

Regulatory Impact Statement: Increasing Childcare Assistance Income Thresholds

Coversheet

Purpose of Document	
Decision sought:	This analysis has been developed to increase income thresholds of Childcare Assistance. Childcare Assistance includes Childcare Subsidy and Out of School Care and Recreation (OSCAR) Subsidy
Advising agencies:	Ministry of Social Development
Proposing Ministers:	Minister for Social Development and Employment
Date finalised:	19 October 2022
Problem Definition	
<p>Income thresholds for Childcare Assistance have eroded significantly since 2010, with decreasing numbers of families eligible. This Regulatory Impact Statement considers options for increasing income thresholds for Childcare Assistance, which will mean more low and middle-income families will be eligible for financial support for childcare, which is likely to be their biggest in-work cost.</p>	
Executive Summary	
<p>Childcare costs are generally the most significant in-work costs for families with children. Childcare Assistance provides targeted subsidies to help families with the costs of childcare. Income thresholds for Childcare Assistance were frozen in 2010. In 2022 income thresholds were indexed to average wage growth, however there was no “catch-up” for the wage growth between 2010 – 2021. This means that since 2010, income thresholds have eroded significantly relative to general inflation and wages.</p> <p>MSD is currently reviewing its Childcare Assistance to improve support for low and middle-income families for labour market participation (primarily by improving affordability), increase participation in Early Childhood Education (ECE) and improve settings from a child wellbeing perspective. Income thresholds for Childcare Assistance are one component of this Review and further options will be considered at a later stage.</p> <p>The Regulatory Impact Assessment considers four options for updating Childcare Assistance Income Thresholds:</p> <ul style="list-style-type: none">- Option One – Status quo, income thresholds would continue to be annually indexed against the average wage (i.e. gap would remain)- Option Two – Increasing the income thresholds so that they are at similar levels relative to wages as in 2010; ongoing annual indexation- s 9(2)(f)(iv) [REDACTED]- s 9(2)(f)(iv) [REDACTED]	

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Option Two will provide a significant increase to eligibility, and the fiscal and operational impacts are lower. Option Two is the proposal outlined in the Cabinet paper.

s 9(2)(f)(iv)

MSD is well placed to implement any changes to the Childcare Assistance income thresholds as part of the Annual General Adjustment, with an effective implementation date of 3 April 2023.

Limitations and Constraints on Analysis

The Cabinet paper and Regulatory Impact Statement deal with only one aspect of the Review of Childcare Assistance, relating to income thresholds for MSD's Childcare Assistance. Wider issues relating to accessibility and affordability of childcare will continue to be considered through the Review.

The same fiscal costs and impacts have not been costed across all options and there are different assumed implementation dates across options.

No consultation has been carried out on these options. There is limited distributional analysis of the options, however there is an estimation of the number of families and children who will become newly eligible as a result of the change.

Responsible Manager(s) (completed by relevant manager)

Polly Vowles
Acting General Manager
Welfare System and Income Support
Ministry of Social Development
19/10/2022

Quality Assurance (completed by QA panel)

Reviewing Agency: Ministry of Social Development

Panel Assessment & Comment: The Review Panel consider that the information and analysis summarised in this Statement does not meet the Quality Assurance criteria. The Panel recognises the limitations on the analysis available, including timeframes, initial decisions on a preferred option, and the challenges of modelling detailed outcomes, and that these limitations are clearly identified. The Panel recognises that while the analysis in the paper is as good as could be expected in the circumstances, it nevertheless does not meet the criteria.

Considering each of the four criteria:

Complete – meets requirements

- The Statement contains all the material necessary for a RIS. The limitations are set out clearly in the paper.

Convincing – does not meet

- There are significant limitations on the analysis available, in particular having a consistent and directly comparable set of outputs and financial impacts (while noting these limitations are clearly expressed and explained).
- There is not sufficient explanation to support why option 2 is the preferred option.

