	-98	-136	-102	-126	80	-94

There are deficits between current income and core and participation expenditure across all example single people without children, with the exception of the person working full-time.

For the single people without children who are receiving benefits, deficits compared with **participation** expenditure range from \$92 to \$174 a week, and compared with **core** expenditure, they range from \$54 to \$136 a week.

Comparing current incomes with **participation** expenditure levels:

- The largest deficits are shown for the people receiving **Jobseeker Support** (both JS-WR and JS-HCD) – weekly deficits of \$164 and \$174 respectively.
- Deficits are slightly smaller for the person on the **Supported Living Payment** (which is paid at a higher rate to Jobseeker Support), though they are still large – \$137 a week.¹¹

¹¹ Note the earlier caveat that there was insufficient time for full consideration of the costs associated with health conditions and disabilities.

- Deficits are also slightly smaller for the person on **Jobseeker Support** where they are **sharing accommodation** with others – \$132 a week.
- Deficits are substantially reduced for the person on the **Supported Living Payment** and in **public housing**, but again are still substantial – \$92 a week.
- Even those who **work part-time** (and are still receiving a partial **Jobseeker Support** payment) show substantial deficits in income – \$140 a week.

Comparing current incomes with **core** expenditure levels:

- Deficits are smaller but remain significant – ranging from \$94 to \$136 a week for those receiving a **benefit** or **working part-time** and in **private housing** and reduced to \$54 a week for the person on the **Supported Living Payment** in **public housing**.

The only example where a person has a surplus of income, compared with both core and participation expenditure, is the person **working full-time** – at \$80 and \$42 a week respectively.

Financial incentives to work

This analysis shows that single people without children can face little incentive to work part-time on low wages as they gain only \$34 a week¹² when they move from not working to working 20 hours a week, after taking into account reductions in assistance and the additional costs associated with working. On the income side, this is driven by the steep abatement of main benefits (70%) from a relatively low threshold (above \$80 a week) and also the loss of Temporary Additional Support (a hardship payment with an effective abatement rate of 100% above a low income threshold). On the expenditure side, the main factor is the significant increase in transport costs when working.

However, they face relatively strong financial incentives to work full-time on low wages as they gain \$182 a week moving from 20 hours to 40 hours of work (and gain \$206 a week compared with not working).

12 This is based on the person receiving Jobseeker Support – Health Condition or Disability.

Families with children

Table 5: Deficits and surpluses of weekly income compared with core and participation expenditure for sole parents (dollars per week)

Example family	4. Sole parent, 1 child			5. Sole parent, 3 children				
Housing – renting	Private			Private (sharing)	Public		Private	
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Income	690	879	943	558	1002	894	1117	1182
Core expenditure	741	790	820	564	1025	1035	1090	1149
Participation expenditure	802	851	880	624	1139	1149	1204	1262
Deficit/surplus with participation expenditure	-112	-43	-3	-66	-137	-255	-171	-113
Deficit/surplus with core expenditure	-51	18	58	-6	-23	-141	-57	1

Note: Participation expenditure does not include childcare costs, but the deficits and surpluses do include them.

Table 6: Deficits and surpluses of weekly income compared with core and participation expenditure for couples with children (dollars per week)

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Income	870	1100	1256	930
Core expenditure	1100	1154	1267	1160
Participation expenditure	1225	1280	1393	1285
Deficit/surplus with participation expenditure	-356	-180	-137	-356
Deficit/surplus with core expenditure	-230	-54	-12	-230

Note: Participation expenditure does not include childcare costs, but the deficits and surpluses do include them.

There are deficits across all example families with children between current incomes and **participation** expenditure levels.

Compared with **core** expenditure, the only families to be in surplus are the sole parent with one child who is **working part-time or full-time** and the sole parent with three children who is **working full-time**. For all the scenarios where they are **receiving a benefit**, deficits compared with **participation** expenditure range from \$66 to \$356 a week, and compared with **core** expenditure, they range from \$6 to \$230 a week.

Comparing current incomes with **participation** expenditure:

- The largest deficits are for the couple, with children, who are receiving **Jobseeker Support** – \$356 a week.
- Deficits are slightly smaller for the sole parent example families, particularly for the sole parent with one child, though the deficits are still substantial – when the families are **receiving a benefit**, in **private housing** and not sharing accommodation, the deficits range from \$112 to \$255 a week.
- Deficits are reduced if **accommodation is shared**, with a deficit of \$66 a week for the sole parent with one child.
- Deficits are also reduced if the family is in **public housing**. This reduces the deficit in income for the sole parent with three children by \$118 a week, though a deficit of \$137 a week remains.
- Deficits remain for many of the scenarios where the example families are **working**:
 - For the couple with children, there is a deficit of \$180 a week with one **full-time worker**, a deficit of \$137 a week with **one full-time and one part-time worker**.
 - For the sole parent with three children, there is a deficit of \$171 a week when **working part-time** and \$113 a week when **working full-time**.

Comparing current incomes with **core** expenditure:

- Deficits are smaller but remain significant – for those **receiving a benefit** and in **private housing** (and not sharing accommodation), the deficits range from \$51 to \$230 a week, and for those in **public housing** or **sharing accommodation**, the deficits range from \$6 to \$23 a week.

The only families with a surplus of income are the sole parent with one child who is working part-time or full-time (with surpluses of \$18 and \$58 a week respectively) and the sole parent with three children who is working full-time (with a surplus of \$19 a week).

Financial incentives to work

This analysis shows that secondary earners in couples can face little incentive to work part-time on low wages as they gain only \$43 a week when they move from not working to working 20 hours a week. This is driven by the high effective marginal tax rate paid by the couple with the combined impact of the abatement of Working for Families tax credits (25%) and the Accommodation Supplement (25%) along with the personal income tax rate.

Sole parents have some financial incentive to work part-time on low wages (gaining between \$69 and \$84 a week comparing benefit and 20 hours of work a week) but less incentive to move to full-time work on low wages (between \$40 and \$58 a week better off, comparing 20 hours and 40 hours of work a week). The poorer incentives to work full-time on low wages are largely driven by the effective abatement rate of 100% of the Minimum Family Tax Credit on the income side.

For all families with children, the small gains to working (or increasing working) on the expenditure side are primarily driven by increased transport costs. Childcare costs also contribute to reducing the returns from work for families with children. In our scenarios, the costs are highest when part-time childcare is needed (five short days), with smaller additional costs associated with moving from part-time to full-time childcare (five long days).¹³

Summary

This analysis clearly demonstrates the inadequacy of current incomes for families receiving benefits and in low-wage work compared with both core and participation expenditure.

- There are substantial deficits between current incomes and both **core and participation** levels of expenditure across all example single people without children, with the exception of the person **working full-time**.
- The largest deficits are for people receiving **Jobseeker Support**, with smaller deficits for those receiving **Supported Living Payment**, in **public housing** or **sharing accommodation**.
- There are deficits between current incomes and **participation** levels of expenditure across all example families with children, including those **working full-time** on low wages.
- Compared with **core** expenditure levels, the only families to be in surplus on current incomes are the sole parent with one child who is **working part-time or full-time** and the sole parent with three children who is **working full-time**.
- The largest deficits are for the couple with children, who are receiving **Jobseeker Support** (and they remain substantially in deficit even when they are **working** 60 hours a week, comparing their income with **participation** levels of expenditure).
 - The significant deficits for couples compared with sole parents also demonstrate the financial disincentives for partnering in the current system.
- Sole parents face slightly smaller (but still substantial) deficits, with the sole parent with three children facing a particularly large deficit compared with **participation** expenditure levels when they are **receiving a benefit** and in **private housing**.
- Deficits are substantially reduced if **accommodation is shared** or the family is in **public housing**.
- Deficits remain for many of the scenarios where the example families are **working**.
- Financial incentives to work (both part-time and full-time on low wages) are reasonably weak for many of the example families, although there is a reasonably strong incentive for single people without children to work full-time, compared with either not working or working for 20 hours a week.

While these shortfalls in income have existed for many years, this research also provides relevant context for recent trends in the welfare system, such as increasing demand for hardship assistance and pressure on the public housing wait list.

13 These assumptions are based on actual childcare centre costs in South Auckland in mid-2018. However, these assumptions may not hold for all childcare centres, that is, some childcare centres may have relatively cheaper part-time costs compared with full-time costs.

Poverty analysis and comparison to median incomes

This section compares the incomes of the example families with median household incomes in New Zealand. This includes comparison of incomes both before and after housing costs. To enable comparisons across different households, their incomes have been equivalised, that is, adjusted to reflect that larger households will require more income than smaller households to reach the same standard of living. This comparison is done for the families' current incomes and for their incomes if those incomes were sufficient to cover participation expenditure and core expenditure levels.

This analysis is intended to:

- illustrate where these example families are in the income distribution of New Zealand households
- consider where these families would be in the income distribution if they had incomes sufficient to cover participation expenditure and core expenditure
- compare these incomes to several low-income poverty thresholds, both before and after housing costs (abbreviated to BHC and AHC respectively, and often based on 50% or 60% of the median income).^{14, 15}

Method

The steps of the comparison process are outlined as follows:

- Each example family's income (for each variation of their circumstances) is equivalised to reflect their household size. This assumes that the family is in a single-family household, that is, they are not sharing accommodation, so results for the scenarios where accommodation is shared are not provided.
- The families' incomes are then expressed as a percentage of the median (both BHC and AHC). These medians are based on the median equivalised household income published in the latest household incomes report¹⁶ (the latest figures are for 2017, so a 2018 median has been created that assumes an increase of 4% from 2017, consistent with recent trends). The medians use the OECD modified equivalence scale.
- The analysis is then extended to show what proportion of the median equivalised household income would be required if the families had incomes sufficient to cover participation expenditure and core expenditure.

Detailed calculations are provided in Appendix 3.

14 These comparisons can be relative, that is, compared with the median income in the same year (as in this analysis), or they can be fixed (that is, based on a median in a previous year that has been indexed to inflation to show changes relative to the growth in prices).

