

Economic Living Standards for Māori Whānau Before and After ‘Working for Families’

March 2012

**Based on data from *Te Hoe Nuku Roa* (Best Outcomes for Māori), a
longitudinal survey of Māori households**

**Research Centre for Māori Health and Development,
Massey University**

in collaboration with

Whakauae Research Services

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Executive Summary

The aim of this project was to assess the impact of the government's Working for Families (WFF) policy on the economic living standards of Māori whānau. The study also compared the living standards of Māori families with other types of Māori household and examined the factors associated with economic hardship across all household types.

The sample was 579 whānau from *Te Hoe Nuku Roa* (THNR), a longitudinal survey of Māori households from six regions of New Zealand. While THNR was not specifically designed to evaluate WFF, it provided a useful platform to do so, as around half the Wave 4 sample was collected before WFF and half after, with a fairly equal split between WFF-eligible families and ineligible households.

Statistical limitations meant that levels of hardship and differences between groups may have been underestimated. Lack of strong differentiation in perceived living standards, as measured by ELSI_{SF}, may also lead to an underestimation of differences between groups. By far the majority of all types of household reported that their standard of living was medium or high and that they were satisfied with their standard of living, despite marked differences in income adequacy and economising behaviour.

Nonetheless, prior to the implementation of the WFF policy, the living standards of WFF-eligible Māori families were markedly and significantly lower than ineligible Māori households, as has been found in other studies. Twice as many WFF-eligible families scored in the hardship category and three-quarters of WFF-eligible families reported that their income was not enough or only just enough to meet their needs compared to less than half of ineligible households.

Beneficiary families with dependant children were the worst-off economically, followed by other beneficiary households (excluding superannuitants) and low-income families with dependant children. High-income families with dependant children scored towards the top end of the living standards scale (as measured by ELSI_{SF}). Households without dependant children had above-average living standards if the principal adult was employed or retired.

Low living standards, high levels of hardship, low income adequacy and the need to economise on even the most basic of items (such as fruit and vegetables) underpinned the need for an improvement in income adequacy for low-income families with dependant children, which was one of the aims of the WFF policy. However, the particularly low living standards faced by beneficiary families was at odds with their lower level of WFF entitlements. This inconsistency arises from the divergence between the 'making work pay' and the 'income adequacy' aims of the WFF policy.

Living standards were associated with a range of factors, but particularly income, housing tenure and life-stage. Groups with high levels of hardship included low-income renters, young people and students, young parents, sole parents and people who had poor health status or a relationship break-up. Low levels of hardship were associated with high income, freehold tenure, long-term residential stability, middle-aged to older people, and those in fulltime employment, with high educational qualifications and good health status.

Cultural factors were not related to economic living standards as measured here. Thus, whānau with very strong connections to their culture – through identity, knowledge of whakapapa, tikanga and te reo, and cultural participation – were equally likely come from households with low or high economic

living standards, while the same could be said for whānau with a weaker connection to their culture. Thus, the development of strong cultural and whānau connections occurs despite the economic hardships facing many households, presumably due to being an integral and highly-valued part of the lifestyle of many whānau.

The role of whānau in helping to care for each other, and especially for children, the unwell or the elderly, is a benefit to both whānau and society. However, it is also important to recognise the pressure this places on some whānau. A third of all families (and half of all sole-parent families) had at least one other person living with them who was not part of the nuclear family, but who was most often a relative. More than one in eight of the extended households included an older relative or a whangai or young relative, while several other households comprised a sole parent living with her parent(s) and siblings. Two-thirds of Māori gave money to help their whānau over the previous month; a figure which was no different in households whose income did not meet their own everyday needs compared to other households.

Comparisons between the households interviewed before and after WFF (between 2004 and 2007) indicated that WFF positively impacted income adequacy for WFF-eligible families. In particular, there was a decline in the proportion of families whose income was 'not enough' to meet their everyday needs and an equivalent increase in the 'just enough' category. Levels of hardship may have decreased slightly, but there was no overall increase in the average standard of living score. Nor was there any evidence that the increased income had led to less economising on either basic or discretionary items.

These findings were also reflected in the in-depth interviews with thirty whānau (Boulton and Gifford, 2011): 'The families we interviewed spoke of the additional income as enabling them to "survive", to not have to "struggle" quite so much to make ends meet.' Financial security was seen as one of a range of factors that contribute to whānau ora, with basic income adequacy being a necessary, but not sufficient, step on the various paths to achieve whānau ora.

While the results of this study support the contribution that Working for Families payments make towards improving income adequacy, we note that this improvement – a tipping of the balance for many families towards having 'just enough' income – was realised within a time period of other supportive policies for low-income families, such as an increase in the minimum wage and a decrease in the unemployment rate. Thus, the gain may be a fragile one, particularly as the economic situation of low-income families was still one of considerable hardship in many cases, with families still having to economise on basic necessities such as fruit and vegetables and visits to the doctor.

In the period following the collection of the Wave 4 data, the economy has gone through a substantial downturn, with an increase in the unemployment rate and the number of DPB beneficiaries. At the same time, the cost of housing has increased, potentially eroding gains in housing affordability, and the cost of food has increased at a faster rate than wages and general inflation.

Change in living standards of whānau over this more recent recessionary period were examined using data from Wave 5 of THNR, collected in 2011. This report presents findings based on 267 households interviewed in both Wave 4 and Wave 5. The results confirmed the findings from Wave 4. That is, WFF-eligible families were still worse-off economically than other households, but with a slight improvement in living standards and a significant improvement in income adequacy between Waves 4

and 5. Housing satisfaction also improved. One area of concern was the much higher proportion of families having to economise on fruit and vegetables in 2011 compared to 2004.

Many individual households showed substantial changes in living standards, often associated with changes in household circumstances such as family formation and splitting, movement into and out of the labour force and income change. With the exception of the stable group of retirees, the majority of households had some change in their circumstances over the study period. The rate of change was especially high for WFF-eligible families, of whom 29% changed their family type, two-thirds had a change in number of dependant children, half had a change in income and over two-thirds of principal adults changed their labour force status. One feature of the data was the fluctuation in labour force status around the margins of employment – between full-time and part-time work and between work, parenting, study and looking for work.

1 Introduction

1.1 Background

In the two decades leading up to the turn of the millennium, there was a widening disparity between low-income and high-income households and median disposable income declined in New Zealand (Mowbray 2001). The first New Zealand survey of living standards provided an insight into just how difficult life was for many families (Krishnan et al. 2002). Low income families with dependant children had much lower living standards than other households, with some family types (Māori families, sole parent families, families dependant a benefit) having half or more of their population in the 'restricted' (hardship) category. These were families who could not afford basic items such as clothing and school books for children and who had to economise on basic items such as food and visits to the doctor.

The report noted that (p.118, Krishnan et al. 2002):

'The elimination of child poverty is regarded as a fundamental social policy goal all over the world. Concern with child poverty stems partly from a humanitarian desire to prevent suffering amongst children and from the knowledge that there are costs for society associated with child poverty (arising from impaired health and educational achievement, together with poorer employment prospects in adulthood and lower incomes). Ending this cycle of poverty is therefore an important object of policy, in the interest of both efficiency and social justice.'

Recognition of these and other issues lead to a proposal for substantial reform of the welfare system (Cabinet Office 2002), culminating in the Working for Families (WFF) package being implemented from 2004. The reforms aimed to address a number of problems, including the inadequate standard of living faced by many families and the barriers to work posed by the current system (section 1.3). The initial cabinet paper noted that: 'it is critical that future social assistance arrangements are effective for Māori and Pacific peoples, and policy works to strengthen whānau, extended family and community relationships' (Cabinet Office 2002).

The impact of WFF policies have been evaluated in some detail (Centre for Social Research and Evaluation and Inland Revenue 2006-2010), but with almost no information on the impact of WFF on Māori families.

1.2 Aim of this study

The aim of this study is to examine the impact the Working for Families (WFF) policy on Māori whānau. This report presents quantitative data on economic living standards of whānau before and after the introduction of WFF. A separate qualitative study conducted interviews with a subset of households to gather in-depth data on their knowledge of the policy and its effects on their whānau wellbeing.

The main focus of this report is on the economic living standards of families eligible for WFF and in particular the question of whether their income meets their basic needs. The study also compares the living standards of families with other types of household and examines the factors associated with

economic hardship across all types of Māori household. A wide range of factors has been included in this analysis to provide a perspective on whānau ora.

The data were derived from Waves 4 and 5 of *Te Hoe Nuku Roa* (THNR), a longitudinal survey of Māori households. THNR provides a unique insight on the link between economic factors and other factors relevant to a whānau ora. The survey has been conceived, designed and run by Māori for Māori, with a wide range of cultural questions, as well as the questions on education, health, housing and economic factors.

Living standards were measured using the Economic Living Standards Index Short Form (ELSI_{SF}), which was developed in New Zealand. ELSI_{SF} is a standardised survey tool for measuring people's material standard of living, as reflected by consumption and personal possessions, social participation, economising measures and self-rated standard of living (Jensen et al. 2005). ELSI_{SF} is a shorter form of the ELSI scale used in the Living Standards Survey reports (Krishnan et al. 2002, Jensen et al. 2006, Perry 2009).

1.3 Working for Families

The following overview of WFF was taken from the introduction to the final evaluation report on WFF (Centre for Social Research and Evaluation and Inland Revenue 2010):

“The Working for Families (WFF) package was a series of changes to social assistance for low-to-middle income families.

WFF was implemented by the Ministry of Social Development (MSD) and Inland Revenue (IR) between October 2004 and April 2007. The WFF changes were introduced in the 2004 Budget and included changes to in-work incentives and family entitlements as well as the adjustment of supports to meet childcare and accommodation costs for low-to-middle income families with dependent children. Further legislation passed in November 2005 made modifications, which extended the package to a larger number of recipients across a broader income range.

The objectives of the WFF changes as set out by Cabinet were to:

- A) Make work pay by supporting families with dependent children, so that they are rewarded for their work effort.
- B) Ensure income adequacy, with a focus on low and middle income families with dependent children to address issues of poverty, especially child poverty.
- C) Achieve a social assistance system that supports people into work, by making sure that people get the assistance they are entitled to, when they should, and with delivery that supports them into, and to remain in, employment.

The changes were designed to work together to meet the objectives of the WFF package. The changes made in October 2004 and April 2005 increased the number of families eligible for Accommodation Supplement and Childcare Assistance and increased the levels of payments. Also in April 2005, WFF Tax Credits were changed: family tax credit rates were increased, the minimum family tax credit was increased and the child component of main benefits was removed.

The focus of the changes in April 2006 was on making work pay. Accommodation Supplement and Childcare Assistance changes had already removed some of the financial barriers to families moving into work, and the introduction of the in-work tax credit provided a specific incentive for families to enter or remain in work. At the same time, WFF Tax Credits abatement thresholds were increased and abatement rates were reduced.”

Further information on eligibility criteria and entitlements is provided in section 2.3.

1.4 Whānau and Whānau Ora

Whānau is a term commonly used to mean ‘family’ or ‘extended family’. However, it has a greater depth than this, as expressed in *‘Whānau Ora: Report of the Taskforce on Whānau-Centred Initiatives’* (2010)¹:

‘Whānau has been variously defined but generally refers to Māori who share common descent and kinship, as well as collective interests that generate reciprocal ties and aspirations. Whānau are built around familial ties that extend over three, and usually more, generations. The links between whānau members do not depend on specific tasks but on ongoing relationships based around shared lines of descent and conjugal associations. They are built around cultural values such as generosity, hospitality, sharing and mutual respect.’

