



The Ministry of Social Development's Income Support and Childcare Systems





OUTLINE



INCOME SUPPORT



CHILDCARE



KEY ISSUES/REVIEW
FINDINGS





Three tiers of assistance

First tier – main benefit (and NZS/VP)

Second tier – 'supplementary assistance' for specific costs, e.g. housing, children, disability

Third tier – 'hardship assistance' for essential needs that cannot be met from any other income



Iron triangle

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Demonstrates three key trade-offs in welfare policy between:

Adequacy of incomes

**Cost to
government**

Work incentives

Increase rate of main benefit

Income adequacy ✓

Work incentives ✗

Cost to Government ✗

Decrease rate of main benefit

Income adequacy ✗

Work incentives ✓

Cost to Government ✓



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Five Levers

Labour market skill set

Crown fiscal position

Population characteristics

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Stage in electoral cycle

Labour market supply and demand

Cost of childcare

Economic and social environment

Cost of living/inflation

Gateways

Obligations
and Sanctions

Financial
incentives

Available resource

Baseline funding

IT capability

Case
management

Services

Health investment

Fiscal strategy

Government drivers

Organisational parameters

Immigration settings

Political constraints

Organisational structure and internal policy

Investment in education and ALMPs



MSD's Childcare system

In scope:

- Childcare Subsidy (CCS)
- Early Learning Payment (ELP)
- Guaranteed Childcare Assistance Payment (GCAP)

Additional:

- Out of School Care and Recreational Subsidy (OSCAR)
- Flexible Childcare Assistance (FCA)



Spend and take-up

	Approx. spend	Take-up
Childcare Subsidy	\$127 million for 2024/25 financial year	16,242 adults and 19,307 children
Early Learning Payment	\$9.28 million for 2024/25 financial year	1,122 clients
GCAP	-	162 adults and 165 children
OSCAR	\$33.8 million for 2024/25 financial year	-
Flexible Childcare Assistance	\$664,000 for the year ended June 2025	135 clients*



**Best Start Tax
Credit (~\$73 pw)**

- Universal entitlement first year of child's life
- Income-tested years 2 and 3, abates over \$79,000
- No work test



Family tax credit (up to ~\$145 pw)

- Income-tested (beneficiaries qualify)
- Abates over \$42,700
- No work test

**Working
for
Families**



Minimum Family Tax Credit (tops income up to \$679 pw)

- Ensures income from work is better than income from benefit
- Work and hours-tested
- Abates 100% for every dollar earned over \$679



**In work tax
credit (\$97 pw
per child)**

- Work and income-tested
- Abates over \$42,700 annual income



The 2022/23 Review of Childcare Assistance

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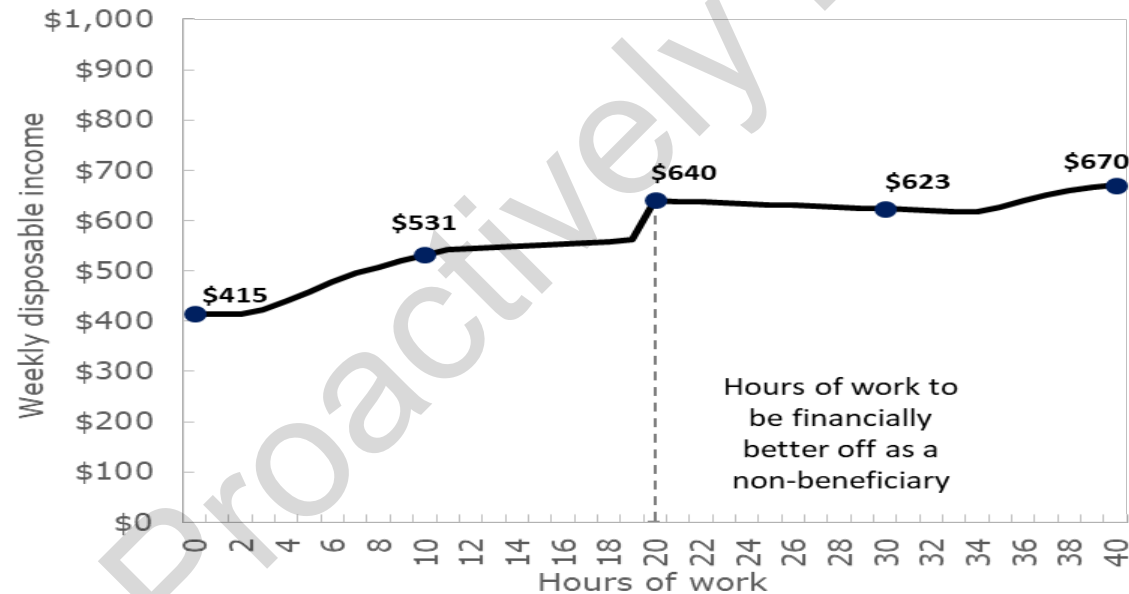
The main issues identified by parents include:

- the current burdensome administrative arrangements
- CCS rates have not kept pace with childcare costs
- the low-income thresholds mean that far fewer families are eligible for CCS than in 2010
- the current settings are inflexible and are out of step with labour market realities
- the interface with 20 Hours ECE is complex, and
- childcare costs remain a key issue for low-income parents



Impact of childcare costs on 'making work pay'

Budget constraint for a sole parent with one dependent child aged 4 years (1 Oct 2024)





**Any
pātai/questions?**