15 These low-income poverty thresholds were chosen because the BHC 50% and 60% thresholds are commonly used in international comparisons, and while AHC analysis is less common internationally, the AHC 50% and 60% thresholds are used by the United Kingdom. Also, all of these measures appear in the 2018 Child Poverty Reduction Bill. The only low-income threshold from the Child Poverty Reduction Bill not to be included is the AHC 40% threshold; this has been omitted purely to keep the tables of a manageable size.

16 Perry, B. (2018) *Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2017*. Wellington, NZ: Ministry of Social Development.

It is important to note that this analysis compares the hypothetical incomes of the example families (imputed from calculations and assumptions such as full take-up of entitlements) with the actual median household incomes in New Zealand (sourced from Statistics New Zealand's (Stats NZ) Household Economic Survey). There are limitations to survey data, such as issues with the accuracy of self-reporting (that would be reflected in the survey data but not in the calculations) that mean that some caution must be taken when considering the accuracy of these estimates.

These estimates only apply to these families in their particular circumstances. The next section of this analysis considers variations in locations across New Zealand to provide some sensitivity analysis of the results with different housing costs.

The tables to follow compare the equivalised incomes of the example families (across the variations in housing and work) with equivalised median household incomes and expressed as a percentage of the median for both BHC and AHC incomes. This comparison is done for the example families' current incomes and for incomes that would be sufficient to cover participation expenditure and core expenditure.

Single people without children

Table 7: Comparison of equivalised household incomes with the median for single people without children

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public ¹⁷	Private			Private		Private (sharing) ¹⁸
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Current incomes							
% of BHC median	-	60	55	66	55	91	-
% of AHC income	35	28	22	35	22	67	-
Incomes for participation expenditure							
% of BHC median	78	78	78	84	77	86	-
% of AHC median	50	51	51	58	49	60	-
Incomes for core expenditure							
% of BHC median	73	73	73	79	72	81	-
% of AHC median	44	45	45	52	43	54	-

Notes: BHC = before housing costs, AHC = after housing costs.

Orange = not working and receiving a main benefit.

17 The BHC figure for the person in public housing is not shown as the Income-related Rent Subsidy does not count as income (as it is paid directly to the housing provider) so reduces rent rather than increases income, leading to BHC income that is not consistent with the other variations.

18 The figures are not calculated for the person sharing accommodation, as the measures are household-based and assume that people are in single-family households. No assumptions have been made about the other people in the shared accommodation, so household income cannot be calculated for the person sharing.

- The **current incomes** of the example single people **receiving a benefit** are sitting around 55–60% of the BHC median and:
 - at 22% of the AHC median for those receiving **Jobseeker Support**
 - at 28% of the AHC median for those receiving the **Supported Living Payment** and in **private housing**
 - at 35% of the AHC median for the person receiving the **Supported Living Payment** and in **public housing**.
- To meet **participation** expenditure, incomes of the single people **receiving a benefit** need to be just under 80% of the BHC median and around 50% of the AHC median.
- To meet **core** expenditure, incomes of the single people **receiving a benefit** need to be just under 75% of the BHC median and around 45% of the AHC median.
- For the scenarios where people are **working**:
 - all of the percentages of the median compared with current income are higher, reflecting their higher incomes in work
 - but the incomes needed to meet participation and core expenditure are also higher, reflecting the higher costs associated with working.

Families with children

Table 8: Comparison of equivalised household incomes with the median for sole parents

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing) ¹⁹	Public ²⁰	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Current incomes								
% of BHC median	70	89	95	-	-	62	77	81
% of AHC income	38	62	70	-	46	37	56	62
Incomes for participation expenditure								
% of BHC median	81	86	89	-	79	79	83	87
% of AHC income	52	59	62	-	58	59	64	69
Incomes for core expenditure								
% of BHC median	75	80	83	-	71	71	75	79
% of AHC income	45	51	55	-	48	49	54	59

Notes: BHC = before housing costs, AHC = after housing costs.

Orange = receiving a main benefit.

19 The figures are not calculated for the person sharing accommodation as the measures are household-based and assume people are in single-family households. No assumptions have been made about the other people in the shared accommodation, so household income cannot be calculated for the person sharing.

20 The BHC figure for the person in public housing is not shown as the Income-related Rent Subsidy does not count as income (it is paid directly to the housing provider) so reduces rent rather than increases income, leading to BHC income that is inconsistent with the other variations.

Table 9: Comparison of equivalised household incomes with the median for couples with children

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
	Current incomes			
% of BHC median	50	63	72	53
% of AHC income	29	45	57	29
	Incomes for participation expenditure			
% of BHC median	70	73	79	73
% of AHC income	54	58	66	54
	Incomes for core expenditure			
% of BHC median	63	66	72	66
% of AHC income	45	49	57	45

Notes: BHC = before housing costs, AHC = after housing costs.

Orange = receiving a main benefit.

- The **current incomes** of the example sole parents with children (receiving a benefit) are at between 62% and 70% of the BHC median and at:
 - around 37% of the AHC median for those in **private housing**
 - 46% of the AHC median for the one in **public housing**.
- The **current incomes** of the example couple with children are sitting at around 50% of the BHC median and at 29% of the AHC median.
- To meet **participation** expenditure, the incomes for the example families with children who are receiving a benefit would need to be between 70% and 81% of the BHC median and between 52% and 59% of the AHC median.
- To meet **core** expenditure, the incomes of the example families with children who are receiving a benefit would need to be between 63% and 75% of the BHC median and between 45% and 49% of the AHC median.
- For the scenarios where these families are **working**:
 - all the percentages of the median compared with current income are higher, reflecting their higher incomes in work
 - but the incomes needed to meet participation and core expenditure are also higher, reflecting the higher costs associated with working, and
 - the sole parent with one child who is **working part-time or full-time** is the only family with current incomes that are slightly above that needed to meet core and participation expenditure. This is because they are the only family to be showing a surplus.

Consistency with survey-based data and welfare system trends

The findings relating to comparisons of the median income with incomes required to meet core (or basic) expenditure are broadly consistent with findings reported by MSD based on information from Stats NZ's Household Economic Survey (HES). Figures 3, 4 and 5 to follow show the more severe material hardship experiences reported by households with incomes in the range of the example families from this analysis (that is, below 40% and 50% of median household income, after deducting housing costs).

Figure 3: Material hardship rates in different income slices

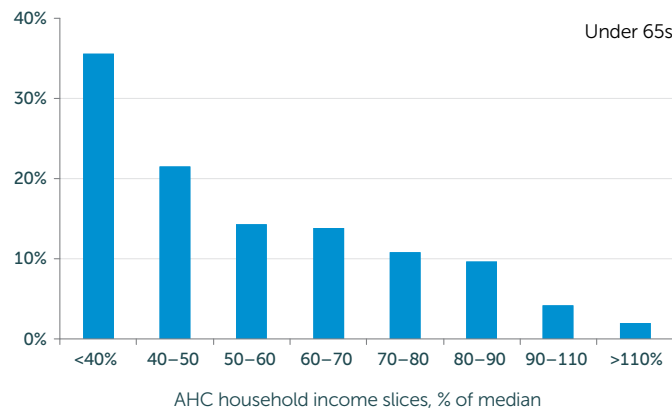


Figure 4: Went without fresh fruit and vegetables (a lot)

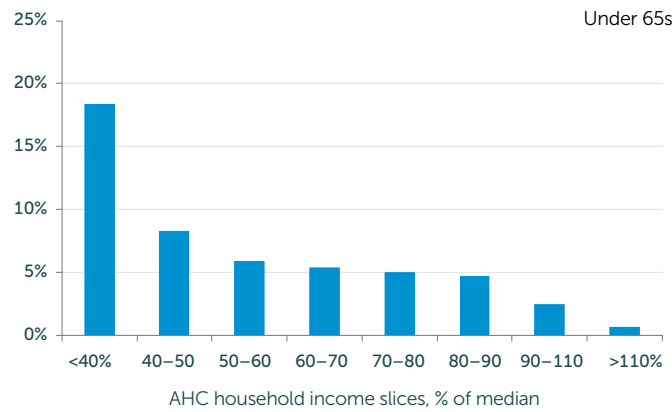
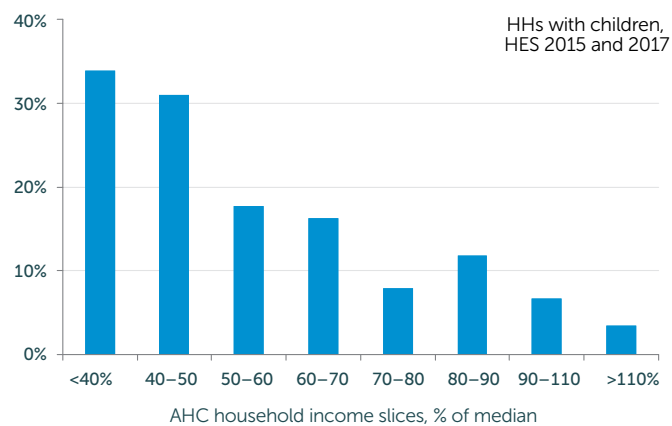


Figure 5: Borrowed for basics from family or friends (households with children)



Summary

The example families' BHC incomes, based on their current incomes, are close to or above common low-income poverty thresholds. However, when comparing AHC incomes, their incomes are substantially below these thresholds, and **all example families receiving benefits and in private housing are below 40% of the AHC median**. The lowest relative incomes are shown for single people without children and couples.

The relatively high BHC incomes are likely to be partly driven by the fact that the example families are based in South Auckland, which is a relatively high-cost housing area and in the highest payment area for the Accommodation Supplement. The next section of this analysis explores the impact of moving the example families to other (generally lower-cost housing) locations.

The particularly low relative AHC incomes for single people without children reflects the fact that they have not benefited as much from recent increases to welfare payments, which have been predominantly targeted at families with children. The relatively lower incomes for couples, particularly when they are receiving a benefit, partly reflects the fact that the couple rate of benefit is only 15% more than the sole parent rate of benefit, demonstrating the clear partnering disincentives in the current system.

To meet **core** expenditure for those **receiving a benefit**, single people and families with children in **private housing** need to have incomes that are around 45% of the AHC median.