The *‘Whānau Ora Fact Sheet’* (www.tpk.govt.nz) summarises the philosophy under-pinning whānau ora (based on the Taskforce report) as follows:

- Whānau Ora is an inclusive, culturally-anchored approach to provide services and opportunities to whānau and families across New Zealand.
- The Taskforce on Whānau-Centred Initiatives identified six goals that suggest that whānau outcomes will be met when whānau are: self-managing; living healthy lifestyles; participating fully in society; confidently participating in Te Ao Māori; economically secure and successfully involved in wealth creation; and cohesive, resilient and nurturing.
- It empowers whānau and families as a whole, rather than separately focusing on individual family members and their problems.

1.5 Te Hoe Nuku Roa

Te Hoe Nuku Roa (Best Outcomes for Māori) is a longitudinal survey of people of Māori descent within selected households. The survey aims to measure a range of geographic, economic, cultural and social circumstances representing the diverse realities of contemporary Māori in Aotearoa/New Zealand (Cunningham et al., 2006). The study incorporates four specific aims, as summarised in an article in *Massey News* (Massey University, February 2004):

‘First, it uses a Māori relevant framework to gauge personal and family development. Second, it attempts to objectify the context in which Māori families and individuals exist by examining their relationships with societal structures at local, regional and national levels, as well as their relationship with Māori structures. Third, it proposes an integrated and holistic approach to personal and family development with a simultaneous focus on cultural, social and economic dimensions. Fourth, it includes a longitudinal

¹ www.msd.govt.nz/whānau-ora/whānau-ora-taskforce-report.pdf

component that offers an opportunity to chart the natural history of Māori individuals and families and to assess the impact of policies and programmes designed to address their specific and unique situation.’

The study was developed by a team of Māori researchers from Massey University, with help from a multi-disciplinary advisory group including representatives from Statistics New Zealand (Durie, 1995). Interviews are conducted face-to-face using trained Māori interviewers. THNR is supported by funding from the Foundation for Research Science and Technology.

THNR covers a wide range of issues, including language, ethnic identity and cultural participation; lifestyle, health and wellbeing; and education, living standards, employment, income and housing. There are separate questionnaires for adults and children (aged less than 15 years), and some questions relating to households. The initial survey was begun in late 1995, with those participating generously consenting to be re-surveyed at approximately three-year intervals (‘waves’).

All survey participants read an information sheet about the survey and then signed a consent form, which included statements on the confidentiality of the information and the participant’s right to withdraw at any time or to decline to answer particular questions. The research was approved by the Massey University Human Ethics Committee.

1.6 Data used for this study

The analysis presented in this report was primarily based on Wave 4 data. Wave 4 was collected over an extended period between 2004 and 2007, with approximately half the interviews before WFF was implemented. Thus, the Wave 4 data unintentionally provided a natural experiment for examining the impact of WFF.

Wave 4 included six regions – Northland, Auckland, Gisborne, Manawatū/Wanganui, Wellington and Southland – which together account for just over half of the Māori-descent population resident in New Zealand. These six regions are broadly similar to the overall New Zealand population of Māori descent in terms of key demographic, social and economic variables.

The second part of this research examined changes in the living circumstances of households between Wave 4 and Wave 5 of THNR and looked at the effect of these changes on living standards. The effect of WFF over this time period was tested by comparing the living standards of whānau eligible for WFF who were interviewed before WFF (2004, Wave 4) with the living standards of the same whānau after WFF (2011, Wave 5), taking into account other household changes.

The following chapter outlines the data collection and analysis in more detail.

2 Methods and limitations

2.1 Data issues, weighting & error estimation in THNR

The aim of the THNR was to collect data that was representative of the population of Māori descent in each of the sampled regions. However, the actual data collected by any survey is always subject to a level of bias, as certain types of people are not contactable or decline to participate. For THNR, the initial response rate was 72% for households and 70% of individuals within households. Males and young adults were under-represented relative to the actual Māori population, as were households with fewer residents.

Attrition over time is a particular issue for a longitudinal survey, as people drop out of contact or decline to continue their participation. Of the people interviewed in Wave 1, 44% were re-interviewed in Wave 4, with a greater loss of young people and households who move a lot (such as renters). The loss of young adults means that the young families were under-represented in the WFF dataset. Attrition was a factor in only four of the regions, as Northland and Southland were first sampled in Wave 4.

The Wave 4 data presented in this report have been weighted in order to minimise the effect of these biases. Weighting offsets the under-representation of certain types of people (such as young males) and households (such as small or mobile households) by applying a higher weight to the responses of the interviewed people from under-represented groups. Weighting is by no means a perfect solution to this issue, especially in a relatively small survey with high attrition. Nonetheless, comparisons with Population Census data indicated that the weighted Wave 4 data were broadly representative of the Māori population of these regions.

The precision of results (the sampling error around estimates) depends on the number of people sampled, the sample design and weighting, and variance in responses to a given question. The 'complex sample' statistical methods available in the SPSS statistical software were used to estimate sampling errors that took these factors into account.

Due to these factors, confidence intervals around most estimates presented in this report are fairly wide. For example, the overall estimate of the standard of living score (ELSI_{SF}) was 20.8, with 95% confidence intervals of 19.8 to 21.8. Within sub-groups of the sample, confidence intervals may be twice as wide as this or more, depending on sample size. Therefore, even some apparently substantial differences were not necessarily statistically significant.

2.2 Selection of the study sample

The main dataset was derived from all households in Wave 4 of THNR in which there was at least one 'Principal Adult' who had answered the living standards section of the questionnaire. Any of these people for whom we had Wave 5 interviews were also included in the longitudinal comparisons (Chapter 4).

The principal adult was always a parent or caregiver in households with children. Other households were represented by an adult within the core household. For example, in a household comprising a couple with a boarder, one of the couple was selected. If there was more than one such person (as in

a two-parent family), the adult who provided the most complete economic and household data and who had participated in the most previous waves was selected, or the female parent if all else was equal.

The principal adult was selected to represent each household and all analysis within this report was based on the responses of this person. If the household had more than one family (parent or parents plus dependant children), a principal adult was selected from each family, since WFF entitlements are by family rather than household.

A small number of households were excluded as they were interviewed during the first six months of WFF, to allow adequate time for uptake of WFF entitlements and for the effect of additional income to be felt. While research indicates rapid uptake of WFF entitlements², it is possible that some families were included in the WFF-eligible group who were not yet receiving entitlements.

The final sample size was 579 families/households, of which 330 were interviewed before WFF and 249 were interviewed after. Of the 278 families who were (or would become) eligible for WFF, 160 were sampled before and 118 after WFF was implemented.

Wave 5 data were being collected at the same time as this report was being prepared. Therefore, living standards comparisons between Wave 4 and Wave 5 were based on a preliminary sample of 267 of the 579 households interviewed in Wave 4. This analysis used pairwise (matched) comparisons between Wave 4 and 5 responses for each person.

2.3 WFF eligibility and entitlements

The WFF package contained a number of measures that increased the government support payments many families were already receiving and extended support to other families not previously receiving assistance. The main changes were to Family Tax Credit and Child Tax Credit payments received by low-income families with children aged 18 or under, as well as changes to Accommodation Supplement thresholds and rates and Childcare Assistance.

WFF has a strong focus on 'making work pay'. Thus, while the average payments of each of the main components to beneficiary families increased, this was partially offset by a reduction in the child component of the main benefit. In 2004 the average weekly Tax Credit received by beneficiary families was \$70; by 2008 this had increased to \$127. For working families, the increase was from \$71 to \$130 on average for the same period.

Over the same period, Accommodation Supplement increased by around \$16 per week (Centre for Social Research and Evaluation and Inland Revenue, 2010) and many more in-work families became eligible for the Accommodation Supplement and Childcare Assistance. Abatement rates for beneficiary families were abolished, so that Accommodation Supplement was no longer reduced as income earned by families on a benefit increased.

² An evaluation of WFF found that 95-97% of families eligible for WFF Tax Credits in the tax years ended March 2006 and March 2007 were receiving WFF Tax Credits (Centre for Social Research and Evaluation and Inland Revenue, 2010).

Accommodation Supplement applies to all types of household (not just families) and depends on income, housing costs (rent or mortgage) and region, to offset the substantially higher housing costs in areas like Auckland. As an example (using current entitlements from the Accommodation Supplement calculator on www.workingforfamilies.govt.nz), a sole parent with two children earning \$26,000 and paying \$250 a week in rent would receive approximately \$143 a week in South Auckland, compared to \$74 in the Whanganui. Housing New Zealand tenants paid income-related rents throughout the study period, so private renters should have benefited the most from the changes to Accommodation Supplement.

Eligibility for Family Tax Credit and Child Tax Credit payments was determined for the study sample from the imputed income for the family unit (section 2.4) and the imputed number of children aged 18 years or under (section 2.5), using entitlement calculation tables provided by the Ministry of Social Development.

WFF entitlements differ depending on whether the family is on a government benefit (such as the DPB) or is supported by paid employment. Specifically, to qualify for the Child-Tax Credit (renamed the In-Work Tax Credit in 2006) and the Minimum Family Tax Credit, the family must not be on a main benefit and must be working 20 hours per week (for a sole parent) or a combined 30 hours a week (for a couple).

WFF entitlements increased for In-Work families from April 2006, while entitlements for beneficiary families were unchanged. For example:

- A sole parent with two children earning \$25,000 a year from employment would have received \$131 per week from April 2005 (\$101 Family Tax Credit + \$30 Child Tax Credit).
- The same person would have received \$179 per week from April 2006 (\$119 Family Tax Credit + \$60 In-Work Tax Credit).
- The same person would have received \$101 per week if the income came from the Domestic Purposes Benefit (DPB) and part-time work of less than 20 hours a week.

WFF entitlements were also extended from April 2006 to include families on higher incomes. For example, a family earning \$60,000pa with three children would not have been eligible for WFF in April 2006, but would have been entitled to \$127 per week from April 2006.

The families within the sample were split into analysis groups based on these criteria, while the non-family households were split by employment/income type:

1. 'WFF benefit' – families with children aged 18 or under, where the family does not meet the in-work criteria.
2. 'WFF (2005) in-work' – families with children aged 18 or under who would be eligible for the in-work WFF entitlement as at 1 April 2005.
3. 'WFF (2006) in-work' – families with children aged 18 or under who would be eligible for the in-work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a high income or few children.
4. 'Ineligible family' – families not eligible for WFF despite having children aged 18 or under, due to high income.
5. 'Ineligible in-work' – household supported by employment income where there were no dependant children (including families with adult children, couples and singles with no children, and shared households).

6. 'Ineligible benefit' – households with no dependant children and not supported by employment income (mostly people who were unemployed or on sickness benefits, plus some students).
7. 'Retired' – retired singles or couples, supported by National Superannuation and/or other superannuation, savings or investments.

2.4 Imputation of income

THNR data was far from ideal for this analysis, as income was collected by person and household, rather than by family, and number of hours worked was not collected. Also, income data was collected in broad groups (<\$10,400, \$10,401-\$26,000, \$26,001-\$38,000, \$38,001-\$60,000 and \$60,001+). Many people choose not to answer the income questions, although most people indicated the source of their income (wages, government support, superannuation etc). In some two-parent families, only one parent (often the mother) answered the survey, so that the partner's income was unknown.

Thus, a substantial amount of imputation was required, based on a suite of relevant variables such as actual personal and household income, source of income, labour force status, occupation, full-time or part-time employment, and number of earners in the household. Therefore, there may have been some errors in assigning people to WFF groups, especially given the complexity of WFF entitlements,.

Further complicating the income issue was the question of whether people in the 'after-WFF' sample were including WFF entitlements in their 'total household income' responses. This was potentially a critical issue for determining whether WFF was having an impact, as any analysis of living standards must take income into account. The effect of this was tested by using both reported income and an adjusted income level imputed by subtracting WFF entitlements, with little overall effect on the findings.

