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The take-up of income support

ANALYSIS AND OPTIONS

BACKGROUND PAPER

Contents

Executive summary	03
Take-up and why it matters	05
Reasons for low take-up	07
Measuring take-up	09
The take-up of income support in New Zealand	10
Take-up of Accommodation Supplement	10
Take-up of Temporary Additional Support	13
Take-up of Childcare Assistance	13
Take-up of Disability Allowance	16
Take-up of main benefits	17
Take-up of Working for Families tax credits	17
Key barriers to take-up in New Zealand	18
What are the options to increase take-up?	20
Current state	20
Current work to improve take-up	21
Further work	22
<i>More proactive use of existing information</i>	23
<i>Public awareness campaign</i>	24
<i>Incorporation of take-up into performance measures</i>	25
<i>Improvements to processes and ICT systems</i>	25
<i>Changes to policy and legislative settings</i>	25
<i>Stronger legislative responsibility for full and correct entitlement and a proactive approach</i>	26
<i>Institutional options</i>	26
<i>Universal Credit</i>	27
Appendix 1	28

Executive summary

Take-up refers to the proportion of an eligible population that accesses and receives the financial assistance they are eligible for. International research shows that take-up rates of income support are often significantly less than 100%.¹

The income support system provides vital financial assistance to both non-working and working families to alleviate poverty and hardship and supports employment by improving the financial incentives to work. If take-up of income support is low, these objectives are undermined. Poverty, hardship and employment affect wellbeing, so low take-up can undermine broader outcomes too.

There are many reasons why people may not take up the income support that they are entitled to. Research suggests that the main barriers are a lack of awareness (of payments and eligibility) and the costs (or difficulties) associated with access and administration. Other barriers include stigma, discrimination, and a lack of trust and confidence in agencies.²

Some people may make a deliberate decision not to take-up their entitlements based on an assessment of the relative benefits and costs of accessing the support or from a belief that they do not need the support. Non-take-up is likely to be most concerning if people (particularly those on low incomes) are missing out on substantial payments because of a lack of awareness or because of overly costly or stigmatising administrative processes.

Theoretical and empirical economic analysis suggests that people are most likely to take up support if they are entitled to a significant amount of support for a reasonable period of time and if the costs (or difficulty) of taking up support are not too high.³ However, more recent research from behavioural economics suggests that people on low incomes in particular may be less likely to take up assistance as the "cognitive load" associated with poverty and hardship means that they have less ability to navigate complex systems and time-consuming processes.⁴

Measuring take-up is challenging, and these challenges limit the accuracy of the estimates that can be made. There is some evidence that in New Zealand, the take-up of supplementary assistance such as Accommodation Supplement, Temporary Additional Support, Disability Allowance and Childcare Assistance may be low. Low take-up is also likely to be more concentrated among people who are working and/or are not receiving a main benefit. Current measures of income poverty largely assume full take-up of entitlements.

The potentially low take-up of supplementary assistance administered by the Ministry of Social Development (MSD) contrasts with the likely higher take-up of Working for Families tax credits, which are administered by Inland Revenue. The eligibility processes for Working for Families tax credits are simpler than those for MSD-administered income support. This is partly driven by the more complicated eligibility requirements of MSD-administered income support.

The key reasons for low take-up in New Zealand are likely to be those that have been identified in international research – a lack of awareness, the costs of access and administration and stigma. Some of the costs (and stigma) are directly caused by the complexity of the underlying policy and legislative settings.

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- 1 Currie, J. (2004). "The take up of social benefits", *Working Paper 10488*, National Bureau of Economic Research.
 - 2 Eurofound (2015). *Access to social benefits: Reducing non-take-up*, Publications Office of the European Union, Luxembourg.
 - 3 Riphahn, R. T. (2001). "Rational poverty or poor rationality? The take-up of social assistance benefits", *Review of Income and Wealth*, 47(3).
 - 4 Behavioural Insights Team (2016) "Poverty and decision-making: How behavioural science can improve opportunity in the UK", <https://www.behaviouralinsights.co.uk/uncategorized/poverty-and-decision-making-how-behavioural-science-can-improve-opportunity-in-the-uk/>

MSD has a current programme of work to improve the accessibility and administration of the income support system. While this work is likely to make improvements for applicants, it is largely focused on existing recipients and is unlikely to significantly impact the take-up of people not currently engaging with the system, where a lack of awareness is likely to be a key barrier.

Further work will likely be needed to achieve a “step change” in take-up, particularly for working people. Evidence suggests that comprehensive changes need to be made to address low take-up, with changes to single barriers not having much effect.⁵ The programme of current and planned work provides an opportunity to make more significant changes, with further work (and funding) likely to achieve a larger impact.

Most importantly, investment in better measurement and monitoring of take-up would provide clearer information for future work aimed at improving take-up rates. This information could better define the scale of non-take-up, identify where it is most concentrated and what the key barriers to higher take-up are, and for whom. MSD is beginning to look at measuring take-up, though this work is currently at a very early stage.

Beyond better measurement of take-up, more significant changes could include a more proactive system, public awareness campaigns, including take-up in performance measures, changes to information and communication technologies (ICT), changes to policy and legislative settings and fundamental changes to delivery agencies or institutions. These potential changes are described at a high level in this paper. Further work would need to be done to scope and cost each of these and to determine which are most likely to be effective.

The current information on take-up is unlikely to justify the most significant changes on its own, particularly institutional changes, given the risks associated with such large-scale changes. The experience of the introduction of Universal Credit in the United Kingdom is provided as an example (though it occurred on a much larger scale than the options proposed in this paper). However, there may be sufficient evidence to consider further work such as the public awareness campaign and a more ambitious programme of work to improve policy and legislative settings and ICT changes.

5 Currie, J. (2004).

Take-up and why it matters

Take-up refers to the proportion of an eligible population that receive the financial assistance they are eligible for

International research shows that take-up rates are often significantly less than 100%. This is commonly associated with means-tested income support, but this research also shows that low take-up can occur with non-means-tested support and programmes.⁶ A review of take-up by the OECD suggested that rates of take-up for means-tested social-assistance programmes are often in a range between 40% and 80%.⁷

Take-up of income support alleviates poverty and hardship and supports employment and broader wellbeing

The income support system provides a vital safety net to people who are unable to support themselves (and their families) due to circumstances such as job loss, relationship breakdown and ill health or disability through the provision of main benefit payments.

It also provides support for particular costs, known as supplementary assistance, to both those receiving main benefits and to low- and middle-income working people. Support is provided for costs associated with housing, children and childcare, and health conditions or disabilities. The vast majority of income support for working-age people is income tested so that it is targeted to those who need it most. The support is provided with the intention of improving outcomes, such as reducing poverty and hardship, ensuring housing stability and reducing homelessness and improving health.

However, if people are not receiving the financial assistance that they are entitled to, their incomes will be lower than they otherwise would be, meaning they may be in unnecessary income poverty or hardship. For working people, it may also undermine the sustainability or attractiveness of their employment, particularly if they were more likely to receive their full income support entitlements while also receiving a main benefit.

For example, a sole parent working full time with three children, living in South Auckland, could be entitled to around \$210 a week in Accommodation Supplement and around \$365 a week in Working for Families tax credits, which is almost as much again (in total) as their after-tax income from working.⁸ While these amounts decrease as the family's overall income increases, this demonstrates the very significant difference that income support can make to low-income working families.

Low take-up can also be inequitable – people in similar circumstances can receive very different amounts of support only because they have different levels of awareness about the income support system, or one person may be better equipped to navigate and access the system than another person with similar entitlement.