To meet **participation** expenditure for those **receiving a benefit**, single people in **private housing** need to have incomes that are around 50% of the AHC median, and families with children in **private housing** would need to have incomes that are around 55% of the AHC median.

The findings relating to comparisons of the median income with incomes required to meet core (or basic) expenditure are broadly consistent with findings reported by MSD based on information from Stats NZ's Household Economic Survey. More severe material hardship experiences are reported by households with incomes in the range of the example families used in this analysis (that is, below 40% and 50% of median household income, after deducting housing costs).

Variations to location and housing costs

This section moves the example families to other locations in New Zealand to test the impact of housing costs and assistance on the deficits and surpluses in income and on the comparisons with median incomes. Time constraints have meant that only three variations have been modelled. Work could be completed to explore a wider range of locations to further test these findings. This analysis also only varies housing costs and assistance. We recognise that other costs, such as food, power and petrol, are likely to have regional variations. Again, there has been insufficient time to explore these in this analysis.

Tables 10 to 15 to follow show the impact on deficits and surpluses in income (compared with participation expenditure) and the comparisons with BHC and AHC median incomes for:

- Manurewa (current assumption)
- Porirua
- Gisborne
- Wellington City.

The rent assumptions and housing assistance amounts for each of the housing variations are in Appendix 4.

Housing assistance

The Accommodation Supplement and Temporary Additional Support provide financial assistance to people for housing costs and will provide more assistance for higher housing costs. Overall, the combined impact of the Accommodation Supplement and Temporary Additional Support tends to smooth out differences in people's after-housing-costs incomes (though not eliminate them entirely). This mostly applies to people receiving a main benefit as they are mostly likely to receive Temporary Additional Support.

Key features of the Accommodation Supplement

- A weekly payment to help people with their rent, board or costs of owning a home
- Income- and asset-tested, available to low- and middle-income earners (including people both receiving and not receiving benefits)
- Payment amounts depend on housing costs, family type and location
- New Zealand locations divided into four Accommodation Supplement Areas based on average rents, with each Area having different maximum Accommodation Supplement amounts, for example, Auckland, Tauranga and Queenstown are some of the locations in Area 1, the highest housing cost Area with the highest maximum payments
- The Accommodation Supplement is reduced at 25c per \$1 (25%) for people earning above the relevant abatement threshold.

Key features of Temporary Additional Support

- A weekly hardship payment that is paid as a last resort to help people with regular essential living costs that cannot be met from the person’s income or other resources
- Income- and asset-tested, available to people receiving a benefit and for non-beneficiaries on very low incomes
- Paid for a maximum of 13 weeks, though many recipients continue to apply for and receive it beyond this time as they still need to meet essential living costs
- The most common reason for needing Temporary Additional Support is high accommodation costs
- Temporary Additional Support payments are based on a deficiency in income; this means that any increase in income is automatically offset by a decrease in Temporary Additional Support, giving it an effective abatement rate of 100%.

However, it is important to note that the differences between locations are more complicated than just whether they are higher or lower cost compared with each other because of the design of the Accommodation Supplement. For example, Manurewa is relatively high cost, but it is also in the highest Accommodation Supplement Area (Area 1) and so is eligible for the highest rates of Accommodation Supplement. Within Area 1, Manurewa is relatively low cost, so rental costs are subsidised relatively generously there.

Conversely, Wellington City is in Accommodation Supplement Area 2 and so is eligible for lower Accommodation Supplement payments than Manurewa. Within Area 2, Wellington City is relatively high cost, so the Accommodation Supplement payments are relatively less generous compared with rents. Recent growth in rental costs in Wellington City also means that its costs are more comparable with costs for locations in Area 1 now (since the Accommodation Supplement was last updated, based on 2016 rents). This will mean that people in Wellington City may be eligible to receive more Temporary Additional Support to help to meet the difference.

Single people without children

Table 10: Deficits and surpluses of weekly income compared with participation expenditure for single people without children – housing variations (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Manurewa	-92	-137	-174	-140	-164	42	-132
Porirua	-92	-137	-174	-140	-164	42	-117
Gisborne	-92	-124	-169	-100	-159	90	-105
Wellington City	-92	-137	-174	-160	-164	22	-129

Table 10 above shows that:

- changes in housing costs and assistance result in little variation in income deficits and surpluses for the example families who are **receiving a benefit**
- for those who are **working**, there is more variation and:
 - being in a lower-cost housing area (Gisborne in Table 10 above) does improve adequacy slightly, but
 - being in a higher-cost housing area, particularly one that is relatively less generously subsidised within its Accommodation Supplement Area, does worsen inadequacy because of the reduction of the Accommodation Supplement (combined with the loss of Temporary Additional Support) when working
 - this suggests that financial incentives vary somewhat across locations depending on the interaction of housing costs and housing assistance, with lower-cost housing areas having slightly stronger incentives to work and higher-cost housing areas have slightly poorer financial incentives to work (particularly if these higher housing costs are not fully covered by the Accommodation Supplement and the person receives Temporary Additional Support)
 - this is likely to matter more where financial incentives to work are already relatively weak, that is, for single people without children considering part-time work on low wages
- the Income-Related Rent Subsidy (received by people in public housing) eliminates these differences (between deficits across locations) entirely for those who are not working and receiving a benefit.

Table 11: Comparison of equivalised household incomes with the median for single people without children – housing variations

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public ²¹	Private	Private		Private		Private (sharing) ²²
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
% of AHC median income							
Manurewa	35	28	22	35	22	67	-
Porirua	35	28	22	35	22	67	-
Gisborne	35	30	23	42	23	75	-
Wellington City	35	28	22	32	22	64	-
% of BHC median income							
Manurewa	-	60	55	66	55	91	-
Porirua	-	53	48	58	48	83	-
Gisborne	-	45	39	54	39	80	-
Wellington City	-	55	50	58	50	83	-

Notes: BHC = before housing costs, AHC = after housing costs.

Table 11 above shows that:

- there is more variation in BHC incomes than AHC incomes when compared with the median – this is unsurprising given the significant differences in housing costs around New Zealand and the role of housing subsidies in smoothing out these differences
- BHC incomes are likely to be above common low-income poverty thresholds in higher housing cost areas
- AHC incomes are much lower compared with the median:
 - all example single people **receiving a benefit** have incomes below 40% of the AHC median income
 - those in **private housing** and receiving **Jobseeker Support** are all close to 20% of the AHC median income, and those on the **Supported Living Payment** are around 28% to 30% of the AHC median income
 - those in **public housing** and receiving the **Supported Living Payment** are at around 35% of the AHC median income
- there is more variation in the incomes of **working** people compared with the median
- consistent with the analysis of the deficits and surpluses in income, people appear to be slightly better off (compared with the median) if they are in a lower-cost housing area and slightly worse off if they are in a high-cost housing area (particularly one that is relatively less generously subsidised within its Accommodation Supplement Area).

21 The BHC figure for the person in public housing is not shown as the Income-related Rent Subsidy does not count as income (as it is paid directly to the housing provider) so reduces rent rather than increases income, leading to BHC income that is not consistent with the other variations.

22 The figures are not calculated for the person sharing accommodation as the measures are household-based and assume that people are in single-family households. No assumptions have been made about the other people in the shared accommodation, so household income cannot be calculated.

Families with children

Table 12: Deficits and surpluses of weekly income compared with participation expenditure for sole parents – housing variations (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing)	Public	Private		
Housing – renting								
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Manurewa	-112	-43	-3	-66	-137	-255	-171	-113
Porirua	-112	-95	-50	-66	-137	-228	-228	-119
Gisborne	-101	-68	-23	-48	-137	-198	-198	-89
Wellington City	-112	-173	-128	-74	-137	-251	-316	-207

Table 13: Deficits and surpluses of weekly income compared with participation expenditure for couples with children – housing variations (dollars per week)

Example family	6. Couple, 2 children			
	Private			Private (high cost)
Housing – renting				
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Manurewa	-356	-180	-137	-356
Porirua	-353	-153	-110	-356
Gisborne	-323	-123	-77	-338
Wellington City	-356	-232	-189	-418

Tables 12 and 13 above show similar results to those for single people without children:

- There is some variation in income deficits and surpluses by changing housing costs, with the least variation for families **receiving a benefit**.
- For those who are **working**, there is more variation, in that:
 - being in a lower-cost housing area (Gisborne in Table 13 above) improves adequacy slightly, but
 - being in a higher-cost housing area, particularly one that is relatively less generously subsidised within its Accommodation Supplement Area (Wellington City in Table 13 above), worsens inadequacy because of the reduction of the Accommodation Supplement (combined with the loss of Temporary Additional Support) when working
 - financial incentives vary somewhat across locations depending on the interaction of housing costs and housing assistance, with lower-cost housing areas having slightly stronger incentives to work and higher-cost housing areas having slightly poorer financial incentives to work (particularly if these higher-cost housing areas are not fully covered by the Accommodation Supplement and Temporary Additional Support is needed)

- this is likely to matter more where financial incentives to work are already relatively weak, that is, for secondary earners in couples and sole parents (on low wages)
- The Income-Related Rent Subsidy (received by people in public housing) eliminates these differences (between deficits across locations) for those who are not working and are receiving a benefit.

Table 14: Comparison of equivalised household incomes with the median for sole parents – housing variations

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing) ²³	Public ²⁴	Private		
Housing – renting								
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
% of AHC median income								
Manurewa	38	62	70	-	46	37	56	62
Porirua	38	65	73	-	46	39	59	64
Gisborne	40	68	76	-	46	42	61	67
Wellington City	38	55	63	-	46	37	51	57
% of BHC median income								
Manurewa	70	89	95	-	-	62	77	81
Porirua	64	84	91	-	-	57	73	77
Gisborne	55	78	85	-	-	52	68	72
Wellington City	72	85	91	-	-	64	75	79

BHC = before housing costs, AHC = after housing costs

23 The figures are not calculated for the person sharing accommodation as the measures are household-based and assume that people are in single-family households. No assumptions have been made about the other people in the shared accommodation, so household income cannot be calculated.