2.5 Imputation of family and household variables

The 579 households in the study ranged through a full spectrum of types, with many having a complex mix of relationships. While families with dependant or older children made up two-thirds of the sample, the stereotypical 'couple-and-two-kids' was in a minority (about 10%) and all couple-with-children families accounted for just a third of the sample. Couples with children who had other people living with them (mainly family members) made up a further 13% of the sample. Sole parent families made up 18% of the sample and about half of these had other people or families living with them. Two percent of the households were caregivers with dependant children – most often their grandchildren or other young relatives.

The rest of the sample were couples without children (17%), single-person households (8%) and shared households without dependant children but often including related adults (8%).

In summary, a third of the families in the sample had at least one other person living with them who was not part of the nuclear family (but who was often a relative) and more than one in ten families lived in multi-family or multi-generation households.

The household types were derived primarily from the main household type question and questions on other relatives and residents present in the household. The household type question asked in the

survey was: 'which situation best describes your household - a sole person, a sole parent, a couple (married/defacto) no children, a couple (married/defacto) with children, a shared house/flat, other (please describe) and whānau/extended family'.

However, identifying household type – and expanding the definitions to recognise the complexities of Māori households – was not straightforward, and required additional checking and cross-referencing with other questions, such as number of residents, marital status, number of children, demographic data and information from earlier waves. Problems were mainly caused by inconsistencies in responses between family members (e.g. adult children often chose the 'shared house' household option, whereas their parent chose the 'couple-with-children' option), by inclusion or not of temporary household members, and by the variety of possible responses in complex households (e.g. a young sole parent living with her child, parents and a cousin could select the 'sole parent-with-children', 'couple-with-children', 'shared house' or 'whānau' option). Also, some responses didn't 'fit' with standard definitions (e.g. a number of older couples said they were a 'couple-with-children' even though other data indicated their children had left home).

Similar issues were found when determining how many children were in the family, as there was considerable variation in whether or not to include adult children or older teenagers, all children in the household versus all children in the family, whangai children, children living away from home and so forth. Ages of the children present were not always known if the child did not participate in the survey and parentage was sometimes difficult to determine in extended or multi-family households.

2.6 Measuring economic living standards

All adults interviewed by THNR in Wave 4 and Wave 5 were asked the questions from the 'Economic Living Standard Index Short Form' (ELSI_{SF}). ELSI_{SF} is a standardised survey tool derived in New Zealand for measuring people's material standard of living, as reflected by consumption and personal possessions, social participation, economising measures and self-rated standard of living (Jensen et al., 2005). The overall ELSI_{SF} score is the sum of scores over a range of questions, as detailed in Sections 3.2 and 3.3.

One issue with combining responses for 25 questions is that a missing response for any question means that the score cannot be calculated exactly. One in eight respondents had at least one missing response – a sufficiently large proportion that systematic bias in the score could be an issue. Therefore, missing data were imputed. As most people with missing data had just one or a few missing responses, and responses were highly correlated, missing data could be readily imputed from non-missing ELSI data. Analysis using imputed scores was checked against results using non-imputed data, with very little difference found, suggesting that there was no bias in missing responses.

2.7 Other measures and correlates of well-being

An adequate economic living standard is an important, but by no means the only, contributor to well-being. Well-being may also be influenced by factors such as age, health status, housing, family and whānau relationships, cultural attachment, and achievement of education goals.

A wide variety of information was collected by THNR and was included in the analysis:

- gender, age, age when became a parent, and life-stage (e.g. student, family, retired);

Economic living standards for Māori whānau

- household type (single-parent family, two-parent family, couple, single, shared; living with whānau and other residents; multi-family and multi-generation households; having flatmates or boarders);
- number of residents;
- housing type (rent, mortgage, freehold/whānau house) and satisfaction with housing;
- labour force status and income;
- qualifications and satisfaction with education;
- health status, health conditions (disability, medical, mental and other), health/lifestyle risks (smoking and gambling);
- cultural factors.

A particular point of difference for THNR was the wide range of cultural factors collected including preferred identity (e.g. Māori, part-Māori, kiwi), knowledge of whakapapa and tikanga, being part of and visiting marae, whānau relationships, participation in kai gathering and preparation, and te reo skills. As all of the dimensions of cultural identity, knowledge and participation were highly correlated, a simple 'culture score' was developed to combine these attributes into a single variable representing overall cultural connectedness.

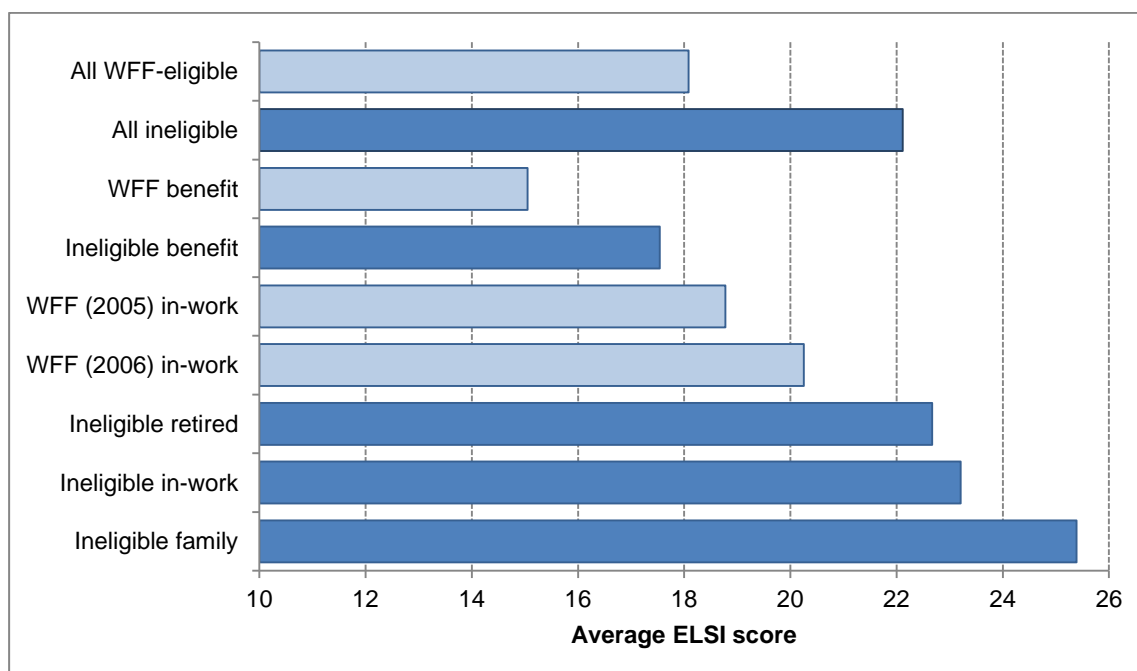
3 Living standards before Working for Families

3.1 Economic living standards before WFF

Previous studies have reported lower living standards for Māori households and particularly for Māori families with dependant children (Krishnan et al. 2002, Jensen et al. 2006).

The present study also found that Māori families with dependant children had a lower average economic living standard than other types of households prior to the implementation of WFF in April 2005. As shown in Figure 1, the average overall ELSI_{SF} score for all WFF-eligible families was 18, which was significantly lower than the average of 22 for ineligible households.

Figure 1: Average ELSI_{SF} (Economic Living Standards Index) score prior to WFF, by WFF analysis group,



Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

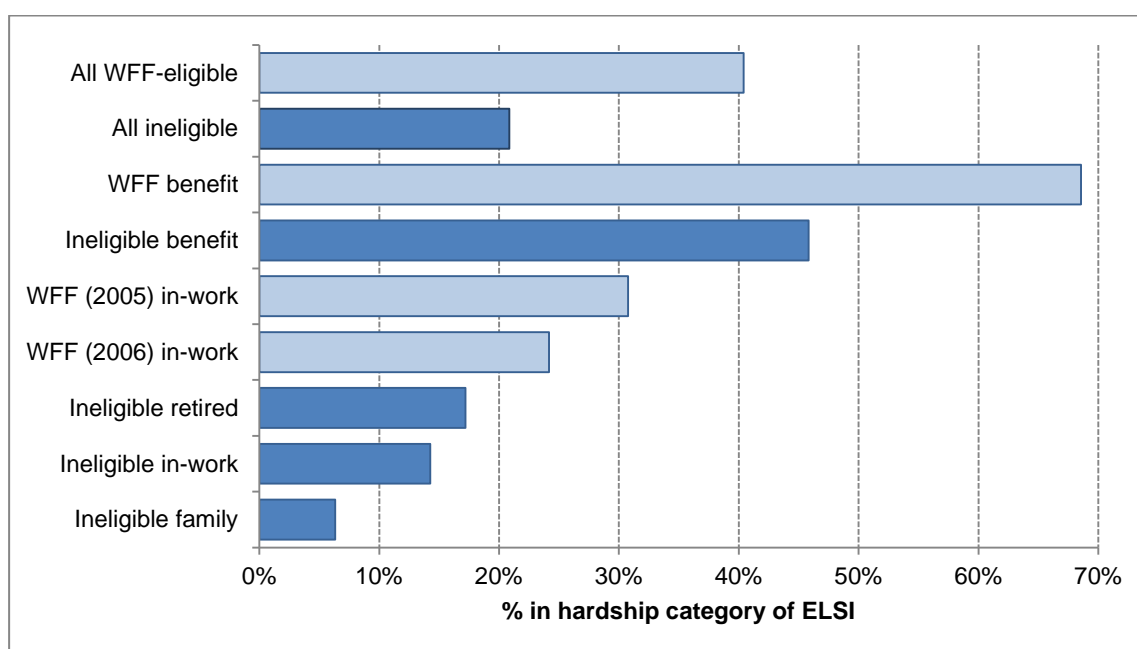
Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

Four out of ten eligible families were in the 'hardship' category as defined by an ELSI_{SF} score of 16 or less, which was twice as many as ineligible households (Figure 2).

It is possible that THNR underestimated hardship rates. The estimated proportion of *all* families with dependant children in hardship in 2004 in this study (35%) appeared to be lower than the 44% estimated by the 2004 Living Standards Survey (Jensen et al. 2006). This may be due to the greater attrition of at-risk families after four waves of data collection by THNR (although weighting attempted to compensate for this effect). However, differences between surveys may also reflect the substantial sample error of both surveys, the different measurement tool (the Living Standards Survey used the full ELSI scale) and differences in survey design (the THNR sample was by Māori descent rather than ethnicity and was from six regions rather than the whole country).

Figure 2: Percentage of households with ELSI scores in the 'hardship' category prior to WFF, by WFF analysis group



Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

The sample sizes were relatively small for sub-groups of households, but the differences in living standards were marked and statistically significant. Of the total sample of 330 in the 'before-WFF'

analysis, 160 were WFF-eligible (37 beneficiary, 55 in-work eligible 2005, 68 in-work eligible 2006) and 170 were ineligible (22 high-income families, 87 in-work, 30 beneficiary/non-working, 31 retired).

WFF-eligible families living on a benefit had the lowest average score (15) of any group (Figure 1). Over two-thirds of these families were in the 'hardship' category (Figure 2).

For in-work families, the average ELSI_{5F} score was 19 for lower-income families eligible in 2005 and 20 for the higher-income families who were not eligible for WFF until April 2006, with a much higher average score of 25 for families who were not eligible for WFF due to having a high income and few dependant children. The respective proportions in the 'hardship' category were 31%, 24% and 6%.

Households with no dependant children where the principal adult was retired or employed had a high living standard on average (23) and a low proportion (17% and 14%) in the hardship category. Other non-family households where the principal adult was not working (i.e. a student or receiving an unemployment or sickness benefit) had a living standard lower than average (17.5) and 46% were in the hardship category.

