



Inland Revenue
Te Tari Taake



MINISTRY OF
SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Receipt of the Working for Families Package

**Centre for Social Research and Evaluation
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**Inland Revenue
Te Tari Taake**



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1 Executive summary

1.1 Purpose of this report

This Working for Families (WFF) Evaluation Report, *Receipt of the Working for Families Package*, describes public awareness of the package and who is receiving WFF entitlements to the end of August 2006.

The evaluation findings confirm the successful communications and delivery of the WFF package. Original forecasts have been met or exceeded, and there are high levels of awareness and receipt of WFF. In particular, there have been dramatic increases in the number of working families receiving WFF components.

The WFF evaluation is a joint Ministry of Social Development (MSD) and Inland Revenue Department (IRD) initiative. This report is oriented to the aims of WFF as set out in the Cabinet paper:¹

- achieving a social assistance system that supports people to work by making sure they get the assistance to which they are entitled
- improving income adequacy
- making work pay.

The evaluation has provided real-time feedback to inform the delivery of the WFF package, including communication of the package, and has contributed to ongoing policy development.

1.2 Are people getting their entitlements?

Overall receipt

The 2005/2006 tax year has exceeded the forecast of 260,000 families benefiting from WFF. There is high public awareness of WFF (88%) and recognition of its advertisements (91%) among families. Overall, the number of people receiving WFF continues to increase. The increase among non-beneficiaries is especially pronounced.

WFF Tax Credits² expenditure is tracking closely to the Budget Economic and Fiscal Update (BEFU) 2006 forecast (\$0.071 million or 0.1% lower than forecast for August 2006).³

Childcare Assistance and total Accommodation Supplement expenditure have met or exceeded original BEFU 04 forecasts. In August 2006, Childcare Assistance expenditure was 28% greater than forecast and the number of children affected was 24% above forecast. In August 2006, total Accommodation Supplement expenditure was near forecast, but the number of working people and families in receipt of Accommodation Supplement was 28% above forecast. Original BEFU 04 forecasts were based on applying historical figures and informed judgment about the response of newly eligible families; the numbers of families receiving their entitlements continue to increase, and more families could still benefit.

¹ [Cab Min 0417/1].

² The joint IRD/MSD WFF Communications Strategy for 2007 addresses changes to WFF components, including communicating a new name for Family Assistance.

³ No comparison to BEFU 04 or BEFU 05 forecasts is made for WFF Tax Credits as substantial policy changes were made after those forecasts.

The communications evaluation reports success

The communications campaign has targeted ethnic groups and newly eligible (higher income) families in 2005 and 2006. A communications evaluation found that these efforts have had success and endorsed continued communication with lower-income working families.

Māori have high levels of awareness of WFF and have provided positive feedback on WFF advertisements. Pacific and Asian groups' awareness of WFF has increased between 2005 and 2006. Communications targeted at ethnic groups are likely to have contributed to this improvement.

Awareness of WFF is similar for families classified as beneficiaries and non-beneficiaries. Newly eligible families, a target group in 2006, have just as high levels of awareness of WFF as the traditional target group and report that they identify with the advertisements.

From survey results, we know that potentially eligible families who are not receiving their WFF entitlements say that they need more information about eligibility and how to apply. MSD and IRD are continuing to actively engage with families (eg through outbound calling), have made evening appointments available, and have promoted WFF in public places and at worksites.

Some families participating in the communications evaluation survey said that they have concerns about overpayment of WFF Tax Credits. Families have the option of receiving full or part payment at the end of the tax year. One of the initial goals of WFF is that families receive payments throughout the year, thereby ensuring that people receive the payments they are entitled to when they need it. MSD and IRD are continuing to work on reducing the level of overpayments. Changes introduced as part of WFF – such as ring-fencing Family Tax Credit while on a benefit, proactively identifying cases requiring adjustment, and improving the ability to adjust entitlement levels throughout the year – all contribute to reducing the levels of overpayment. Ongoing information exchange will continue to ensure people moving off benefit and into work will receive their entitlements without risking overpayment. Further enhancements are being planned.

1.3 Is Working for Families improving income adequacy?

Average weekly payments have increased under WFF for all package components. Working people and families have benefited most.

Housing affordability measures (outgoing-to-income ratios) for Accommodation Supplement recipients with earnings improved following the changes under WFF.

1.4 Is Working for Families making work pay?

The communications evaluation shows that while people most often think about “financial assistance” when asked about the aims of WFF, many (about a third) also say that it is about supporting work or training. Nearly two-thirds (63%) of surveyed families agreed that “the In-Work Tax Credit is a good incentive to stay off a benefit”.

Non-beneficiary people and families have seen the largest gains from WFF on average, while the Accommodation Supplement has also improved housing affordability measures for beneficiaries who have some employment earnings.

The In-Work Tax Credit appears to be having an effect on the number of Domestic Purposes Benefit (DPB) recipients. Since the WFF package began, the number of families

receiving the DPB has fallen by 8,000. This includes a reduction of 2,600 DPB recipients since the implementation of the In-Work Tax Credit, and a reduction of 1,300 in the month prior, possibly partly as a result of Work and Income advice about the benefits of the In-Work Tax Credit for working families. DPB recipients who also have employment earnings are the most likely to transition off the benefit and the most likely to qualify for the In-Work Tax Credit (which requires 20 hours of work per week).

1.5 Next steps for the evaluation of Working for Families

The evaluation of WFF is comprehensive and will continue to provide information about the extent to which WFF has met the objectives set out by Cabinet. As complete data becomes available on the 2005/2006 tax year and future tax years, the evaluation will report on new information about the package effects on incomes and employment. In addition, evaluation findings on Childcare Assistance and Accommodation Supplement are informing Choices for Living, Caring and Working, as well as the Accommodation Supplement Review.

2 Purpose of the report

Overview

The Working for Families Evaluation Team works collaboratively with other parts of the Ministry of Social Development (MSD) and Inland Revenue (IRD) to regularly report on the Working for Families (WFF) package and its components. This report complements other work and adds new information from joined MSD and IRD data, as well as from surveys and interviews conducted as part of the joint evaluation of the WFF package. This information has informed and supported communications and delivery of the WFF package, and will provide real-time input into a range of policy processes, such as the Accommodation Supplement Review and Choices for Living, Caring and Working. It has also informed the ongoing development of the 2007 communications strategy.

The report is oriented to the aims of WFF as set out by Cabinet,⁴ which are to achieve a social assistance system that supports people to work by:

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

This report focuses on the first objective – specifically the efforts that have been made to communicate and promote WFF, particularly surrounding the 2006 package expansion. For families (particularly working families) to receive their entitlements under WFF, they must be aware of the package and perceive that it is relevant to them. We report on levels of package awareness and track corresponding levels of receipt to August 2006.

New information, not otherwise available, about uptake of the package is provided. In particular, because MSD and IRD data have been analysed together, the report estimates the total number of families benefiting from WFF – regardless of whether they have been receiving their entitlements from IRD, MSD or both organisations.

To demonstrate how WFF has improved income adequacy, we report on average weekly payments before and after the package introduction. We also report on how housing affordability measures have improved for Accommodation Supplement recipients with earnings. Finally, the report brings in early information from other parts of the evaluation, including national survey work, to describe the families receiving package components, and what they told us about how the package made a difference to them.

One of the components of WFF most directed at supporting work is the new In-Work Tax Credit. We report on how families perceive WFF to be tied to work and on the decreasing number of Domestic Purposes Benefit (DPB) recipients since the introduction of WFF and, in particular, since the In-Work Tax Credit has been in place.

Scope

The focus of this report is on national uptake⁵ of the main components of WFF over 2005 to 2006: WFF Tax Credits,⁶ Accommodation Supplement, and Childcare Assistance. The period covered by administrative data is from the first WFF changes, in October 2004, to

⁴ [Cab Min 0417/1].

⁵ Regional data analysis will be enhanced by the availability of data from the latest New Zealand Census.

⁶ WFF Tax Credits consists of Family Tax Credit, In-Work Tax Credit, Parental Tax Credit, and Minimum Family Tax Credit. In-Work Tax Credit replaced Child Tax Credit from 1 April 2006. Clients who received Child Tax Credit prior to 1 April 2006 continue to receive this payment if they do not meet the eligibility criteria for In-Work Tax Credit and they are included in the totals.

the end of August 2006. This includes the 2005/2006 tax year. Information for this tax year continues to be updated and is subject to change.

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

This report supplements the monthly WFF Implementation Update report to the Minister for Social Development and Employment and the Minister of Revenue.

2.1 Background to Working for Families

The WFF package, featured in Budget 2004, combines substantial changes to in-work incentives and family entitlements; it also provides support to meet childcare and accommodation costs. By 2007, it will provide around \$1.6 billion per year in increased financial entitlements and in-work support to low- to middle-income families with dependent children.

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

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

- increases to WFF Tax Credits, plus the new In-Work Tax Credit
- Childcare Assistance improvements
- Accommodation Supplement initiatives
- Invalid's Benefit changes
- Special Benefit changes
- consequential changes to other social assistance.

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

In November 2005, legislation for a further extension of the WFF package was passed; this provides more WFF Tax Credits to an estimated additional 160,000 families, including 60,000 newly eligible families. These families have higher incomes than the previous target group. By 1 April 2007 nearly all families earning under \$70,000, many earning \$70,000 to \$100,000, and some earning more will qualify for WFF.

2.2 Working for Families implementation timeline

The following changes occurred under the WFF package.

October 2004

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

April 2005

- Family Tax Credit rates were increased by \$25 per week for the first child and \$15 per week for additional children.
- The child component of main benefits was moved into Family Tax Credit.
- Foster Care Allowance, Unsupported Child's Benefit and Orphan's Benefit rates were increased by \$15 per week.
- Accommodation Supplement maximum rates were increased in some areas with high housing costs.
- Family Tax Credit began to be treated as income for Special Benefit, and standard costs were set at 70% of main benefit plus Family Tax Credit for people with children.

October 2005

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

April 2006

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

Further changes to WFF Tax Credits are scheduled for 1 April 2007.

April 2007

- Family Tax Credit rates will increase by \$10 per child per week.
- Minimum Family Tax Credit rates will increase.
- Future rates and thresholds of Family Tax Credit will be regularly adjusted for inflation (the first inflation adjustment will occur once there has been at least a 5% movement in the Consumer Price Index from 1 April 2007).

2.3 Evaluating Working for Families

Cabinet has funded an evaluation of Working for Families that encompasses delivery, implementation and take-up of the package, as well as achievement of its three central aims. As the WFF package consists of a number of components designed to work together, it is essential that the evaluation addresses the delivery, take-up and impacts of the package as a whole as well as the component parts.

The evaluation is assessing:

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

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

Policy Objective	Link to Evaluation Objectives	Report Information
Making sure people get their entitlements	A. To assess the implementation and delivery of the package as a whole and of the various components (the process evaluation).	Section 3.6 describes the communications strategy that supported delivery and implementation of the package, with sections 3.5 through 3.15 describing the details of delivery effectiveness.
Making sure people get their entitlements	B. To assess package receipt, and barriers and facilitators to receiving the programme (take-up).	Section 3 provides uptake information on the package and components, how many people have benefited, how well communications efforts have promoted WFF and which groups might be missing out.
Achieving income adequacy	C. To assess the impact of the package on net incomes, income poverty and living standards for all those affected by the changes, especially for low- to middle-income families with dependent children.	Section 4 describes the families who are receiving package components, how much they receive and how these payments are helping.
Making work pay	D. To assess the degree to which the package improves employment-related outcomes for adults from low- to middle-income families with dependent children.	Section 5 reports on the facts that more people are associating WFF with supporting work, families with earnings are seeing real improvements from WFF, and DPB recipients are transitioning into work.

2.4 Economic context

The WFF package was introduced in a strong economy, with an annual average Gross Domestic Product growth of 3.9% for the year to March 2005, with slower growth up to March 2006 of 2.0%.⁷ The Budget Economic and Fiscal Update 2006 (BEFU 06) forecast a further slowdown in growth – to 1.0% in the year to March 2007 before picking up to 3.3% in the year to March 2008 and 3.5% in 2009.