Ensuring the high take-up of income support payments helps to minimise poverty and hardship and supports the employment of low and middle-income people by increasing their incomes and strengthening financial incentives to work. It also improves the equity of outcomes for people receiving support.

6 Currie, J. (2004).

7 Hernanz, V., F. Malherbet, and M. Pellizzari (2004). "Take-up of welfare benefits in OECD countries: A Review of the Evidence", *OECD Social, Employment and Migration Working Papers*, No. 17, OECD Publishing, Paris, p.10.

8 Assuming the family is in a three-bedroom house paying lower-quartile rent for South Auckland. These figures were sourced from MSD's Effective Marginal Tax Rate (EMTR) model, September 2018.

Both minimising poverty and encouraging employment support people's wellbeing. A recent rapid-evidence review by MSD summarises the evidence of the impact that poverty has on the life-course outcomes of children and on adult wellbeing.⁹

These are summarised below:

For children:

- There is strong evidence that poverty has causal effects on a wide range of children's outcomes, and the negative effects are higher for households in deeper poverty and for those that experience poverty for longer.
- The strongest evidence on the negative effects of poverty on children is on cognitive development and school attainment, followed by social, emotional and behavioural development.
- There is evidence that the mechanisms through which poverty negatively affects outcomes include: a lack of ability to purchase resources that contribute to healthy child development (for example; quality housing in safer neighbourhoods, more nutritious foods, space to study, and stimulating learning opportunities), and the effects of stress on parents and children from managing with low financial resources, including increased parental depression and anxiety, increased parental relationship conflict and negative effects on parenting behaviours. There is increasing evidence of effects on children's neurological development from negative and stressful environments.

For adults:

- There is reasonable evidence that increasing incomes, particularly for low-income people, improves mental health, with particular reductions in anxiety, stress and depression.
- Increasing incomes has also been argued to give people more choice about various parts of their life, including work (type and hours worked), type of education and relationships (and is linked to both relationships ending and starting).
- There is some evidence that increasing women's incomes reduces the likelihood of domestic abuse.

The income support system influences employment through its impact on the financial incentives to work.¹⁰ Research suggests that the impacts of financial incentives on employment are generally small¹¹ as they are one factor among many that are considered in decisions about work.

Also, while income support for working people can encourage entry into employment by increasing the gap between income from main benefits and income from working (that is, increasing the returns from working¹²), it can also discourage intensifying employment (that is, discourage working more) through higher effective marginal tax rates,¹³ so the overall impact of income support on employment can be ambiguous.

9 MSD. (2019i). *Rapid Evidence Review: The impact of poverty on life course outcomes for children, and the likely effect of increasing the adequacy of welfare benefits*. Paper prepared for the Welfare Expert Advisory Group (WEAG), Ministry of Social Development, Wellington, NZ.

10 This is solely concerned with the income support side of the system and excludes the provision of any employment-related services.

11 Bargain, et al. (2014). "Comparing Labor Supply Elasticities in Europe and the US: New Results", *Journal of Human Resources*, 49(3), 723–838.

12 Even increasing incomes in work can have an ambiguous impact on employment as it depends on the relative strength of the substitution effect (working pays more, so you work more) and the income effect (more income increases demand for leisure, so you work less).

13 Effective marginal tax rates show the impact on marginal increases in income of both taxes and the withdrawal of income support payments.

Reasons for low take-up

Low take-up of income support appears to be a common problem across countries. A range of studies – in the US, UK, Canada and other countries – have shown that take-up of income support is often significantly less than 100%.¹⁴

There is a small amount of economic literature on the take-up of welfare benefits, both theoretical and empirical, though the empirical analysis is often concentrated in certain countries where the required data is available (that is, comprehensive administrative data). The literature also uses a variety of frameworks and taxonomies ranging from very general to very detailed.

The factors affecting take-up used in the OECD's evidence review¹⁵ are:

1. Size and duration of expected benefits
2. Information costs
3. Administrative costs
4. Social and psychological costs.

These factors are discussed in more detail below:

People are more likely to take up support if they are entitled to a significant amount for some time

The most robust finding from this research is that people are most likely to take up support if they are entitled to a significant amount of support for a reasonable period of time.¹⁶ It is important to note that whether an amount is significant is judged by the relative value of the payment, not the absolute value, so higher-income individuals would generally be expected to have lower levels of take-up. People with entitlement to a relatively small amount are likely to judge that the costs of application (and maintenance) exceed the likely benefits of the payment.

Information costs are also important

There is also strong evidence of the negative impact of information costs on take-up. In one study of the US Food Stamps Program, the researchers interviewed people who looked like they were eligible but had not applied. A few months later, after having been interviewed, a significant proportion of these people had then applied, and they cited the information that the interviewers had provided about their entitlements and the application process as a key reason for this.¹⁷

Other studies have also shown that being unaware of eligibility is a common reason for non-take-up. This is also supported by the general finding that receiving one type of welfare benefit increases the chances of receiving another one, suggesting that information costs are lower once one payment is already being received (and also reflects that systems often check eligibility for other payments once eligibility for one payment has been established).

14 Whelan, S. (2010). "The take-up of means-tested income support", *Empirical Economics*, 39(3), 847–875.

15 Hernanz, et al. (2004).

16 Currie, J. (2004), Hernanz, et al. (2004).

17 Daponte, B., S. Sanders and L. Taylor (1999). "Why do low-income households not use food stamps? Evidence from an experiment", *The Journal of Human Resources*, 34(3), 612–628.

Administrative costs may also affect take-up

Administrative costs include those caused by the application process itself, particularly any delays in the process and the level of uncertainty about the process. Again, there is some evidence that these costs can be significant and can deter take-up.¹⁸

High transaction costs seem to disproportionately impact people on low incomes

The Behavioural Insights Team (BIT) in the UK recently released a report called “Poverty and decision-making: How behavioural science can improve opportunity in the UK”. A particular part of this study focused on the low take-up of entitlements by people on low incomes and states “Research that shows that money worries can absorb cognitive bandwidth, leaving less cognitive resources to make optimal decisions.”¹⁹

Based on this research, the BIT recommends that policy makers should use a “cognitive load test” on services aimed at alleviating poverty. Complex and stigmatising application processes and eligibility checks are likely to exhaust the cognitive bandwidth of many people, particularly those who are struggling to make ends meet. This can undermine the objective of poverty alleviation by making it less likely that people will apply for support.

High transactions costs could be seen as an implicit targeting mechanism, with the rationale of ensuring only those who really need it will persevere. However, the recent research on the impacts on poverty on cognitive bandwidth suggests that high transaction costs are likely to be a poor targeting mechanism and may directly undermine the primary objective of income support, which is to alleviate poverty and hardship.

The evidence about stigmatisation and other social factors is less clear

Finally, there is mixed evidence about the social and psychological costs affecting take-up.²⁰ These costs refer to cultural attitudes and social stigma associated with income support. The degree of stigmatisation associated with a payment is thought to depend on the rules associated with it, that is, highly targeted payments are thought to be generally more stigmatising than those available to a larger group. An example of this in New Zealand could be comparing the attitudes of New Zealanders to the unemployment benefit (which are tightly targeted) and Working for Families tax credits (which are received by a large proportion of families with children).

Some reasons matter more than others

Some non-take-up may come from a person’s deliberate decision not to access the support based on an assessment of the relative benefits and costs of accessing the support or from a belief that they don’t need it. Non-take-up is likely to be most concerning if people (particularly those on low incomes) are missing out on substantial payments because of a lack of awareness or because of overly costly or stigmatising administrative processes.