24 The BHC figure for the person in public housing is not shown as the Income-related Rent Subsidy does not count as income (as it is paid directly to the housing provider) so reduces rent rather than increases income, leading to BHC income that is not consistent with the other variations.

Table 15: Comparison of equivalised household incomes with the median for couples with children – housing variations

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
% of AHC median income				
Manurewa	29	45	57	29
Porirua	29	47	59	29
Gisborne	31	49	61	30
Wellington City	29	42	53	24
% of BHC median income				
Manurewa	50	63	72	53
Porirua	45	59	68	48
Gisborne	41	55	64	43
Wellington City	51	61	70	53

BHC = before housing costs, AHC = after housing costs

Tables 14 and 15 above again show similar results to those for single people without children, in that:

- there is more variation in BHC incomes than AHC incomes when compared with the median
 - this is unsurprising given the significant differences in housing costs around New Zealand and the role of housing subsidies in smoothing these out
- BHC incomes are likely to be above common low-income poverty thresholds in higher-cost housing areas
- AHC incomes are much lower compared with the median and:
 - all example families with children **receiving a benefit** have incomes below 50% of the AHC median
 - the couple family with children is between 24% and 31% of the AHC median when they are **receiving a benefit**
 - the sole parents in **private housing** and **receiving a benefit** are around 37% to 42% of the AHC median
 - the sole parent example family in **public housing** and **receiving a benefit** is at around 46% of the AHC median
- there is more variation in the incomes of **working** people compared with the median
- consistent with the analysis of the deficits and surpluses in income, people appear to be slightly better off (compared with the median) if they are in a lower-cost housing area and slightly worse off if they are in a high-cost housing area (particularly one that is relatively less generously subsidised within its Accommodation Supplement Area).

Summary

Caution should be taken when comparing BHC incomes in the context of understanding income adequacy – this analysis suggests significant differences between BHC incomes driven by housing costs.

There is a smaller amount of variation when comparing AHC incomes:

- All example single people without children receiving a benefit are below 40% of the AHC median, those in **private housing** are all below 30% of the AHC median and those receiving **Jobseeker Support** closer to 20% of the AHC median.
- All example families with children receiving a benefit are below 50% of the AHC median, with couples closer to 30% of the median and sole parents in **private housing** around 40% of the AHC median.

This suggests that the AHC incomes required to meet core and participation expenditures in other locations are likely to be relatively similar (particularly for people receiving a benefit), subject to the caveats that a relatively small number of different locations have been explored and that other costs are not considered.

There is more variation across locations in the AHC incomes required to meet core and participation expenditures for working people, and people appear to need slightly less income (compared with the median) if they are in a lower-cost housing area and slightly more income (compared with the median) if they are in a high-cost housing area (particularly one that is relatively less generously subsidised within its Accommodation Supplement Area).

The Income-Related Rent Subsidy (for people in **public housing**) eliminates the differences between the deficits and surpluses in incomes faced in different locations for those who are not working and receiving a benefit.

Key findings

While some caution needs to be taken in applying this analysis to all low-income families, given the natural limits of the assumptions in this kind of work, there are several key findings that we are reasonably confident of. These are:

- the clear inadequacy of current incomes for many low-income people receiving benefits and working on low wages compared with both core (or basic) costs and the costs associated with participating in a meaningful way in society
- the significant contribution of public housing (or sharing accommodation) to improving adequacy
- the relatively poor financial incentives for single people to work part-time, sole parents to move from part-time to full-time work and secondary earners in couples to work
- the financial disincentives for sole parents to partner²⁵ in the current system
- the importance of considering incomes after housing costs when considering adequacy, given the significant regional variations in housing costs.

Clear inadequacy of current incomes

This analysis clearly demonstrates the inadequacy of incomes for families receiving benefits and in low-paid work compared with both core and participation expenditure. This strongly suggests that the current system is not consistent with the Government's vision for "a welfare system that ensures people have an adequate income and standard of living, are treated with and can live in dignity and are able to participate meaningfully in their communities".²⁶

There are deficits across all example single people without children, with the exception of the person working full-time. For all other circumstances, deficits compared with **participation** expenditure range from \$92 to \$174 a week, and compared with **core** expenditure, they range from \$54 to \$136 a week.

The largest deficits are for people receiving Jobseeker Support, with smaller deficits for those receiving the Supported Living Payment, in public housing and sharing accommodation.

There are deficits across all example families with children compared with participation expenditure. Compared with **core** expenditure, the only families to be in surplus are the sole parent with one child who is working part-time or full-time and the sole parent with three children who is working full-time. For all the scenarios where they are receiving a benefit, deficits compared with **participation** expenditure range from \$66 to \$356 a week, and compared with core expenditure, they range from \$6 to \$230 a week.

- The largest deficits are for the couple with children who are receiving Jobseeker Support, with slightly smaller (but still substantial) deficits for the sole parent example families.
- Deficits are more substantially reduced if accommodation is shared or the family is in public housing.
- Deficits remain for many of the scenarios where the example families are working.

25 Partner in this context means to enter a relationship 'in the nature of marriage'. In practical terms, this can be determined to be 6 weeks after moving in together.

26 See the Welfare Expert Advisory Group's terms of reference, at: https://www.beehive.govt.nz/sites/default/files/2018-05/WEAG%20Terms%20of%20Reference_0.pdf

Contribution of public housing and sharing accommodation to improving adequacy

This analysis clearly demonstrates the significant positive financial impact of being in public housing and receiving the more generous level of support through the Income-Related Rent Subsidy. However, it is notable that this increased level of support still results in relatively significant deficits in income, compared with participation expenditure, for our example families in public housing and receiving a benefit – \$92 a week deficit for the single person receiving the Supported Living Payment and \$137 a week deficit for the sole parent with three children. The Income-Related Rent Subsidy also eliminates the differences in incomes after housing costs for people living in different locations.

Sharing accommodation also substantially improves the adequacy of incomes. Recent analysis provided by The Treasury, using their tax and welfare analysis model (TAWA) and information from Stats NZ's Integrated Data Infrastructure,²⁷ shows that many people receiving benefits share accommodation with other adults. The caveats associated with this modelling are discussed in Appendix 5.

The following proportions of benefit recipients²⁸ share accommodation with other adults:

- Around 75% of recipients of Jobseeker Support
- Around 45% of recipients of Sole Parent Support
- Around 65% of recipients of the Supported Living Payment.

Poor financial incentives to work

Financial incentives to work (both part-time and full-time on low wages) are reasonably weak for many of the example families, with the strongest incentives for single people without children to work full-time.

Single people without children can face little incentive to work part-time on low wages as they gain only \$34 a week when they move from not working to working part-time for (20 hours a week), considering both the increase in their income and the increased costs from working. Contributing to this small gain are the following factors:

- On the income side, the steep abatement of main benefits (70%) from a relatively low threshold (above \$80 a week) and also the loss of Temporary Additional Support (a hardship payment with an effective abatement rate of 100% above a low-income threshold)
- On the expenditure side, the increase in transport costs.

However, single people without children face relatively strong financial incentives to work full-time on low wages as they gain \$182 a week moving from 20 hours to 40 hours of work (and gain \$206 a week compared with not working).

For families with children, financial incentives to work are relatively poor. Secondary earners in couples can face little incentive to work part-time on low wages as they gain only \$43 a week when they enter part-time work (20 hours a week), compared with when there is only one full-time earner in the couple and taking into account the higher costs of working.

27 Access to the data used in this study was provided by Statistics New Zealand (Stats NZ) under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this analysis are the work of the author, not Stats NZ.

28 Note that recipients include both single people and couples, so this also includes couples living with another adult.

This is driven by the following factors:

- On the income side, the high effective marginal tax rate faced by the couple with the combined impact of the abatement of Working for Families tax credits (25%) and the Accommodation Supplement (25%) along with the personal income tax rate
- On the expenditure side, the increase in transport costs.

Sole parents also have some financial incentive to work part-time on low wages (gaining between \$69 and \$84 a week compared with receiving a benefit and 20 hours of work a week) but even less incentive to move to full-time work on low wages (between \$40 and \$58 a week better off, comparing 20 hours and 40 hours of work a week). The poorer incentives to work full-time on low wages are largely driven by the following factors:

- On the income side, the effective abatement rate of 100% of the Minimum Family Tax Credit
- On the expenditure side, the increase in transport costs.

Childcare costs also contribute to reducing the returns from work for families with children. In our scenarios, the costs are highest when part-time childcare is needed (five short days), with smaller additional costs associated with moving from part-time to full-time childcare (five long days).²⁹

Disincentives to partner

The example family who is a couple with children have the largest deficits in income and demonstrate the financial disincentives to partner³⁰ in the current system, particularly for families with children. Further analysis of differences in incomes between partnered and un-partnered people confirm this. For example, if the sole parent example family with three children (receiving Sole Parent Support) partnered with one of the example single people without children (receiving Jobseeker Support):

- their combined income from their benefit payments would fall by around \$165 a week
- assuming that they now both lived in the sole parent's house, they would lose another \$165 in Accommodation Supplement (associated with the single person's previous housing).³¹

Another example could be a sole parent (who is receiving a benefit) partnering with a single person without children who is working on a low wage. In this example, the new couple's combined income will be around \$334 a week lower than before (due to the loss of entitlement to Sole Parent Support). Again, if the single person without children moved into the sole parent's house, they would also lose the Accommodation Supplement associated with the single person's previous accommodation.

In both of these examples, if the single person no longer requires their previous accommodation now that they have moved in with the sole parent, this may mean that the loss of the Accommodation Supplement is not too significant as they will have gained overall from the reduction in housing costs. It is also worth considering another set of circumstances, where the single person without children was already sharing accommodation with the sole parent (as a platonic flatmate). In this case they could have individually been receiving the Accommodation Supplement for their portion of the housing costs. Once they are partnered, their combined entitlement to the Accommodation Supplement could fall significantly compared with what they were previously individually receiving.

29 These assumptions are based on actual childcare centre costs in South Auckland. However, the assumptions may not hold for all childcare centres, that is, some childcare centres may have relatively cheaper part-time costs compared with full-time costs.