3.2 Income adequacy before WFF

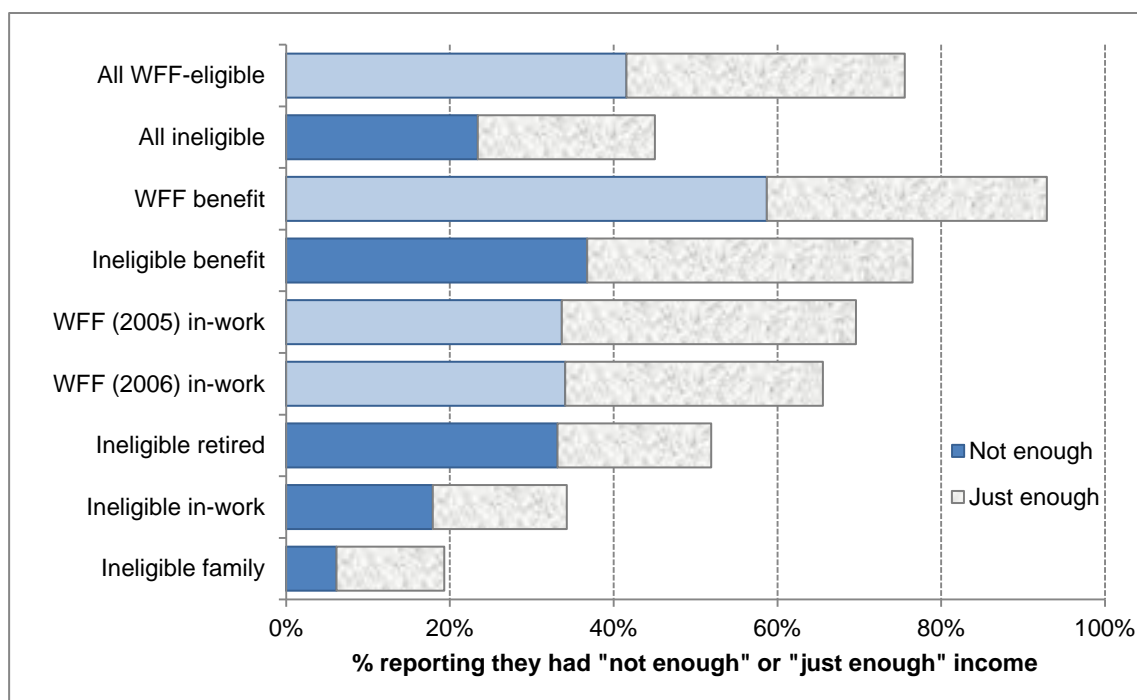
One of the main aims of the Working-for-Families (WFF) policy is to 'ensure income adequacy with a focus on low and middle income families with dependent children to address issues of poverty, especially child poverty' (Centre for Social Research and Evaluation and Inland Revenue, 2010).

The ELSI question most closely aligned to this aim is: 'How well does your (or you are your partner's combined) total income meet your everyday needs for such things as accommodation, food, clothing and other necessities? Would you say you have not enough money, just enough money, enough money, or more than enough money?'

WFF-eligible families were significantly more likely to say their income was not sufficient to meet their needs (Figure 3) than other households. Three-quarters of all WFF-eligible families felt their income was either not enough or only just enough to meet their needs, compared to less than half of ineligible households.

Almost all benefit-dependant families said their income was not enough or only just enough, compared to over two-thirds of in-work families and over three-quarters of non-family households that were benefit-dependant. Half of retired households felt their income was not enough or just enough to meet their needs. Income inadequacy was much less of an issue for higher income families not eligible for WFF and other ineligible households supported by employment income.

Figure 3: Percentage of households who report their income is 'not enough' or 'just enough' to meet their everyday needs prior to WFF, by WFF analysis group



Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

3.3 Components of ELSI_{SF}

This section examines the specific areas in which WFF-eligible families differ from other households, as measured by the ELSI_{SF} questions.

The first set of questions asks whether the respondent has each seven material items, and, if not, would the person like to have it. If the person does not have the item and would like it, he/she is asked whether this is due to cost or some other reason. The items are: a best outfit for special occasions, a washing machine, heating available in all rooms, a good pair of shoes, a telephone, a personal computer, and home contents insurance. Lack of a possession due to cost is scored as 0 and other responses are scored as 1 within the ELSI_{SF} scale.

The following table shows the percentage of households which did not have an item due to cost. The overall differences between all WFF-eligible and ineligible households were not statistically significant, except that WFF-eligible families were more likely to find cost a barrier to having home contents insurance.

Table 1: Percentage of households lacking each material item due to cost prior to WFF, by WFF analysis group

Item	WFF benefit	WFF (2005) in-work	WFF (2006) in-work	Inelig family	Inelig in-work	Inelig benefit	Inelig retired	All WFF-eligible	All ineligible
Contents insur	36%	35%	17%	5%	15%	32%	10%	29%	17%
Computer	22%	28%	8%	0%	15%	23%	20%	19%	16%
Heating	26%	14%	9%	7%	13%	45%	18%	16%	20%
Phone	15%	12%	2%	2%	3%	2%	17%	10%	5%
Best outfit	14%	4%	5%	0%	1%	15%	10%	8%	6%
Good shoes	5%	3%	0%	0%	0%	0%	7%	3%	1%
Washing mach	1%	3%	2%	0%	5%	11%	0%	2%	5%

Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

The cost of contents insurance was much more often a barrier for beneficiary and other low-income families. In fact, for most items cost was more likely to be a barrier for beneficiary and other low-income families compared to higher-income families. The exception was a washing machine, which had very high ownership rates, especially for families.

Computers were an interesting item, in that families were much more likely to have a computer than other households, presumably as they are an important item for children at school. Almost all high-income families had a computer, as did the majority of lower-income in-work families (65%) and beneficiary families (57%), compared to 25% of non-family beneficiaries, 37% of retired and 56% of non-family working households. However, those families without a computer were around twice likely to want one and cite cost as the main reason for not having one, compared to non-family households.

The second set of ELSI_{SF} questions asks whether the respondent does each of seven activities, and, if not, would the person like to. If the person does not do the activity and would like to, he/she is asked

whether this is due to cost or some other reason. The items are: give presents to family or friends on birthdays, Christmas or other special occasions; visit the hairdresser once every three months; have holidays away from home every year; have a holiday overseas at least every three years; have a night out at least once a fortnight; have family or friends over for a meal at least once a month; and have enough room for family to stay the night. Lack of a participation due to cost is scored as 0 and other responses are scored as 1.

Cost was a substantial barrier to having local or overseas holidays and significantly more of a barrier for WFF-eligible families and beneficiary households than other households (Table 2). Visiting a hairdresser once every three months was also beyond the means of many beneficiary families, but was less of a barrier to other households. The cost of a night out at least once a fortnight was also more of an issue WFF-eligible families compared to other households.

The remaining three items were family-related activities and the vast majority of all households did these things. Almost all gave presents on special occasions (96%), had enough room for family to stay the night (90%) and had family or friends over for a meal at least once a month (82%). Therefore few households did not do the activity due to cost.

Table 2: Percentage of households unable to do activities due to cost prior to WFF, by WFF analysis group

Item	WFF benefit	WFF (2005) in-work	WFF (2006) in-work	Inelig family	Inelig in-work	Inelig benefit	Inelig retired	All WFF-eligible	All ineligible
Overseas hol	86%	53%	67%	26%	40%	75%	26%	68%	44%
Local holiday	75%	21%	23%	20%	14%	36%	26%	39%	22%
Hairdresser	60%	11%	16%	9%	7%	32%	14%	28%	14%
Night out	17%	20%	22%	10%	3%	21%	18%	20%	11%
Family meal	11%	4%	2%	3%	3%	8%	12%	6%	5%
Give presents	5%	0%	2%	0%	0%	4%	0%	3%	1%
Family to stay	2%	3%	0%	8%	0%	10%	13%	2%	6%

Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

The third set of questions asks about eight ways of economising and whether the person has done any of these things in the last 12 months. The items are: gone without fresh fruit and vegetables to

help keep down costs, continued wearing clothing that was worn out because you couldn't afford a replacement, put off buying clothing for as long as possible to help keep down costs, stayed in bed longer to save on heating costs, postponed or put off visits to the doctor to help keep down costs, not picked up a prescription to help keep down costs, spent less time on hobbies than you would like to help keep down costs, and done without or cut back on trips to the shops or other local places to help keep down costs. Economising 'a lot' is scored as 0, 'a little' is scored as 1 and 'not at all' is scored as 2.

Around two-thirds of WFF-eligible families had economised on local trips to the shops and other places, put off buying clothes and spent less time on hobbies to help keep down costs. Over half had continued to wear worn-out clothing and a third had gone without fresh fruit and vegetables. All of these percentages were significantly higher for WFF-eligible families than for ineligible households and higher for beneficiary and lower-income families compared to higher income families.

Table 3: Percentage of households economising 'at little' or 'a lot', prior to WFF, by WFF analysis group

Item	WFF benefit	WFF (2005) in-work	WFF (2006) in-work	Inelig family	Inelig in-work	Inelig benefit	Inelig retired	All WFF-eligible	All ineligible
Local trips	71%	68%	67%	33%	42%	59%	30%	68%	43%
Buy clothes	82%	63%	59%	36%	37%	67%	30%	67%	43%
Hobbies	76%	64%	51%	19%	31%	37%	23%	63%	30%
Worn clothes	76%	51%	39%	19%	24%	60%	26%	55%	32%
Doctor	26%	42%	44%	6%	25%	48%	12%	35%	26%
Fruit/vege	46%	30%	21%	9%	14%	45%	20%	32%	21%
Prescription	17%	24%	25%	8%	15%	26%	8%	22%	15%
Heating	23%	20%	16%	6%	15%	19%	19%	19%	16%

Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

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Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

The other three items (stayed in bed longer to save on heating costs, put off visits to the doctor and not picked up a prescription) were all slightly, but not significantly, higher for WFF-eligible families.

In contrast to other items, beneficiary families appeared to be no more likely to economise on doctor's visits and prescriptions than in-work families. The high proportion of all WFF-eligible families – and especially in-work families – who had put off visits to the doctor to help keep down costs was

concerning, especially as most of these households should have been entitled to a Community Service Card and many would have access to lower fees following the implementation of the Primary Health Care Strategy (Cumming and Gribben 2007). While almost all beneficiary families in this group reported that they held a Community Services Card or High Use Health Card, only half the low-income working families and one in five of the higher-income working families reported having a health card. The cost of transport or taking time off work to see a doctor may have been additional barriers to these families.

The final set of questions is about overall material standard of living. Respondents are reminded that this is about 'things money can buy, not about capacity to enjoy life or health'. The three questions are:

- Generally, how would you rate your standard of living? [scored from 0 (low) to 4 (high)]
- Generally, how satisfied are you with your current standard of living? [scored from 0 (very dissatisfied) to 4 (very satisfied)]
- How well does your or you and your partner's combined total income meet your everyday needs for such things as accommodation, food, clothing and other necessities? [Scored from 0 (not enough money) to 3 (more than enough)]

Differences between WFF-eligible and ineligible groups for 'standard of living' and 'satisfaction with standard of living' were statistically significant at the 95% level, but only just. Thus, the overall distribution of responses was fairly similar, but with a skew to the lower end for WFF-eligible families (Figure 4).