18 Summarised in Hernanz, et al. (2004).

19 Mullainathan, S. and E. Shafir, (2014), *Scarcity*, Penguin, US, ISBN: 9780141049199, sourced from: <https://www.behaviouralinsights.co.uk/uncategorized/poverty-and-decision-making-how-behavioural-science-can-improve-opportunity-in-the-uk/>

20 Summarised in Hernanz, et al. (2004).

Measuring take-up

Measuring the take-up of income support is challenging

These challenges limit the accuracy of the estimates that can be made. Delivery agencies, such as MSD, are not able to “see” people who do not apply for payments as they may not hold information on them or be able to access information on them. Even for people receiving some payments from delivery agencies, there may not be sufficient information to determine their eligibility for other payments with different eligibility requirements.

Modelling using survey data and matched administrative data from across agencies, such as in the Integrated Data Infrastructure (IDI), can provide some estimates of people who may be eligible but have not applied, but these are subject to three important caveats:

- Surveys and other agencies’ administrative data may not collect all the information needed to assess an individual’s (or family’s) entitlement to a particular payment.
- Survey responses may not be sufficiently accurate to assess eligibility.
- The sample size of surveys often limits their ability to assess take-up for payments with relatively small eligible populations.

Current income poverty measures largely assume full take-up

Current measures of income poverty are based on a mix of actual and imputed recipients of payments and are mostly imputed payment amounts given the limitations of the data. Overall this means that these measures are estimating something closer to full (intended) take-up than actual take-up. This also means that changes in take-up will not necessarily be reflected in these income poverty measures.

Ongoing improvements to data will support better estimates in future

The ongoing development of the IDI, and the increasing use of this matched administrative data in modelling and analysis, will support the development of better estimates of take-up over time. The recent expansion of the sample size of the Household Economic Survey (HES) will also support any future work on this.

The take-up of income support in New Zealand

Recent work on take-up by MSD has focused on the take-up of the major forms of supplementary assistance rather than main benefits. It is possible to estimate take-up (with the caveats around accuracy as described above) for two supplementary payments: the Accommodation Supplement (AS) and Temporary Additional Support. It is only possible to make broad qualitative assessments for Childcare Assistance, Disability Allowance and main benefits. Previous work has also estimated take-up for Working for Families tax credits.

Take-up of Accommodation Supplement

AS is an income and asset-tested payment to support people with housing costs, including those who are renting, boarding and owning a home. The majority of recipients receive it to help meet their rental costs.

Take-up of AS among working people may be low

Currently around 285,000 people receive AS,²¹ with around 80% of these recipients also receiving a main benefit (or New Zealand Superannuation). It is estimated that there may be up to another 100,000 people who may be eligible for AS who are not receiving it.²² This is likely to be a significant over-estimate as the analysis does not account for all eligibility requirements, particularly the cash asset test (which would be likely to reduce the eligible population).

MSD's assessment is that the majority of those not receiving AS who may be eligible are likely to be not receiving any other income support from MSD. This is further supported by the fact that only around 10% of people leaving a main benefit go on to receive AS. This is despite the fact that the cut-out points (the income at which you are no longer entitled to any payment – see table below) for AS are relatively high, implying that a more significant number of low- and middle-income working people may be eligible.

21 MSD (2018) *Benefit Fact Sheets - June 2018 Quarter*: Wellington: Ministry of Social Development. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

22 This estimate is based on analysis using Treasury's microsimulation model, TAWA. This is based on HES data and a smaller Working for Families evaluation, but does not take into account some factors that affect eligibility such as cash assets. This estimate was made in 2017, before the increases to AS as part of the Families Package on 1 April 2018. These changes will have further increased the size of the eligible population, though the 2017 estimate is still likely to be too high.

Table 1: Weekly (annualised) income cut-out points for families receiving the maximum payment rates for the Accommodation Supplement

Family type	Area 1	Area 2	Area 3	Area 4
Single	\$1,048 (\$54,496)	\$808 (\$42,016)	\$708 (\$36,816)	\$668 (\$34,736)
Couple	\$1,553 (\$79,716)	\$1,213 (\$63,076)	\$1,013 (\$52,676)	\$913 (\$47,476)
Couple, 1+ child	\$1,850 (\$96,200)	\$1,510 (\$78,520)	\$1,270 (\$66,040)	\$1,110 (\$57,720)
Sole parent, 1 child	\$1,498 (\$77,896)	\$1,178 (\$61,256)	\$978 (\$50,856)	\$878 (\$45,656)
Sole parent, 2+ children	\$1,778 (\$92,456)	\$1,438 (\$74,776)	\$1,198 (\$62,296)	\$1,038 (\$53,976)

Recent increases to the AS have not yet resulted in a higher number of recipients

On 1 April 2018, AS maximum payment rates were increased for the first time since 2006. This increase meant that around half of AS recipients (around 135,000 people) gained around \$35 a week on average. This increase will also have increased the size of the eligible population, particularly among working families, as the cut-out points (the income at which a person is no longer entitled to any of the payment) increased by close to \$20,000 a year. For example, for a three-person family in Area 1, the cut-out point increased from a family income of around \$75,000 to \$96,000.

The median household income for all households is \$1,708 a week (\$88,816 annual income).²³ For sole parent households, the median income is \$764 a week (\$39,728 annual income).^{24, 25} These median household incomes, compared with the AS cut-points above, suggest that a significant proportion of households may be eligible for AS.

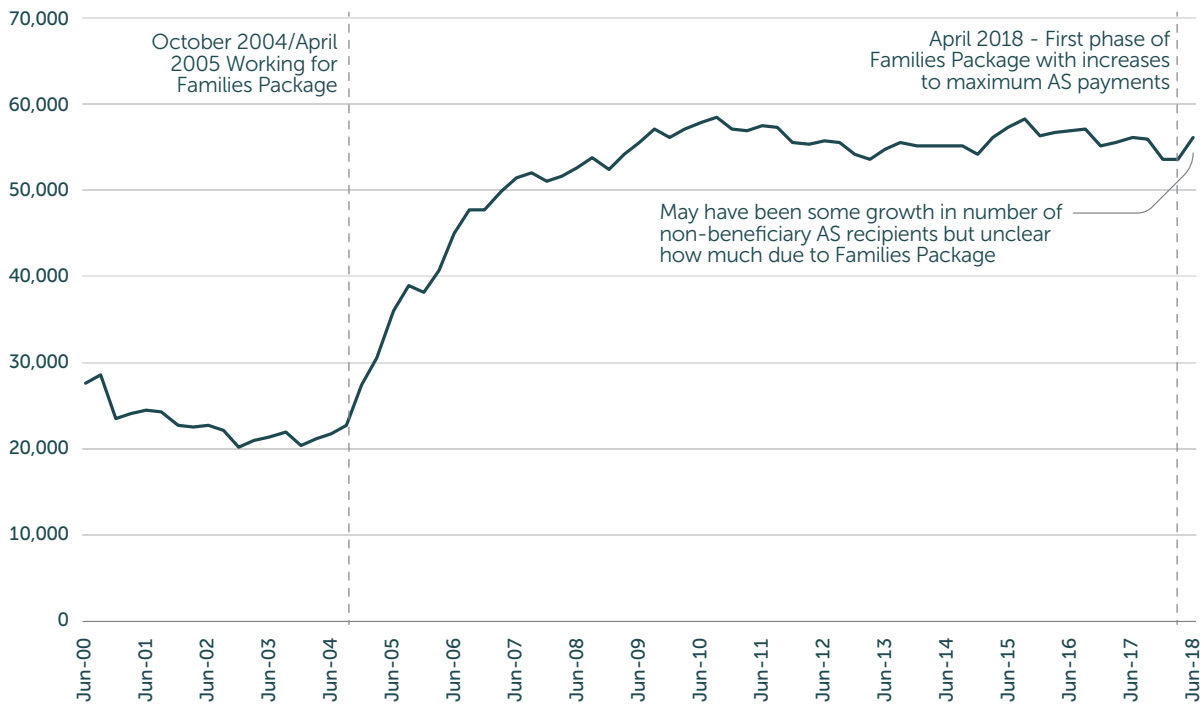
However, there has not been a significant increase in the number of working families receiving AS since April 2018 (see the graph below). Analysis from MSD suggests that it is too early to conclude if the Families Package is likely to cause a significant lift in the number of non-beneficiary recipients of AS.