30 Partner in this context means to enter a relationship 'in the nature of marriage'. In practical terms, this can be determined to be 6 weeks after moving in together.

31 No estimates of the entitlement to Temporary Additional Support have been done.

These disincentives also need to be considered in the broader context of the magnitude of the inadequacy of incomes. Significant losses in income are likely to be particularly relevant to people who are already struggling to make ends meet.

The large deficits for couples may partly be a result of the assumptions used in our modelling, which generally assume costs are per person with relatively few assumptions that include economies of scale.

The importance of considering incomes after housing costs

This analysis suggests that caution should be taken when comparing BHC incomes as there are significant differences between BHC incomes driven by housing costs. This is consistent with previous analysis done in New Zealand³² and internationally.

The example families' BHC incomes, based on their current incomes and only those based in Manurewa, are close to or above common low-income poverty thresholds. However, when comparing AHC incomes, their incomes are substantially lower, and **all example families receiving benefits and renting in the private housing market are below 40% of the AHC median.**

There is a smaller amount of variation when comparing AHC incomes and different locations. This suggests that the AHC incomes required to meet core and participation expenditures in other locations are likely to be relatively similar, subject to the caveat that a relatively small number of different locations have been explored and other costs are not considered.

To meet **core** expenditure for those **receiving a benefit**, single people and families with children renting in the **private housing** market need to have an income around 45% of the AHC median.

To meet **participation** expenditure for those **receiving a benefit**, single people renting in the **private housing** market need to have an income around 50% of the AHC median, and families with children renting in the **private housing** market would need to have an income around 55% of the AHC median.

32 Stephens, R., C. Waldegrave & P. Frater (1995) "Measuring Poverty in New Zealand", *Social Policy Journal of New Zealand: Te Puna Whakaaro* and Waldegrave, C., S. Stuart & R. Stephens (1996) "Participation in Poverty Research: Drawing on the knowledge of low income householders to establish an appropriate measure for monitoring social policy impacts", *Social Policy Journal of New Zealand: Te Puna Whakaaro*.

Further work

Several areas of possible future work, suggested by the analysis above, are outlined below.

Determining a minimum income standard for New Zealand

This analysis suggests the current welfare system provides a minimal safety net well below basic adequacy levels for people receiving benefits and those in low-paid work. The extensive targeting of income support also means that financial incentives to enter low-wage part-time work are relatively poor for many people and for secondary earners in families with children. The results raise fundamental questions about the balance in the current New Zealand welfare system between the adequacy of incomes, work incentives and fiscal cost.

Further work should be undertaken on additional variations and sensitivity analysis, particularly around circumstances that are more common, for example further analysis of debt repayments and health and disability costs. This could include further analysis of different families and household types and could consider any implications for equivalisation scales.

This analysis with example families was carried out within the time and resources available. Further work should be completed on establishing a minimum income standard and illuminating the trade-offs associated with any changes. This would include expanding this analysis on example families and budgets to cover a wider range of circumstances and testing these budgets with focus groups across New Zealand, especially as regards to what New Zealanders consider to be a minimum acceptable income standard.

Increasing the take-up of financial assistance

The example families in this analysis are all assumed to be receiving all of their entitlements. Another paper for the Welfare Expert Advisory Group explores the issue of the take-up of income support in more detail and suggests that take-up may be relatively low for some payments, particularly for people who are working.³³

Incomplete take-up means that incomes for some people will be even lower than shown in this analysis, which not only undermines the adequacy of those people's incomes but also the financial incentives to work (particularly if the people were more likely to receive all of their entitlements while they were receiving a main benefit).

Further work should be progressed to investigate options for improving the take-up of assistance and ensuring that people receive their full and correct entitlement.

Increasing income support

Fundamentally, the magnitude of inadequacy demonstrated in this research suggests that substantial increases to income support would be needed for people to have incomes sufficient for meaningful participation in their communities. These increases would also need to include people working on low wages both to ensure that their incomes were adequate and to preserve financial incentives to work (that is, maintain a reasonable gap between income on a benefit and income from work).

33 WEAG (2019). *The Take-up of Income Support: Analysis and options*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington, NZ.

To both increase adequacy and preserve (or improve) financial incentives to work will require significant investment in the welfare system (the inescapable iron triangle). This investment should be considered in the context of the unenviable choices that the families currently facing these inadequacies must make (choosing between skimping on food, avoiding or delaying visits to the doctor, not heating their homes or limiting opportunities for their children to participate in activities). Living in poverty has a detrimental impact on the longer-term wellbeing of these families, especially for children. These poorer wellbeing outcomes are associated with higher fiscal costs in sectors such as justice and health, lower revenue to government and broader impacts such as lower social cohesion.

Some of these underlying assumptions for current levels of income support could also be examined further, for example:

- There may be an implicit assumption that most people receive a benefit for a relatively short period of time, therefore inadequacy matters less.
 - With more than half of all people who receive a main benefit now having a health condition or disability, there is now a significant group of people on JS-HCD who remain on the benefit for more than two years, alongside significant churn on and off the benefit (so significant cumulative time on the benefit when multiple spells are considered).
 - Supported Living Payment recipients are even more likely to remain on the benefit for more than two years.
- There may be an implicit assumption that there is significant income mobility and people are unlikely to remain on low incomes for considerable periods of time.
 - While there is income mobility, and many people on low incomes will not be on low incomes for a long period of time, evidence for New Zealand suggests that around half of those in the lower three household income deciles will still be there after seven years.³⁴
 - The evidence also shows that for every 100 children in low-income households in a given year, around 60 are in 'chronic poverty', that is, are living in households with persistent low incomes.³⁵

It seems particularly difficult to justify the current levels of inadequacy associated with receiving Supported Living Payment. Receiving Supported Living Payment means that a person has been assessed as being permanently and severely restricted in their ability to work, they have no work expectations and are likely to remain on a benefit for a considerable period of time.

While Supported Living Payment is paid at a higher rate than other benefits, this analysis suggests that it is unlikely to be covering even basic costs at a reasonable level, let alone allowing people to participate in their communities and live in dignity. One of the attendees at the recent Welfare Expert Advisory Group's consultation, referring to receiving Supported Living Payment, commented that "... the level of support creates a life without hope".

34 Perry, B. (2018) *The Material Wellbeing of New Zealand Households: Overview and key Findings*. Wellington, NZ: Ministry of Social Development, p. 46.

35 Ibid.

The importance of subsidised or free services and additional costs

The inadequacy of current incomes suggested by this analysis clearly demonstrates the importance of low-cost or free services to ensure that people are able to access essential goods or services regardless of their incomes. For example, the budget advisors were quick to point out that none of their clients go to the dentist; it is simply too expensive. This is further supported by the results from the 2009 New Zealand Oral Health Survey,³⁶ which show that around 35% of low-income adults had untreated tooth decay, around 25% had experienced dental pain in the previous four weeks and 44% of adults had avoided dental care due to cost in the previous year.

Examples of other health services that are relatively high cost for many people include counselling or psychological therapy, physiotherapy (not related to ACC) and GP visits for adults. The inadequacy of current incomes for beneficiaries and low-income families demonstrated in this analysis suggests that many low-income people are likely to find it difficult to access these services. Further work could explore making these services more accessible.

Conversely, this analysis also suggests that there should be careful consideration of the distributional impacts of any additional taxes and/or levies given current financial pressures on low-income people.

36 Ministry of Health. (2010) *Our Oral Health: Key findings of the 2009 New Zealand Oral Health Survey*. Wellington, NZ: Ministry of Health. URL: <https://www.health.govt.nz/publication/our-oral-health-key-findings-2009-new-zealand-oral-health-survey>

Appendix 1

Assumptions and detailed income and budget table

Pay rates

- Employment earnings assumes \$18 per hour (just above the current minimum wage of \$16.50).

Accommodation

- “Private sharing” assumes a 3-person household.
- Costs are based on lower-quartile rents in South Auckland; mean rents have been used for high-cost variation.
- Lower-quartile Accommodation Supplement Area 1 accommodation costs have been used for accommodation sharing (these are lower than lower-quartile rents).
- A 3-bedroom house has been assumed to be for a 4-person family.

Electricity/gas/water

- This method was sourced from the Living Wage campaign.³⁷
- Household energy costs have been estimated using the 3-bedroom house annual energy requirements to calculate demand for fuel to heat a 3-bedroom house of 90m² in Auckland.³⁸
- This analysis established the energy consumption in kilowatt hours (kWh) required to maintain a 3-bedroom house at a healthy temperature throughout the year and also meet other energy requirements.
- The costs per m² for Auckland were adjusted for the following household sizes: 1 bedroom (60m²), 2 bedrooms (90m²) and 3 bedrooms (120m²).
- The cost of that energy was calculated using information available from the Ministry of Business, Innovation & Employment (MBIE) database of residential sales-based electricity costs (year to March 2018, cost per unit of kWh) and rounded to the nearest \$5.
- Using this method gives roughly \$5–15 per week higher than the Household Economic Survey (HES)³⁹ estimates, depending on household size, which may reflect the inadequate heating of many New Zealand houses.
- A total of \$5 per week was added for water for 1- to 2-person households and \$10 per week for larger households.
 - People in public housing do not pay for water.

37 Waldegrave, C. and P. King (2012) *Report of an Investigation into Defining a Living Wage for New Zealand*. URL: https://d3n8a8pro7vhmx.cloudfront.net/nzlivingwage/pages/129/attachments/original/1434872250/Living_Wage_Investigation_Report.pdf?1434872250

38 Lloyd, B. (2006). Fuel Poverty in New Zealand. *Social Policy Journal of New Zealand* (27), 142-155.

39 Household Economic Survey 2016 data sourced from NZ.Stat from Stats NZ website - http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7552&_ga=2.224349659.1984787547.1551223339-440755281.1518554408

Food

- The food amount was based on the University of Otago Food Cost Survey 2017⁴⁰ for families living in Auckland (the survey was also used as the basis for food costs in the Living Wage campaign and Child Material Hardship Package work).
- 100% of the University of Otago's 'basic' budget is used for beneficiaries, which assumes that all foods will be prepared at home – it includes the most commonly consumed fruits and vegetables and the lowest priced items within each food category.
- The mean of various family types have been used (that is, for a single person, the average of male and female food costs).
- 100% of a moderate budget is used for those in work, which allows for an increase in the variety of meats, fish, fruits and vegetables and the inclusion of some convenience foods – this category is calculated from the basic cost by adding 30% to the basic diet cost.
- The budget has been adjusted in line with food price index increases since March 2017 (the month of the University of Otago Food Cost Survey).