During 2004/2005, participation rates in employment continued to increase and unemployment rates to decrease. The Household Labour Force Survey (HLFS) showed that total employment increased by 20,000 (seasonally adjusted) in the June 2006 quarter (1.0%) to a total of 2,127,000. Annually, employment has seen an increase of 63,000 (3.0%) over the year to June 2006. Participation in the labour force is at 68.7%, the

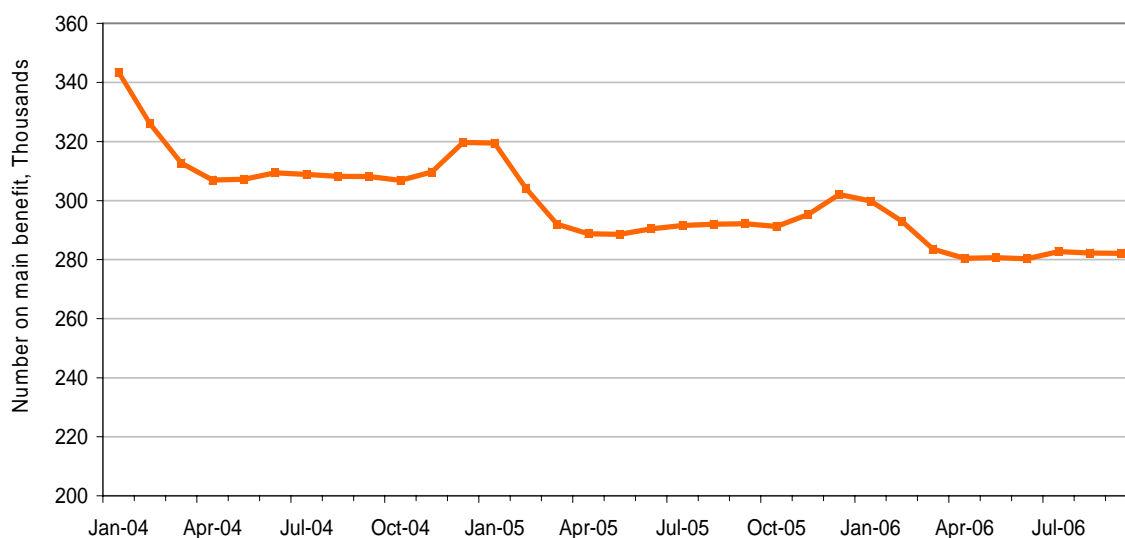
⁷ <http://www.stats.govt.nz/products-and-services/hot-off-the-press/gross-domestic-product/gross-domestic-product-dec06qtr-hotp.htm?page=para020Master> (as published for December 2006).

highest rate recorded since the survey began in March 1986. Full-time and part-time employment rates have risen by 3.6% and 1.3% respectively.⁸

Skill shortages and falling unemployment have led to pressure on wages and increases in wage growth. In the year to June 2006, salary and wage growth reached 3.3% according to the Labour Cost Index (salary and wage rates, excluding overtime payments) and has remained at or near 3.0% since the September 2005 quarter. This is the highest measure recorded since the Index began in 1992.⁹

The growth in labour force participation and employment is also reflected by the overall decline in the number of working age people receiving a main benefit. As illustrated in figures 1 and 2, the total number of working age people receiving a main benefit has declined from more than 308,000 at the end of August 2004, prior to WFF, to 282,000 at the end of August 2006. The downward trend has been driven by reductions in the number of people receiving Domestic Purposes Benefit (DPB) and Unemployment Benefit (UB) and partially offset by more people receiving Sickness Benefit (SB) or Invalid's Benefit (IB). The decline of DPB recipients has been analysed for the period since the introduction of WFF and findings are discussed in more detail later in the report.

Figure 1: Number of working age clients on main benefit, January 2004 to September 2006¹⁰



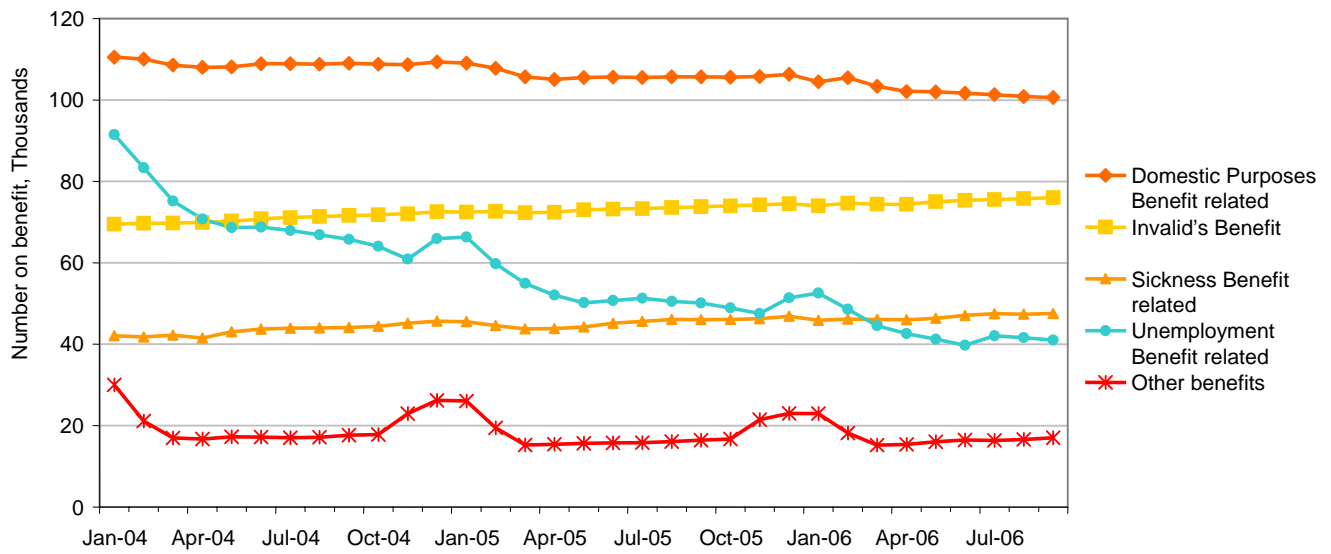
Source: MSD Information Analysis Platform (IAP).

⁸ <http://www.stats.govt.nz/products-and-services/hot-off-the-press/household-labour-force-survey/household-labour-force-survey-mar07qtr-hotp.htm?page=para023Master> (as published for December 2006).

⁹ <http://www.stats.govt.nz/products-and-services/info-releases/lci-salary-wage-rates-info-releases.htm>.

¹⁰ The Transitional Retirement Benefit is only included in January 2004 and February 2004 data, as this benefit ceased to exist in March 2004. Working age is 18 to 64 years.

Figure 2: Total working age clients by main benefit, January 2004 to September 2006¹¹



Source: MSD Information Analysis Platform (IAP).

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

¹¹ The Transitional Retirement Benefit is only included in January 2004 and February 2004 data, as this benefit ceased to exist in March 2004. Working age is 18 to 64 years.

3 Ensuring families receive their entitlements

Key Findings

- Working for Families has been successfully delivered to steadily increasing numbers of families and has exceeded its 2005/2006 target of 260,000 families.
- Awareness of WFF in mid-2006 was 88% and has increased since 2005.
- Awareness of WFF has increased since 2005 for Pacific and Asian caregivers.
- Low and middle income caregivers have similar levels of awareness of WFF.
- Advertising recall is high (91%) and well above the advertising industry standards.
- Advertising has reached out to a new group of families while still being well-received by the traditional client base.
- Some families and beneficiaries may not realise that they are receiving WFF.

3.1 Overall success of delivering Working for Families

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

- WFF Tax Credits (in particular, changes to Family Tax Credit and the introduction of a new In-Work Tax Credit)
- Accommodation Supplement
- Childcare Assistance.

WFF Tax Credits is administered by the IRD and paid by both IRD and MSD.¹² Accommodation Supplement and Childcare Assistance are administered by MSD.¹³

An extensive data linking exercise has been undertaken to identify people and families who have received a payment from WFF in at least one month over the 2005/2006 tax year, regardless of whether they have received a payment from MSD, IRD, or both organisations. Preliminary results are presented in figure 3.

Overall, at least 270,000 families have received WFF in the 2005/2006 tax year. This includes many but not all families who will receive a lump-sum payment of WFF Tax Credits after March 2006, so the total number is expected to increase by as many as 20,000 families. Furthermore, Accommodation Supplement has been paid to an additional 200,000 singles and couples without children.

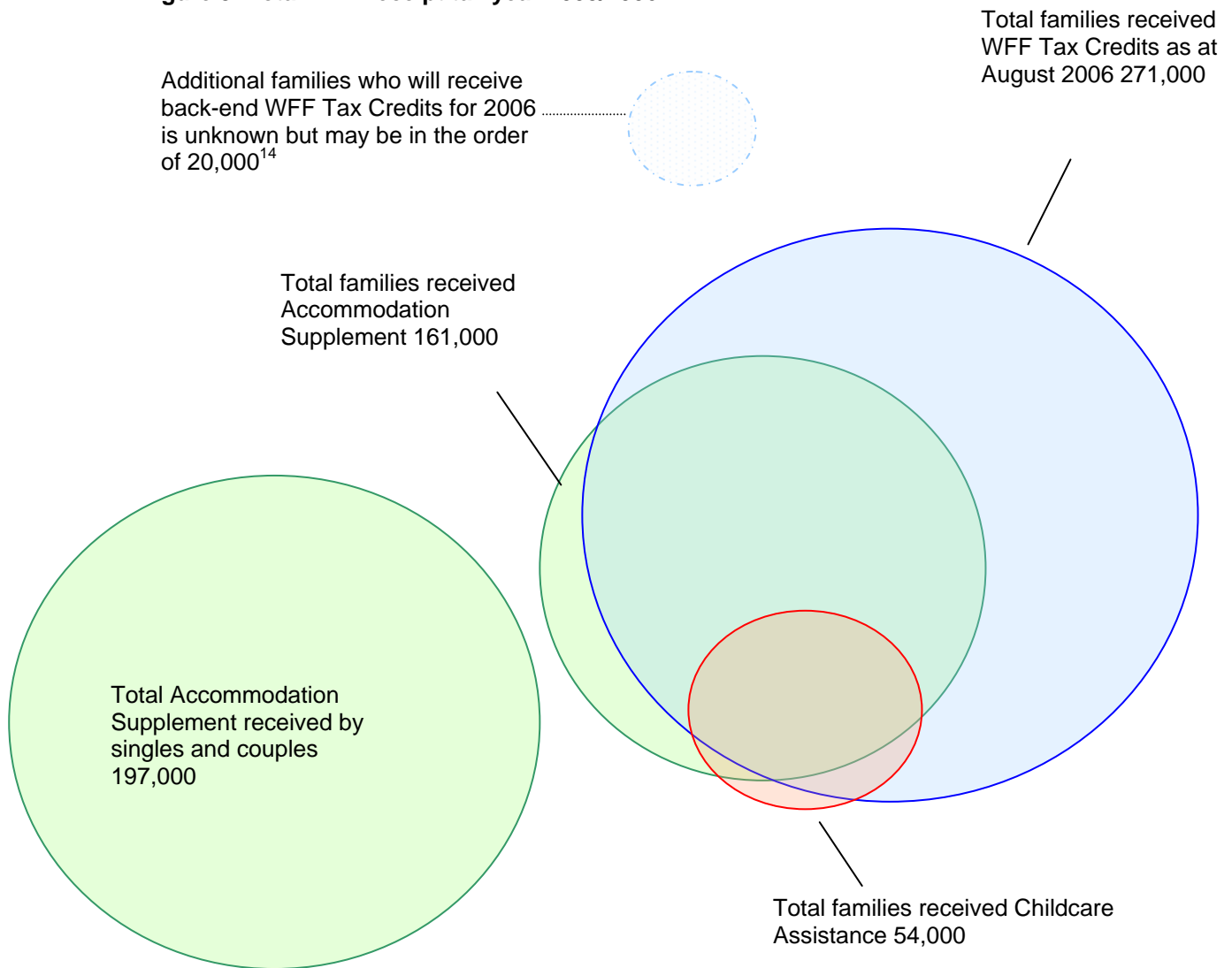
Figure 3 provides a good indication of the large number of families who have benefited from WFF and the relative scale of the three components.¹⁴

¹² Generally, families receiving a main benefit are paid by MSD, and families with labour market income are paid by IRD.

¹³ The numbers published here are research and evaluation numbers as such they may vary from those published elsewhere. Official MSD statistics are published for working age recipients only, whereas IRD statistics are reported for all recipients. As WFF is available to caregivers of all ages we have reported on all ages here.

¹⁴ This is new information, not official statistics, and can be subject to change as tax data is updated.

Figure 3: Total WFF receipt tax year 2005/2006¹⁴



The total number of families receiving WFF Tax Credits in 2005/2006 is currently incomplete, as some back-end payments are still being made.¹⁵ In addition, there is currently the potential for double-counting when different parents in the same family receive different package components, or when a family is receiving Accommodation Supplement or Childcare Assistance but their year-end WFF Tax Credits payment has not yet been accounted for. In figure 3, this can be seen as the small areas where some of the circles do not completely overlap.

¹⁵ WFF Tax Credits are unique, as people can apply for payment from IRD on a weekly or fortnightly basis (front-end or through-the-year payments) or as a lump sum at the end of the tax year (back-end payments). The processing of back-end payments for any tax year is largely complete by the month of November of the following year. Therefore, the final number of WFF Tax Credits recipients is not known at this time in the annual cycle. Any adjustments of the amounts paid to people receiving front-end payments will continue to be incorporated in analyses. In figure 3, and throughout this report, information on WFF Tax Credits paid by IRD refers only to payments made by the end of August 2006. As additional claims are made, more families will be included in the evaluation. At the time of release of this report 285,000 families received WFF tax credits in the 2005/06 tax year, of which 48,000 were made as back-end payments.

3.2 WFF Tax Credits and In-Work Tax Credit receipt

WFF Tax Credits¹⁶ provides financial help for families with dependent children aged 18 years or under. The following improvements have been made to WFF Tax Credits as part of WFF:

- In April 2005, the amount of Family Tax Credit rose by \$25 per week for the first child and \$15 for additional children.
- In April 2006, the WFF Tax Credits abatement thresholds of \$20,356 and \$27,481 were increased to \$35,000. The 18% abatement rate was removed completely and the 30% rate reduced to 20%. These changes to thresholds and abatements meant that families at higher incomes now qualified for WFF Tax Credits (a widening of the target group) and families already receiving Family Tax Credit could continue to receive payments as their incomes increased.
- In April 2006, the Child Tax Credit was replaced with the In-Work Tax Credit for eligible families and set at \$60 per family per week plus an additional \$15 per week for fourth and subsequent children. The In-Work Tax Credit became available to couple families working a total of 30 hours or more per week, and sole parents working for 20 hours or more per week.¹⁷

Most families receive WFF Tax Credits during the year.¹⁸ The number of families receiving WFF Tax Credits from IRD has increased dramatically under WFF to 169,000 in August 2006. This is an 83% increase compared to August 2005, and is more than twice the number of families receiving this entitlement from IRD in 2004, prior to WFF. At the same time, the number of families receiving WFF Tax Credits from MSD has shown a downward trend. In August 2006, 107,000 families received WFF Tax Credits from MSD. This is a 5% reduction from August 2005 and a 10.5% reduction since August 2004.

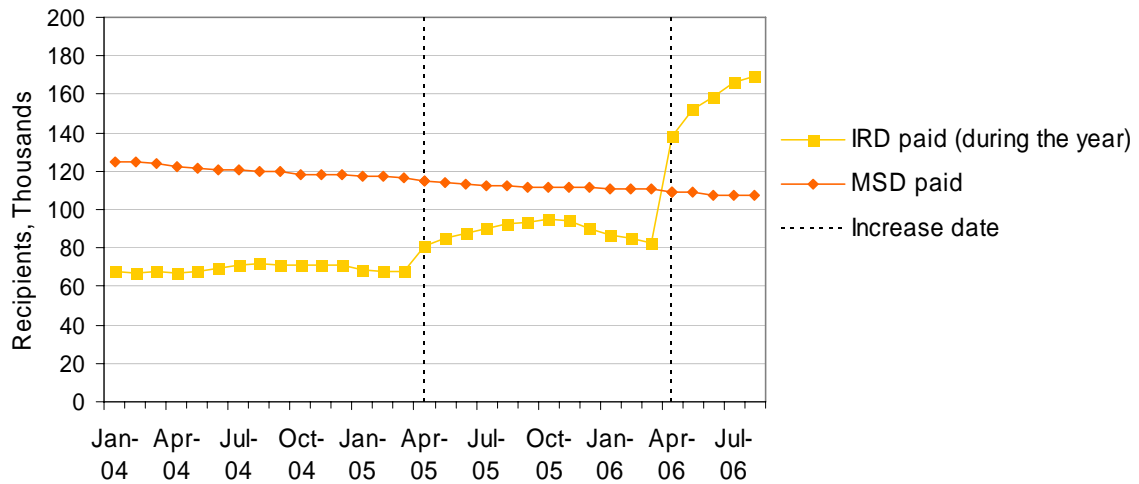
These trends in WFF Tax Credits are apparent in figure 4. The changes in receipt reflect two other facts: WFF Tax Credits now serve a broader group of families, most of whom are working, at higher incomes, and receive their payment from IRD; and secondly, overall beneficiary numbers have declined, and at least some of the decline would be due to a movement into work.

¹⁶ MSD pays WFF Tax Credits to most people in receipt of a main benefit, while families who are working receive WFF Tax Credits from IRD. Some families move between organisations for various reasons, such as moving from a benefit into work.

¹⁷ In-Work Tax Credit replaced the Child Tax Credit. However, Child Tax Credit will be grandparented for existing Child Tax Credit recipients who are not eligible for In-Work Tax Credits from 1 April 2006. Child Tax Credit will not be available to new clients from 1 April 2006, instead clients will be assessed for eligibility under the new In-Work Tax Credit criteria.

¹⁸ Receipt of WFF Tax Credits after April 2006 includes receipt of In-Work Tax Credit for those eligible. WFF Tax Credits components are combined into a single payment to recipients, rather than separate payments for each component.

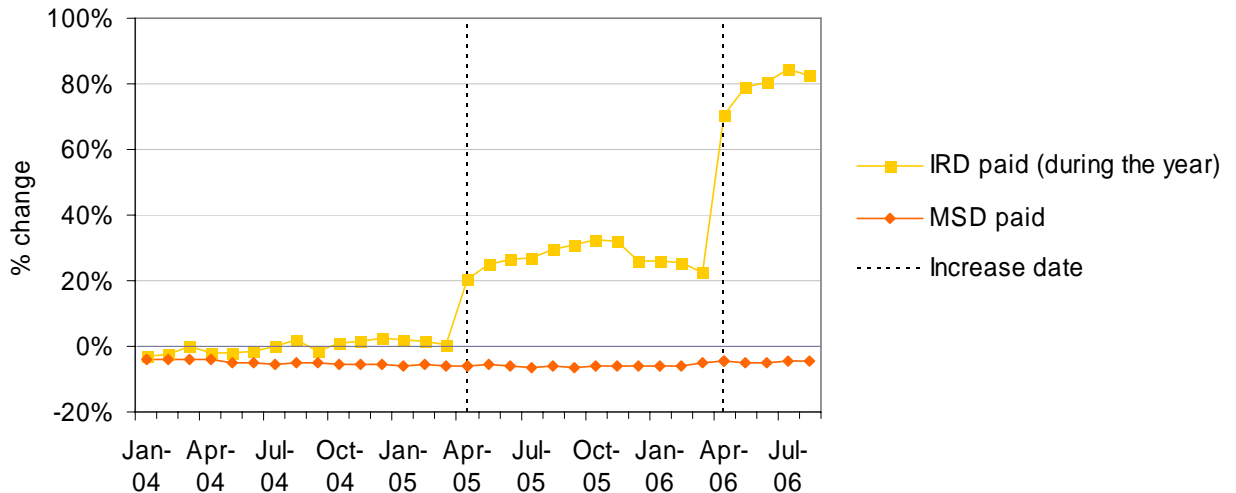
Figure 4: Total families receiving WFF Tax Credits



Source: IRD Data Warehouse.

Figure 5 displays the percentage changes in WFF Tax Credits receipt over time. The effects of the April 2005 and April 2006 changes are clear. In addition, it is important to note that the percentages remain positive for IRD payments, indicating a continued upward trend, while they remain below zero for MSD payments, indicating that the decline in numbers is continuing.

Figure 5: WFF Tax Credits percentage change on same month of previous year



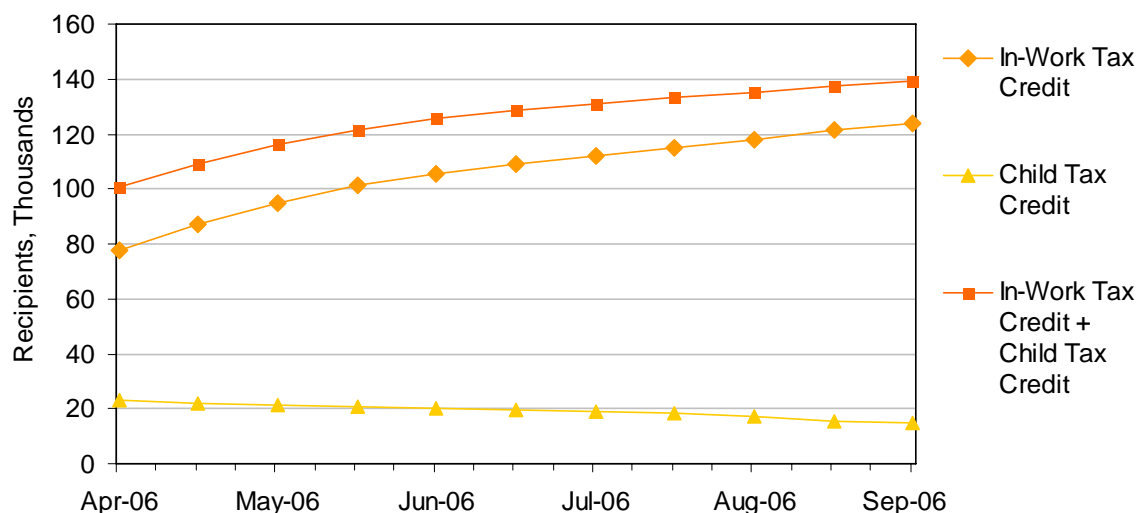
Source: IRD Data Warehouse.

The receipt of WFF Tax Credits includes the new In-Work Tax Credit, which replaces the Child Tax Credit. Since its introduction, receipt of the In-Work Tax Credit component of WFF Tax Credits has continued to increase.¹⁹ As shown in figure 6, 124,000 families received a payment on the last payday in August 2006, and 127,000 families received a payment on the last payday of September 2006. Families who were potentially eligible for the In-Work Tax Credit were sent letters by IRD asking them to confirm their working hours and hence entitlements. Reminder letters and phone calls were made to those not responding. Increasing recipient numbers reflect delayed uptake of the In-Work Tax Credit.

¹⁹ Note that at the same time, Child Tax Credit is declining in receipt as people move to the In-Work Tax Credit.

Planned analysis will explore the extent to which In-Work Tax Credit uptake is due to increased labour market participation.

Figure 6: Total number of In-Work Tax Credit recipients – paid weekly or fortnightly and Child Tax Credit recipients



Source: IRD

3.2.1 WFF Tax Credits expenditure against forecast

IRD has forecast total expenditure on monthly WFF Tax Credits rather than numbers of recipient families. IRD's total expenditure for August 2006 was \$93 million; the year-to-date expenditure (commencing April 2006) is \$474 million. These expenditures track closely to the BEFU 06 forecast (\$0.071 million or 0.1% lower than forecast in August).²⁰

MSD paid \$59 million in WFF Tax Credits in August 2006, and has a year-to-date expenditure of \$265 million, bringing total WFF Tax Credits expenditure for the 2006/2007 tax year to \$739 million from 1 April 2006 to 31 August 2006.

3.3 Accommodation Supplement receipt

The Accommodation Supplement is a non-taxable supplement that provides assistance towards accommodation costs, including rent, board or a mortgage. Recipients do not have to be receiving a benefit to qualify for an Accommodation Supplement, but their accommodation costs must be more than a certain amount, and income and assets must be under certain limits. Housing New Zealand Corporation (HNZC) tenants are not eligible to receive an Accommodation Supplement.

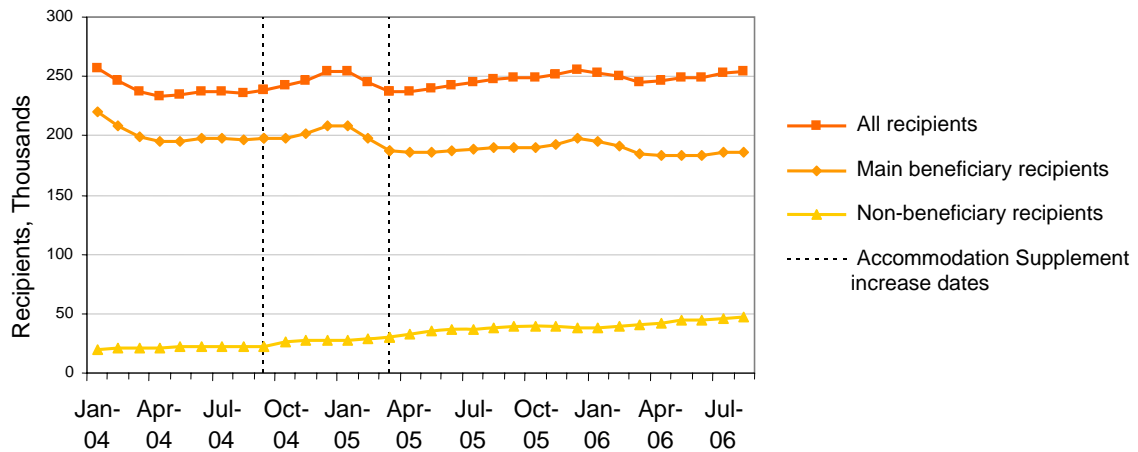
Changes have been made to the Accommodation Supplement under the WFF package to assist with accommodation costs for low- to middle-income groups. The most dramatic effect is seen in the increase in the number of non-beneficiaries receiving Accommodation Supplement following increased entry and abatement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

²⁰ An additional weekly and fortnightly payment for the July period fell on 1 August; this payment has been included in the month of July and does not distort the August payment information. Note that comparisons to BEFU 04 and BEFU 05 are not informative because they exclude key policy changes.

More working people and families are receiving Accommodation Supplement

At the end of August 2006, there were 254,000 singles, couples or families receiving an Accommodation Supplement, an increase of 3% compared to the end of August 2005 and 7% compared to the end of August 2004, before the WFF changes (figure 7). The total number of non-beneficiaries receiving Accommodation Supplement has increased 24% since August 2005 to 47,400 at the end of August 2006 – an increase of 114% compared to August 2004, prior to WFF.

Figure 7: All Accommodation Supplement recipients at month end²¹



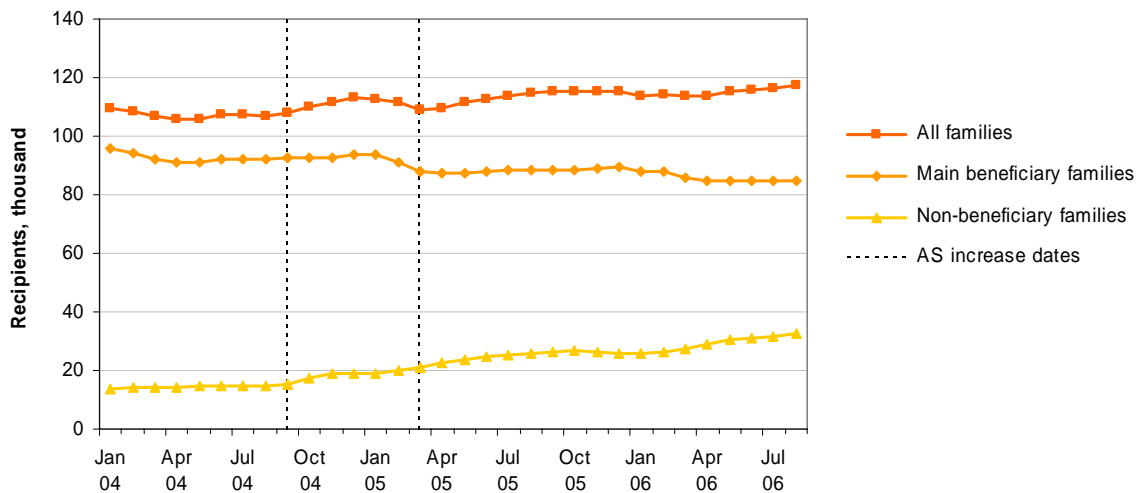
Source: MSD Information Analysis Platform (IAP).

A significant proportion of Accommodation Supplement recipients are singles or couples with no children. At the end of August 2006, there were 136,700 singles or couples with no children receiving Accommodation Supplement.

A key group of interest for WFF is families with children. At the end of August 2006, 117,300 families with children received Accommodation Supplement. The number of recipient families has increased by 2% from the same month in 2005, and by 10% compared to August 2004. As shown in figure 8, the number of main beneficiary families with children who receive Accommodation Supplement has been declining at a similar rate to the decline in beneficiary numbers, while the number of working families with children receiving Accommodation Supplement has more than doubled.

²¹ New Zealand Superannuation and Veteran's Pension recipients receiving an Accommodation Supplement are included in the "All recipients" line but not in the "Main beneficiary recipients" or "Non-beneficiary recipients" data.

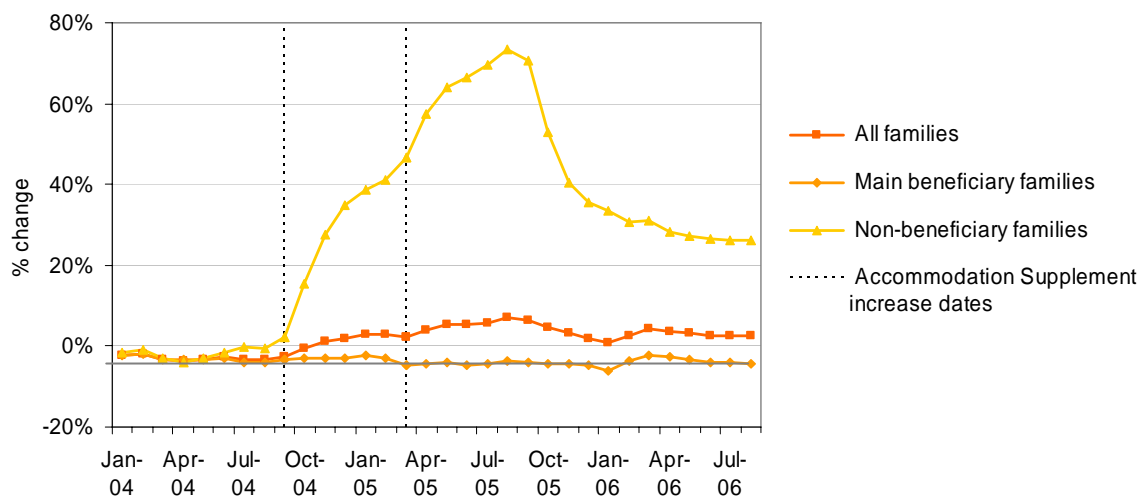
Figure 8: Families with children receiving Accommodation Supplement at month end



Source: MSD Information Analysis Platform (IAP).

Looking further at families with children, figure 9 shows the percentage change in the number of Accommodation Supplement recipients by comparing recipient numbers at the end of each month with the recipient numbers receiving payment in the same month in the previous year. It shows how the rate of percentage increase in the number of non-beneficiary families taking up Accommodation Supplement was especially marked in the first 12 months after the WFF changes in October 2004. By the end of August 2006, 32,800 non-beneficiary families were receiving Accommodation Supplement, an increase of 26% compared to the end of August 2005 and 119% compared to the end of August 2004.

Figure 9: Families with children receiving Accommodation Supplement – percentage change on same month of previous year²²



Source: MSD Information Analysis Platform (IAP).

An increase in non-beneficiary numbers was expected as the changes to Accommodation Supplement thresholds mean that more non-beneficiary clients are now eligible for support. The overall slight decrease in main beneficiary Accommodation Supplement

²² New Zealand Superannuation and Veteran's Pension recipients receiving an Accommodation Supplement are included in the "All families" line but not in the "Main beneficiary families" or "Non-beneficiary families" data.

recipient numbers reflects the declining beneficiary population overall (recall section 2.4, above). In addition, the changes to Accommodation Supplement that apply to beneficiaries relate to the amount of Accommodation Supplement received (for those with labour market income) rather than an extension of eligibility criteria. This would be reflected in the average payment amount, rather than the number of recipients. These are reported in section 4.2.

3.3.1 Accommodation Supplement against forecast

Since April 2004, the total number of people receiving Accommodation Supplement has tracked below the BEFU 04 forecast. This is mostly due to more Unemployment Benefit recipients and DPB recipients returning to work. The forecast assumed that the take-up of Accommodation Supplement among beneficiaries is high; therefore the larger reduction in benefit numbers meant that Accommodation Supplement receipt was below the BEFU 04 forecast. The average number of Accommodation Supplement recipients during the month of August 2006 was 251,700. This is 9% less than the BEFU 04 forecast and 1% greater than the BEFU 06 forecast.

Non-beneficiaries were the group most affected by Accommodation Supplement changes to thresholds and abatement rates. Both the number of recipients and average monthly Accommodation Supplement expenditure for non-beneficiaries have been above forecasts. The average number of non-beneficiary Accommodation Supplement recipients during the month of August 2006 was 46,500. This is 28% greater than the BEFU 04 forecast and 11% greater than the BEFU 06 forecast. For the same month, expenditure on non-beneficiaries was \$16.3 million. This is \$4.7 million (40%) greater than the BEFU 04 forecast and \$1.6 million (11%) greater than the BEFU 06 forecast.

As a result of the offsetting effects of fewer beneficiary recipients and more non-beneficiary recipients, actual total expenditures track closely to forecasts. In August 2006, total Accommodation Supplement expenditure was \$74.2 million. This is 1% less than the BEFU 04 forecast and 1% greater than the BEFU 06 forecast.

3.4 Childcare Assistance receipt

Childcare Assistance consists of Childcare Subsidy and Out-of-School Care and Recreation Subsidy (OSCAR). Childcare Subsidy provides financial assistance to low- to middle-income families with dependent children under the age of five to obtain access to childcare services. OSCAR helps low- to middle-income families to pay for before- and after-school programmes, and school holiday programmes for children aged 5–13 inclusive.

The key changes to Childcare Assistance under WFF include:

- an alignment of OSCAR rates with Childcare Subsidy rates (October 2004)
- an increase of income thresholds for OSCAR and Childcare Subsidy (October 2004)
- an increase to both OSCAR and Childcare Subsidy rates by 10% (October 2004 and again in October 2005).²³

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

²³ A subsequent increase in income thresholds for OSCAR and Childcare Subsidy in October 2006 is not technically part of WFF.

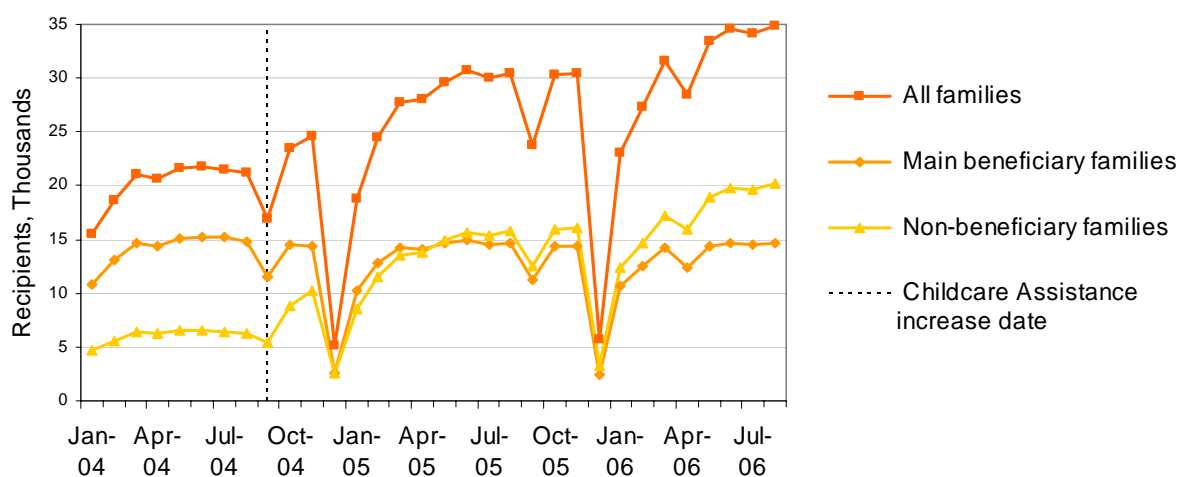
the cost of childcare and consequently allow them to choose to increase their participation in training and/or the workforce.

More families are receiving Childcare Assistance

In the five years before WFF was introduced, the number of children who received subsidised childcare declined, although the number of subsidised childcare hours remained much the same.²⁴

Since changes under WFF in October 2004, there has been a marked increase in the number of families receiving Childcare Assistance, particularly non-beneficiary families who may have been made newly eligible by changes to income thresholds (figure 10). Since August 2004, prior to WFF, the total number of families receiving Childcare Assistance has increased by 65%, and the number of non-beneficiary families has increased by more than 200%.

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



Source: MSD Information Analysis Platform (IAP).

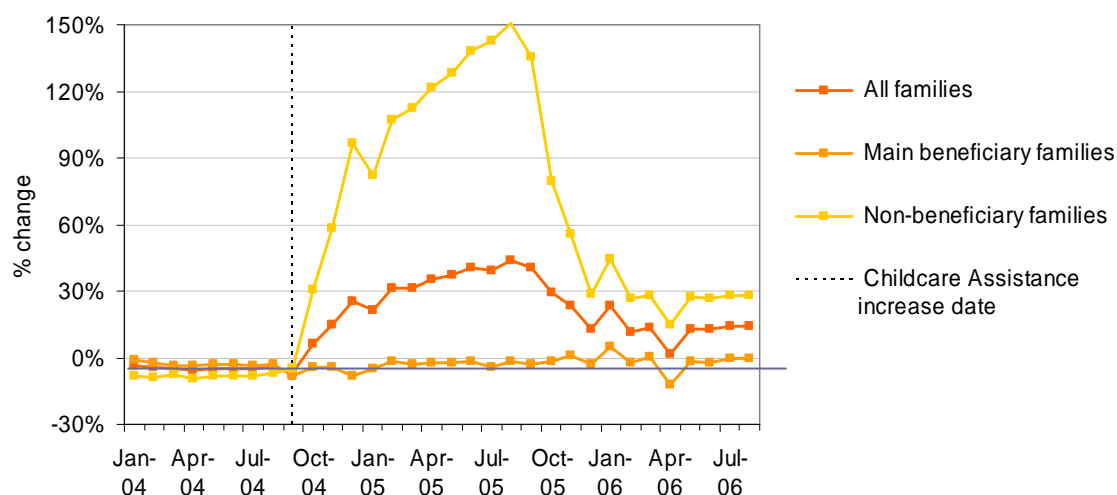
At the end of August 2006, there were:

- 34,900 families with 43,100 children receiving Childcare Assistance
- 13,300 two-caregiver families receiving Childcare Assistance and 21,600 one-caregiver families receiving Childcare Assistance
- 14,600 beneficiary and 20,300 non-beneficiary families receiving Childcare Assistance.

The rate of increase in the number of families receiving Childcare Assistance was rapid in the 12 months after the initial WFF changes. Figure 11 shows the percentage change in the number of families receiving Childcare Assistance by comparing recipient numbers at the end of a month with the number receiving for the same month in the previous year. The fact that the percentage increases remain positive, particularly for non-beneficiary families, reflects a continuing increase in families taking up Childcare Assistance.

²⁴ Throughout this section, note that there are clear seasonal trends in the use of Childcare Assistance. The number of recipients is lower during school holidays in December/January and September and to a lesser extent in April.

Figure 11: Families receiving Childcare Assistance – percentage change on same month of previous year



Source: MSD Information Analysis Platform (IAP).

3.4.1 Childcare Assistance against forecasts

Although Childcare Assistance has two types of assistance – Childcare Subsidy and OSCAR – forecasts are calculated for both types of assistance together. The average number of children receiving Childcare Assistance in August 2006 was 42,500. This is 24% greater than the BEFU 04 forecast and 5% greater than the BEFU 06 forecast. In August 2006, Childcare Assistance expenditure was \$12 million. This is 28% greater than the BEFU 04 forecast and 4% greater than the BEFU 06 forecast.

3.5 Has delivery of Working for Families been a success?

Overall, WFF has had success in meeting the first policy aim of ensuring families receive their entitlements. Meeting or exceeding forecasts indicates that the package reached at least as many families as expected.²⁵

One of the benefits of “real-time evaluation” is that new information about the number of recipients is not only compared against current forecasts, but serves to refine future forecasts and ensure that government agencies have the resources available to meet demand for WFF. Real-time evaluation is also important operationally, in order to gauge actual package receipt against what was planned. It is important to be sure that information about WFF is reaching all types of families who are entitled, and to respond to any groups who might be missing out.²⁶

²⁵ Note that forecasts of Accommodation Supplement for working families and Childcare Assistance take-up were based on applying historical figures and informed judgment about the response of newly eligible families to the estimated income-eligible group.

²⁶ To assess how effective WFF has been in reaching families, the evaluation brings in a number of lines of evidence. The first is administrative data held by the agencies. The second line of evidence is a communications evaluation, which has included two national surveys: one in 2005 and another in 2006. The communications evaluation measured awareness of WFF, the effectiveness of television and print advertisements, and gathered feedback from families about their perception of and interaction with WFF. It also identified families who said that they were not receiving WFF components and asked them why not. The communications evaluation provides the best representation of different types of families’ views, because it contains self-reported information.

Sections 3.6 through 3.15 detail further findings about how effective WFF has been in reaching families.

3.6 How have families been reached?

A main objective since the introduction of WFF has been to promote the package to eligible people and families and ensure that it is being delivered to those who are entitled. This has been especially important when reaching out to families who were not receiving WFF Tax Credits, Accommodation Supplement or Childcare Assistance prior to WFF.²⁷

For these families to receive their entitlements under WFF, they must be aware of the package and perceive that it is relevant to them. Therefore, this section describes the communication strategy that has been used to increase awareness of WFF and reports on how effective it has been. Subsequent sections then track corresponding numbers of families receiving WFF components to August 2006.

Joint communications strategy 2006

A key aspect of the implementation of the WFF package is the associated communications strategy. The aim of the strategy is to ensure eligible families are aware of their entitlements and to encourage them to apply. The audience for the communications campaign were:

- existing eligible families and people receiving entitlements from IRD and Work and Income
- those currently ineligible for WFF entitlements but who would become eligible for WFF Tax Credits in 2006.

The aims of the communications campaign have been to:

- build awareness of the package
- inform eligible families about the package
- explain what families are eligible for
- encourage eligible families to apply for their entitlements, including:
 - those currently eligible but not yet accessing their entitlements
 - those who will become eligible through to 2007
- increase the uptake of WFF components by eligible families who are not currently taking up their entitlements
- show families how to apply for WFF.

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

The overall WFF campaign began in September 2004 and promoted increases to Accommodation Supplement and Childcare Assistance. The second phase of the campaign commenced in February 2005 with television, magazine and online advertising that promoted increases in WFF Tax Credits and further changes to Accommodation Supplement. Together with the other elements of the campaign, these continued through

²⁷ Accommodation Supplement is also available to singles and couples without children. When discussing Accommodation Supplement, the distinction between “families” and “families with children” is drawn. All findings derived from the communications evaluation pertain to families with children.

May 2005. The third phase promoted Childcare Assistance beginning in October 2005 and then included WFF Tax Credits and generic advertising through to June 2006.

In addition, the In-Work Tax Credit introduced from April 2006 was promoted to existing WFF Tax Credits clients through direct mail campaigns. In November 2005 and January 2006, clients who received WFF Tax Credits either weekly or fortnightly received direct mail inviting them to apply for the In-Work Tax Credit. Further direct mail to remaining WFF Tax Credits clients (those paid after the end of the tax year) will conclude in October 2006.

Active engagement with families

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

MSD and IRD have been involved in a range of activities to reach different types of families. For example:

- employed families have been reached through employers and trade unions using workbrokers and industry partnerships,
- local families have been reached through community organisations and events, as well as at supermarkets, malls and other gathering places
- childcare co-ordinators have promoted WFF through schools
- outbound calls and direct mail have been used to reach existing clients.

In addition, work has been done to ensure families can find out more and apply for WFF by providing some extended hours to certain Work and Income offices, as well as through 0800 numbers and call centres.

Communications and active engagement activities continue to evolve. The 2007 promotional campaign aims to reach all those eligible but not in receipt of WFF, with a continued focus on Māori, Pacific and Asian families. New advertisements will be more representative of target groups with lower levels of uptake. They will also feature families with older children and are being placed where the audience will be reached.

WFF staff work with schools, unions, employers and childcare providers to offer a range of ways for families to get more information. The mix allows for all families and preferences to be reached – from online access to telephone and face-to-face help.

WFF is a broad programme that supports childcare and housing as part of the Government's overall strategy for these areas. The information from the WFF evaluation supports development of initiatives in these areas, for example through the Accommodation Supplement Review and the Five-Year Action plan for out-of-school services. The programme also works across government departments. For example, MSD works with the Ministry of Pacific Island Affairs to reach Pacific families, and Work and Income Childcare Co-ordinators visit childcare providers to promote take-up of both the Government's Free Early Childhood Education and Childcare Subsidy to eligible families. A summary of the types of engagement that have been taking place is provided in table 1.

Table 1: Description of WFF active engagement with clients and potential clients (in addition to broad-based communications such as television advertisements)

Action – Work and Income lead	Action – IRD lead
Introductory and ongoing initiatives since 2004	
WFF Promotional Case Managers, Working Families Case Manager and Childcare Co-ordinator roles Workbrokers used to help access employers Exit interviews used to inform clients transitioning off benefit	Social Policy Liaison Officers used to promote WFF; also where appropriate Community Liaison Officers, Māori Community Officers, Business and Tax Information Officers, Agent Account Managers, Call Centre Customer Service Reps and Pacific Island Community Liaison Offices engaged in promotion
Maintenance of 0800 numbers and call centres	
Extended office hours including Saturday and home visit options (in some service centres)	
Joint community promotions (eg stands in public areas or at local events, shopping malls and supermarkets, doctors' surgeries, school uniform and stationery shops, at health immunisation campaigns; promotions through employers, trade unions, etc and via Inland Revenue's Industry Partnerships)	
Joint presentations to organisations serving the same target groups (eg Housing New Zealand Corporation, Accident Compensation Corporation, Citizens Advice Bureau, Budgeting Services, parenting and childcare organisations)	
Supplying promotional material to employers	
Interagency collaboration in Heartlands sites which provide people in rural and provincial New Zealand with access to government services	
Additional activities in 2005	
WFF outbound calling to existing clients who may be eligible for Accommodation Supplement and Childcare Assistance	Direct mail to a first set of front-end WFF Tax Credits clients inviting them to apply for the In-Work Tax Credit
Additional activities in 2006 and onwards	
Letters sent to selected beneficiary families (with children) advising them of the new In-Work Tax Credit	Direct mail to another set of WFF Tax Credits front-end clients and to year-end clients inviting them to apply for the In-Work Tax Credit
Auckland Outbound Calling Initiative to Employers	
Ten temporary staff appointed in Auckland to promote WFF in communities (staff speak English and Pacific languages)	
Work and Income promoting WFF within industry partnerships	
Work and Income Multilingual Contact Centre providing information about WFF Tax Credits for calls generated by in-language posters	
Meetings with Council of Trade Unions to discuss WFF promotion to 350,000 plus members	
Childcare Co-ordinators contacting all schools promoting WFF	
Joint operation of stalls at malls and a number of home shows, parent and child shows, markets, festivals, cultural and community events	

3.7 Results from the WFF communications evaluation

The WFF communications campaign is being monitored and evaluated to measure its effectiveness and its impact on target audiences. Data have been collected through two national surveys, conducted May through August 2005 and May through June 2006.²⁸

The two surveys measured:

- target audiences' awareness of the WFF package and its components
- target audiences' reaction to communication materials, particularly their understanding of eligibility and perceptions of the WFF package
- the impact of communications on the behaviour of target audiences.

This has allowed for an overall analysis of the effectiveness of communications (the clarity of the communications message, what is, or is not, working well) and has assisted in the ongoing development of WFF communications and implementation strategies. In addition, information on WFF awareness should be taken into account when interpreting overall uptake of package components.

3.8 Effectiveness of the communications strategy

Communication evaluation results indicate that the WFF communications campaign in 2006 continues to be effective in meeting its primary aims. Awareness of WFF is high and the target audiences on the whole have a good understanding of the package. Furthermore, recall of the WFF advertising is very high and message take-out is strong. Compared to 2005, significantly more caregivers in 2006 have picked up on the message that WFF is for **working** families with less emphasis on WFF being for low-income families.

The 2005 survey results suggested that the 2006 campaign's task of effectively communicating with newly eligible families might not be an easy one, because higher-income families related less to the advertisements. The 2006 survey results report a successful change. Newly eligible families generally understand and are aware of WFF (and the advertising), and they report that they feel the advertising is talking to someone "like them".

The survey results show that there are some families who may benefit from additional communication. These include: families who report slightly lower levels of advertising recall; families who remain unsure of their eligibility or where to apply; and families who don't recognise payments they receive as part of WFF.

²⁸ The survey sample populations were based on the eligibility criteria for WFF Tax Credits in April 2006. The first survey in 2005 included main caregivers of families that fitted the eligibility criteria that was at the time anticipated for Working for Families in 2006. Note, these criteria did not take into account the increased thresholds announced at the 2005 general election. The second national survey in 2006 included main caregivers of families that were eligible for WFF Tax Credits from April 2006, and would have included some families with higher incomes than in 2005.

3.9 Awareness of the Working for Families package

In the 2005 and 2006 surveys, caregivers were asked:

"Have you heard or seen anything about a government package called Working for Families?"

Table 2: Awareness of Working for Families

	All respondents			
	2005 (n=702)		2006 (n=988)	
	n	%	n	%
Aware	552	79	869	88
Not aware	124	18	113	11
Not sure	26	4	6	1

Base: All respondents.

Source: Communications Evaluation 2005 (Q1), Communications Evaluation 2006 (Q1a).

In 2006, awareness is high with almost nine in 10 caregivers eligible for WFF (based on 1 April 2006 criteria) reporting that they are aware of WFF. When comparing the two years, awareness increased by nine percentage points since 2005.²⁹

There is no statistically significant difference between the awareness of beneficiaries and non-beneficiaries or between non-beneficiaries at higher and lower incomes. Awareness of WFF has increased among minority ethnic groups, however it remains lower among Pacific caregivers (79%, up from 57%) and Asian caregivers (72%, up from 46%) than among New Zealand European caregivers (93%) and Māori caregivers (85%).

Potentially eligible survey respondents were asked specifically about each of the main components of WFF:

"[WFF component] is a part of Working for Families. Before today had you heard of [this component]?"

The results in 2006 showed a high level of awareness of WFF Tax Credits (95%) among eligible caregivers, while awareness among eligible caregivers is slightly lower for Accommodation Supplement (86%) and Childcare Assistance (79%).

Table 3: Awareness of Working for Families main components

	Eligible for WFF Tax Credits (n=562)		Eligible for Accommodation Supplement (n=347)		Eligible for Childcare Assistance (n=507)	
	n	%	n	%	n	%
	Aware	536	95	300	86	403
Not aware	24	4	45	13	101	20
Not sure	2	<1	2	1	3	1

Base: Eligible respondents within each component.

Source: Communications Evaluation 2006 (Q5a, Q6e, Q12c).

²⁹ Holding constant the eligibility criteria (to compare families with similar income and family structures).

3.10 Advertising recall and likeability

Without prompting, 83% of caregivers recall advertising for WFF, an increase of nine percentage points since 2005. When prompted with pictures of television and print advertisements, including the Working for Families logo, recall increased to 91%, compared to 86% in 2005.

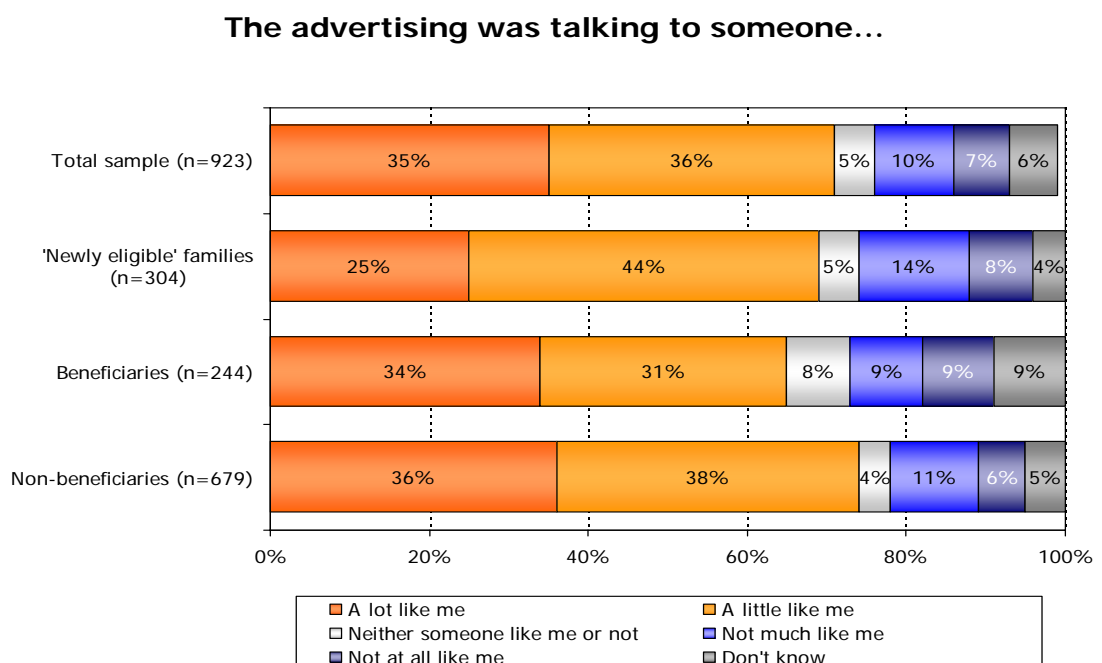
These advertising recall figures are above average norms (which tend to sit around 40 to 50%). Average recognition for advertisements in Australia is 50% (based on 75 television advertisements), 46% in the United Kingdom (based on 889 television advertisements) and 43% in New Zealand (based on 84 television advertisements). Recall above 70% tends to put a commercial in the top 20% of advertisements. These normative figures are based on advertisements across all industries and are from studies that used a comparable photo recognition methodology.

Recall was highest for television advertisements (89%), particularly those aired most recently. Fewer recalled print (38%) or radio (21%) advertisements, and 36% recalled the household information brochure. Those who did recall the brochure were also likely to actively engage with it, with 83% reading at least parts of it.

There is one pocket of slightly lower unprompted awareness of advertising. Based on a sample of 83 non-beneficiary caregivers with incomes under \$30,000, 71% were aware of advertising for WFF, compared to the average of 84% among non-beneficiaries of all incomes. In both years, there tended to be higher advertisement recall among Māori caregivers and lower recall among Asian and Pacific caregivers.

For those caregivers who did recall advertisements for WFF, the advertising appears to be very effective in terms of relating to its target audience. Around seven in 10 (71%) feel that the advertising is talking to someone “a lot” or “a little” like them.

Figure 12: Effectiveness of WFF advertising among target audience

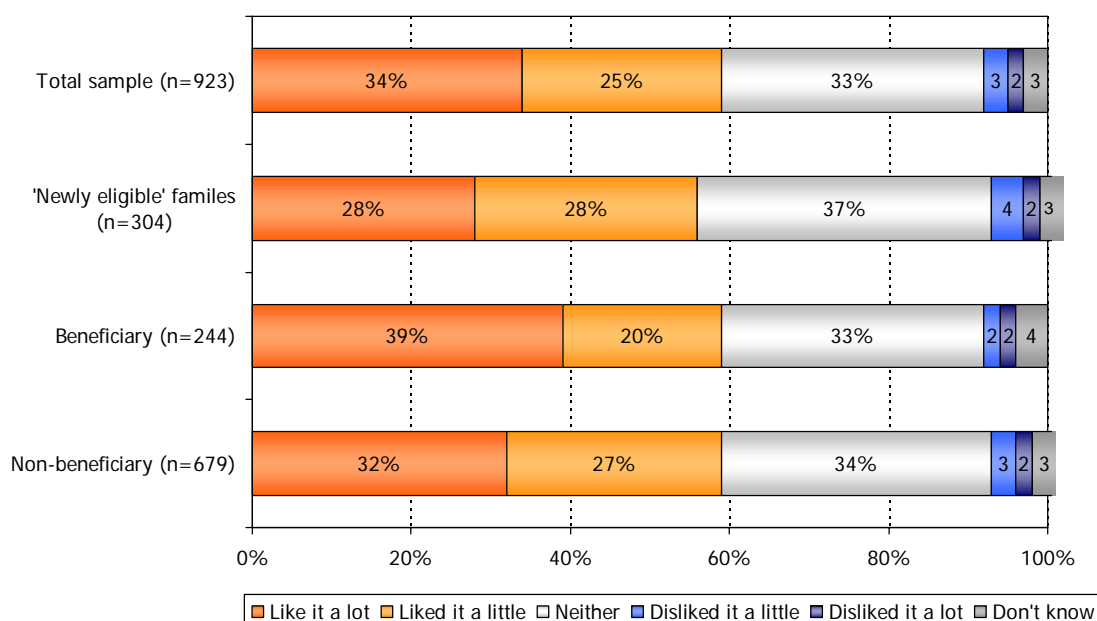


Base: Respondents who recall WFF advertising.
Source: Communications Evaluation 2006 (Q3c).

The main reasons for relating (or not relating) to the advertisement had to do with whether or not caregivers related to the family type portrayed, the component of WFF portrayed, and whether or not they believed they would qualify. This highlights the value of illustrating the WFF package using different types of families in different types of income and employment situations.

Overall, caregivers continue to like the advertisements, and 2006 results mirror those of 2005. In 2006, around six in 10 (59%) like the advertising either “a lot” or “a little”. Most of the remainder (33%) were neutral in their response, indicating that they neither liked nor disliked the advertising. Very few (5%) actually dislike the advertising.

Figure 13: Likeability of WFF advertising among target audience



Base: Respondents who recall WFF advertising.
Source: Communications Evaluation 2006 (Q3e).

Comparing 2005 and 2006 results finds that Pacific and Māori caregivers have consistently responded favourably to the advertising – they are slightly more likely to relate to the advertisements and report that they like them.

Between the two years, there has been an improvement in the proportion of caregivers living in localities where most people have higher incomes³⁰ reporting that they related to the advertisements and liked the advertisements. Findings show that communications have more effectively reached this group without isolating traditionally targeted caregivers.

³⁰ The comparison used NZDep 2001, a socioeconomic deprivation index. The index combines nine census variables from the 2001 census which reflect aspects of material and social deprivation. NZDep provides a deprivation score (from 1 to 10) for each meshblock in New Zealand. Thus scores apply to areas rather than individual people.

3.11 Understanding of the Working for Families package

Without prompting with possible messages, respondents who recalled advertising for WFF were asked:

“Please think of all of the advertising you have seen, heard or read about Working for Families. What was the advertising trying to tell you?”

The main message take-out from the advertising continues to be that there is more financial help for families (56% of caregivers who are aware of the advertising). However, more caregivers now specifically mention that WFF is for working families (from 9% in 2005 to 17% in 2006), and fewer mention that WFF is for low-income families. Of the higher income families who would have been “newly eligible” for WFF, 18% mentioned that there was now a wider range of families eligible.

Analysis of message take-out by ethnicity shows only a few differences between groups. Pacific and Asian caregivers are more likely than New Zealand European and Māori caregivers to comment that WFF provides financial assistance for “low-income families”. Pacific and Asian caregivers are also more likely than New Zealand European and Māori caregivers to comment that WFF provides support for parents or families with children.

By 2006, WFF had achieved high awareness and recognition. Therefore, the communications survey began to measure understanding of the package. After viewing advertisements and discussing messaging caregivers were asked what they thought the main aims of WFF were.

Responses were “unaided” – caregivers said what came to mind when asked the question. Caregivers most commonly think that the main aim of WFF relates to financial support (82%). Specifically, it is seen to provide financial support to low-income families and people (40%), although 17% mention families or people who are “working” and 10% mention those who are “middle income”.

Caregivers also consider that the aim of WFF relates to work or training (32%), either getting people (or specifically women) into work or training or working more hours. Specifically, 22% of the caregivers comment that the aim is to get people into work or training, and significantly more caregivers who are beneficiaries (32%) consider this is an aim.

Other aims of WFF the caregivers mention relate to childcare (28%) or housing (19%).

Table 4: Perceived aims of the Working for Families package (unaided responses)

	2006 All respondents (n=988)	
	n	%
Financial support and benefits (nett response)	814	82
<i>To help low-income families/people</i>	399	40
<i>To help families/people</i>	264	27
<i>To help working families/people</i>	170	17
<i>Help with everyday expenses</i>	114	12
<i>To help middle-income families/people</i>	100	10
<i>Improve lifestyle/better quality of life</i>	84	9
<i>Gives families stable incomes</i>	37	4
<i>Temporary relief when times are hard</i>	32	3
<i>Tax relief/getting taxes back</i>	30	3
<i>Helps families stay together</i>	27	3
<i>Help with medical costs/health costs</i>	6	1
<i>Peace of mind/take off pressure/less stress</i>	5	1
<i>To make people aware help is there/advise what entitled to</i>	5	1
Work/employment/training (nett response)	314	32
<i>Get people into work/training</i>	217	22
<i>Get women into work/training</i>	62	6
<i>Get people to work more hours</i>	37	4
<i>Get women to work more hours</i>	23	2
<i>Discourage women from staying at home to look after children</i>	20	2
<i>Keep people in work/make working more viable</i>	8	1
Childcare (nett response)	275	28
<i>Make childcare more affordable</i>	131	13
<i>Help with childcare</i>	117	12
<i>Help for children (ie education/food/more opportunities for children)</i>	29	3
<i>Get better quality childcare</i>	16	2
<i>Encourage people to stay home to care for children/spend more time with children</i>	11	1
Housing (nett response)	188	19
<i>Help with housing/accommodation</i>	145	15
<i>Make housing more affordable</i>	43	4
<i>Live in better quality housing</i>	17	2
Other	58	6
Don't know	68	7

Base: All respondents.

Source: Communications Evaluation 2006 (Q3h).

Note: Percentages in this table add to more than 100% because respondents could give more than one response.

3.12 Call to action

Without prompting, respondents who had seen any advertising for WFF were asked:

“What actions, if any, was the message in the advertising recommending that you take?”

Those who recall the advertising most commonly believe that the action the advertising is recommending they take is to telephone for more information (31%) or to “find out more” in general (29%). From 2005 to 2006, significantly more caregivers comment that the advertising is recommending they visit the website (7% to 17%).

Caregivers taking part in the 2006 survey who said that they applied for a WFF component **for the first time** in the last 12 months, were asked about the influence of advertising.

“Did you decide to find out about applying after seeing, hearing or reading the advertising?”

Many families (from more than one-third to nearly one-half, depending on which component they applied for) said that the advertising had prompted them to find out more about WFF, while others applied on their own.

3.13 An ongoing need to “find out more”

There is evidence from the 2006 survey that despite high awareness of the WFF package and its aims, some families might be missing out because they do not recognise the package components or do not know if their specific circumstances meet eligibility criteria. This is based on following up with families who appear to be eligible for WFF, but do not report that they are receiving payments, and asking them:

“Can you please tell me the reasons why you haven’t applied for, or don’t currently get, [package component]?”

Survey respondents were asked about each component separately. Across the component, two of the main reasons were:

- being unsure of eligibility
- lack of awareness about the payment available or how to apply for it.

These were the two most common reasons for WFF Tax Credits and Accommodation Supplement, although there was also a smaller group of caregivers (about one in 10) who reported that they were “not interested” in receiving the payments – either because they believe the payment would be too small to be worth applying for or because they don’t need the extra money. For WFF Tax Credits, there is also a similar small group who are concerned about overpayments.³¹

Families not receiving Childcare Assistance, regardless of whether or not they are working, tell a slightly different story. While some families who were not receiving Childcare Assistance also reported being unsure about eligibility or lack of awareness, the most common reason why caregivers said they were not receiving Childcare Assistance was a reported “lack of interest”, because they do not use or require eligible childcare.

3.14 Are people always aware they are receiving Working for Families?

All survey data must be understood to be “self report”. The findings from the national communications evaluation surveys that are summarised above are self-contained; all information is provided by respondents. This information is extremely valuable, as it measures what people contacted *believe to be the case*. However, individuals can be mistaken.

³¹ MSD and IRD are continuing to work on reducing the level of overpayments. Changes introduced as part of WFF – such as ring-fencing Family Tax Credit while on a benefit, proactively identifying cases requiring adjustment and improving the ability to adjust entitlement levels throughout the year – all contribute to reducing the levels of overpayment. Ongoing information exchange will continue to ensure people moving off benefit into work will receive their entitlements without risking overpayment. Further enhancements are being planned.

Linking survey information with administrative records has allowed us to compare self-reported receipt with actual receipt.³²

- Administrative records indicated that around three-quarters of people who believe they receive a WFF Tax Credits payment actually do so.
- Additionally, of these people who received a WFF Tax Credits payment around two-thirds were aware that they received it.

From this information, it is important to note that measured awareness of WFF and even self-reported receipt of the package will not align directly to true receipt. It also highlights that for some people, low awareness or recognition of the package is not a barrier to receipt – they may be receiving payments and not realise it. In our research, we have found this to be more likely to be the case for people receiving a main benefit.

To help people know exactly what payments they are receiving, changing the descriptions of WFF payments on clients' bank statements is planned for April 2008. This will help provide a more consistent description of payments that clients received under WFF.

3.15 How are we ensuring high coverage?

The WFF evaluation has undertaken a great deal of work to understand and measure non-receipt of the package. This has been done in two main ways. First, we have conducted qualitative work as part of the implementation (Phase 1) evaluation and communications evaluation (2005), which included interviews to identify potential barriers to receiving WFF. These findings have been shared with communication and delivery teams at IRD and MSD in order to address potential barriers quickly.

Rather than identifying any single gap, this work has identified several factors that influence whether eligible families will receive their entitlements. Broadly, these encompass personal characteristics (such as age, literacy, attitudes toward government programmes etc) as well as situational or operational issues (complexity of forms, amount of money that would be received etc). Some of these require or can benefit from an operational response, while others are part of personal choice and may or may not change in the longer term.

³² The evaluation of WFF includes a study of the effects of WFF. This includes a data linking exercise between MSD and IRD, and also incorporates survey data. The survey data primarily collects information on employment hours, wages, and other details not held by either organisation. However, during the survey respondents were also asked about whether they have received a component of WFF in the last 12 months. The surveyed group is separate from those of the Communications Evaluation. This covers the year ending February to May 2006, depending when exactly the interview took place.

Type of issue	Examples	How MSD and IRD have responded
Personal characteristics	Language and literacy	In-language communications materials, multilingual staff and call centre.
Attitudes and perceptions	Do not want to receive a government benefit or interact with government	This type of issue is addressed through government action and communications strategy.
Information	Believe they would be ineligible	Branding WFF as an entitlement for working families, portraying higher-income families, community promotional activities, providing calculators and family examples on the website, encouraging families to “find out more”.
Situational issues	Frequent change in circumstances	Ring-fencing and accumulative adjustments have reduced overpayments, year-end lump sum payments of WFF Tax Credits, call centres and online validation of work hours are available.
Personal finances	Only eligible for a small amount and do not wish to apply	Families require information about package expansion and application processes, which are made as easy as possible.
Operational issues	Paperwork burden, hours of operation at Work and Income	Opening hours have been extended in some service centres, additional staff have been recruited in Auckland to assist families in applying, the evaluation collects feedback on the application process to identify issues.

4 Who receives Working for Families and how does it help?

Key Findings

- WFF Tax Credits average weekly payments have increased under WFF.
- Accommodation Supplement has improved housing affordability, especially for families with labour market incomes.
- As a result of Childcare Assistance changes an extra 10,400 families are now accessing subsidised childcare.
- The money that WFF delivers is making a difference. Families are spending the extra money on a range of items.

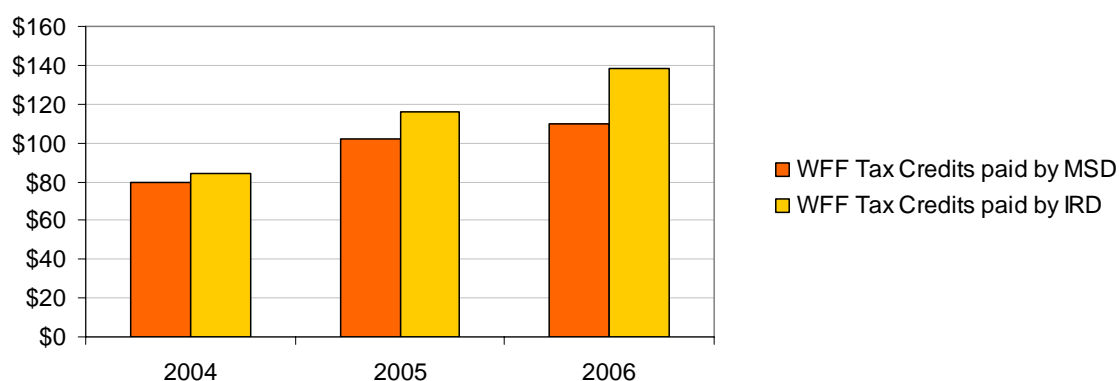
In this section we describe the families who are currently benefiting from WFF, how large an entitlement they receive on average and what they told us about how WFF has made a difference to them.

Information presented in this section represents the first step in a comprehensive study of families receiving WFF and the effect the package is having on them.³³ Not all families are the same, and as research work continues we will report on different types of families in more detail. Groups of interest may include: sole parents, people who have left benefit and returned to work, families receiving substantial amounts, and families who are on the boundaries of eligibility and entitled to smaller amounts of support.

4.1 Who is benefiting from WFF Tax Credits?

In August 2006, families paid by MSD received an average of \$110 per week of WFF Tax Credits, an increase of \$30 per week compared to August 2004, before WFF was introduced.³⁴ Families paid by IRD received an average of \$138 per week of WFF Tax Credits, an increase of \$54 per week compared to August 2004.³⁵

Figure 14: Average weekly WFF Tax Credits paid during month of August



Source: IRD Data Warehouse.

³³ At this stage, information is presented in aggregate, and includes all families receiving any support over the time period specified.

³⁴ WFF Tax Credits can be paid by IRD or MSD. In the main, IRD delivers payment to working families, and MSD delivers payment to families who are in receipt of a main benefit.

³⁵ The changes in WFF Tax Credits paid have been rounded to the nearest dollar and exclude entitlements for August paid as a lump sum following the end of the tax year.

Cumulative data for the 2006/2007 tax year shows that MSD is delivering WFF Tax Credits to more single parents, whereas IRD is paying more two-parent families. This highlights the significance of the DPB group for MSD, discussed in more detail in section 5.1.³⁶

Table 5: Families receiving at least one WFF Tax Credits payment since April 2006

Number of families receiving at least one front-end payment from IRD		
2007 tax year cumulative from April 2006		
Children	Single parent (67,000) %	With partner (113,200) %
Child not yet registered	10	2
1	47	28
2	29	38
3	10	19
4 or more	4	12
Total	100	100

Source: IRD Data Warehouse.

Number of families receiving at least one front-end payment from MSD		
2007 tax year cumulative from April 2006		
Children	Single parent (102,300) %	With partner (13,000) %
Child not yet registered	6	5
1	52	35
2	26	30
3	11	17
4 or more	5	14
Total	100	100

Source: IRD Data Warehouse.

4.2 Who is benefiting from Accommodation Supplement?

Accommodation Supplement is also putting more money into the hands of more families. This provides support for accommodation costs to those people not in Housing New Zealand Corporation housing.

At the beginning of October 2004, the Accommodation Supplement rules were changed to remove abatement for people while on a benefit, as well as lowering housing cost entry thresholds and increasing income thresholds when abatement would begin for non-beneficiaries. The rule changes reduce a benefit-to-work barrier and help increase the total income of low-income families.

There were 231,900 recipients of Accommodation Supplement when the October 2004 changes occurred. Of these recipients, 43,600 (19%) gained an increase in their weekly Accommodation Supplement payment rate.³⁷ On average, the rate increase raised their weekly supplement by \$15.

On 1 April 2005, the government increased the number of Accommodation Supplement geographical areas from three to four and made some adjustments to the boundaries for these areas. This has increased the number of Accommodation Supplement maxima from nine to 12. The maximum weekly rates were also increased in some areas.

There were 233,500 Accommodation Supplement recipients when these changes occurred,³⁸ and as a result of these changes 48,500 recipients (21%) received an increase

³⁶ IRD records the family type and number of children for all WFF Tax Credits recipients. Some recipients do not currently have a child count, because they are newly eligible and have yet to register their child(ren) with an IRD number. Other families that have received a WFF payment show zero children at the end of the month due to changing family composition. These are both classified as "child not yet registered".

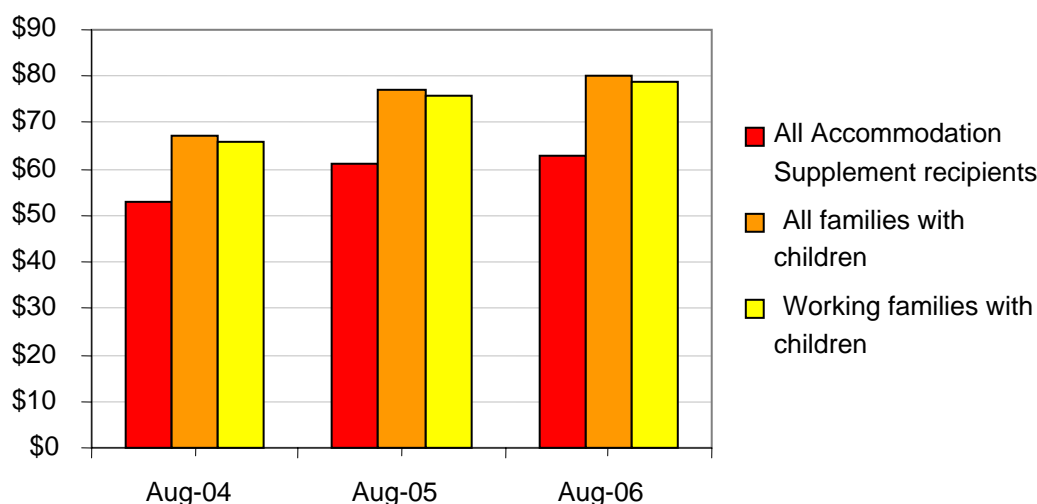
³⁷ The 1 October 2004 changes were processed on 26 September 2004, and these figures relate to this time point.

³⁸ The 1 April 2005 changes were processed on 28 March 2005, and these figures relate to this time point. Clients whose adjustments were made manually could not be assessed in this calculation and have been excluded from these figures, as have clients whose records were not updated for the 1 April changes. In total, approximately 3,000 recipients have been excluded from this calculation.

to their weekly Accommodation Supplement rate.³⁹ The average increase was \$19. This increase was in addition to any previous increases arising from the 1 October 2004 changes.

Considering all Accommodation Supplement recipients, regardless of whether their payments were affected by the changes, we see that at the end of August 2006 the average weekly rate for all recipients was \$63. Families with children received an average of \$80 per week, while singles and couples without children received an average of \$48 per week. The average weekly payment to families with children is \$13 more than prior to WFF and \$7 more for singles and couples without children.

Figure 15: Accommodation Supplement average weekly payments



Source: MSD Information Analysis Platform (IAP).

At the end of August 2006, 254,000 people received an Accommodation Supplement. This included 117,300 families (84,500 beneficiary and 32,800 non-beneficiaries).

Table 6: Number of Accommodation Supplement recipients by family composition – at the end of August 2006

Number of children	Family structure		
	Single (212,500) %	Couple (41,500) %	Total (254,000) %
No children	57	39	54
1 child	22	22	22
2 children	14	22	15
3 children	5	10	6
4 or more children	2	7	3
Total	100	100	100

Source: MSD Information Analysis Platform (IAP).

4.3 Housing is more affordable

A central aim of delivering more payments to families is to make housing more affordable. There are several ways to evaluate housing affordability; a common measure is the ratio of housing costs to income, or OTI (outgoing-to-income) measure. This measure is used to

³⁹ The majority of these increases would have been due to the WFF changes. However, some increases may have been due to a change in an individual's circumstances not related to WFF.

identify people who spend a high percentage of their income on accommodation. An individual's OTI will change when either or both of their outgoings or income change. If housing costs increase, the OTI will increase. If a component of income – such as Accommodation Supplement – increases and housing costs remain the same, the OTI will decrease. The OTI measure for Accommodation Supplement recipients is presented in figure 16.

Figure 16: OTI measure for Accommodation Supplement recipients

$$\text{OTI} = \frac{\text{Cost of rent, mortgage, or accommodation part of board less Accommodation Supplement}}{\text{Nett income from earnings, nett benefit, Accommodation Supplement, Family Tax Credit, and imputed income from cash assets}}$$

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

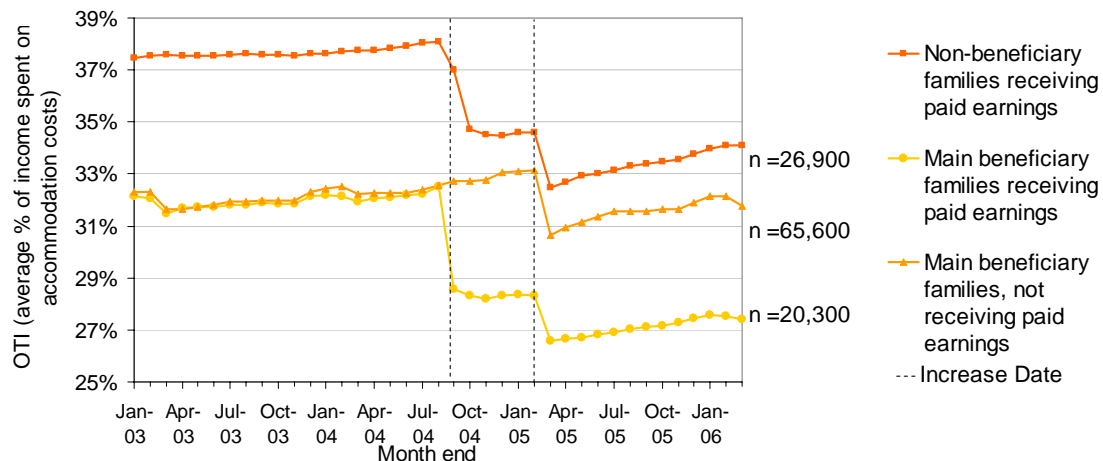
The effects of the WFF package on housing affordability are shown in figure 17 by the changes over time in OTIs. In October 2004 there were large decreases in OTIs for both non-beneficiary families and beneficiary families with earnings. These were due to increases in Accommodation Supplement amounts from the changes to the income abatement rules. Note that these changes had no effect on housing affordability for beneficiary families without earnings.

Further drops in OTIs occurred in April 2005 when the Accommodation Supplement regions and maxima were changed. These changes resulted in increased Accommodation Supplement payments for people, especially in high cost housing areas. However, the drop in OTIs at this time is only partially explained by the Accommodation Supplement changes; increases in WFF Tax Credits introduced in April 2005 would also have contributed to the drop by increasing total income.

The changes in average OTIs since April 2006 may reflect:

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

Figure 17: Proportion of income spent on accommodation costs by Accommodation Supplement recipients



Source: MSD Information Analysis Platform (IAP).

Table 7: Number of recipients in OTI analysis groups

OTI analysis group	Accommodation Supplement recipients at the end of March 2006	
	n	% of total recipients
Main beneficiary families, not receiving paid earnings	65,600	27
Main beneficiary families receiving paid earnings	20,300	8
Non-beneficiary families receiving paid earnings	26,900	11
Others*	132,800	54
Total	245,600	100

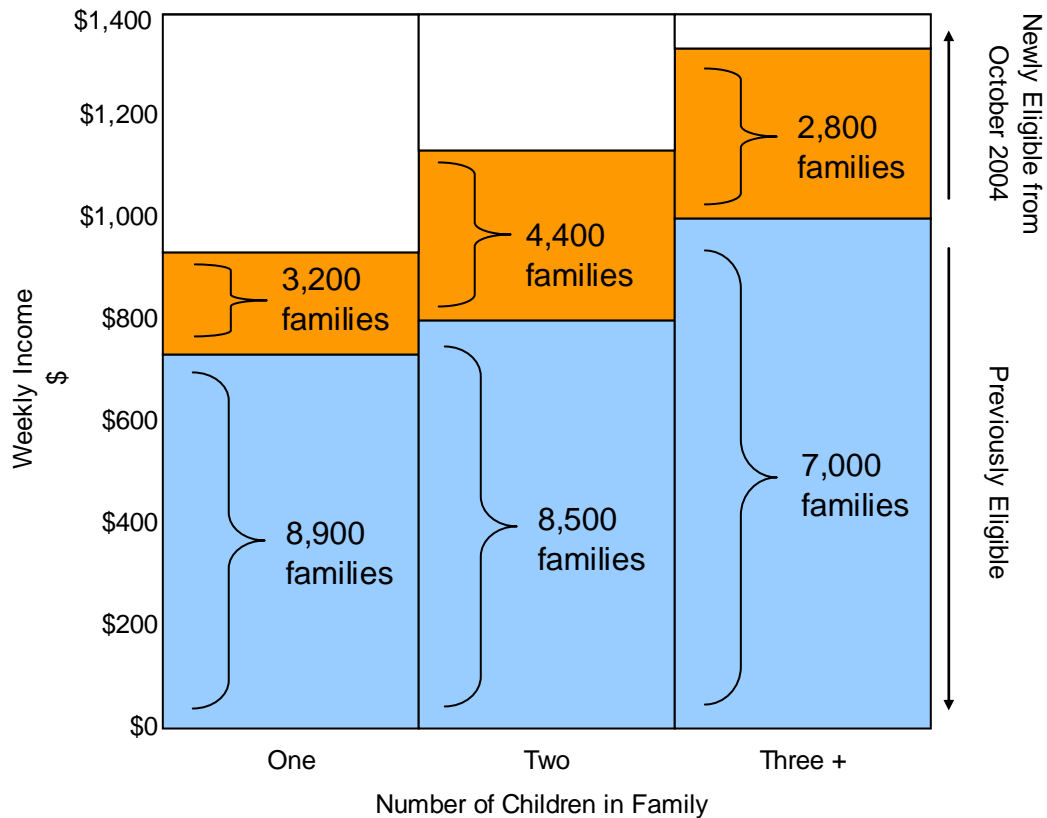
* Includes singles and couples without children as well as New Zealand Superannuitants and Veteran Pension recipients
Source: MSD Information Analysis Platform (IAP).

4.4 Who is benefiting from Childcare Assistance?

At the end of August 2006, 34,900 families received Childcare Assistance, including 21,600 single parents. The majority of children (37,200) receiving subsidised childcare were pre-school children (Childcare Subsidy) compared with 5,900 school-aged children (OSCAR). On average, those children receiving subsidised pre-school care at the end of August 2006 received 20 hours per week and those in OSCAR 11 hours per week. The average weekly payment for childcare was \$67, which is \$17 higher than the average before WFF changes.

Figure 18 profiles families receiving Childcare Assistance at the end of August 2006. It shows that most families had one or two children, and that there were 10,400 families receiving Childcare Assistance who would not have been eligible before changes were made to income thresholds in October 2004.

Figure 18: Number of families receiving Childcare Assistance as at the end of August 2006 by weekly income, number of children and eligibility⁴⁰



4.5 What difference does WFF make to families?

We know that the money that WFF delivers is making a difference. As part of a survey,⁴¹ around two-fifths of caregivers reported that WFF (the WFF Tax Credits, Accommodation Supplement, and/or Childcare Assistance they received) had been a big or very big help, with another two-fifths saying it was of some help.

We asked these caregivers specifically about how money they received from WFF has helped their family. They told us that WFF has helped meet many different types of needs, most commonly:

- buying groceries, or “putting food on the table”
- paying household bills and utilities, like power
- paying for children’s education and activities
- providing clothing for the family and children
- helping with accommodation
- paying for medical costs and trips to the doctor
- being able to afford good childcare.

⁴⁰ Newly and previously eligible is based on the income thresholds pre- and post-WFF changes in October 2004. More families will become newly eligible under new income thresholds introduced in October 2006.

⁴¹ This survey is part of the overall evaluation of WFF, and analysis is in its early stages. This is based on self-report receipt of package components, which does differ somewhat from actual receipt recorded in administrative data, as some people are not aware of the entitlements they receive or believe they have received an entitlement when they have not. An examination of this issue is presented in section 3.14.

5 Making work pay

A key objective of WFF is to support families into work and help them to sustain employment. At the same time, WFF has increased choices for families – making housing in different areas more affordable, subsidising childcare, and putting more money into the hands of families who are balancing work and parenting. Over the long term, the Study of the Effects of Working for Families will track employment (in terms of earnings, wages, and hours worked) and examine how effectively the WFF components are working together to support employment. Much of this work will follow from observing families prior to and following the introduction of the In-Work Tax Credit.

Currently, we have reported on findings about differences for working families over the time since the WFF package has been introduced. Specifically:

- strong economic conditions have provided a good environment for families to move from benefit receipt into employment
- IRD continues to deliver WFF Tax Credits and the In-Work Tax Credit to more families (primarily working families)
- the communications evaluation shows that while people most often think about “financial assistance” when asked about the aims of WFF, about a third also say that it is about supporting work or training
- nearly two-thirds (63%) of families agreed that “the In-Work Tax Credit is a good incentive to stay off a benefit”
- working (non-beneficiary) families have seen the largest gains from WFF on average
- Accommodation Supplement has improved housing affordability measures for people (including beneficiaries) who have some employment earnings.

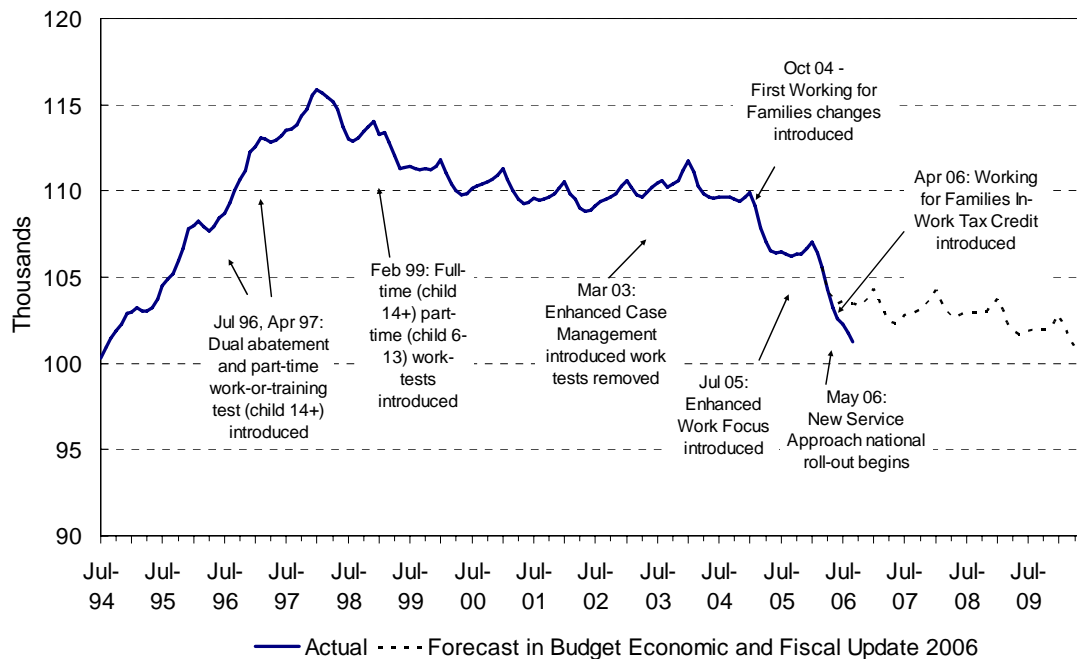
5.1 Domestic Purposes Benefit and the In-Work Tax Credit: Early findings

In the period over which WFF has been implemented, we have seen the largest fall in numbers receiving DPB since this benefit was introduced in 1973. Numbers fell from 109,700 at August 2004 (just prior to the introduction of the first WFF changes) to 101,700 at August 2006, a reduction of 8,000 or 7.2%.⁴²

The In-Work Tax Credit appears to be having an effect on the number of Domestic Purposes Benefit (DPB) recipients. Since the WFF package began, the number of families receiving the DPB has fallen by 8,000. This includes a reduction of 2,600 DPB recipients since the implementation of the In-Work Tax Credit, and a reduction of 1,300 in the month prior, possibly partly as a result of Work and Income advice about the benefits of the In-Work Tax Credit for working families. DPB recipients who also have employment earnings are the most likely to transition off the benefit and the most likely to qualify for the In-Work Tax Credit (which requires 20 hours of work per week).

⁴² These numbers and figure 19 come from the MSD forecasting series, which takes average numbers in force over the month. These will differ slightly from numbers taken from the MSD Information Analysis Platform (IAP) as these relate to counts at the month-end. Changes affecting recipients with children aged 14+ or aged 6–13 are noted in Figure 19.

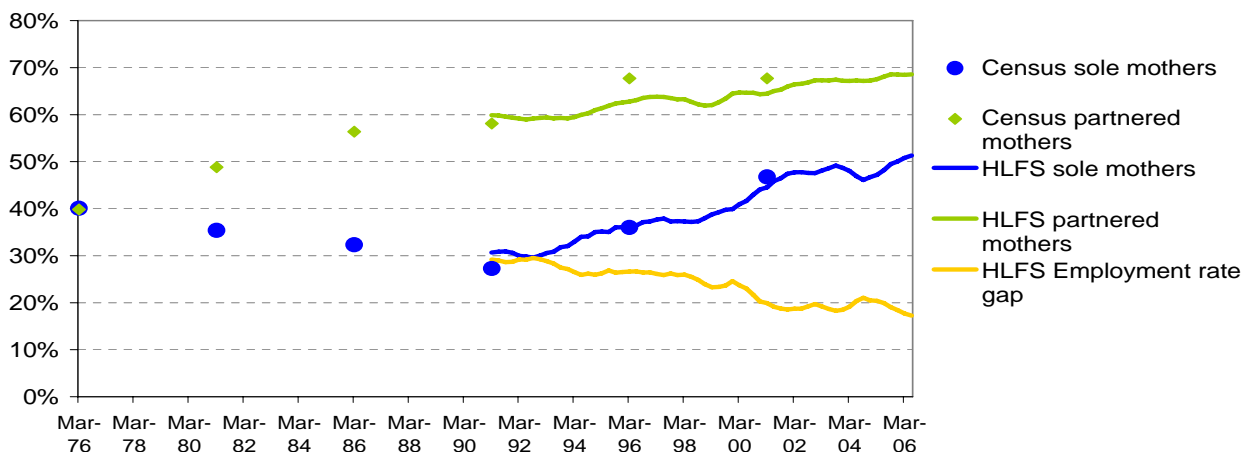
Figure 19: Domestic Purposes Benefit recipients – all classes 1994–2009. Actual and forecast average number in force



Source: MSD forecasting series

Consistent with this, we have seen rapid growth in the surveyed employment rates of sole mothers since 2004, which has narrowed the employment rate gap between sole and partnered mothers. The gap was at its lowest level in the Household Labour Force Survey to date at June 2006.

Figure 20: Percentage of sole and partnered mothers employed (all hours) 1976–2006



Source: Statistics New Zealand Census data, HLFS, customised tables, annual averages.

The In-Work Tax Credit introduced in April 2006 appears to be making a difference, particularly for those who have some labour market attachment. In the year to September 2006, the number of DPB recipients with other income in addition to benefit fell by 11%, compared with a 3% fall in numbers of recipients with no other income. The fall in numbers was most rapid for those with other income in excess of \$300 per week (with a 25% fall) or between \$180 and \$300 per week (with a 12% fall). These groups would have been the

most readily able to shift off benefit and take up the In-Work Tax Credit. Some would already have been working sufficient hours (20 hours a week) to qualify.

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

DPB recipients at end of August	No other income	With other income (\$ per week)					Total
		All with income	\$1–80	\$81–180	\$181–300	>\$300	
2005	80,000	26,400	8,900	9,000	5,900	2,600	106,400
2006	78,000	23,600	8,200	8,200	5,200	2,000	101,500
Decline in numbers 2005/2006	-2,000	-2,800	-700	-700	-700	-600	-4,800
(%)	(-3%)	(-11%)	(-8%)	(-8%)	(-12%)	(-25%)	(-5%)

Source: MSD Information Analysis Platform (IAP).

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

The response to WFF is likely to have been boosted by other initiatives that exist around DPB, including Enhanced Case Management and Childcare Assistance. Continued buoyancy in the labour market may have also contributed, but given that economic conditions have been relatively constant through the past five years, it is likely that changed policy and delivery settings account for much of the decline in DPB numbers and much of the growth in sole mothers' employment seen in the last two years.

6 Conclusions

The WFF evaluation is a joint MSD and IRD initiative. The WFF evaluation has served to inform the delivery and communication about WFF, and ongoing policy development. In addition, it has and will continue to report on the extent to which WFF is meeting its aims:

- achieving a social assistance system that supports people to work by making sure they get their entitlements
- improving income adequacy
- making work pay.

The evaluation has provided real-time feedback to inform the delivery of the WFF package, including communication of the package, and has contributed to ongoing policy development.

6.1 Ensuring families receive their entitlements

With the 2005/2006 tax year largely complete, we are able to report the success of WFF in that year. Original forecasts have been met or exceeded, and increasing numbers of families are recognising, understanding and receiving the package. Groups that have been targeted have shown measured improvement in awareness and response to advertisements from 2005 to 2006. The evaluation will continue to report on package receipt.

6.2 Improving income adequacy and making work pay

As IRD data becomes available, and in conjunction with both quantitative and qualitative survey work, the evaluation will report in more detail on income and employment. In addition, the ways in which WFF supports these objectives will be addressed in more detail. For example, Childcare Assistance is closely linked to supporting sole parents and secondary earners who require affordable childcare into work, and can also alleviate financial pressure of childcare costs. Accommodation Supplement has several objectives related to making housing more affordable, as well as ensuring quality and choice of housing. Other policy changes, such as changes to abatement rates and thresholds, affect the transition between benefit and work, and the movement into more work or higher income groups. The wealth of data that the evaluation will collect over the remainder of 2006 and 2007 will allow for an evaluation of WFF in these areas and for a range of different types of families.

Appendix 1 Data sources and Technical notes

Data sources

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

Technical notes

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

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

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

Appendix 2 Calculation of OTI ratios for Accommodation Supplement recipients

$$OTI = \frac{(O_{HOUSING_COSTS} - B_{ACCOMMODATION_SUPPLEMENT})}{Y}$$

Where the components of the formula are:

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

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

Where the components of the formula are:

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

Appendix 3 Key terms

Beneficiary

Information on receipt of a benefit is sourced from either MSD or IRD data. MSD defines a beneficiary as a person or family in receipt of a main benefit (Unemployment, Domestic Purposes, Widow's, Emergency Maintenance Allowance, Independent Youth, Orphan's and Unsupported Child, Sickness or Invalid's⁴³). When used in relation to a period of time, such as a month or tax year, beneficiary does not necessarily indicate current benefit receipt or imply continuous benefit receipt.

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

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

Beneficiary status from survey data is self-reported.

Family

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

Ring-fencing

Ring-fencing is a WFF strategy that protects WFF Tax Credits payments made to beneficiaries when they then move into work with an income that would abate their entitlement. The aim is to protect beneficiaries against periods of high earnings. Ring-fencing will only apply to clients with benefit income. It will be applied to the periods on benefit where the monthly income from all sources is below \$1,700 (or the latest threshold). A period on benefit will have no abatement applied, but a client's annual income (income received during both benefit and non-benefit periods) will be used to calculate a client's entitlement for periods while off benefit.

WFF receipt

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

WFF receipt – self-reported

Survey respondents were asked whether they had received the WFF components in the last year. The answers provided could differ in some cases from the administrative records. This can be due to respondents mis-recalling the time period involved and also to inability to identify the respondent or their partner in the administrative data. It could also be because a partner received payments while the respondent was unaware of it.

Working family

The term "working family" is used when the person or their partner does not receive a main benefit from MSD.

⁴³ Including historic payments of Transitional Retirement.