²³ NZ.Stat Incomes tables for 2018. The source is the Household Labour Force Survey.

²⁴ Ibid.

²⁵ AS is assessed on family income (not household income), so multiple family households may be eligible for multiple AS payments even if their household income is above the cut-out points (as it will depend on their family income and their portion of the housing costs). Median family incomes are likely to be lower than median household incomes.

Figure 1: Number of non-beneficiary Accommodation Supplement recipients per quarter



It may be that many of these newly eligible families are ineligible for AS for other reasons (such as not meeting the cash asset test).²⁶ But given that AS take-up among working people may already be relatively low, this lack of an increase further supports the likelihood of there being a low level of awareness of AS among working people.

The previous increases to AS, associated with the Working for Families (WFF) changes from 2004 to 2006, did result in an increase in recipients, as shown in the graph above. There was large-scale publicity of the WFF changes, with increased take-up a key objective of this publicity.

There are a smaller group of main beneficiaries who do not get Accommodation Supplement.

There are also some people receiving main benefits who do not also receive AS (or another form of assistance for housing costs) – around 20% of all main benefit recipients. Not enough is known about the circumstances of these people to determine if they are eligible or not, though it is plausible that some people receiving main benefits will have low or no housing costs for a variety of reasons (such as staying with family or friends or owning a mortgage-free home).

26 The cash asset test starts to reduce AS when a single person has more than \$2,700 in cash assets (\$5,400 for a couple), and they cease to be eligible for AS when their cash assets exceed \$8,100 as single person (or \$16,200 for a couple). These limits have not been adjusted since 1989.

Take-up of Temporary Additional Support

Take-up of Temporary Additional Support may also be low

Temporary Additional Support (TAS) is a weekly payment that helps to meet people's essential living costs. It is designed to be temporary, but many people receive it for longer than the 13-week entitlement period as they are unable to increase their incomes or reduce their costs in this timeframe. TAS is understood to be frequently used to meet additional housing costs (over and above AS) and additional costs related to health conditions and disabilities (above those covered by the Disability Allowance).

Currently around 61,000 people²⁷ receive TAS, with around 96% of these people also receiving a main benefit.

TAS eligibility and payment amounts are based on a formula that can be approximated based on the information known about recipients of other forms of income support from MSD. This analysis, which does not take into account all the factors that impact on eligibility, provides an indicative estimate that approximately 33,000 to 53,000 further people²⁸ may be eligible for TAS but are not receiving it. More recent analysis suggests that the number is likely to be closer to around 30,000 people.

Take-up of Childcare Assistance

There is considerable uncertainty about the take-up of Childcare Assistance, though it may also be low

Childcare Assistance includes two payments:

- Childcare subsidy – for families with children aged under five
 - Available for up to 50 hours a week for working families (excluding any hours where the 20 Hours ECE subsidy is available)
- Out of School Care and Recreation (OSCAR) Subsidy – for families with children aged from five to thirteen
 - Available for up to 20 hours a week (in the school term) and up to 50 hours a week (during school holidays) for working families.

These subsidies are paid directly to the childcare or OSCAR provider, with the family paying any residual amount. Around 38,000 children are being subsidised by Childcare Assistance, with around 24,000 receiving the Childcare Subsidy and around 14,000 receiving the OSCAR Subsidy.²⁹

Current data does not allow for any estimates of the size of the eligible population for either the Childcare and OSCAR Subsidies. However, there are different pieces of information that, considered together, suggest that the take-up of the Childcare Subsidy may be low.

27 MSD (2018) *Benefit Fact Sheets - June 2018 Quarter*: Wellington: Ministry of Social Development. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

28 These estimates were created before the implementation of the Families Package in 2018. It is likely that they will be slightly lower as the overall number of TAS recipients dropped by around 7,000 after implementation.

29 As at 31 March 2018.

These are:

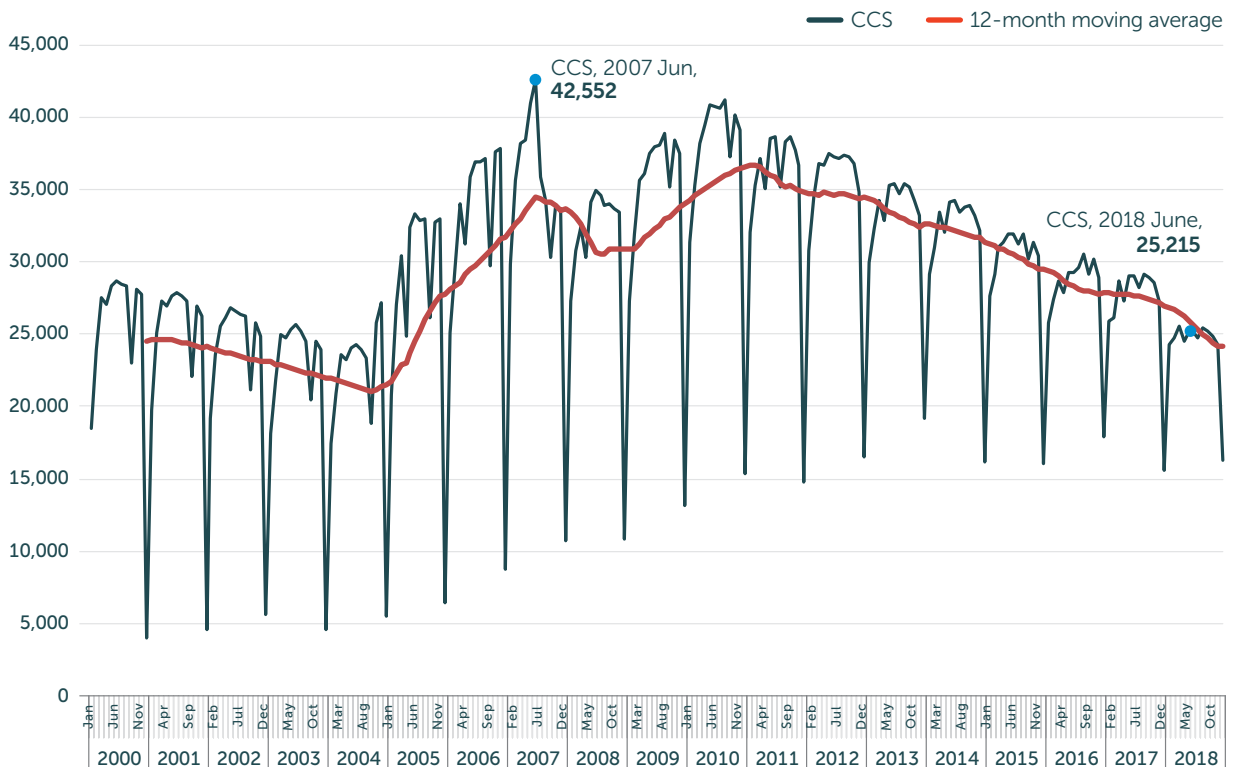
- Overall recipient numbers of the Childcare Subsidy have fallen significantly with:
 - policy changes likely to explain some of this
 - this occurring over a period of moderately increasing participation in Early Childhood Education (ECE), slight growth in the number of children aged up to four years (from 2000 to 2018) and some (post-GFC) employment growth, particularly among sole parents and women
- Evidence of increasing costs of childcare for low-income families
- Some evidence of low awareness
- Cut-out points that are still relatively high when compared with median household incomes.

Recent analysis of the take-up of the OSCAR Subsidy also suggests that awareness of this is low.

Numbers accessing the Childcare Subsidy have fallen significantly

Overall numbers of children subsidised by the Childcare Subsidy have fallen from a peak of around 43,000 in 2007 to around 25,000 in 2018 – see graph below (which also shows annual seasonal peaks and troughs as participation in ECE falls significantly over the Christmas and New Year period).

Figure 2: Numbers of recipients of the Childcare Subsidy, 2000-2018



Childcare Assistance was increased substantially as part of the WFF changes from 2005 to 2007, resulting in an increasing number of Childcare Assistance recipients over this time. Then, the introduction of the 20 Hours Free ECE policy in 2007 substantially reduced recipients (as the Childcare Subsidy cannot be claimed for hours covered by the 20 Hours Free ECE policy). Recipients continued to grow after this drop in 2007 until around 2010, then began slowly declining.

Policy changes are likely to explain some of this fall

In 2010, the income thresholds for eligibility for Childcare Assistance (the Childcare and OSCAR subsidies) were reduced to their April 2008 levels. The income thresholds are also not indexed so have lost relative value when compared with income and wage growth. This reduction and then lack of indexation likely explains at least some of the fall in recipient numbers since 2010, as the size of the eligible population is likely to be falling as incomes increase.

However, other changes suggest that eligibility should not be falling significantly

This fall has also occurred over a period in which:

- participation in ECE rose by around 7% (from 90% of children starting school having prior participation in ECE in 2000, rising to 96.9% in 2018)³⁰
- the number of children aged up to four years increased by around 7% from 2001 to 2013 – though the number is projected to have fallen slightly (by just under 5%) between 2013 and 2018³¹
- there was strong employment growth, particularly sole parent and women’s employment – with the women’s employment rate reaching its highest ever point in the June 2018 quarter (62.8%).³²

There is also some evidence of increasing costs of childcare, particularly for low-income families. The consumers price index (CPI) for childcare costs shows a 28% increase in costs between June 2008 and June 2013. Analysis of the Household Living-Cost Price Indexes (HLPs) shows that early childhood education costs increased by 59% from 2008 to 2018 for the lowest-income quintile.³³

Statistics New Zealand occasionally runs a Childcare Survey – most recently in 1998, 2009 and 2017 – as a supplement to the Household Labour Force Survey. In the 2017 survey, of those who did not access the Childcare Subsidy, almost 41% either didn’t know about the Childcare Subsidy or didn’t know if they were eligible, indicating that there may be a low level of awareness of the subsidy.³⁴

The income cut-out points for Childcare Assistance are also relatively high compared with median household incomes. As stated previously, the median household income for all households is \$1,708 a week (\$88,816 annual income).³⁵ For sole parent households, the median income is \$764 a week (\$39,728 annual income).^{36,37} This suggests that a significant number of households would be eligible for Childcare Assistance.

30 Education Counts: <https://www.educationcounts.govt.nz/statistics/early-childhood-education/participation#>

31 Census data from NZ.Stat.

32 Labour market statistics: June 2018 quarter (Statistics New Zealand).

33 Some care should be taken with using this number given the limitations of the sample size.

34 Childcare Survey 2017, Table 10.

35 NZ.Stat Incomes tables for 2018. The source is the Household Labour Force Survey.

36 Ibid.

37 Accommodation Supplement (AS) is assessed on family income (not household income), so multiple family households may be eligible for multiple AS payments even if their household income is above the cut-out points (as it will depend on their family income and their portion of the housing costs). Median family incomes are likely to be lower than median household incomes.

Table 2: Weekly (annualised) income cut-out points for Childcare Assistance

Number of children	Gross weekly (annualised) income
1	\$1,400 (\$72,800)
2	\$1,600 (\$83,200)
3 +	\$1,800 (\$93,600)

Numbers accessing the OSCAR Subsidy have increased significantly

In contrast to the Childcare subsidy, the number of children subsidised by the OSCAR Subsidy increased by around 48% between 2008 and 2017. Over this same period, the Childcare Survey indicated a doubling in the number of children attending formal out-of-school programmes. The growth in the OSCAR Subsidy may be lower than the growth in overall numbers because not all out-of-school care is OSCAR approved, because of the income-testing of the OSCAR Subsidy (that is, the growth in use may have primarily been in higher-income families who are not eligible), because of lack of knowledge or because of difficulties with access.

There is evidence that awareness of the OSCAR Subsidy is low. In the 2017 Childcare Survey, of those not receiving the OSCAR subsidy, around 41% either did not know about the subsidy or did not know if they were eligible. This suggests that take-up is likely to be well below 100%.

The definition of income for Childcare Assistance is inconsistent

It is important to note that the definition of income for Childcare Assistance is different from other supplementary welfare payments. The income assessed for Childcare Assistance includes AS, TAS, Disability Allowance and any child support.

Most other supplementary assistance only includes taxable income (for example, main benefits, income from wages) in its assessment of income tests. Any income from other supplementary payments is generally excluded as they are granted for other discrete costs. This means that, for example, if a person receives more AS because their rent has increased, their Childcare Assistance may reduce. This difference adds extra complexity to the administration of Childcare Assistance.

Take-up of Disability Allowance

It is not currently possible to estimate take-up of Disability Allowance

The Disability Allowance (DA) provides assistance to people who have ongoing costs because of a health condition or disability that is likely to last for at least six months. The amount paid is calculated from the actual costs that have been, or will be, incurred on a regular basis, and verification of these costs is required.

Currently around 233,000 people receive the DA.³⁸ Around 55% of these people are also receiving New Zealand Superannuation.

It is very difficult to quantify the take-up of the DA as there is no suitable data on people's medical costs, either actual or avoided. Internal analysis from MSD in 2017 looked at people who had been receiving the Jobseeker – Health Condition or Disability benefit for more than six months, as they may be eligible given that their health condition or disability may have lasted

38 MSD (2018) Benefit Fact Sheets - June 2018 Quarter: Wellington: Ministry of Social Development. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

for more than six months and they are required to obtain a medical certificate every 13 weeks to continue to be eligible. This analysis showed that around 50% of these recipients are getting DA. This may suggest low take-up.

Recent reference-group meetings with people receiving the DA have suggested that there is some confusion about the coverage of the DA. Some people think that it applies to people only with disabilities when costs associated with on-going health conditions are also covered. People also demonstrated little awareness of what can be covered by the DA, with many people receiving DA (particularly superannuitants) declining to apply because of this lack of awareness.

Take-up of main benefits

It is not currently possible to estimate take-up of main benefits

Current data does not allow for any estimates of the number of people who are eligible for main benefits. The Household Economic Survey (HES) shows a group of households in the lowest income decile who have incomes below current benefit levels and thresholds. However, some of these income levels are probably artefacts of the data and modelling assumptions. For example, these extremely low incomes could be due to inaccurate reporting and data quality issues, temporarily low incomes incorrectly projected over a whole year or self-employed households reporting low incomes or losses (which is not necessarily an accurate indicator of their resources).