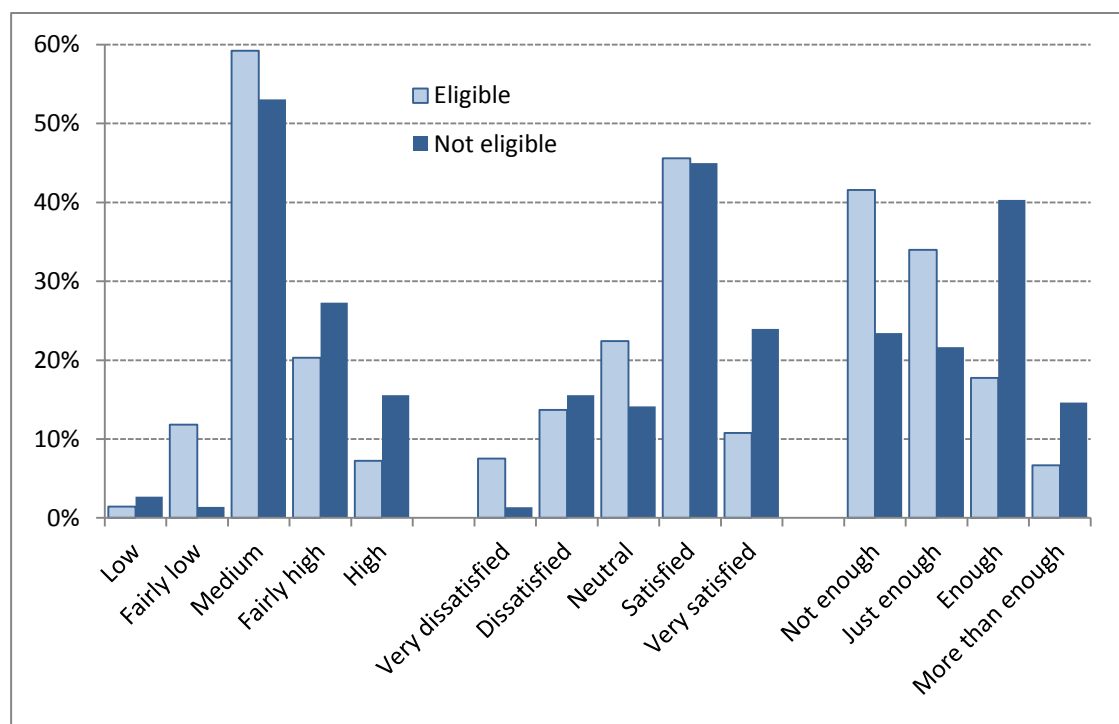
In contrast, there was a very substantial difference in the 'income meets need' response, with significantly more WFF-eligible families saying that their income did not, or only just, meet their everyday needs and far fewer saying they had enough money to meet their needs.

This appears to be partly an issue of perception or attitude, in that around half to two-thirds of the WFF-eligible groups considered their standard of living to be 'medium' and were satisfied with their standard of living, despite two-thirds or more having 'not enough' or 'just enough' income to meet their everyday needs (Table 4).³

Even the substantial differences in the 'income meets needs' variable may be somewhat under-stated due to differences in perceptions of what constitutes adequate income. For example, compared to ineligible households, WFF-eligible families in the 'just enough income' group were more likely to be economising on items such as fruit and vegetables, clothing, and hobbies. This was especially so for beneficiary families.

³ The clustering of responses into the 'satisfied' category is not uncommon for general satisfaction measures. For example, the vast majority of participants in the General Social Survey 2008 rated their 'overall life satisfaction' as satisfied/very satisfied. Only one in ten Māori participants said they were dissatisfied.

http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/nzgss_HOTP2008.aspx

Figure 4: Distribution of self-rated standard of living, satisfaction with standard of living and whether income is enough to meet everyday needs, prior to WFF, by WFF-eligibility

The questions measured different aspects of living standards. Responses to the 'income meets needs' question were highly correlated with other survey questions on income, income satisfaction and costs, while standard of living and satisfaction with standard of living were also highly correlated with other more general well-being measures, such as housing satisfaction, education satisfaction and health status.

Table 4: Perceived standard of living, prior to WFF, by WFF analysis group

	WFF benefit	WFF (2005) in-work	WFF (2006) in-work	Inelig family	Inelig in-work	Inelig benefit	Inelig retired	All WFF-eligible	All ineligible
	How would you rate your standard of living?								
Low	26%	12%	4%	0%	3%	6%	7%	13%	4%
Medium	58%	53%	68%	43%	46%	66%	63%	59%	53%
High	16%	35%	29%	57%	50%	28%	30%	28%	43%
	How satisfied are you with your current standard of living?								
Dissatisfied	22%	28%	12%	2%	11%	43%	12%	21%	17%
Neutral	28%	21%	18%	18%	18%	13%	2%	22%	14%
Satisfied	50%	51%	69%	81%	71%	44%	85%	56%	69%
	How well does your income meet your everyday needs?								
Not enough	59%	34%	34%	6%	18%	37%	33%	42%	23%
Just enough	34%	36%	31%	13%	16%	40%	19%	34%	22%

Enough	7%	15%	31%	43%	47%	22%	44%	18%	40%
More than enough	0%	15%	3%	38%	19%	1%	4%	7%	15%

Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

Ineligible in-work – households with no children under 19, supported by employment income.

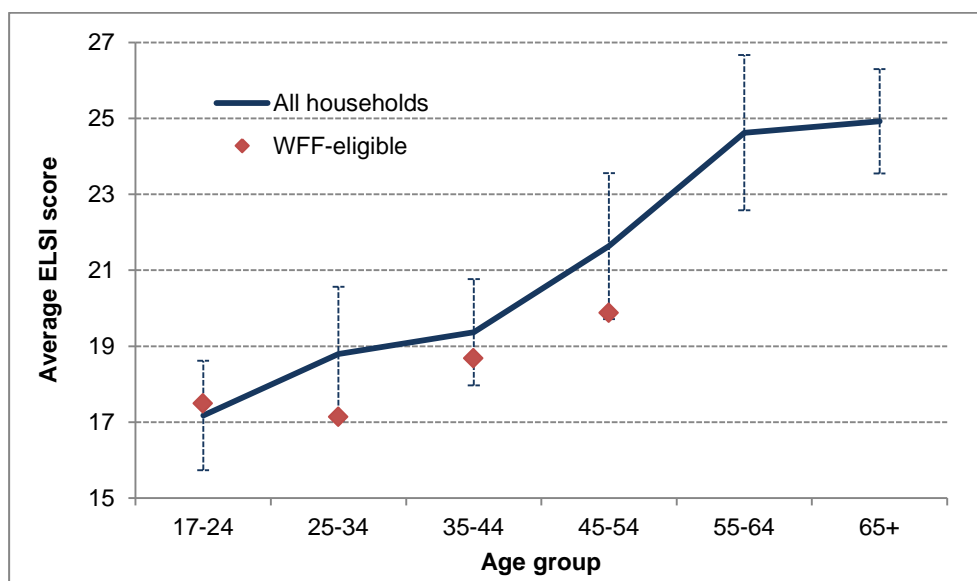
Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

3.4 Factors associated with economic living standards

The final step in the analysis of economic living standards prior to WFF was to identify which factors most strongly influenced living standards (or are the most strongly associated with living standards) and how these factors were linked with WFF-eligibility.

Age and life-stage were major factors (Figure 5), with living standards tending to increase as people moved from being a student into work, having a family, and on into the middle-age bands where employment rates were higher and children were becoming independent, through to retirement. For each age group, except the youngest, the average score for families eligible for WFF was well below the overall average ELSI_{SF} score.

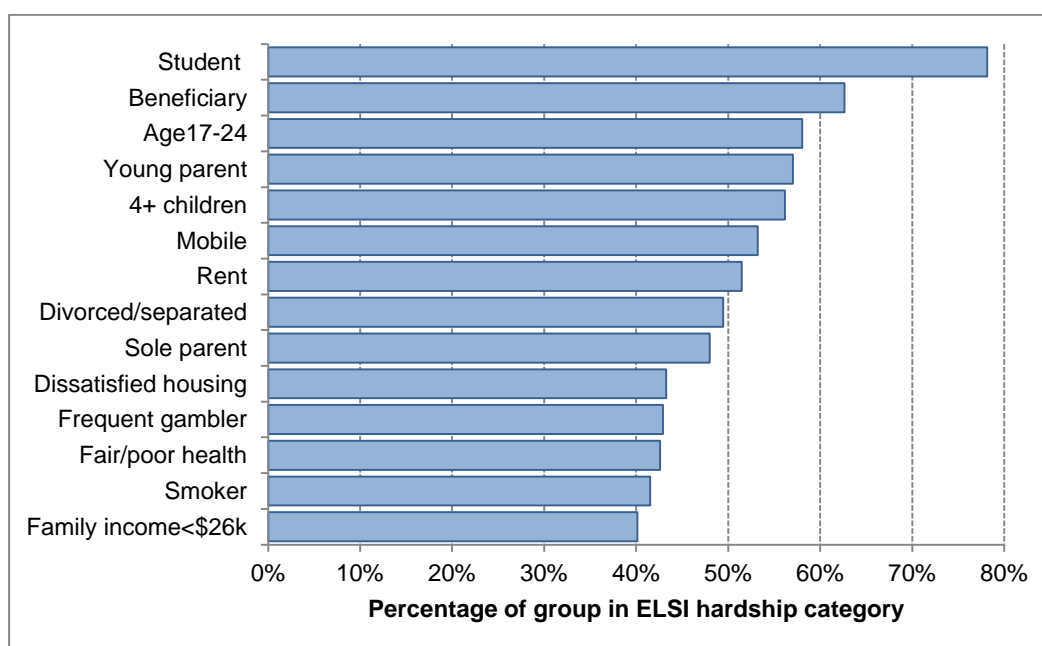
Figure 5: Average ELSI_{SF} score by age group, with 95% confidence intervals, compared with average for WFF-eligible families, prior to WFF



A very wide range of other factors showed some association with living standards, including income, housing tenure, satisfaction with housing, number of children, household type, residential stability, health status, labour force status, marital status, smoking and gambling, and region.

Figure 6 shows a selection of factors associated with high levels of hardship (i.e. 40% or more of the group reported ELSI_{SF} scores in the hardship category). The factors associated with hardship in Māori households were the same as other New Zealand households (Krishnan et al. 2002, Jensen et al. 2006), including low income, benefit-dependant (excluding superannuitants), renting, young, sole-parent families, poor health status, and relationship break-ups.

Figure 6: Selected factors associated with high levels of economic hardship prior to WFF



Notes:

Young parent = became a parent before 20 years old.

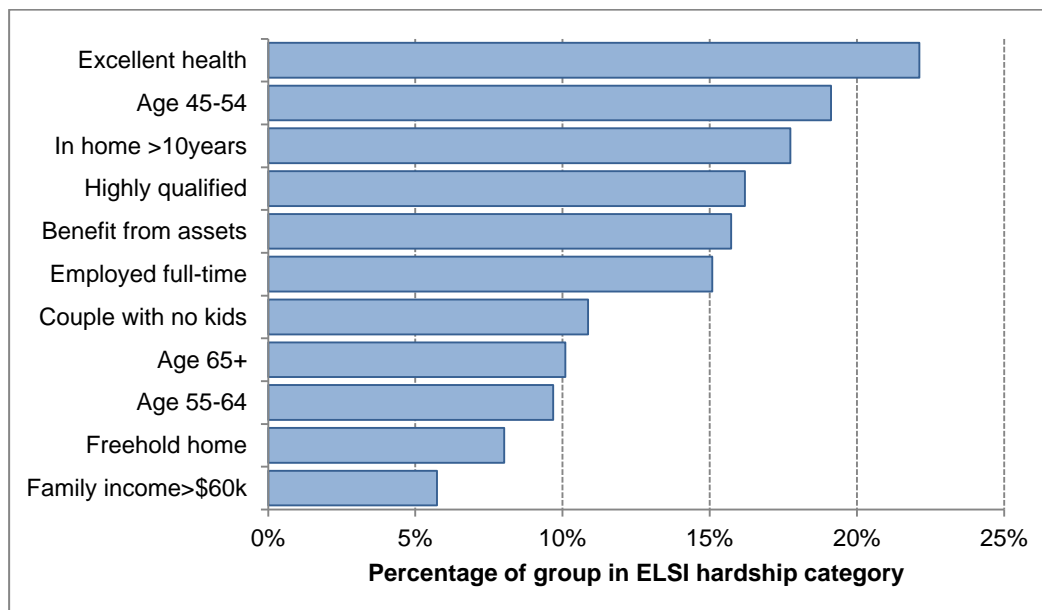
Mobile = at least two changes of address in the last three years

Frequent gambler = score over 16 for nine types of gambling (Lotto, Keno, Instant Kiwi, TAB, pokies, casino, housie, internet, 0900), equivalent to four types of gambling once a week, or three types more than once a week.