Phone/broadband

- Plans: Spark \$19 4-weekly plan per adult and teenager for mobile phone, \$85 per month 120GB broadband (cheaper plans are available but not widely).

Clothes/shoes

- 60% of average weekly household expenditure on clothes and footwear by number of people in household as measured by the HES 2016.
- 80% average for those in work (HES 2016).
- Consumer price index (CPI) adjusted to 2018.

Medical

- An average of \$30 per GP visit for teenagers and adults and an average of 3 GP visits per year per person (Ministry of Health).⁴¹
- An average of 3 prescriptions per GP visit at \$5 per prescription (PHARMAC 2016).⁴²
- One repeat prescription charge (from a GP) per year per adult/teenager at \$20.
- An additional \$100 per year per adult/teenager for physiotherapy/counselling and other medical care.
- For recipients of health and disability benefits, we have tripled the cost for each adult.
- Eye test of \$60 and new glasses of \$100 every two years per adult (rounded up to the nearest \$1).

Dental

- Assumed \$5 per week per adult (around \$260 per year) – only likely to cover one visit to the dentist a year with some treatment, for example, X-ray, one filling, but no serious dental work.⁴³

40 Dept. of Human Nutrition. (2017). Information Package for Users of the New Zealand Estimated Food Costs 2017 (Food Cost Survey 2017). (L. Mainvil, Ed.). Department of Human Nutrition, University of Otago. Retrieved from <http://hdl.handle.net/10523/7799>

41 <https://www.health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/primary-care-data-and-stats>

42 <https://www.pharmac.govt.nz/assets/annual-report-2015-2016.pdf>

43 Based on cost information in the New Zealand Dental Association's biennial fees survey: https://www.nzda.org.nz/assets/files/Public/resources/Fee_Survey_2018.pdf

School costs

- The New Zealand Council for Education Research survey from 2007⁴⁴ (also used by the Living Wage campaign) shows that the median cost of primary and secondary education that was met directly by parents through school donations, materials, activities etc was \$10 per week (around \$500 per year) – with inflation adjustment this amount increases to \$15 per week.
- This analysis assumes \$700 per year (around \$13 per week) for primary/intermediate and \$900 per year (around \$17 per week) for secondary school to account for inflation and higher costs for secondary school children.

Transport costs

- Assumed only private transport costs for beneficiaries.
 - Assumed no car re-payments.
 - Assumed 1 car per family.
 - Assumed 7L used per 100km.⁴⁵
 - Distance travelled: 100km per adult in household and 50km per child per week (100km equals roughly two return trips to Auckland City centre per person).
 - Cost of fuel: \$2.30 per litre.
 - Oil: \$2 per week.
 - Repairs/maintenance/service: \$15 per week.
 - Warrant of fitness/registration: \$5 per week per car.
 - Tyres: 1 new tyre every 2 years at \$120 each equal to \$5 per week.
- In addition, monthly bus/train pass for \$215 assumed for those in work and half the adult travel (Auckland transport zones A and B).
- Assumed \$15 per week per family saving towards a new car (this is equal to around \$4,000 for a second-hand car in five years).

Bank fees

- Assumed \$5 per month.
- Assumes no late repayment fees.

Insurance (contents, car)

- Life, health or house insurance not included.
- Contents insurance for smaller families: renting, \$15,000 cover, \$300 excess, 40-year-old male, no previous claims: \$30.79 a fortnight, rounded up to \$15 a week.
- Contents insurance for larger families: renting, \$30,000 cover, \$300 excess, no previous claims: \$34.57 a fortnight, rounded up to \$18 a week.
- Car insurance: full car insurance: (\$400 excess, 1998 *Toyota Camry* (1.8L), 40-year-old male, no previous claims, lives in Manurewa): \$36.36 per month equals around \$9 a week.

Personal care (haircuts, grooming etc)

- 60% of average weekly expenditure by household size (includes haircuts, grooming and other appliances for personal hair, sanitary products, etc).⁴⁶
- CPI adjusted to 2018.

44 Schagen, S., & Wylie, C. (2009). *School resources, culture and connections*. Wellington: NZCER.

45 The New Zealand Automobile Association Inc – median between small and compact car.

46 HES (2016).

Household contents and services (cleaning products, furniture, appliances, including repairs etc.)

- 60% of HES 2016 expenditure by household size and adjusted for CPI to 2018.

Sports and fitness

- Local football team for children and youth – only one term/season:
 - Fees: for a 5-year-old is \$83, 8-year-old is \$104, 10-year-old is \$124 and 15-year-old is \$150.⁴⁷
 - Assumed any uniform is covered by fees.
 - New boots every year at \$50 (*Rebel Sports*).
- Athletics membership for pre-schoolers – only one term/season (the cost for a 2-year-old is \$47, Manurewa Athletics Club).
- Gym membership for each adult (could also be community class or activity) (*City Fitness*' cheapest membership is \$7 per week).
- Additional transport of \$5 per week per activity.

Activities or cultural events for adults

- Assume a low-cost activity two times per month (for example, a class at a community centre) or attendance at a cultural or family event (for example, contributing food or extra travel) – \$5 per activity (\$10 per month, per adult).
- Additional transport cost of \$2 per activity.

Activities or cultural events for children

- Assume a low-cost activity two times per month (for example, pools, recreation centre, zoo) or attendance at a cultural or family event (for example, contributing food or extra travel) – \$5 per activity (\$10 per month, per child) and \$10 per activity for secondary school children.
- Additional transport cost of \$2 per week per activity.

Presents

- \$10 per additional family member twice a year.
- Three additional presents for non-immediate family or friends, per person at \$10.
- This amount will be a bit low for people who have large extended families and significant cultural expectations.

Holidays

- Assumed a trip for an entire family to Wellington twice a year to visit extended family or friends.
- For 1- and 2-person families, have assumed a return trip on an *InterCity* bus booked two months in advance (around \$30 per person aged over 2 years).
- For larger families, have assumed travel by private car, at around \$100 petrol each way.
- An additional \$20 a day each person spending money for 5 days.
- No accommodation costs – assumed staying with family or friends.

47 Manurewa AFC 2018.

Contingency (one-off costs)

- Assumed \$5 per week per adult and \$2 per week per child.
- Examples could include moving costs, vet bills, etc.

Personal allowances (\$10 per adult and teenagers, \$5 per week per child)

- Cheap food/dairy/coffee/drink etc.
- Assumes no smoking and very limited alcohol if any.

Childcare

- For the 2-year-olds:
 - If the sole parent is working 40 hours, then assumed they need 5 days of childcare (long sessions – probably 50 hours with travel/session times – \$270 a week (\$5.40 per hour).
 - If the sole parent is working 20 hours, then assumed they need 5 (short) days of childcare – probably 35 hours with travel/session times – \$250 a week (\$7.14 an hour).
- For Out of School Care & Recreation (OSCAR) programmes for the 5-year-old and 8-year-old:
 - For parents working 20 hours, assume the children don't need after-school care.
 - For parents working 40 hours, assume both children need 5 days of after-school care – \$55 a week for each child; \$110 a week for both (3 hours per day for 5 days is 15 hours per week and \$3.70 per hour).
 - OSCAR in school holidays: Assume \$40 per day for a 9-hour session (8am-5pm); this equates to \$4.44 per hour (and Work and Income only cover hours of work + travel, so will likely not pay for the full 9 hours if the parent is working part-time/short days). This is for all children aged 5–13 years. Assume 8 weeks of holiday programme are needed (there are 12–13 weeks of school holidays per year), assuming that leave or informal arrangements can cover the difference. Even for the part-time parents, need to assume 5 days per week of school holiday programme are needed, as we are assuming 5 short days of work for part-time.

Scenario	Single person				Single person				Sole parent, one child				Sole parent, three children				Couple, two children			
	n/a		n/a		n/a		n/a		2		2		2, 5, 8		10, 15		10, 15			
	Public Benefit	Private Benefit	Benefit	JS - HCD	Benefit	Private (sharing) Benefit	Benefit	Private (sharing) Benefit	Benefit	Private (sharing) Benefit	Benefit	Public Benefit	Benefit	Private Benefit	Benefit	Private Benefit	Benefit	Private Benefit		
Age of children	n/a		n/a		n/a		n/a		2		2		2, 5, 8		10, 15		10, 15			
Accommodation	n/a		n/a		n/a		n/a		2		2		2, 5, 8		10, 15		10, 15			
Employment / Benefit	SLP	SLP	Benefit	JS - HCD	Benefit	Private (sharing) Benefit	Benefit	Private (sharing) Benefit	Benefit	Private (sharing) Benefit	Benefit	Public Benefit	Benefit	Private Benefit	Benefit	Private Benefit	Benefit	Private Benefit		
Income																				
After-tax employment income	0	0	0	309.33	0	602.84	0	602.84	0	310.85	602.84	0	0	0	310.85	602.84	0	602.84		
Main benefit (after tax)	289.15	269.15	215.34	19.34	215.34	0	215.34	0	334.05	0	334.05	334.05	334.05	334.05	334.05	0	384.5	0		
Winter Energy Payment (average over year)	8.65	8.65	8.65	8.65	8.65	0	8.65	0	13.46	0	13.46	13.46	13.46	13.46	13.46	0	13.46	0		
In-Work Tax Credit	0	0	0	0	0	0	0	0	72.5	0	72.5	0	0	0	72.5	0	72.5	0		
Family Tax Credit	0	0	0	0	0	0	0	0	113.04	113.04	113.04	295.54	295.54	295.54	295.54	204.29	139.58	204.29		
Minimum Family Tax Credit	0	0	0	0	0	0	0	0	187.15	0	187.15	0	0	0	187.15	0	0	0		
Independent Earner Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Accommodation Supplement (or Income-Related Rent Subsidy for public housing)	223	157	165	165	165	82	89	97	195	195	155	359	251	251	211	243	220	130		
Temporary Additional Support	0	26.21	34.35	0	34.35	0	0	0	34.82	0	0	0	0	0	0	24.31	0	0		
TOTAL income pw	500.80	461.01	423.34	502.32	423.34	694.84	312.99	557.55	690.37	878.54	943.38	1002.05	894.05	1117.04	1181.88	869.56	1099.63	1255.77		
Govt transfers as % of total income	100	100	100	38	100	13	100	100	100	65	36	100	100	100	72	49	100	45		
Expenditure																				
Rent	290	290	290	290	290	290	180	250	390	390	390	470	470	470	470	470	470	470		
Electricity / Gas / Water	35	40	40	40	40	40	27	60	60	60	60	70	80	80	80	80	80	80		
Food	67	67	67	67	67	67	67	98	98	98	127	98	197	197	256	240	240	311		
Phone and broadband	25	25	25	25	25	25	11	25	25	25	25	15	25	25	25	34	34	34		
Clothes / shoes	9	9	9	12	9	12	9	21	27	27	21	27	37	37	50	37	50	37		
Medical	16	16	16	16	16	6	6	8	8	8	8	8	10	10	10	19	19	19		
Dental	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	10	10	10		
School costs	0	0	0	0	0	0	0	0	0	0	0	40	40	40	31	31	31	31		
Transport costs	58	58	58	100	58	100	58	66	108	108	108	82	82	124	124	90	132	174		
Bank fees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		
Insurance (contents, car)	24	24	24	24	24	24	24	24	24	24	24	27	27	27	27	27	27	27		
Personal care (hair cuts, grooming etc.)	8	8	8	8	8	8	8	15	15	15	15	23	23	23	23	23	23	23		
Household contents and services (cleaning products, furniture, appliances, including repairs etc.)																				
Sports/Fitness	17	17	17	17	17	17	11	22	30	30	30	38	38	38	38	38	38	38		
Activities or cultural events for adults	12	12	12	12	12	12	12	18	18	18	18	18	33	33	33	29	29	29		
Activities for children	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	9	9	9		
Presents	0	0	0	0	0	0	0	5	5	5	5	14	14	14	14	12	12	12		
Holidays	1	1	1	1	1	1	1	2	2	2	2	3	3	3	3	4	4	4		
Contingency for unplanned one-off cost	6	6	6	6	6	6	6	10	10	10	10	23	23	23	23	23	23	23		
Personal allowances	5	5	5	5	5	5	5	7	7	7	7	11	11	11	11	14	14	14		
Total expenditure	593	598	598	643	588	653	445	624	802	851	880	1139	1149	1204	1262	1225	1280	1393		
Total income	501	461	423	502	423	695	313	558	690	879	943	1002	894	1117	1182	870	1100	1256		
Surplus / Deficit with participation (pre childcare)	-92	-137	-174	-140	-164	-42	-132	-66	-112	-112	-28	-137	-255	-87	-81	-356	-180	-137		
Childcare gross costs	0	0	0	0	0	0	0	0	0	250	270	0	0	312	416	0	0	0		
Childcare Subsidies	0	0	0	0	0	0	0	0	0	180	205	0	0	227	384	0	0	0		
Surplus / Deficit with participation (after childcare)	-92	-137	-174	-140	-164	42	-132	-66	-112	-43	-3	-137	-255	-171	-113	-356	-180	-137		
Surplus / Deficit with core expenditure only (after childcare)	-54	-98	-136	-102	-126	80	-94	-6	-51	18	58	-23	-141	-57	1	-230	-54	-12		

Appendix 2

Variations: debt, child support, teenagers

As noted in the main body of this analysis, the example families are intended to be broadly representative and simplified. Costs from debt repayments, child support and multiple older children have not been included in the core budgets as they are complex, the costs vary considerably and they are not applicable to all families. A few simple variations were made to illustrate the effects of such costs on the family budgets. It is important to note that these are only illustrative, and further in-depth analysis around these circumstances is encouraged.

The additional variations explored are:

- debt repayments
- child support
- teenagers.

Debt repayments

As a large number of low-income families have debt repayments with varying amounts, a low-debt and a high-debt scenario were considered. More information about debt is available in another paper prepared for the Welfare Expert Advisory Group – Understanding Benefit Debt.⁴⁸

The average Ministry of Social Development (MSD) debt repayment amount made by current MSD clients (around \$13 per week) was used for the low-debt scenario, while the high-debt scenario used was debt repayments equivalent to 15% of total income.

Debt repayment of 15% of total income is the average debt repayment amount from a sample survey of the Christians Against Poverty client base as part of work undertaken on behalf of the Children's Commissioner. The high-debt scenario results in debt repayments of between \$47 and \$188 a week for the families.

Having high-debt obligations can therefore significantly affect the financial resources available to families and influence the amount spent on other essentials, particularly as these families are already likely to be struggling to meet their costs from their incomes. The impacts on the deficits (and surpluses) in income, compared with participation levels of expenditure, are shown in Tables 16 to 18 to follow. Debt repayments will significantly increase the inadequacy of incomes for people receiving a benefit or in low-wage work.

While this has not been modelled in our scenarios, in reality, people are likely to face higher debt repayments when they move into work. This can significantly reduce their returns from working (worsening their financial incentives to work). This is more likely to be problematic for people who already face relatively weak incentives to work, that is, sole parents moving from part-time to full-time work.

48 WEAG (2019). *Understanding Benefit Debt*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Wellington, NZ.

Table 16: Deficits and surpluses of current weekly income compared with core and participation expenditure for single people without children – debt variation (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Income	501	461	423	502	423	695	313
Participation expenditure	593	598	598	643	588	653	445
Deficit/surplus with participation expenditure	-92	-137	-174	-140	-164	42	-132
Debt repayments: high	75	69	64	75	64	104	47
Debt repayments: low	13	13	13	13	13	13	13
Deficit/surplus with debt repayments high	-167	-206	-238	-216	-228	-63	-179
Deficit/surplus with debt repayments low	-105	-150	-187	-153	-177	29	-145

Table 17: Deficits and surpluses of weekly income compared with core and participation expenditure for sole parents – debt variation (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Income	690	879	943	558	1002	894	1117	1182
Participation expenditure	802	851	880	638	1139	1149	1204	1262
Deficit/surplus with participation expenditure	-112	-43	-3	-66	-137	-255	-171	-113
Debt repayments: high	104	132	142	84	150	134	168	177
Debt repayments: low	13	13	13	13	13	13	13	13
Deficit/surplus with debt repayments high	-215	-174	-144	-150	-288	-389	-339	-290
Deficit/surplus with debt repayments low	-125	-56	-16	-79	-150	-268	-184	-126

Table 18: Deficits and surpluses of weekly income compared with core and participation expenditure for couples with children – debt variation (dollars per week)

Example family	6. Couple, 2 children			
	Private	Private	Private	Private (high cost)
Housing – renting				
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Income	870	1100	1256	930
Participation expenditure	1225	1280	1393	1285
Deficit/surplus with participation expenditure	-356	-180	-137	-356
Debt repayments: high	130	165	188	139
Debt repayments: low	13	13	13	13
Deficit/surplus with debt repayments high	-486	-345	-326	-495
Deficit/surplus with debt repayments low	-369	-193	-150	-369

Child support

Payment and receipt of child support is another factor that can significantly influence a family's budget. While the government currently retains any child support payments for sole parent beneficiaries to offset the costs of providing a benefit,⁴⁹ child support can provide significant additional financial support for working sole parents. Conversely, the payment of child support negatively affects the financial resources of paying parents.

In this variation, we have assumed that one of our example single people 'without children' does have a child but is not the primary caregiver and is therefore liable for child support. We have assumed that the receiving parent is the example sole parent with one child. We have assumed that the single person cares for their children for less than 28% of the time, meaning they are not entitled to any reduction in child support to account for shared care.⁵⁰ To reduce the number of variations, we have also assumed that when the paying parent is receiving a benefit, the receiving parent is also receiving a benefit, and when the paying parent is working, the receiving parent is also working.

Tables 19 and 20 to follow show the impacts on the deficits and surpluses in income of both receiving and paying child support. Table 19 shows the impact on the paying parent, which worsens the inadequacy of their incomes. Note that the example single person will also not be entitled to any financial support for their children (Working for Families tax credits, Accommodation Supplement relating to the children) because of the assumption that they care for the child less than 28% of the time.

The \$55 per week child support payment for a single person working 40 hours a week (at \$18 an hour) turns their surplus into a deficit for our example single person scenario. When the single person is receiving a benefit, child support payments are directly deducted from their benefit payment and reduce the amount of benefit income available by \$17.70 per week, which is the legislative minimum payment.

49 Except for any part of the payment that exceeds the amount of the main benefit paid.

50 The amount paid varies based on both parents' incomes.

Table 19: Deficits and surpluses of current weekly income compared with core and participation expenditure for single people who are paying child support (dollars per week)

Example family	3. Single person		
Housing – renting	Private		Private (sharing)
Benefit (type) / work	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Income	423	695	313
Participation expenditure	588	653	445
Deficit/surplus with participation expenditure	-164	42	-132
Child support paid	-17.7	-55.4	-17.7
Deficit/surplus with child support	-182	-13	-150

Table 20 to follow shows the impacts on the receiving parents. The example sole parents receiving benefits currently receive nothing. The example sole parent with one child is receiving child support from the single person described above. When the sole parent is working 40 hours a week (earning \$18 an hour), they can receive up to \$55 per week from the paying parent (if the paying parent is also working 40 hours a week at \$18 an hour – just under \$37,000 a year).

The example sole parent with three children is assumed to be receiving child support from a person outside the other example families who is working full-time and earning \$40,000 a year. The sole parent is entitled to around \$105 a week in child support when they are working, which substantially improves the adequacy of their income and moves them much closer to participation levels of expenditure.