There is anecdotal evidence that the perception of a punitive culture and stigmatising administrative processes of Work and Income may have led to some people to disengage with the income support system. Further work would need to be done to identify this group, including surveying people who would be unlikely to be captured by other surveys or by administrative data, such as the homeless.

Take-up of Working for Families tax credits

Take-up of Working for Families tax credits is likely to be high

Again, while estimating the take-up of Working for Families (WFF) tax credits is challenging, previous evaluations have suggested that they have relatively high rates of take-up (approximately 95–97%), though there has been no recent comprehensive analysis. Similarly, there has been no recent analysis of the number of recipients as a proportion of all families with children in New Zealand.

These estimated high levels of take-up are likely due to higher awareness and less time-consuming administration (the highly automated processes with significantly fewer requirements to verify circumstances). Inland Revenue also has contact with people through general tax processes, which reduces some of the compliance burden. Take-up is thought to be higher for the Family Tax Credit than for the In-Work and Minimum Family Tax Credits due to the requirement of these other credits to meet an hours test.

Take-up will continue to be supported through the Best Start Tax Credit's integration into the SmartStart online birth registration process and through proposed changes to automate the end-of-year tax refund process, as well as recent awareness around the Families Package (which introduced the Best Start Tax Credit and increased Family Tax Credit rates).

Key barriers to take-up in New Zealand

One of the key barriers to take-up in New Zealand is likely to be low levels of awareness of both the payments and the eligibility criteria, particularly among working people. It is also possible that some administrative processes are deterring greater take-up and that the high costs associated with these processes are partly driven by the underlying complexity of the legislative and policy settings. There may also be stigma associated with the welfare system and low trust in agencies.

Awareness of supplementary payments may be low, particularly among working people

For Accommodation Supplement and Childcare Assistance, the information in the section above strongly suggests that awareness of eligibility is low. Working people do not seem to be applying for these payments at the expected levels, particularly compared with the likely high take-up of Working for Families tax credits.

Even people who exit the benefit system do not seem to take up support at the expected levels. This may relate to the ability to cancel a benefit without further assessment.

Administrative processes can be time consuming, and accessibility can be more difficult for working people

MSD's current administrative processes can be time consuming and complicated, such as filling in an application form, collecting supporting documentation and then attending an appointment. For example, for working people who are currently not receiving support from MSD, a new application for Accommodation Supplement or Childcare Assistance would most likely require them to visit a Work and Income office. MSD can also require people who are re-applying to provide information that they have already provided at an earlier time, including certified verification of identity for themselves and their families (for example, in re-applications for the Community Services Card).

People with fluctuating incomes are required to regularly report their income and can struggle to do this accurately. This can lead to under- and over-payments and to the creation of debts. These can discourage people from applying for, and continuing to receive, assistance as the "transaction costs" are too high.

Other processes can require further time and money, such as securing a medical certificate to access the Disability Allowance (DA). The DA also requires continued verification of costs. In some situations, the cost of complying may outweigh the amount of financial support.

MSD's administrative processes appear to impose significantly higher transaction costs on applicants than Inland Revenue's processes for WFF tax credits. Some of this difference is caused by the more complicated eligibility requirements for MSD's payments.

Stigma and trust may also influence take-up

There is some evidence that there is stigma associated with receiving payments from Work and Income and that some people have a low level of trust in Work and Income. The Kiwis Count Survey run by the State Services Commission asks New Zealanders about their experiences and views of public services since 2007. While New Zealanders have generally high levels of trust and satisfaction with public services, satisfaction levels associated with applying for a main benefit, housing subsidy or AS have some of the lowest satisfaction scores. In 2017, there were six services (out of 43 services surveyed) with scores of 60 or less (out of 100). These are:

- Resource consent applications or submissions (score of 43)
- Making a noise complaint (50)
- Applying for, using or asking for information about a building permit (54)
- Applying for and/or receiving a benefit (59)
- Applying for a housing subsidy or AS (58)
- Using public services for employment or retraining opportunities (60).

These contrast significantly with the highest score, also received by Work and Income, for applying for or receiving New Zealand Superannuation (89).

Research done by Community Law Canterbury in 2014 with a small number of beneficiaries, advocates and representatives of agencies found that the "stigma attached to being on a benefit overwhelmingly permeated their interaction with the benefit system at all levels".³⁹

Policy and legislative settings can also reduce take-up

The income support system has evolved over time and has been added to and amended in a relatively piecemeal way. There are a large number of payments, with many interactions between them, which results in a complex system that is difficult to navigate for both applicants and Work and Income staff. Generally, complex eligibility requirements involve more complex application processes (although good design of user interfaces and processes can minimise this).

Simplifying and aligning policy settings would improve the accessibility of the system and help to make it easier to administer.

Some examples include:

- Disability Allowance is paid weekly, even if the cost is incurred over a different timeframe (for example, monthly). This reduces the effectiveness at meeting the additional cost as costs are not met when they fall. For example, people may delay visits to the doctor, or the filling of prescriptions, as the full cost of these is not provided at the time.
- Temporary Additional Support must be re-applied for every 13 weeks, even if it is unlikely that the costs or income will change.
- The definition of income for Childcare Assistance is inconsistent with the definition of income used for all other forms of supplementary assistance.

39 Morton, K., C. Gray, A. Heins and S. Carswell, "Access to Justice for Beneficiaries: A Community Law Response", Community Law Canterbury, October 2014: <http://www.communityresearch.org.nz/wp-content/uploads/formidable/Access-to-Justice-online-edition-11-Dec.pdf>

What are the options to increase take-up?

Increasing the take-up of income support is likely to reduce poverty and hardship and support employment. Increasing take-up also supports the Government's priorities with respect to improving the adequacy of the welfare system, supporting the wellbeing of children and achieving the Government's child poverty reduction targets. It also supports the achievement of other targets such as the poverty reductions in the Sustainable Development Goals.

There is some evidence of effective approaches for increasing take-up

Evidence of the most effective ways to increase take-up is relatively sparse, though there are many examples of discrete programmes in particular countries (some of which have been evaluated).⁴⁰ However, some of these approaches are particular to the payment and the problems identified so may not be generalisable. The evidence review by the OECD (2004) and the review of case studies by Eurofound (2015) suggest effective options to improve take-up can include:

- Simplifying application processes and making greater use of ICT to use information across government
- Being proactive with applications and notifying people of their potential eligibility at "good times", such as life events like the birth of a child
- Making information transparent about eligibility and having relatively stable criteria
- Advertising to increase awareness of eligibility and application procedures
- Implementing "one-stop shops" across entitlements
- Developing partnerships with local service providers, NGOs, unions, employers and other key stakeholders to help support take-up
- Providing better information about take-up including official measures, monitoring and specific surveys targeting non-claimants.

MSD has a current programme of work to improve the accessibility and administration of the income-support system and a programme of planned work, which are both described below. However, further work is likely to be needed to achieve a significant "step change" in levels of take-up and also to better understand current levels of take-up and key barriers. Options to achieve this step change are discussed at the end of this section.

Current state

Providing the correct types and amounts of assistance is central to the administration of the welfare system

Work and Income staff are trained to assess applicants' needs, although the time-limited nature of engagements with applicants, and the amount of information that is shared by the applicant, may limit the extent to which their circumstances are explored.

40 Eurofound (2015).

There are minimum processing standards to ensure that Work and Income:

- Grant and assess the full and correct entitlement to the right person at the right rate from the right time
- Clearly specify the information that must be received
- Protect the integrity of the payment system and ensure public housing objectives are met.

Recent changes are improving accessibility

Applications are increasingly able to be completed online (through MyMSD), though some payments still require written application forms, verification of supporting documents and attendance at interviews. MyMSD often relies on individuals being proactive in checking what else they might be eligible for through the Eligibility Guide (an online calculator).⁴¹

Recent improvements include:

- Online application forms for Accommodation Supplement, Temporary Additional Support and Disability Allowance (though the download of the hardcopy form is still often needed) and improvements to the online application form to reduce the number of questions and make it easier to understand
- Increased delivery of urgent hardship assistance over the phone
- Improved case-management practice when people cancel their benefits to start work, which is to improve awareness of in-work assistance
- The In-Work Support trial, which provides people who exit the benefit system with information, advice on entitlements and referrals
- The development of the online Eligibility Guide, providing comprehensive and easy-to-understand information about entitlement.

Current work to improve take-up

Current work by MSD is likely to support take-up, particularly within the current recipient population

The shifts in the service culture at Work and Income, to focus more on client experience and ensure that services are accessible, are easy to use and are less time consuming, should improve the quality of people's interactions with Work and Income and increase trust in the agency.

41 <https://check.msd.govt.nz>

Other planned work that is likely to further support take-up includes:

- Ongoing improvements to Work and Income’s online Eligibility Guide
- A pilot, which started in December 2018, to proactively contact clients (via text or online) to make them aware of entitlements or services they may not be aware of
- Further training to staff in empathy, unconscious bias and understanding mental health
- A work programme focused on removing unnecessary effort for clients, alongside the regular and ongoing simplification of processes suggested by staff. A key focus will be minimising verification requirements, for example, with the Disability Allowance
- Investigating business processes to improve access to hardship assistance, including testing eligibility for supplementary assistance when clients apply for hardship assistance
- Modelling of client data to better identify who may be eligible for other types of assistance
- Leveraging off existing provider and stakeholder relationships to increase information about supplementary assistance
- Developing measures of take-up (currently at a very early stage).

While this work is likely to provide important improvements for applicants, it is largely focused on the existing recipient population and is unlikely to significantly impact on take-up of people not currently engaging with the income support system. However, we note that this work is continuing to develop and is a current focus for Work and Income.

Further work

Evidence suggests that comprehensive changes need to be made to address low take-up, with changes to “single” barriers in isolation having little effect.⁴² The programme of current and planned work provides an opportunity to make more significant changes, with further work (and funding) likely to achieve a larger impact.

Better measurement and monitoring will provide a critical foundation for further work

Current information on take-up is limited and provides indicative information on the scale of the problem for some payments, and nothing about the key barriers.

Developing more accurate measures of take-up would allow regular reporting and monitoring and allow agencies to track their progress over time. Given the current data limitations, developing more accurate measures would take time and investment, particularly in the greater use of matched administrative data. Consideration could also be given to targeted qualitative research with eligible non-recipients to better understand the key barriers to take-up.

Most countries do not regularly report on take-up – the exception is the Department of Work and Pensions in the UK, which have official measures of take-up and regularly publishes and monitors them.

42 Currie, J. (2004).

Further work will likely be needed to achieve a “step change” in take-up, particularly for working people

This work could include:

- More proactive use of existing information, including cross-agency information
- A large-scale public awareness campaign, using a range of communication channels
- Incorporation of measures of take-up into the performance framework for MSD and Work and Income
- Further investment in simplifying processes for applicants and staff, including ICT improvements
- Changes to policy and legislative settings to support increased take-up
- Stronger legislative responsibility for full and correct entitlement and a proactive approach to assistance
- Institutional options such as creating “one-stop shops” covering a greater range of payments and services, creating a separate service line within Work and Income (such as an in-work support service) or transferring the delivery of in-work assistance to another agency such as Inland Revenue.

These potential changes are described at a high level in the section below. Further work would need to be done to scope and cost each of these changes and to determine which are most likely to be effective.

The current information on take-up is unlikely to justify the most significant changes on its own (that is, institutional changes) particularly given the risks associated with such large-scale changes. The experience of the introduction of Universal Credit in the United Kingdom is provided as an example. However, there may be sufficient evidence to consider further work such as a more proactive approach, a public awareness campaign and a more ambitious programme of work to improve policy and legislative settings and ICT changes.

More proactive use of existing information

MSD holds a significant amount of information about current recipients of income support. It also has access to information held by other agencies through information-sharing agreements. Taking a more proactive approach could include providing further information or prompts to recipients to test their eligibility for other payments. For example, recipients of Jobseeker Support – Health Condition or Disability who have been receiving this payment for more than six months may be eligible to receive the Disability Allowance to meet the ongoing costs of providing medical certificates every 13 weeks.

This approach could also include prompting case managers or a service centre to review particular recipients’ circumstances to ensure they are receiving their full and correct entitlements. It could also include a more proactive approach to people leaving a benefit to ensure that they retain payments they are still eligible for.

If staff are also taking a more proactive approach to client interactions more generally, it is important to consider the consistency of operational performance measures, such as call-handling times in contact centres and processing times more generally. If time-limited calls are the primary performance measure used, for example, this may undermine the ability of staff to take a more proactive approach.

Taking a more proactive approach is likely to have resource implications, particularly for the number of frontline staff required.

Public awareness campaign

There appears to be low awareness of supplementary assistance available to people in work. A large-scale public awareness campaign could address this problem. The Working for Families changes introduced from 2004 to 2006 were significantly publicised and resulted in both high levels of take-up of Working for Families tax credits and a higher number of recipients of the Accommodation Supplement (changes to which were included as part of the Working for Families package).

There is some international evidence that the take-up of income support can increase after major reforms where there was strong public debate that significantly increased awareness.⁴³

To be successful, this campaign would likely need:

- Additional funding
- Both broad-based advertising, for example, TV, bus stop and radio advertisements, and targeted advertising, for example, social media to target families and renters
- Partnerships with key stakeholders to distribute easy-to-understand information, for example, community organisations, schools, GPs, Plunket
- Working with other government agencies to promote the income support system, for example, by linking eligibility information on the MSD website with the information on Working for Families on the Inland Revenue website, by including Working for Families in the awareness campaign and by linking in to public consultation or engagement through other campaigns, for example, consultation on the NZ Housing Strategy.

The new Families Package and related policies provides an ideal opportunity to conduct such a campaign.

While the additional funding required to finance an awareness campaign is likely to be relatively small (in the context of spending on welfare payments), it is important to note that significant increases in take-up would have a fiscal cost.⁴⁴ For example, an increase in take-up of 1% would result in the following costs:

- Accommodation Supplement (\$12 million)
- Temporary Additional Support (\$2 million)
- Childcare Assistance (\$2 million)
- Disability Allowance (\$3 million).

The ongoing impact of a one-off awareness campaign is expected to fade over time. Regular "reminders" would be required and could be targeted around key life events and the places where people naturally seek information, for example, providing information about family-related payments in the birth registration system and information about housing assistance on key tenancy websites. Awareness campaigns may also have to be repeated at regular intervals to maintain higher levels of take-up.

43 Bruckmeier, K. and J. Wiemers (2012). "A new targeting: a new take-up? Non-take-up of social assistance in Germany after social policy reforms" *Empirical Economics* 43, 565–580

44 Funding for these appropriations is not capped, so there is no need for this extra cost to be agreed by Cabinet. However, a large scale awareness campaign would mean that the forecasts for the expenditure in these appropriations would likely be increased, so an estimate of the additional costs would be incorporated into the government's forecast spending and would impact on other fiscal indicators such as the operating balance and debt.