Figure 7 shows factors associated with low levels of hardship (i.e. 22% or less of the group scored in the hardship category). Low levels of hardship were associated with high income, freehold tenure, middle-aged to older people, couples without children, fulltime employment and high educational qualifications, long-term residential stability and good health status.

None of the cultural factors were significantly associated with economic livings standards, except for one cultural/economic factor – the relatively low level of hardship for households receiving some benefit from Māori assets such as land, fisheries or forestry.

Figure 7: Selected factors associated with low levels of economic hardship prior to WFF



Notes:

Benefit from assets = received some money or other benefit from Māori assets such as land, fisheries or forestry.

Identifying which of these factors have the most effect required a multivariate approach – linear regression modelling of the overall ELSI_{SF} score.

Income level and housing situation (tenure) were the factors most strongly associated with living standards. The strong link between tenure and living standards is not surprising, given the high proportion of current household income spent on accommodation, and also as an indicator of longer-term earnings and life-stage (that is, the accumulated income needed to move from renting to mortgage to freehold).⁴ Based on a linear regression model of the overall ELSI_{SF} score, a combination of income and tenure accounted for 31% of the total variation in living standards, accounting for the majority of the 48% of variation explained by the model.

For example, low-income households renting in Auckland had the lowest average ELSI_{SF} score (13), followed by low-income renters elsewhere (18), and renters on incomes of \$38-60,000 (20). High-income renters, households with a mortgage and an income of \$38-60,000, and low-income households in a freehold home all had similar scores of about 23. At the high end were high-income households with a mortgage and freehold households on an income of \$38-60,000 (with average scores around 25) and a few high-income freehold households (30).

A smaller proportion of variation in the model (17%) was explained by other factors. Once income level (in broad groups), tenure and other factors had been taken into account, people aged 65 years or

⁴ A decreasing long-term trend in home ownership and rental affordability were two of many indicators examined in Kiro et al. (2010).

over and people in full-time employment had significantly higher living standards, as measured by the ELSI_{SF} score, while people dissatisfied with their housing, people with poor health status, people who were separated, divorced or widowed, and households which moved a lot had lower living standards.

Other factors, such as the number of children and household type, were not significant in the regression model once other factors were taken into account.

The average ELSI_{SF} scores of the WFF-eligibility groups clearly reflect their position on the tenure/income scale. Almost all WFF-eligible beneficiary families and over three-quarters of the low-income working families were in the low-income/renting groups with the lowest average ELSI_{SF} scores. The higher income families, which became eligible in 2006 after WFF was extended, were scattered across the middle of the tenure/income scale. High income families not eligible for WFF were all in the top half of the scale, as were most of in-work households without dependant children. Non-family households that were not supported by employment income tended to be at the lower end of the scale, although with a cluster of older people in the middle. Retired people were often in freehold homes and therefore had above-average living standards despite generally low incomes.

Results of the Survey of Family, Income and Employment (SoFIE, Statistics New Zealand 2008) highlight the importance of income and life-stage on accumulated net worth in New Zealand households. Māori households of all types had a lower net worth than European households, with one-parent Māori families with dependant children having by far the lowest net worth.

3.5 Summary and conclusions

The *Te Hoe Nuku Roa* survey was not specifically designed to evaluate the impact of Working For Families on Māori families, but provided a valuable platform to do so, as the Wave 4 data collection covered the periods both before and after the WFF implementation. However, potential inaccuracy in assigning households to WFF eligibility categories and the potential bias caused by attrition of at-risk groups (such as young, mobile, renting households) may mean that levels of hardship and differences between groups were underestimated.

Lack of strong differentiation in perceived living standards, as measured by ELSI_{SF}, may also lead to an underestimation of differences between groups. Thus, in spite of marked differences in income adequacy and the need to economise on basic and discretionary items, by far the majority of all types of household reported that their standard of living was medium or high and that they were satisfied with their standard of living.

Nonetheless, prior to the implementation of the WFF policy, the living standards of WFF-eligible Māori families were markedly and significantly lower than ineligible Māori households, as has been found in other studies (Krishnan et al. 2002, Jensen et al. 2006). Twice as many WFF-eligible families scored in the hardship category and three-quarters of WFF-eligible families reported that their income was not enough or only just enough to meet their needs compared to less than half of ineligible households.

While some caution is needed in interpreting differences between sub-groups due to small sample sizes, the results followed the expected trend. That is, families dependant on a benefit had the lowest average living standard score, followed by low-income working families, and higher-income families who became eligible for WFF in 2006, while high-income ineligible families scored towards the top end

of the scale. Households without dependant children had above-average living standards if the principal adult was employed or retired and a below-average score if not employed.

Low living standards, high levels of hardship, low income adequacy and the need to economise on even the most basic of items (such as fruit and vegetables) underpinned the need for an improvement in income adequacy for low-income families with dependant children, which was one of the aims of the Working-for-Families (WFF) policy. However, the particularly low living standards faced by beneficiary families was at odds with the lower level of WFF entitlements for these families. This inconsistency arises from the divergence between the 'making work pay' and the 'income adequacy' aims of the WFF policy.

Living standards were associated with a range of factors, but particularly income, housing tenure and life-stage. Groups with high levels of hardship included low-income renters, young people and students, young parents, sole parents, and people who had poor health status or a relationship break-up. Low levels of hardship were associated with high income, freehold tenure, long-term residential stability, middle-aged to older people, and those in fulltime employment, with high educational qualifications and good health status.

3.6 Implications for whānau ora

This analysis has been specifically about economic living standards and income adequacy to meet basic needs. Indeed, the ELSI_{SF} questions on perceptions of living standards contain a direct reminder that this is about 'things money can buy, not about capacity to enjoy life or health'.

In this strictly economic sense, it is clear that in 2004 many whānau were struggling to achieve an adequate standard of living and therefore many families with children were living in hardship. This finding was consistent with other studies (Jensen et al. 2006). Economic hardship is detrimental to the well-being of Māori children and families in many ways and is a contributing factor to poor health and other negative outcomes (Henare et al. 2011).

Whānau ora embraces many aspects of well-being, of which financial security is but one. Health, happiness, future prospects for children, family and whānau connectedness, community participation, and cultural or spiritual factors were among many mentioned by the thirty families interviewed as part of this project (Boulton and Gifford 2011).

Some of these factors, such as health status, were found to be linked with economic measures of living standards. However, cultural factors were not at all related to economic living standards as measured here. Whānau with very strong connections to their culture – through identity, knowledge of whakapapa, tikanga and te reo, and cultural participation – were equally likely come from households with low or high economic living standards, while the same could be said for whānau with a weaker connection to their culture. Thus, the development of strong cultural and whānau connections occurs despite the economic hardships facing many households, presumably due to being an integral and highly-valued part of the lifestyle of many whānau.

The importance of whānau may be indicated by some economic measures. For example, families in economic hardship economised on many items (such as clothes, food, heating, insurance and holidays), but not so much on family-related activities (such as giving presents and having family to stay). A further example from the THNR questionnaire was the high proportion of Māori who gave

money to help their whānau over the previous month (67%); a figure which was no different in households whose income did not meet their own everyday needs compared to other households.

Of course, whānau support goes well beyond financial support. Data from earlier waves indicated that almost all adults felt their whānau was supportive, with 51% saying 'very supportive' and 41% saying 'supportive'. Overall, the majority of Māori in Wave 4 said that whānau played a 'very large part' in their lives (60%) or a 'large part' in their lives (25%), regardless of economic circumstances or household type.

A third of all families in Wave 4 (and half of all sole-parent families) had at least one other person living with them who was not part of the nuclear family, but who was most often a relative. More than one in ten families lived in multi-family or multi-generation households.

For some, this will be about sharing household costs with other families, relatives or flatmates. For others, it will be a lifestyle choice or about caring for whānau members. For example, more than one in eight extended households included an older relative or a whangai or young relative, while several other households comprised a sole parent living with her parent(s) and siblings. The role of whānau in helping to care for each other, and especially for children, the unwell or the elderly, is a benefit to both whānau and society. However, it is also important to recognise the pressure this places on some whānau.

4 Change in living standards after Working for Families

4.1 Sample and definitions

The aim of this analysis was to compare living standards and income adequacy for households interviewed after the WFF policy was implemented with other households interviewed before the changes.

All households in this analysis were interviewed within Wave 4 of the *Te Hoe Nuku Roa* (THNR) survey and therefore had the same questionnaire. However, the usefulness of this survey data in providing before and after samples was coincidental rather than planned and the sampling was not ideally suited to evaluate WFF. In particular, the before and after samples were not matched or balanced by factors critical to living standards, so the analysis and interpretation of this data required some caution. For example, the 'after' ineligible sample had a higher percentage of high-income⁵ households than the 'before' sample, while the 'after' WFF-eligible sample had a higher proportion of renters than the 'before' sample.

Fortunately, the 'before' and 'after' samples did have approximately the same composition by WFF analysis group (Table 5). Sample sizes within groups were relatively small.

Table 5: Sample size and proportions by WFF analysis group

	WFF benefit	WFF (2005) in-work	WFF (2006) in-work	Inelig family	Inelig in-work	Inelig benefit	Inelig retired	All WFF-eligible	All ineligible
Before	37	55	68	22	87	30	31	160	170
After	24	49	45	25	58	23	25	118	131
Total	61	104	113	47	145	53	56	278	301
Before	11%	17%	21%	7%	26%	9%	9%	48%	52%
After	10%	20%	18%	10%	23%	9%	10%	47%	53%
Total	11%	18%	20%	8%	25%	9%	10%	48%	52%

Categories:

WFF benefit – families with children aged 18 or under, where the family does not meet the in-Work criteria

WFF (2005) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2005

WFF (2006) in-work – families with children aged 18 or under who would become eligible for the In-Work WFF entitlement as at 1 April 2006, but who would not be eligible in 2005 due to having a higher income or few children.

Ineligible family – families not eligible for WFF despite having children aged 18 or under, due to high income.

Ineligible benefit – households with no children under 19, where the principal adult was neither employed nor retired (mainly people on unemployment or sickness benefits and a few students).

⁵ The importance of income in determining living standards was potentially problematic, as WFF-eligible families may have included their WFF payments into their reported income. Both reported income and income adjusted for payments were tested, but this had no effect on the overall results.

Ineligible in-work – households with no children under 19, supported by employment income.

Ineligible retired – retired singles or couples, supported by government superannuation and/or other savings/investments.

The effects of sample composition were tested using regression models, as discussed in section 3.2, with dummy variables to capture any effect of changes in living standards following WFF. The inclusion of households ineligible for WFF allowed factors other than WFF to be taken into account.

The sample was split into 'before-WFF' and 'after-WFF' groups based in the interview date for the principal adult. For ineligible households, this was simply set as before or after October 2005. For WFF-eligible families, the 'before-WFF' group comprised all principal adults who were interviewed from 2004 through to March 2005, plus 'WFF (2006) in-work' adults interviewed prior to April 2006 (when this group became eligible). The 'after-WFF' group comprised all principal adults who were interviewed from October 2005 through 2007, plus 'WFF (2006) in-work' adults interviewed after October 2006. The WFF (2006) in-work group had their weights adjusted so they remained in the correct proportions within the before and after WFF-eligibility groups.

The actual uptake of WFF entitlements by eligible families was not known. Overall, WFF uptake was achieved rapidly and at high levels (Centre for Social Research and Evaluation and Inland Revenue, 2006). Nevertheless, it is possible that some families would not have known about WFF and others would have chosen not to take up their entitlement. Also, WFF payments are available optionally as a year-end lump-sum, so some families would not have received any benefits in the first year. These factors would reduce the apparent impact of WFF as measured by these data.

4.2 Changes in living standards after WFF

The overall ELSI_{SF} score showed no significant change for either the WFF-eligible families or ineligible households (Table 6). The small (non-significant) increase between before and after values was consistent with the change in sample composition.

Table 6: Living standards measures before and after WFF

	WFF-eligible families		Ineligible households	
	Before	After	Before	After
ELSI _{SF} score	18.1	18.8	22.1	23.2
Hardship %	40%	32%	21%	16%
Income not enough %	42%	17%	23%	13%
Low living standard %	13%	5%	4%	7%
Dissatisfied %	21%	17%	17%	16%

Four other measures of living standards are shown in the table: the proportions of WFF-eligible families in the ELSI_{SF} 'hardship' category, the proportion who said their income does not meet their everyday needs, the proportion self-rating their material living standard as 'low', and the proportion saying that they were dissatisfied with their standard of living. While all appeared to be lower for WFF-eligible families after the introduction of the WFF policy, three of these differences (hardship, low standard and dissatisfied) were not statistically significant based on either a direct comparison or using multivariate modelling to take account of sample differences in factors such as income and tenure.

In contrast, the decline in the proportion saying that their income did not meet their needs was both very substantial in real terms and statistically significant. Before WFF was introduced, 42% of the families who would become entitled to WFF payments said their income did not meet their needs. Less than half this figure (17%) said their income did not meet their needs in the post-WFF period. The multivariate analysis clearly confirmed the significance of this decline.

Definitive comparisons between different types of household were not possible, given the small sample sizes and significant variation in before/after sample composition. However, all types of WFF-eligible groups showed a substantial decrease in the proportion who said their income did not meet their needs to around half the previous level, whereas families not eligible for WFF showed no change in this measure. For low-income families, the change was mainly from the 'not enough income' to the 'just enough income' category, with no difference in the proportion saying they had 'enough' or 'more than enough' income to meet their needs.

Despite the decrease in the proportion of WFF-eligible families who said their income was not enough to meet their needs, there was no evidence that these households were more able to afford material possessions, activities and basic spending. None of the items in the ELSI_{SF} score (economising behaviour, lack of material possessions or participation due to cost) showed a significant change, including critical items such as economising on fruit and vegetables or visits to a doctor.

For ineligible households, there was no change in the overall ELSI_{SF} score, or the proportions in hardship, with a low standard of living or dissatisfied with their standard of living. The proportion who said their income did not meet their needs did appear to have declined (from 23% to 13%), but this change was not statistically significant and much of this difference was due to changes in the sample composition.

Within the ineligible group, there was some evidence of differences between groups for the 'income meets needs' results. The 'after' sample appeared to be slightly better off than before (that is, a decrease in income not meeting needs) for low-income workers and retirees, while higher-income workers showed no change and low-income people not in work were, if anything, worse off than before. However, these findings are tentative at best, due to the small sample sizes and variation in before/after composition.

4.3 Conclusions

WFF has positively impacted income adequacy for WFF-eligible families. In particular, there was a large decline in the proportion of families whose income was 'not enough' to meet their everyday needs and an equivalent increase in the 'just enough' category. Levels of hardship may have decreased slightly, but there was no apparent increase in the average standard of living score. Nor was there any evidence that the increased income had led to less economising on either basic items (such as food, home heating and medical care) or discretionary items (such as hobbies, trips and holidays, or contents insurance).

These findings were also reflected in the in-depth interviews with thirty whānau (Boulton and Gifford, 2011): 'The families we interviewed spoke of the additional income as enabling them to "survive", to not have to "struggle" quite so much to make ends meet.' Additional income was used in a variety of ways, from contributing to household bills (such as rent and power) and basic expenses (such as groceries) to setting the money aside for specific purposes (such as children's education or a family

excursion). The minority who chose lump-sum payments often chose to pay off debt or pay large bills (such as council rates).

Changes to WFF did not occur in isolation. The results gave some indication that low-income workers who were not eligible for WFF and retirees were also better off, albeit based on a small sample size. An improved situation for low income workers (whether eligible for WFF or not) may reflect changes in the minimum wage. Between the median interview date of the 'before' sample (June 2004) and the 'after' sample (June 2007), the minimum wage increased by 25% from \$9 per hour to \$10.25 in April 2006 and \$11.25 in April 2007⁶, whereas the average wage increased by 12% and general prices (CPI) by 9%⁷. Superannuation payments increased by the same amount as the average wage, while unemployment and sickness benefits only increased by around 8%.⁸

The unemployment rate for Māori also declined over this period and the number of Māori on the unemployment benefit more than halved (Department of Labour 2009).

Over the same period, housing costs (as measured by the House Price Index)⁴ increased by a massive 43%, but average rents rose at a rate just above the rate of average wage growth. Most of the low-income households in the THNR sample were renting, while most of the households with a mortgage were earning over \$38,000pa. Low-income households would also potentially benefit from increases in the Accommodation Supplement over this period and other factors, such as reduced primary healthcare costs due to the implementation of the Primary Healthcare Strategy and the introduction in July 2007 of 20 hours early childhood education for three and four year olds. The SuperGold Card provided additional benefits to superannuitants from August 2007, towards the end of the study period.

As noted in the WFF evaluation report (Centre for Social Research and Evaluation and Inland Revenue, 2010):

'The 2004 to 2008 period is the only one in the last 25 years when the incomes of low-to-middle income households have grown more quickly than those of households above the median. The percentage of children living in poverty, using a 60% measure relative to 2004, dropped by 8 percentage points due to WFF. Without the WFF package, New Zealand's child poverty rate would have continued to climb from 2004, most likely reaching around 30% in 2008.'

The 2008 Living Standards survey found little change in the overall standard of living for New Zealand households between 2004 and 2008 (Perry 2010). However, there was a significant decrease in hardship rates for children living in low-to-middle income families in employment (but not for beneficiaries). While the estimated hardship rates of low-to-middle income Māori families were also lower in 2008 than in 2004, this difference was not statistically significant.

⁶ www.dol.govt.nz/PDFs/ris-minwage2004; www.dol.govt.nz › Publications › General.

⁷ RBNZ inflation calculator, www.rbnz.govt.nz

⁸ www.workandincome.govt.nz/manuals-and-procedures

Despite this improvement for low-income working families, New Zealand remained above average for hardship rates for children compared to other developed countries, and also has a high child hardship rate relative to the rate for the total population (Perry 2009).

In summary, the improvement – a tipping of the balance for many families towards having ‘just enough’ income – was realised within a time period of other supportive policies for low-income families, such as an increase in the minimum wage. Thus, the gain may be a fragile one, particularly as the economic situation of low-income families is still one of considerable hardship in many cases, with families still having to economise on basic necessities such as fruit and vegetables and visits to the doctor.

In the period following the collection the data used in this chapter, the economy has gone through a substantial downturn, with an increase in the unemployment rate (especially for Māori) and the number of DPB beneficiaries. At the same time, the cost of housing has increased, eroding the gains in housing affordability for Accommodation Supplement recipients (Centre for Social Research and Evaluation and Inland Revenue 2010; Perry 2010).

In the following chapter, we examine the household circumstances and living standards of whānau interviewed in both Wave 4 (2004-07) and Wave 5 (2011).

5 Changes in circumstances and living standards between 2004 and 2011

5.1 Overview

The main objective of this analysis was to examine changes in the circumstances and living standards of WFF-eligible families and other households between two waves of the *Te Hoe Nuku Roa* survey (THNR). As THNR is a longitudinal survey, the same people could be compared in Wave 4 (2004-07) and Wave 5 (2011).

The analysis focused on changes for adults identified as the 'principal adult' in Wave 4 (i.e. one parent per family, one adult per couple, or one main adult in single-person or shared households). Data collection for Wave 5 was not complete at the time this report was being prepared, so the results are preliminary findings at this stage. A total of 267 principal adults were re-interviewed in time for this analysis, comprising just under half of the original Wave 4 study group.

This could potentially lead to biases in the analysis if re-interview rates differed between key groups. However, the Wave 5 sample did not appear to be a biased subset of the original households from Wave 4 across a variety of key factors. For example, the re-interview rates were similar for most groups by WFF eligibility and WFF group, ELSI category, family/household type, gender, age, labour force status, income and tenure, with a few exceptions. Young people who were aged under 23 in Wave 4 had a lower than average re-interview rate, but this was mainly for ineligible households rather than WFF families. Other ineligible households with a lower than average re-interview rate were those which moved house a lot and those where the principal adult was unemployed in Wave 4.

Households from Auckland and Northland were also under-represented in the data (36% and 37% re-interviewed respectively), whereas over half of the principal adults from other regions were re-interviewed.

The analysis did not include households newly-formed by young people who were not interviewed as a principal adult in Wave 4 (i.e. they were teenagers or dependant adult children in Wave 4). There were 24 of these young households in the Wave 5 sample, including ten sole-parent families, eight couples with children and six couples without children. Seven of the eighteen young families with children were still living within their parents' household. As would be expected, the young families with children had relatively low living standard scores on average.

5.2 Changes in family circumstances

Even over the short-term, changes within families can have a significant economic impact which may mask the effects of WFF. For example, one low-income family interviewed twice in Wave 4 had an extra child and went through a relationship split, resulting in a large drop in living standards within a year (from an ELSI_{SF} of 21 to 14) despite becoming eligible for substantial WFF payments.

With an average gap of six years between interviews, many of the original households had changed a great deal. Of the 267 households where the same principal adult was interviewed in both waves, 65% had the same core family type and 35% had a significant change in family type – 12% no longer

had any children at home, 5% were newly-formed families with children, 8% changed from couples with children to a single parent family, 4% changed from a single parent family to a couple with children family and 6% changed between non-family household types (e.g. single person to shared household or couple with no children).

Of the 132 families eligible for WFF in Wave 4, 29% had changed their core household type by Wave 5. The most common change was between the family types (couples with children became sole parent families and vice versa). A greater proportion of ineligible households (41%) changed their core household type, with a wide variety of types of change into and out of sole person, couple, family and shared household types.

Two-thirds of WFF-eligible families had a change in their number of dependant children, with 43% having fewer dependant children and 22% having more dependant children by Wave 5.

5.3 Changes in labour force, income and housing circumstances

Over a third of the principal adults re-interviewed in Wave 5 had changed their main labour force status, with a higher rate of change (45%) for WFF-eligible principal adults compared to ineligible adults (27%, or 30% excluding retirees).

For WFF-eligible adults, 12% moved out of the workforce, 18% moved into the workforce and 14% changed between non-working groups (student, unemployed, home/carer, sickness/other). For ineligible adults excluding retirees, 19% moved out of the workforce, 5% moved into the workforce and 6% changed between non-working groups.

These results suggest that WFF-eligible adults had a higher rate of movement into the workforce and between non-working groups. Much of the movement into employment came from people who were not in the labour force in Wave 4 (home/carer, student and other non-employed) rather than unemployed. About half moved into part-time employment. While this movement into the workforce was consistent with the WFF policy of rewarding in-work families, the change may also reflect normal progression into the workforce by caregivers whose children were now older or independent. Movement into work was no higher for adults interviewed in Wave 4 before WFF began, compared to those interviewed after WFF, based on this small sample of newly employed people.

There was also considerable movement between employment sub-groups, with two-fifths of employed people swapping between full-time and part-time jobs or between being an employed student and an employed non-student. The rate of movement between employment groups was almost twice as high for employed WFF-eligible adults (55%) compared to employed ineligible adults (31%).