Table 20: Deficits and surpluses of weekly income compared with core and participation expenditure for sole parents who are receiving child support (dollars per week)

Example family	4. Sole parent, 1 child			5. Sole parent, 3 children				
Housing – renting	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Income	690	879	943	558	1002	894	1117	1182
Participation expenditure	802	851	880	624	1139	1149	1204	1262
Deficit/surplus with participation expenditure	-112	-43	-3	-66	-137	-255	-171	-113
Child support received	0	56.5	55.4	0	0	0	106	105
Deficit/surplus with child support	-112	14	53	-66	-137	-255	-65	-8

Teenagers

The two sole-parent scenarios involve either pre-schoolers and/or primary school-aged children as it is significantly more common for families receiving a benefit to have younger rather than secondary school-aged children in their care. Families with teenagers are likely to face higher costs, for example, they are likely to need more food and have higher medical costs, but childcare costs may reduce.

Table 21 to follow shows the example sole parent with three children and compares the deficits in incomes between the assumption in the main scenarios of three primary school-aged children and an assumption of two teenagers and one pre-schooler. This change results in a significant increase in the deficit in income of this family compared with participation expenditure (from \$255 a week to \$326 a week, an increase of \$71 a week (28%)). This greater deficit is driven by increased costs for food (almost half of the increase), a mobile phone, medical visits, school, activities and personal allowances.

Table 21: Deficits and surpluses of weekly income compared with core and participation expenditure for a sole parent – teenager variation (dollars per week)

Example family	4. Sole parent, 3 children (ages 2, 5, 8)	5. Sole parent, 3 children (ages 2, 14, 16)
Housing – renting	Private	Private
Benefit	SPS	SPS
Income	894	894
Participation expenditure	1149	1220
Deficit/surplus with participation expenditure	-255	-326

Appendix 3

Detailed analysis of comparison to equivalised median household incomes

The steps in the comparison process are outlined below:

- Each example family's income (for each variation of their circumstances) is equivalised to reflect their household size.
 - This assumes that the family is in a single family household, that is, they are not sharing accommodation, so results for the scenarios where accommodation is shared are not provided.
- The families' incomes are then expressed as a percentage of the median – both before or after housing costs.
 - These medians are based on the median equivalised household income published in the latest Household Incomes Report⁵¹ – the latest figures are for 2017 so a 2018 median has been created that assumes an increase of 4% from 2017 (consistent with recent trends).
 - The medians use the OECD modified equivalence scale.
- The analysis is then extended to show what proportion of the median equivalised household income would be required if the families had incomes sufficient to cover participation expenditure and core expenditure.

This is shown in Tables 22 to 24 to follow.

51 Perry, B. (2018). *Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2017*. Wellington, NZ: Ministry of Social Development.

Single people without children

Table 22: Comparison of equivalised household incomes with the median for single people without children (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Income (BHC, unequivalised)	-	461	423	502	423	695	-
Income (AHC, unequivalised)	211	171	133	215	133	405	-
Equivalised BHC income	-	461	423	502	423	695	-
Equivalised AHC income	211	171	133	215	133	405	-
Estimated 2018 BHC median	763						
Estimated 2018 AHC median	604						
Current income							
% of BHC median	-	60	55	66	55	91	-
% of AHC income	35	28	22	35	22	67	-
Income for participation expenditure							
% of BHC median	78	78	78	84	77	86	-
% of AHC median	50	51	51	58	49	60	-
Income for core expenditure							
% of BHC median	73	73	73	79	72	81	-
% of AHC median	44	45	45	52	43	54	-

Families with children

Table 23: Comparison of equivalised household incomes with the median for sole parents (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Income (BHC, unequivalised)	690	879	943	-	1002	894	1117	1182
Income (AHC, unequivalised)	300	489	553	-	532	424	647	712
Equivalised BHC income	531	676	726	-	527	471	588	622
Equivalised AHC income	231	376	426	-	280	223	341	375
Estimated 2018 BHC median	763							
Estimated 2018 AHC median	604							
Current income								
% of BHC median	70	89	95	-	69	62	77	81
% of AHC income	38	62	70	-	46	37	56	62
Income for participation expenditure								
% of BHC median	81	86	89	-	79	79	83	87
% of AHC income	52	59	62	-	58	59	64	69
Income for core expenditure								
% of BHC median	75	80	83	-	71	71	75	79
% of AHC income	45	57	55	-	48	49	54	59

Table 24: Comparison of equivalised household incomes with the median for couples with children (dollars per week)

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Income (BHC, unequivalised)	870	1100	1256	930
Income (AHC, unequivalised)	400	630	786	400
Equivalised BHC income	378	478	546	404
Equivalised AHC income	174	274	342	174
Estimated 2018 BHC median	763			
Estimated 2018 AHC median	604			
	Current incomes			
% of BHC median	50	63	72	53
% of AHC income	29	45	57	29
	Incomes for participation expenditure			
% of BHC median	70	73	79	73
% of AHC income	54	58	66	54
	Incomes for core expenditure			
% of BHC median	63	65	72	66
% of AHC income	45	49	57	45

Appendix 4

Assumptions for variations in locations and housing costs

Table 25: Rent and housing assistance for single people without children – Porirua (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Rent	230	230	230	230	230	230	130
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	163	105	105	105	105	22	54
Temporary Additional Support	0	18.21	34.35	0	34.35	0	0

Table 26: Rent and housing assistance for sole parents – Porirua (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Rent	330	330	330	250	380	380	380	380
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	153	153	113	97	269	188	188	148
Temporary Additional Support	16.82	0	0	0	0	0	0	0

Table 27: Rent and housing assistance for couples with children – Porirua (dollars per week)

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Rent	380	380	380	440
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	180	157	67	220
Temporary Additional Support	0	0	0	17.31

Table 28: Rent and housing assistance for single people without children – Gisborne (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public	Private	Private		Private	Private (sharing)	
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Rent	160	160	160	160	160	160	90
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	93	66	75	75	75	0	26
Temporary Additional Support	0	0	0	0	0	0	0

Table 29: Rent and housing assistance for sole parents – Gisborne (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Rent	240	240	240	190	280	280	280	280
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	90	90	50	55	169	118	118	78
Temporary Additional Support	0	0	0	0	0	0	0	0

Table 30: Rent and housing assistance for couples with children – Gisborne (dollars per week)

Example family	6. Couple, 2 children			
	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Rent	280	280	280	330
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	110	87	0	145
Temporary Additional Support	0	0	0	0

Table 31: Rent and housing assistance for single people without children – Wellington City (dollars per week)

Example family	1. Single person		2. Single person		3. Single person		
Housing – renting	Public	Private	Private		Private		Private (sharing)
Benefit (type) / work	Benefit (SLP)	Benefit (SLP)	Benefit (JS-HCD)	20hrs	Benefit (JS-WR)	40hrs	Benefit (JS-WR)
Rent	250	250	250	250	250	250	170
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	183	105	105	105	105	22	82
Temporary Additional Support	0	38.21	54.35	0	54.35	0	0

Table 32: Rent and housing assistance for sole parents – Wellington City (dollars per week)

Example family	4. Sole parent, 1 child				5. Sole parent, 3 children			
Housing – renting	Private			Private (sharing)	Public	Private		
Benefit (type) / work	Benefit (SPS)	20hrs	40hrs	Benefit (SPS)	Benefit (SPS)	Benefit (SPS)	20hrs	40hrs
Rent	410	410	410	330	500	500	500	500
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	155	155	115	153	389	220	220	180
Temporary Additional Support	94.82	0	0	16.82	0	65.07	0	0

Table 33: Rent and housing assistance for couples with children – Wellington City (dollars per week)

Example family	6. Couple, 2 children			
Housing – renting	Private			Private (high cost)
Benefit (type) / work	Benefit (JS-WR)	40hrs	40 + 20hrs	Benefit (JS-WR)
Rent	500	500	500	600
Accommodation Supplement or Income-related Rent Subsidy (for public housing)	220	198	108	220
Temporary Additional Support	77.31	0	0	115.35

Appendix 5

Treasury modelling assumptions and caveats

Beneficiaries in one-adult households

The Treasury tax and welfare analysis (TAWA) model provided the results for the proportion of benefit for recipients who share accommodation with other adults.

Risk/reliability assessment

The Treasury considers this analysis to have medium reliability and medium risk.

Modelling notes and caveats

Results are for tax years 2014/15, 2015/16 and 2016/17 based on the corresponding Household Economic Survey (HES) 2014/15, HES 2015/16 and HES 2016/17 survey data linked with Inland Revenue and Ministry of Social Development (MSD) data.

The total number of families receiving Jobseeker Support, Sole Parent Support and Supported Living Payment in the HES datasets is benchmarked to MSD annual averages.

General caveats

This analysis was carried out by Treasury's TAWA model. All calculations should be considered estimates.

Access to the anonymised data used in this study was provided by Statistics New Zealand (Stats NZ) in accordance with security and confidentiality provisions of the Statistics Act 1975 and secrecy provisions of the Tax Administration Act 1994. Stats NZ confidentiality protocols were applied to the data sourced from the MSD. The results in this analysis have been confidentialised to protect individual persons, households, businesses and organisations from identification. The results presented in this are the work of the Treasury, not Stats NZ.

Integrated Data Infrastructure disclaimer

The results in this analysis are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), managed by Stats NZ.

The results of the TAWA model presented in this report are those of the Treasury not Stats NZ.

Access to the anonymised data used in this study was provided by Stats NZ under the security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business or organisation, and the results in this analysis have been confidentialised to protect these groups from identification and to keep their data safe.

Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further details can be found in the privacy impact assessment for the IDI, available from www.stats.govt.nz.

Inland Revenue disclaimer

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994. This tax data must be used only for statistical purposes, and no individual information may be published or disclosed in any other form or provided to Inland Revenue for administrative or regulatory purposes.

Any person who has had access to the unit record data has certified that they have been shown, have read and have understood section 81 of the Tax Administration Act 1994, which relates to secrecy. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes and is not related to the data's ability to support Inland Revenue's core operational requirements.

