



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)

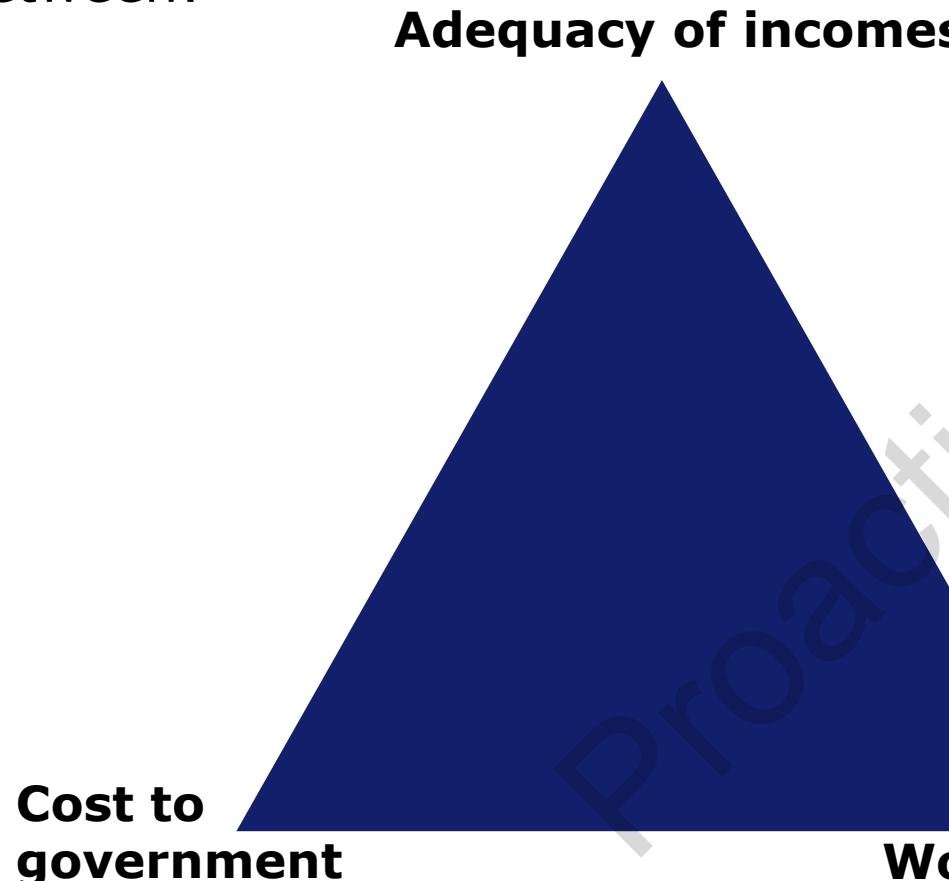
Second tier – ‘supplementary assistance’ for specific costs, e.g. housing, children, disability

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



Iron triangle

Demonstrates three key trade-offs in welfare policy between:



- Increase rate of main benefit**
 - Income adequacy ✓
 - Work incentives ✗
 - Cost to Government ✗

- Decrease rate of main benefit**
 - Income adequacy ✗
 - Work incentives ✓
 - Cost to Government ✓



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

Health investment

Baseline funding

Fiscal strategy

IT capability

Case
management

Services

Organisational parameters

Government drivers

Organisational structure and internal policy

Immigration settings

Political constraints

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*



Working for Families



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



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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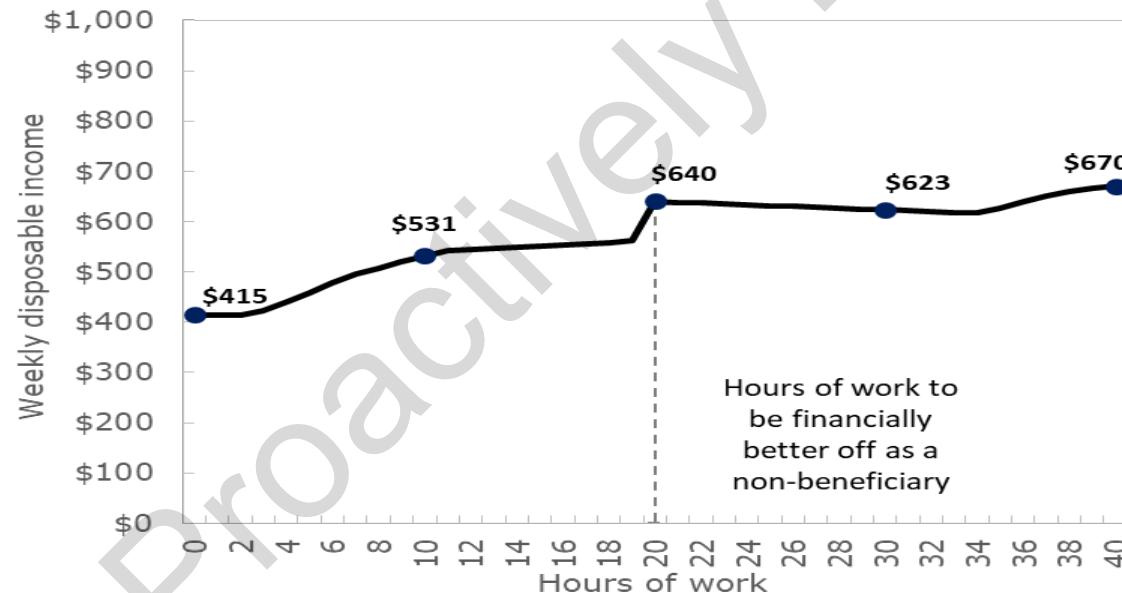
The main issues identified by parents include:

- 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?