Consulted – partially meets

- There has been no consultation on the specific options, nor is it clear what level of consultation would be appropriate for this type of proposal.
- This is somewhat mitigated by being clearly expressed as a limitation, and the well-established previous consultations that have repeatedly identified income thresholds for childcare as a problem.

Clear and concise – meets

- The paper is well written and of an appropriate length.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

The Government supports parents and caregivers with the cost of childcare through Ministry of Education (MoE) subsidies for Early Childhood Education (ECE), and through targeted Childcare Assistance for low- and middle-income families delivered via the Ministry of Social Development (MSD). In all but a few exceptions, assistance is paid to service providers rather than to parents. ECE funding is generally universal and aims to encourage access to quality early childhood education, which benefits children and also enables parents to take up employment opportunities. Attendance by children in high quality childhood education is associated with cognitive and socio-emotional benefits, particularly for children from lower socio-economic backgrounds. This can help support child and youth wellbeing outcomes across the life course.

Targeted funding delivered by MSD aims to improve labour market participation by low and middle-income parents by increasing the affordability of childcare and provides funding targeted to individual families.

Over time, the costs of childcare have steadily increased and the adequacy of income-tested Childcare Assistance has declined. Take-up of Childcare Assistance is low and the number of families accessing it has been declining over the last decade (see graph on page 7). Settings do not reflect the changing needs of parents in terms of work, care arrangements and preferences.

Overview of MSD funding

The MSD funding stream makes up a small part of the overall spend for childcare costs - around \$152 million in the 2020/21 financial year. This assistance is specifically provided to support labour market participation by helping low- and middle-income families to meet the costs of childcare.

Childcare Assistance delivered by MSD includes:

- The Childcare Subsidy (CCS) - for children under 5 years to attend approved preschool childcare. This is available for up to 50 hours a week per child for parents in employment, training or study (up to 9 hours a week can be claimed by parents who are not in paid employment, training or study). CCS also supports secondary objectives such as to support parents who are studying or training, or who are seriously ill or disabled. CCS supported 17,385 children as at September 2022, compared to 37,211 children in September 2010.
- The Out of School Care And Recreation (OSCAR) Subsidy - for families with children aged 5 and up to 14 years (or up to 18 years if they receive Child Disability Allowance) to attend before- and after-school care, and school holiday programmes. This is available for up to 20 hours a week per child in the school term and up to 50 hours a week per child in the school holidays. The OSCAR Subsidy is the only subsidy available to help families meet the cost of before-school, after-school and holiday care for school-aged children. The OSCAR subsidy supported 7,374 children as at September 2022. MSD also allocates grant funding to OSCAR service providers to support their on-going operation.

Overall, Childcare Assistance supported 24,759 children as at September 2022, down from 52,576 in June 2010.

MSD also provides other smaller, more targeted assistance programmes to support young parents, or to support training and education.¹ This assistance is not in scope of this proposal.

Table One: Childcare Assistance (Childcare Subsidy and OSCAR Subsidy) Rates and Income Thresholds as at 1 April 2022

Hourly Subsidy Rate	\$5.69	\$4.53	\$3.17	\$1.77
	Annual gross income limits			
1 child	Less than \$43,576	\$43,576 to \$65,363.48	\$65,363.49 to \$70,771.48	\$70,771.49 to \$76,231.48
2 children	Less than \$50,076	\$50,076 to \$75,139.48	\$75,139.49 to \$81,119.48	\$81,119.49 to \$87,099.48
3+ children	Less than \$56,108	\$56,108 to \$83,875.48	\$83,875.49 to \$90,947.48	\$90,947.49 to \$98,019.48

The rate at which childcare costs are subsidised varies across four rates levels, with the highest subsidy rate (Level 1, currently \$5.69) targeted at those with the lowest incomes. The income thresholds also depend on how many dependent children are in the family.

¹ This includes the Guaranteed Childcare Assistance Payment, Flexible Childcare Assistance, and the Training Incentive Allowance.

Linkages between Childcare Assistance and other Government priorities

The Welfare Expert Advisory Group in their report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand* noted the importance of affordable, good quality childcare as a prerequisite for participation in education, training, or work. The Review of Childcare Assistance is part of the medium-term welfare overhaul work programme. The purpose of the Review of Childcare Assistance is to consider the interface between the Ministry of Social Development's (MSD) Childcare Assistance and the funding provided through the Ministry of Education (MoE) for early childhood education [CAB-19-MIN-0578 refers].

The Review of Childcare Assistance contributes to the Employment Action Plans. Access to affordable childcare has been identified as a key issue in the Women's Employment Action Plan. Recent research² suggests that New Zealand mothers who are not working, only because they cannot access affordable childcare, are conservatively estimated to be forgoing \$116 million or more of wages each year.

Access to affordable childcare is also a key issue in the Māori Employment Plan and the Pacific Employment Action Plan. Recent research suggests that some groups of mothers experience greater access issues than others – for example, Māori and Pacific mothers were two or three times more likely to experience issues accessing childcare than European mothers.

Improvements to Childcare Assistance could also support the Government's child poverty objectives, particularly targets outlined in the Child Poverty Reduction Act 2018 and the Child and Youth Wellbeing Strategy and tracker.

- Reducing childcare costs could directly help to reduce the number of children living in households experiencing material hardship.
- Reductions in the cost of childcare to low-income families could also increase parental earnings by improving their ability to participate in the labour market (including for more hours per week) and through this, indirectly improve income poverty and material hardship rates in households with children.
- Improvements to Childcare Assistance have the potential to mitigate the impacts of poverty and socio-economic disadvantage on children, particularly by supporting increased participation in high-quality ECE for children from low-income working families.

The Government indexed Childcare Income thresholds in Budget 2021

In Budget 2021, the Government announced that Childcare Assistance income thresholds would be adjusted every year in line with average wage growth. This change took effect from 1 April 2022. Indexation means that over time the proportion of families eligible will be maintained, but large numbers of additional families will not be newly eligible as a result of indexation.

What is the policy problem or opportunity?

Supporting employment is an important poverty alleviation tool, particularly in the long-term and in the context of the Government's child poverty reduction targets. Access to suitable and affordable childcare is a key factor in parents being able to enter or remain in employment, education, or training. In general, research suggests that subsidies that reduce the private cost of childcare increase children's participation in ECE and have positive

² The Ministry commissioned new research to explore how a lack of access to childcare affects mothers' labour market outcomes. This research used data from the Growing Up in New Zealand (GUiNZ) longitudinal survey. Reports are available at <https://women.govt.nz/documents/access-childcare>

impacts on mothers' labour force participation and work hours.³ Recent research indicates Māori and Pacific families are two or three times more likely to experience issues accessing childcare than Pākehā families.⁴ Cost was cited as a major factor, particularly for Pacific parents. In general, more disadvantaged families have more persistent issues with access to childcare. This is particularly true for low-income households.

This Regulatory Impact Statement relates specifically to issues relating to the income thresholds for eligibility for both the Childcare Subsidy and OSCAR subsidy. Broader issues relating to accessibility and affordability of childcare will continue to be considered through the Review of Childcare Assistance.

Since 2010 income thresholds have eroded significantly, with decreasing numbers of families eligible for childcare assistance

Income thresholds for Childcare Assistance were frozen in 2010. While these income thresholds were indexed to average wage growth in 2022, there has been no "catch-up" for wage growth over the 2010-2021 period. This means that since 2010, the income thresholds have eroded significantly relative to general inflation and wages, as shown in Figure One.

Figure One: Comparison of average household income from wages and salary compared to Childcare Assistance income threshold for a family with two children



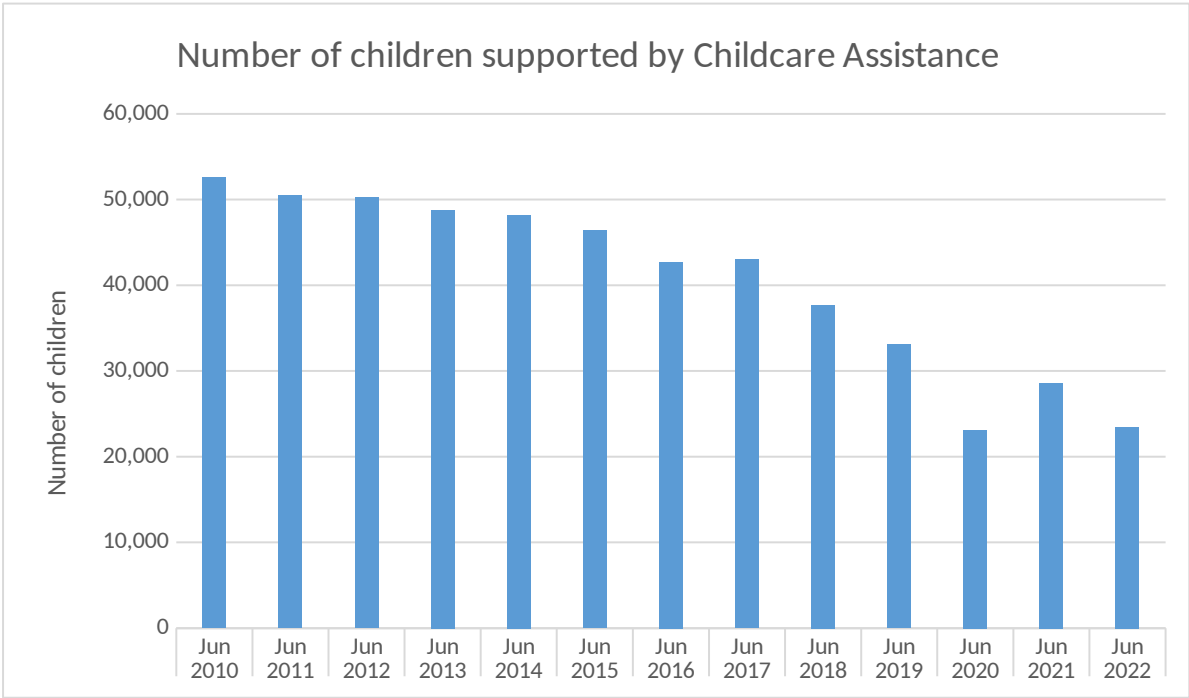
The decreasing number of families accessing Childcare Assistance is illustrated in Figure Two, which shows the average number of children receiving Childcare Assistance per month from 2010 - 2022.

Currently, very low numbers of working families are eligible for Childcare Assistance. The median wage and salary income of a couple with two children would no longer qualify for the subsidy, whereas they would have qualified for the full subsidy rate between 2007-2010. The higher income thresholds are also bunched together meaning entitlement is reduced quickly across higher incomes.

³ Morrissey, Taryn (2017) *Childcare and parent labour force participation: a review of the research literature*. Review of Economics of the Household (201) vol 15: No. 1. <https://link.springer.com/article/10.1007%2Fs11150-016-9331-3>

⁴ <https://www.growingup.co.nz/growing-reports>

Figure Two: Number of children receiving Childcare Assistance as at end of June between 2010 – 2022.



What objectives are sought in relation to the policy problem?

Changes to income thresholds for Childcare Assistance are one component of a wider Review of Childcare Assistance.

The Review of Childcare Assistance (the Review) is focused on adjustments to MSD’s Childcare Assistance to improve support for low and middle-income families for labour market participation.⁵ The Minister for Social Development and Employment has agreed that the objectives for the Review are to:

- Improve the administration of MSD’s Childcare Assistance
- Increase participation in early childhood education
- Increase labour market participation by parents / caregivers
- Improve the flexibility of settings to reflect current labour market demands and parental preferences, such as covering childcare costs during short gaps in employment
- Improve the adequacy of support to reduce the financial pressure for families, and
- Improve settings from a child wellbeing perspective.

For the purposes of this Regulatory Impact Statement, changes to income thresholds will be considered against the following subset of objectives from the Review:

- Increase participation in early childhood education
- Increase labour market participation by parents / caregivers
- