

ECE funding review: caregiver types and take-up data

Overview

- The following slides show the take-up of Childcare Subsidy (CCS) by caregiver types. The first slide shows take-up of all caregivers, followed by a breakdown of take-up by caregiver type:
 1. CCS only caregivers – people who receive at least one childcare subsidy payment from MSD, but no other MSD assistance.
 2. Non-beneficiary caregivers – people who receive another form of supplementary payment from MSD but not a main benefit.
 3. Beneficiary caregivers – people who receive a main benefit.
- On 1 April 2022, the income thresholds for the Childcare and the OSCAR Subsidies were indexed to changes in the net average wage. In Budget 2023, the income thresholds for Childcare Assistance were increased on 1 April 2023 to account for growth in the net average wage since they were frozen in 2010. This meant the income thresholds were increased to a level that assumed adjustment to net average wage growth had applied from 2010. The changes were progressed through the Annual General Adjustment (AGA) and came into force on 1 April.
- These slides also briefly cover take-up data relating to the Guaranteed Childcare Assistance Payment (GCAP) and Early Learning Payment (ELP).



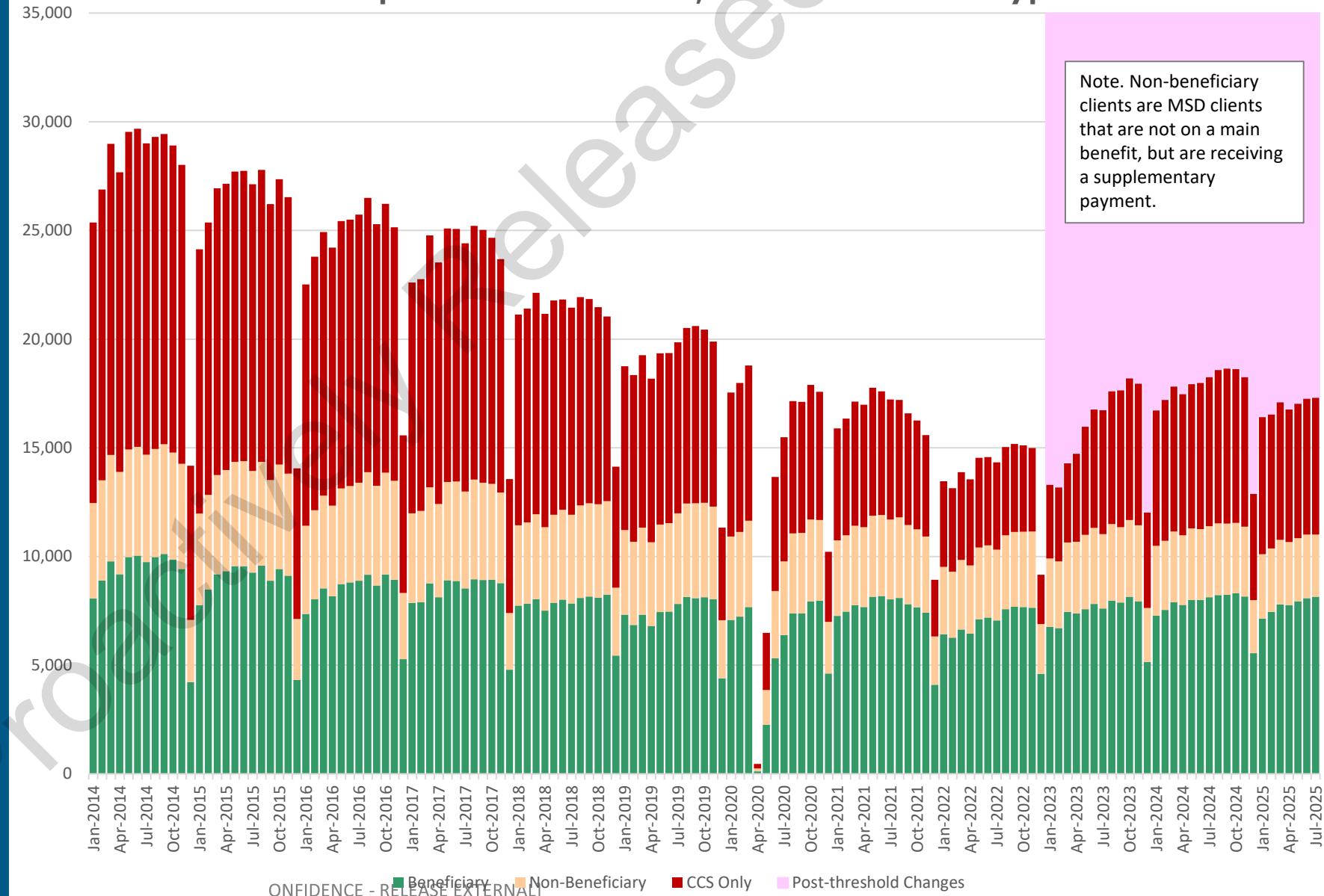
CCS take-up overall (all client types)

Total take-up of CCS has declined between July 2014 (29,004 caregivers) and July 2025 (17,343 caregivers).

Since income thresholds were adjusted in 2023, total CCS take-up has increased between July 2022 (14,433 caregivers) and July 2025 (17,343 caregivers).

Take-up of CCS over time, across all client types

Note. Non-beneficiary clients are MSD clients that are not on a main benefit, but are receiving a supplementary payment.





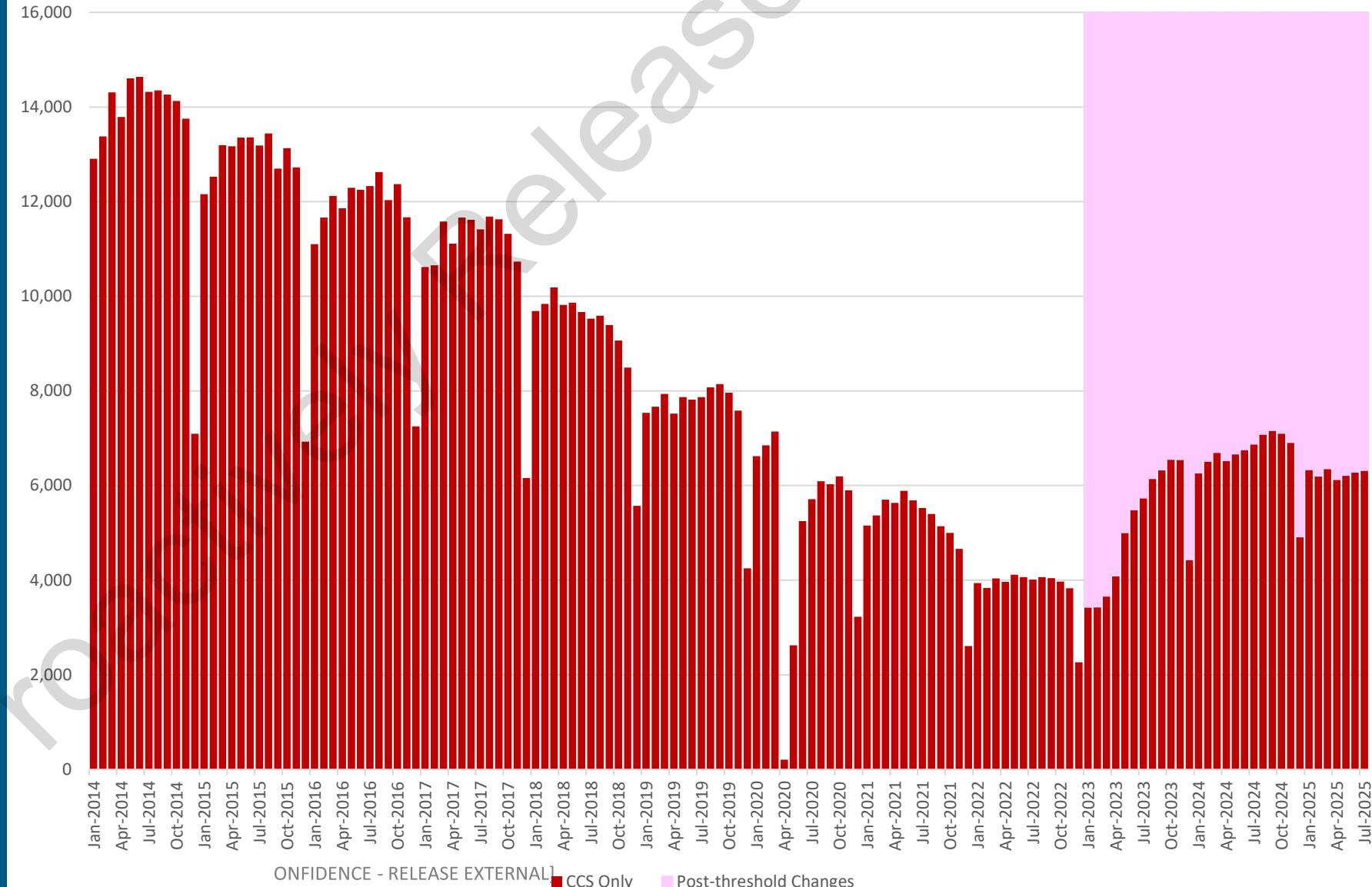
CCS take-up for CCS only caregivers

Take-up has declined for caregivers receiving CCS only, between July 2014 (12,906) and July 2025 (6,330).

While the income threshold adjustments significantly increased take-up, they did not return to historical levels. This could be because of administrative burdens, lack of awareness of the payment and FamilyBoost.

After income thresholds were adjusted, the number of CCS only caregivers increased between April 2023 (4,101) and April 2025 (6,138).

Take-up of CCS over time, across CCS only caregivers



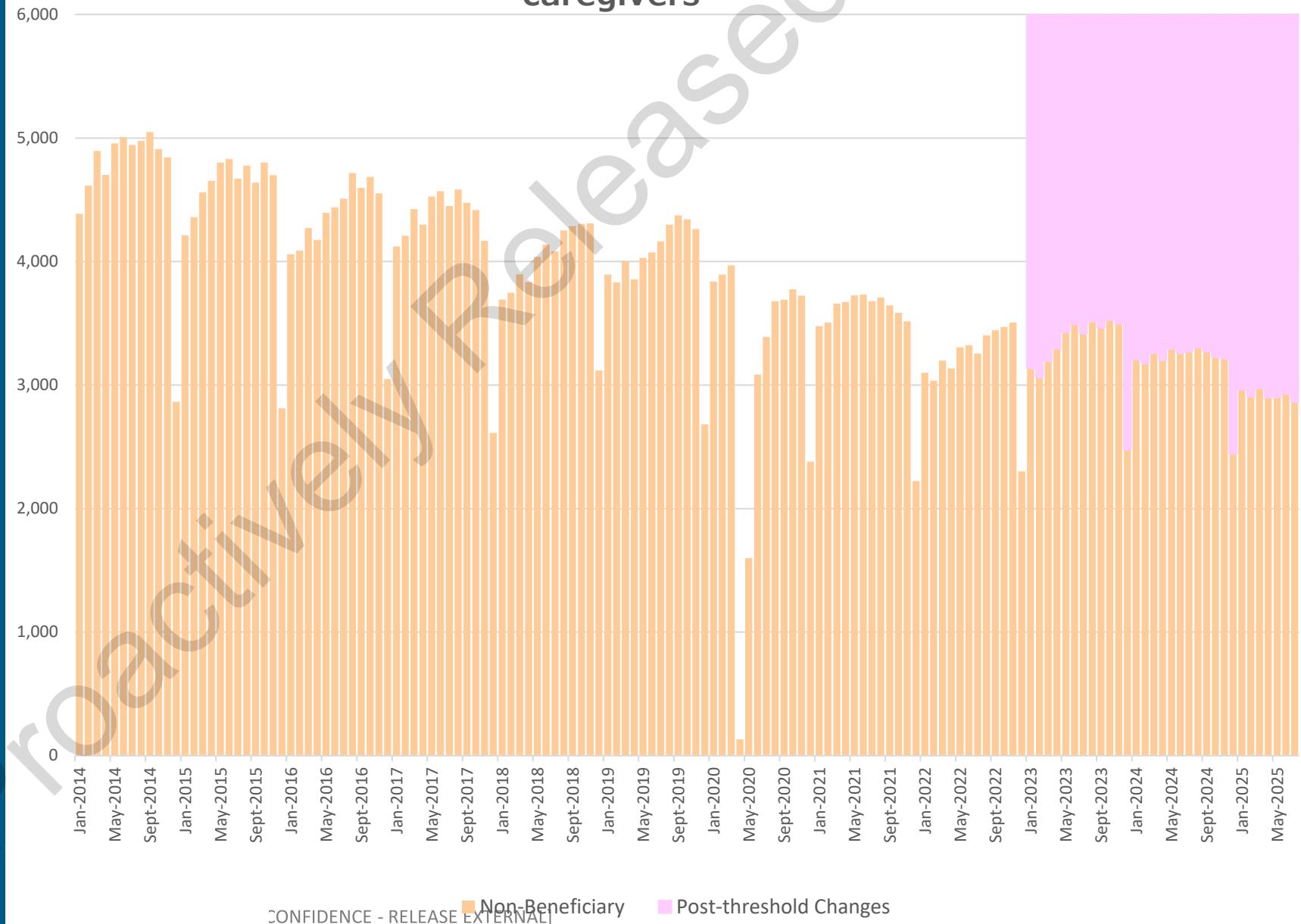


CCS take-up by non-beneficiary caregivers

Take-up has declined for non-beneficiary caregivers between July 2014 (4,944) and July 2025 (2,862).

Take-up continued to decline following the income threshold adjustments in 2023. This could also be because of administrative burdens, lack of awareness the payment and FamilyBoost

Take-up of CCS over time, across non-beneficiary caregivers





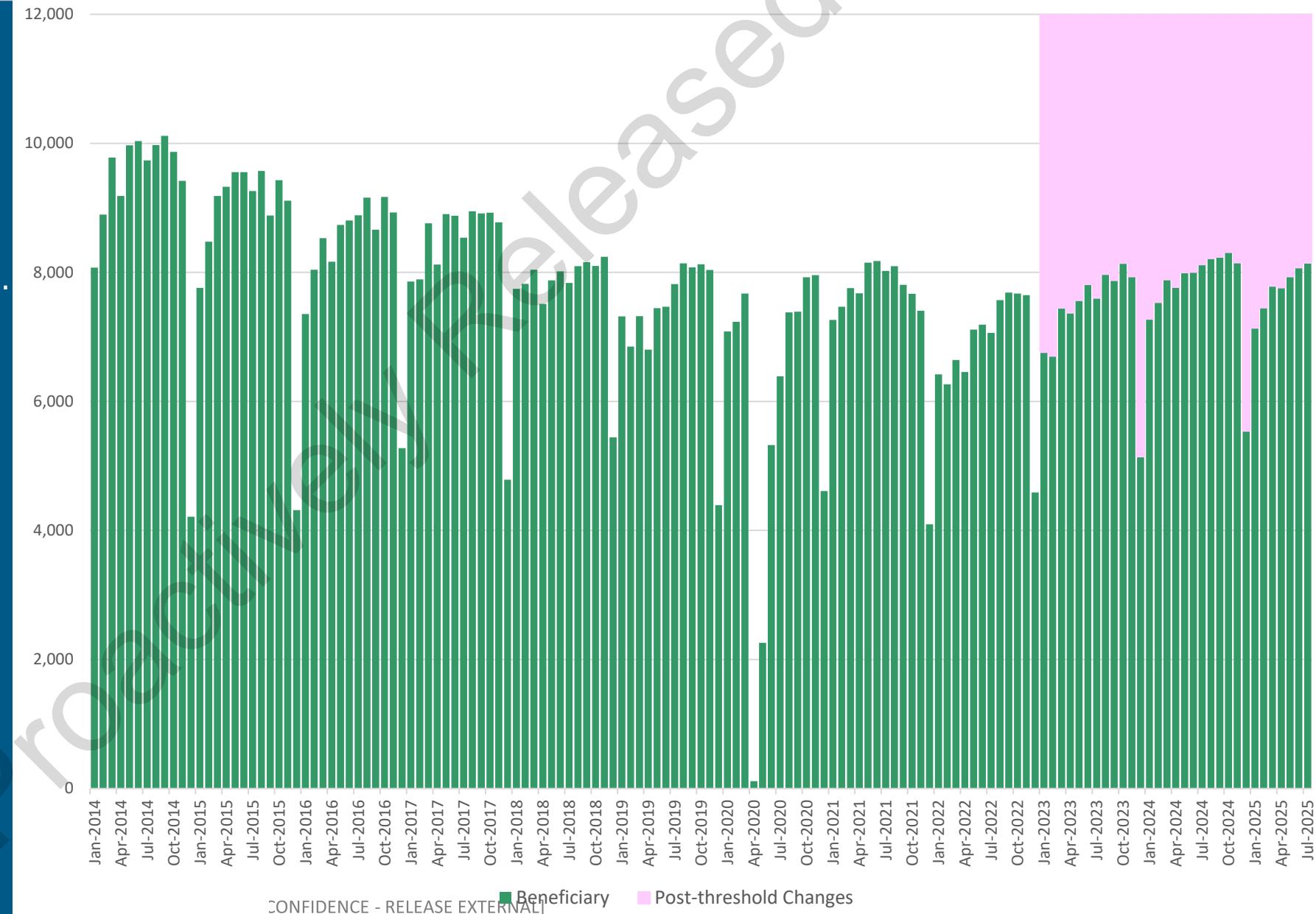
CCS take-up for beneficiary caregivers

The total take-up for beneficiary caregivers has declined between July 2014 (9,738) and July 2025 (8,151).

CCS take-up increased from July 2022 (7,062) to July 2025 (8,151). This increase may be associated with increased numbers of people receiving a main benefit, rather than policy changes.

Take-up of CCS for beneficiary caregivers remained steady because this cohort already has low incomes and are therefore more likely to stay eligible despite frozen income thresholds.

Take-up of CCS over time, across beneficiary caregivers



Early Learning Payment (ELP) and Guaranteed Childcare Assistance Payment (GCAP)

ELP

- ELP is paid for children aged between 18 and 36 months when their family is enrolled in a Family Start or Early Start programme.
- Family Start and Early Start are early home-visiting programmes for families identified as highly vulnerable.
- Take-up of ELP has risen since its inception in January 2014. The total number of children receiving ELP has risen from July 2014 (645) to July 2025 (1,155).

GCAP

- GCAP is a targeted payment for parents aged 16-19 years who are receiving the Young Parent Payment when their child/ren is/are aged under 5 years and enrolled in an approved early childhood education programme or service. It can also be received by the partner of specified beneficiaries who are participating in youth activity obligations. The intent of this policy is to enable clients to participate in activities to meet their youth activity obligations.
- The GCAP subsidy was set at \$6 per hour at inception in 2014. GCAP was set at high rate with the intention of covering most if not all of the hourly cost of childcare. As part of Budget 2023, GCAP was aligned with the highest rate of the Childcare Assistance subsidy. Budget 2023 also funded the decision to index GCAP annually to increases in the CPI from 1 April 2024. Adjustments to GCAP on 1 April 2024 first aligned GCAP with the highest rate of CCS, then indexed this by increases in the CPI.
- The percentage of childcare costs covered by GCAP has generally remained steady above 95% between July 2014 and July 2025. Take-up of GCAP has declined between July 2014 (243) and July 2025 (183).

ECE funding review: total incomes analysis

Context

- You requested a breakdown of total incomes by different family types, after income support, earnings and abatement.
- **This modelling does not include MSD's Childcare Subsidy (CCS)**, because this is paid to the provider, rather than to the client. This means the impact of CCS on financial incentives to work **is not** depicted.
- Total income graphs are useful to understand how the welfare and tax interface impact the financial incentive for people to enter work or increase hours of work.
- Total income graphs do not show the 'residual incomes' of clients, i.e. the income remaining after all costs (including rent, transport, childcare).
- This modelling is illustrative only and does not represent real people.

Scenarios

MSD modelled two example families across three different income levels.

Family type:

1. Sole parent, four-year-old child, living in South Auckland.
2. Couple, four-year-old child, living in South Auckland.

Scenario 2 demonstrates the incentives for a secondary earner to work an additional hour in a couple with one child where the primary earner works 40 hours at minimum wage.

Income type:

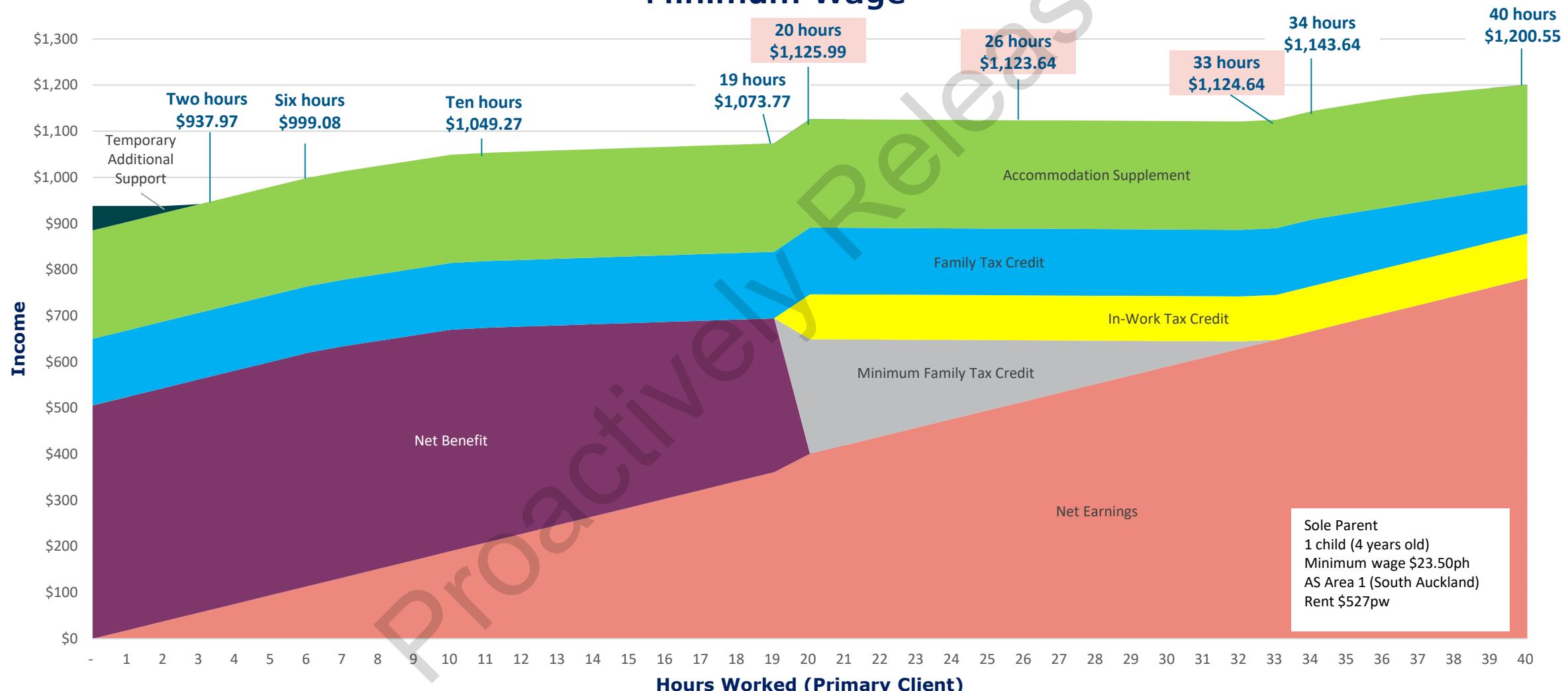
- A: Minimum wage (\$23.50 per hour)
- B: Living wage (\$27.80 per hour)
- C: Median wage (\$33.56 per hour).

Key Findings

- **The Minimum Family Tax Credit (MFTC) makes part-time work pay for sole parents.** Incentives to work for sole parents increase sharply moving from 19 to 20 hours of work because the MFTC replaces the net benefit. This results in a significant jump in net earnings for all income levels in scenario one.
- However, for lower incomes, there are periods that working more hours does not increase net earnings. This is because these people lose more in income support than they gain from employment income.
- **The MFTC can create negative incentives to work.** The MFTC abatement rate (which reduces dollar-for-dollar with each additional dollar in employment income) causes negative work incentives when working additional hours and receiving the MFTC.
- **Median wage earners have shorter periods of negative work incentives when receiving MFTC.** This is because their higher income from work abates the MFTC across a shorter range of hours than minimum and living wage earners.
- **It is slightly better to be in a couple.** Work incentives for secondary earners are marginally positive for every hour of additional work in scenario 2. The Independent Earner Tax Credit provides an extra incentive to work as it replaces reduced income support from higher earnings.
- **Poor work incentives are a feature of the welfare system.** These are well known trade-offs between ensuring income adequacy, work incentives and fiscal costs to the Government.

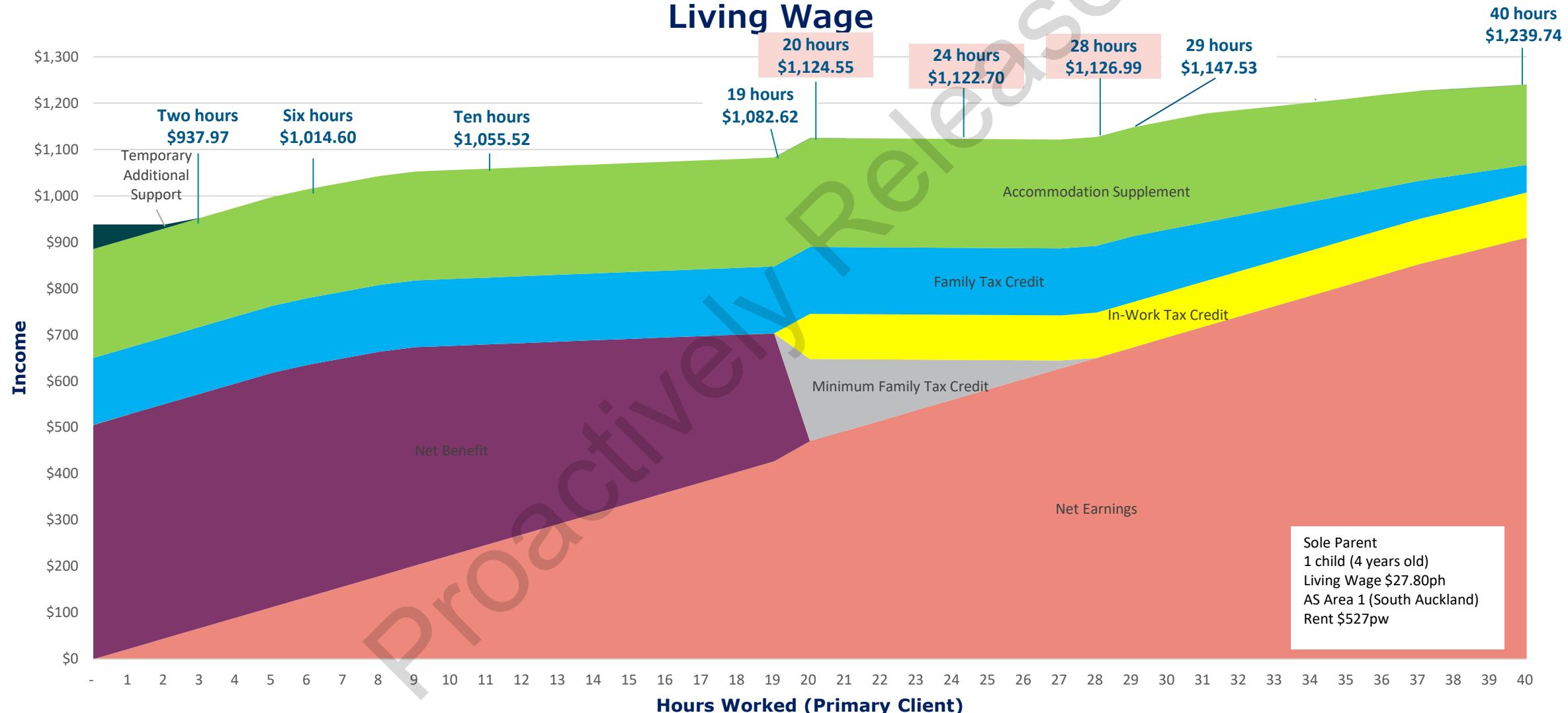


Scenario 1a: Sole Parent Support with 1 Child (aged 4) - 1 April 2025 | Minimum Wage



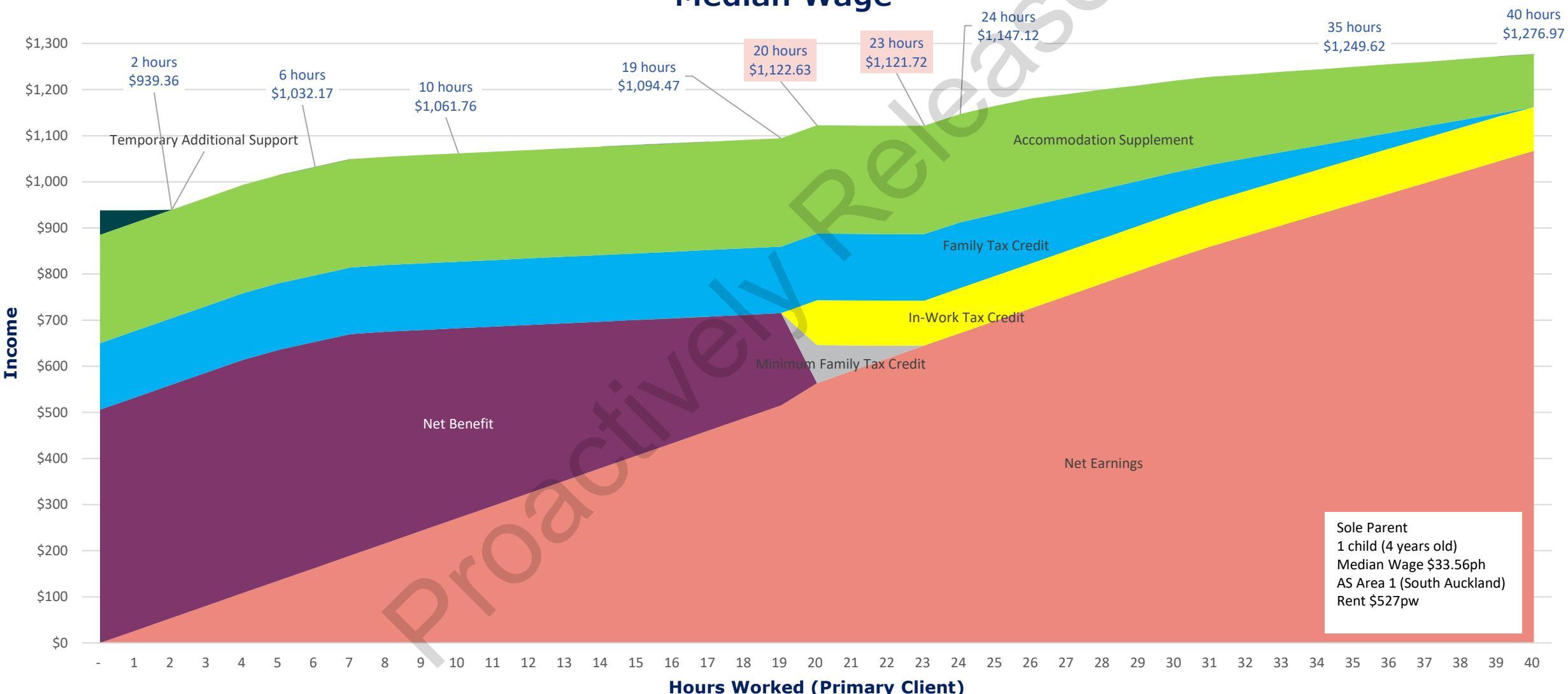


Scenario 1b: Sole Parent Support with 1 Child (aged 4) - 1 April 2025 | Living Wage



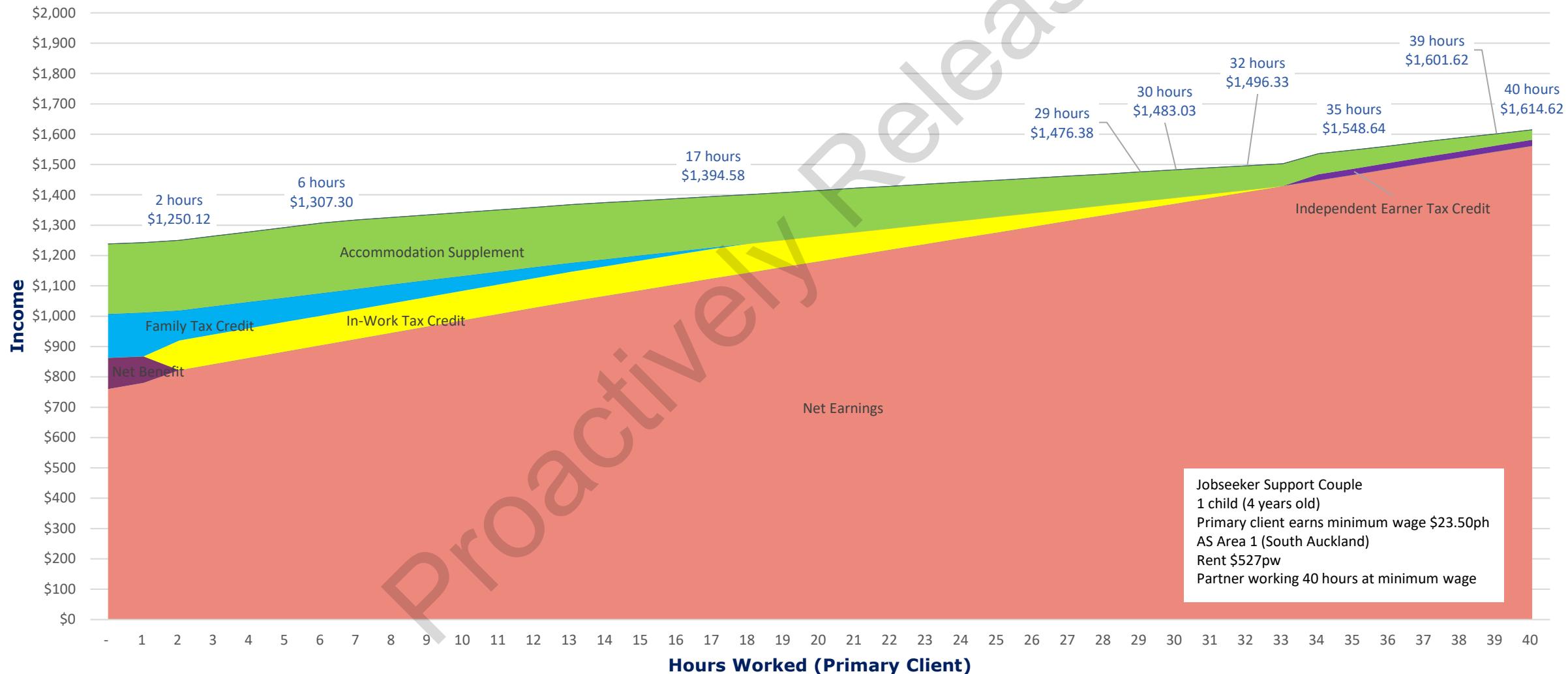


Scenario 1c: Sole Parent Support with 1 Child (aged 4) - 1 April 2025 | Median Wage



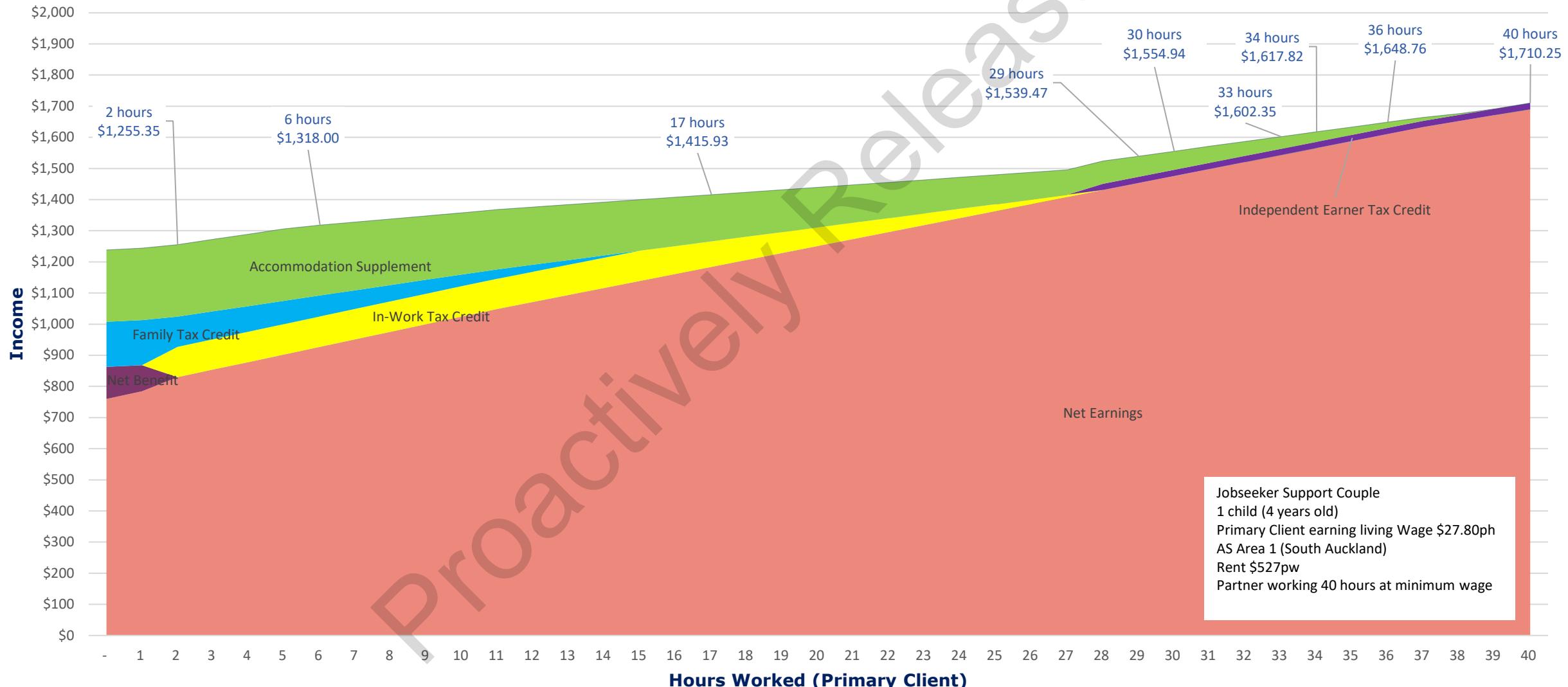


Scenario 2a: JS Couple with 1 Child aged 4 - 1 April 2025
Minimum Wage | Partner 40 hours at min wage





Scenario 2b: JS Couple with 1 Child aged 4 - 1 April 2025
Living Wage | Partner 40 hours at min wage





Scenario 2c: JS Couple with 1 Child aged 4 - 1 April 2025
Median Wage | Partner 40 hours at min wage