Incorporation of take-up into performance measures

Depending on the priority given to increasing take-up, measures could also be incorporated into the performance framework for MSD and Work and Income. The current performance framework for MSD in the Statement of Intent contains no “organisational impact measures”⁴⁵ relating to either full and correct entitlement or take-up of income support. Full and correct entitlement measures capture the number of recipients of income support who are receiving the right entitlements and the right amounts.

As discussed above, developing more accurate and useful measures of take-up will take time and investment. However, it would be possible to use interim performance measures in the short term. One interim measure could be to increase the overall number of non-beneficiary Accommodation Supplement recipients. The evidence that take-up is likely to be low for the Accommodation Supplement is relatively strong, and the recent increases as part of the Families Package will have increased the size of the eligible population.

Improvements to processes and ICT systems

The current work programme to improve processes and systems (for both applicants and staff) is focused on incremental change. The simplification programme and the ongoing development of MyMSD have meant that a greater number of processes can be started or completed online. However, many processes still require visits to Work and Income offices.

Significant improvements to processes and systems to support full and correct entitlement and take-up will take considerable investment, particularly given that MSD’s systems are very complex (driven by the variety of circumstances that the system needs to cover for around 1 million clients). Changes to other agencies’ systems, such as Inland Revenue’s Business Transformation programme, will provide opportunities for improvements, for example, for more timely information sharing.

This work could also include further initiatives across government to improve access to entitlements, such as the recent development of the SmartStart website, which brings information together in one place for families experiencing the birth of child and assists in making applications easier.

Changes to policy and legislative settings

As discussed in the section on why take-up might be low, changes to simplify and align policy settings could support an increase in take-up. The examples given above were to allow the Disability Allowance to be paid when costs are incurred (rather than only weekly), allowing Temporary Additional Support to be granted for more than 13 weeks and making the definition of income used for Childcare Assistance consistent with other supplementary assistance.

Changes that simplify the income support system come with varying degrees of cost to government. Work could be done to identify the policy and legislative settings that contribute most to the complexity of application processes.

45 MSD (2018), *Statement of Intent*, found at: <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/corporate/statement-of-intent/2018/how-we-will-assess-our-performance.pdf>

Stronger legislative responsibility for full and correct entitlement and a proactive approach

The current purpose and principles of the Social Security Act (1964) can be found, in full, in Appendix 1 of this paper.

The current purpose of the Social Security Act (1964) is focused on:

- Enabling the provision of financial (and other) support
- Ensuring that the financial support provided takes into account the resources that people have available, and any other support they are already receiving from government
- Stating the obligations that may be imposed on people.

The current principles of the Act are focused on:

- The importance of paid employment for achieving wellbeing
- The expectation that everyone who can work should work
- The view that people not currently able to work should be helped to prepare for work
- The belief that people who cannot work should be supported.

Section 11D (4) of the Act provides further guidance, stating that the receipt by the department of a completed application form relating to a benefit of one kind is sufficient to enable the granting of a benefit of another kind. Section 12 (1) states that every claim for a benefit shall be investigated by the Chief Executive (or by an officer of the department acting with the authority of the Chief Executive), and all benefits shall (subject to any delegation of the Chief Executive's powers under this Act) be granted by the Chief Executive.

Case law has also determined that MSD has a "duty of active assistance", which "requires the Ministry to assess broadly the needs of applicants on the information it has available, directing them to their entitlements".

Legal advice would be needed on the feasibility of any changes to the purpose and principles of the Social Security Act (1964), and the impacts of any changes on MSD.

It is worth noting that Working for Families tax credits are administered under the Income Tax Act (2007). The Income Tax Act (2007) has no requirement for either full and correct entitlement or a proactive approach, and as noted above, take-up of Working for Families tax credits is likely to be high. This suggests that legislative changes may not be a critical enabler of higher take-up.

Institutional options

Changes could be made to who delivers different forms of assistance or how it is delivered. One option could be the creation of "one-stop shops" that cover a greater range of payments and services. This involves the consolidation of frontline services of agencies into one "front door" for recipients. This would involve significant changes to agencies' frontline services but could leave the underlying delivery systems with existing agencies.

Given the likely concentration of non-take-up in working people, another option could involve shifting the administration of payments to working people to either:

- A new service line within Work and Income, such as In-Work Support Service, similar to the current arrangements for students (StudyLink) and superannuitants (Seniors), or
- A different delivery agency such as Inland Revenue, who already administer a significant amount of support to working people through Working for Families and other tax credits.

All of these options would involve significant costs, particularly the transfer of payments to a different agency such as Inland Revenue and would also create significant risks. As an example of the risks associated with significant change, the experience of the UK with the introduction of the Universal Credit is outlined in the box below, though it is important to note that the Universal Credit changes were much more significant than the proposed option above.

Universal Credit

The Universal Credit was introduced to significantly simplify the welfare system in the UK. Other objectives included improving work incentives, reducing poverty, increasing take-up and reducing fraud and error.

The Universal Credit merges in-work and out-of-work support – six payments – into a single payment, including main benefits, housing assistance and family tax credits. This payment is now provided by one agency (the Department of Work and Pensions) and was previously provided by three separate entities. This single monthly payment also has a single abatement rate of 65 pence for each pound of net (after tax) earnings over a certain threshold.

Since its introduction in 2012:

- The original date for the complete roll-out has changed from 2017 to 2022
- The implementation costs have risen from an estimated £2.2 billion to £12.8 billion
- Changes to reduce the costs of the changes by £5.5 billion per year, made in 2015, have meant that:
 - The improvements to financial incentives to work and reductions in poverty are likely to be less than originally thought
 - There is a significantly larger group of people who will be financially disadvantaged by the changes.

The current information on take-up is unlikely to justify the most significant changes on its own, particularly institutional changes, given the risks associated with such large-scale changes. However, there may be sufficient evidence to consider further work such as the public awareness campaign and a more ambitious programme of work to improve policy and legislative settings and ICT changes.

Appendix 1

Social Security Act (1964) – Purpose

1A Purpose

The purpose of this Act is –

- (a) to enable the provision of financial and other support as appropriate –
 - i) to help people to support themselves and their dependants while not in paid employment; and
 - ii) to help people to find or retain paid employment; and
 - iii) to help people for whom work may not currently be appropriate because of sickness, injury, disability, or caring responsibilities, to support themselves and their dependants:
- (b) to enable in certain circumstances the provision of financial support to people to help alleviate hardship:
- (c) to ensure that the financial support referred to in paragraphs (a) and (b) is provided to people taking into account –
 - i) that where appropriate they should use the resources available to them before seeking financial support under this Act; and
 - ii) any financial support that they are eligible for or already receive, otherwise than under this Act, from publicly funded sources:
- (ca) to provide services to encourage and help young persons to move into or remain in education, training, and employment rather than to receiving financial support under this Act:
- (d) to impose, on the following specified people or young persons, the following specified requirements or obligations:
 - i) on people seeking or receiving financial support under this Act, administrative and, where appropriate, work-related requirements; and
 - ii) on young persons who are seeking or receiving financial support under this Act, educational, budget management, and (where appropriate) parenting requirements; and
 - iii) on people receiving certain financial support under this Act, social obligations relating to the education and primary health care of their dependent children.

Social Security Act (1964) – Principles

1B Principles

Every person exercising or performing a function, duty or power under this Act must have regard to the following general principles:

- (a) work in paid employment offers the best opportunity for people to achieve social and economic well-being;
- (b) the priority for people of working age should be to find and retain work;
- (c) people for whom work may not currently be an appropriate outcome should be assisted to prepare for work in the future and develop employment-focused skills;
- (d) people for whom work is not appropriate should be supported in accordance with this Act.