Overall, 68% of WFF-eligible principal adults changed their labour force status, either between the main groups or between employment sub-groups, compared to 44% of ineligible adults.

Based on the available income data, an estimated 41% of households appeared to have had a substantial change in family income between Waves 4 and 5, with a slightly higher rate of change for WFF-eligible families (49%) than ineligible households (33%). About twice as many households had an apparent increase in income as had a decrease in income.

Twenty-eight percent of households had a change in tenure, with fairly similar numbers moving from rent to mortgage, mortgage to rent, mortgage to freehold, and freehold to mortgage. The rate of change in tenure was fairly similar for WFF-eligible (31%) and ineligible households (25%).

5.4 Changes in WFF eligibility

The relatively high level of change in labour force status and income, especially in combination with considerable changes in family circumstances, had a substantial impact on eligibility for WFF.

Of the 132 families eligible for WFF when interviewed in Wave 4, 36 families (27%) were no longer eligible by Wave 5 (Table 7). The change in eligibility for these families was due to their children leaving home (ten cases) or now being over 18 years old (eleven cases) or having fewer dependant children and/or greater income (fifteen cases).

A similar proportion of eligible families appeared to have changed categories within the WFF-eligible groups, due to changes in work and income or family structure and number of children. Many of these changes were not clear-cut. For example, many of the families who moved into or out of the 'benefit-dependant' group had some work earnings in each wave (as a student or part-time worker) but changes in their level of estimated income shifted their eligibility status. Some of this change may have been due to inaccuracies in eligibility groupings based on imputed income and work hours/status.

Table 7: Changes in WFF-eligibility between Wave 4 and 5

Wave 4 status	Sample size	Eligible Wave 5	Not eligible Wave 5	Total
Eligible	132	73%	27%	100%
Not eligible	135	10%	90%	100%

A lower proportion (10%) of non-eligible households changed their eligibility status. Eleven new families were formed by people who did not previously have children and three previously ineligible families added dependant children to their family and/or decreased income. Retired and employed people were the most likely to stay in the same group.

5.5 Effect of changes in circumstances on living standards for all households

Changes in living standards were measured by the difference between ELSI_{SF} scores for each principal adult interviewed in both Wave 4 and Wave 5, as well as by changes in hardship level and in responses to the key ELSI question: 'is your income enough to meet your basic needs'. Regression analysis was used to identify the factors most strongly associated with the difference in ELSI_{SF} score between waves.

The results indicated that the change in living standards was influenced by all the factors discussed above: changes in family type, number of dependant children, labour force status and income. Taken together, these variables accounted for about a fifth of the measured change in living standard scores.

These variables were combined into a simple index of household change which was strongly correlated with the change in ELSI score. Around one in eight households scored at the negative end

of this index. That is, the household had a change in circumstances with a major negative impact on living standards, such as starting a new family or moving out of full-time work or having a large decrease in income. This group had an average reduction in their ELSI_{SF} score of about three points (a 13% decrease) and a significant increase in rates of hardship and income-insufficiency.

Around one in seven households had a minor negative change in circumstances, which was associated with a smaller, more variable and non-significant drop of around one point in ELSI_{SF} score. Over a third of households had no major change, or a balance between negative and positive factors, and showed no overall change in ELSI_{SF} score or other economic questions.

Over a third of households had an improvement in circumstances between waves, such as a move into work, an increase in income or change from being single or a single parent to a couple or couple with children. For this group the economic impact was significant and positive, with an average increase in their ELSI_{SF} score of three points and a significant improvement in hardship rates and sufficiency of income to meet needs.

Overall, the average ELSI_{SF} score was a little higher in Wave 5 (by just under one point), but not significantly so. The number of better-off households was slightly higher than the number of worse-off households. A gain of this size might be expected due to an average aging of the sample group by six years, as the average ELSI_{SF} score increases by about one point per decade of age (Figure 5).

One limitation of this analysis was that most of the measured variation in living standards was not explained by factors measured by the survey data. Thus, while changes in ELSI_{SF} score were significantly associated with household change, these factors only explained about a fifth of the total variation in scores. For example, a few families with little apparent household change showed a large change in economic status, while others with significant household change showed little change in measured living standard.

This finding was not unexpected, given that regression modelling of socio-economic factors rarely explains a substantial proportion of variation and many factors were not measured by the survey, including income changes within the broad income categories, employment status of non-responding household members and changes in living and housing costs.⁹ Significant variation between ELSI_{SF} scores for the two waves may also reflect other household-specific factors, such as the impact of unexpected large bills or sickness on families who may or may not have the resources to cope.

5.6 Changes in living standards for WFF-eligible families

The main focus of the analysis was to assess the impact of WFF on the living standards of eligible families, comparing the same families before and after the policy was implemented.

⁹ Wages rose at about the same rate as general inflation over the study period, but food costs increased at an above-average rate. Median rent increased faster than general inflation before 2008, but has been fairly stable overall since then. The increase in GST in October 2010 was another negative factor for low-income households. [Inflation data from www.rbnz.govt.nz; rent data from www.interest.co.nz from data supplied by the Tenancy and Bond Service of the Department of Building and Housing.]

For this part of the analysis the sample was limited to the 49 families who were WFF-eligible in both waves and who were interviewed in 2004-05 before WFF began. The main comparison group was the 47 families eligible in both waves who were interviewed after WFF began and hence likely to have already been receiving WFF payments in both Wave 4 and Wave 5. These groups had similar profiles for the main predictors of living standards (age and tenure/income). Their profiles were also similar for the household change index, although slightly more in the after group had characteristics associated with negative changes in living standards. Also available for comparison were 86 ineligible households with working-age principal adults who were ineligible in both waves (48 interviewed before and 38 after WFF).

The overall average living standards score, $ELSI_{SF}$, increased by about two points (14%) between 2004-05 and 2011 for families interviewed before WFF payments began (Table 8). The average score did not change for WFF-eligible families interviewed after WFF payments began. The average score increased by less than one point (4%) for ineligible households, from 23 to 24. Thus, ineligible households were, on average, still much better off economically than WFF-eligible households.

Once other factors (such as changes in household type and labour force) were taken into account, there was a very slight, only very marginally-significant effect that could be potentially be attributed to WFF. Thus, WFF-eligible households interviewed before WFF began seemed to be slightly more likely to show an improvement in living standards by 2011 than were other households, after taking into account known household changes that significantly affected economic status.

Table 8: Changes in living standards between Wave 4 and Wave 5 for WFF-eligible families

	WFF-eligible families		WFF-eligible families	
	Wave 4 before WFF (2004-05)	Wave 5 2011	Wave 4 after WFF (2006-07)	Wave 5 2011
$ELSI_{SF}$ score	16.1	18.3	18.4	18.4
Hardship %	54%	40%	39%	30%
Income not enough %	48%	27%	21%	14%
Low living standard %	15%	6%	2%	5%
Dissatisfied %	29%	19%	12%	7%

Four other measures of living standards are shown in the table: the proportions of WFF-eligible families in the $ELSI_{SF}$ 'hardship' category, the proportion who said their income does not meet their everyday needs, the proportion self-rating their material living standard as 'low', and the proportion saying that they were dissatisfied with their standard of living. While all appeared to be lower for WFF-eligible families compared before and after the introduction of the WFF policy, only the decrease in the proportion saying that their income did not meet their needs (from 48% to 27%) was statistically significant. These findings are consistent with the results comparing households before and after WFF within Wave 4 (section 4.2).

WFF-eligible families who were interviewed in Wave 4 after WFF began also showed a decrease in the proportion saying that their income did not meet their needs, but this smaller decrease was not statistically significant. For ineligible households the proportion saying that their income did not meet their needs decreased from 16% to 8%.

Although families do appear to be slightly better off now compared to before WFF, not all changes have been positive. Rising food costs may be a significant issue for low-income families, as indicated by a 20 percentage point increase (from 23% to 43%) between Wave 4 and 5 in the proportion of WFF-eligible families who were economising on fruit and vegetables. Increased economising on fruit and vegetables occurred between Wave 4 and Wave 5 for all WFF-eligible families, not just those interviewed before WFF, but this change was not found for ineligible households.

There was little change in economising on visits to the doctor or on other spending, apart from the higher rate of computer ownership by Wave 5 and a decrease in economising on hobbies and worn-out clothing, although an increase in the proportion who did not have an outfit for special occasions.

The ELSI_{5F} does not have a question directly related to housing cost or satisfaction. However, housing satisfaction was included within the THNR questionnaire. There was a marked increase in satisfaction with housing between Wave 4 and 5 for WFF-eligible families interviewed before the WFF changes (which included increases to the Accommodation Supplement). Prior to WFF changes, 24% were dissatisfied with their accommodation, 62% were satisfied and 14% were very satisfied. By 2011, only 9% of these same families were dissatisfied, 40% were satisfied and 52% were very satisfied. In contrast, there was little change in satisfaction levels for WFF-eligible families interviewed in Wave 4 after WFF implementation and a much smaller improvement for ineligible households.

5.7 Conclusions

In 2011, WFF-eligible households were still worse-off economically than other households on average. However, the overall economic situation for WFF-eligible families appeared to have improved slightly, based on this sample of households interviewed before WFF began and again in 2011. In particular, a higher proportion of WFF-eligible families had sufficient income to meet their basic needs compared to their situation before WFF was implemented, as was found in the previous chapter. Housing satisfaction also improved. One area of concern was the much higher proportion of families having to economise on fruit and vegetables in 2011 compared to 2004.

The effect of WFF was very difficult to distinguish given the many changes in household circumstances that had a large impact on living standards. Substantial changes in living standards were associated with changes such as family formation and splitting, movement into and out of the labour force and income change.

With the exception of the stable group of retirees, the majority of households had some change in their circumstances over the study period. The amount of change in household circumstances was especially high for WFF-eligible families, of whom 29% changed their family type, two-thirds had a change in number of dependant children, half had a change in income and over two-thirds of principal adults changed their labour force status. These changes meant that 27% of WFF-eligible families were no longer eligible by 2011.

One feature of the data was the fluctuation in labour force status around the margins of employment – between full-time and part-time work and between work, parenting, study and looking for work. The high level of labour force change may reflect the timing of the study, as the period between the start of

Wave 4 (2004) and Wave 5 (2011) was also a time of substantial economic volatility that saw an increase in the unemployment rate for Māori from under 9% to over 13% in 2011¹⁰.

In this context – the worst recession since the Great Depression, accompanied by food price inflation – an overall slightly positive change in economic status for low-income families could be considered an encouraging result.

A study of household incomes based on all ethnic groups found that overall income equality and child poverty rates remained fairly static between 2007 and 2010, following the period of improvement between 2004 and 2007 discussed in the previous chapter (Perry 2011).

5.8 Implications for whānau ora

Whānau ora has proved difficult to define, let alone measure, even by those best-placed to express the concept (Taskforce on Whānau-Centred Initiatives, 2010). Certainly, financial security is only one aspect of whānau ora as perceived by both policy-makers and families (Boulton and Gifford, in preparation).

The families interviewed as part of this project often found it difficult to articulate what whānau ora meant for them, but many noted that whānau ora was about having ‘a happy, healthy family and being financially secure’ (Boulton and Gifford, 2011). Some families focussed on physical wellbeing, while others emphasised cultural and spiritual wellbeing or the ability ‘to live as a collective, to share good fortune and the ability to actively participate in the wider community’. While all whānau agreed that economic security was a critical element of whānau ora, whānau often described just needing enough to cover basic needs without financial stress. Most of the whānau were in agreement that the WFF support they received did in fact contribute to their family’s whānau ora.

Income adequacy may therefore be seen as a necessary, but not sufficient, step on the various paths to achieve whānau ora. The results of this study support the contribution that Working for Families payments make towards improving income adequacy.

¹⁰ Department of Labour 2009 and www.dol.govt.nz/publications/lmr/quick-facts/Maori.asp

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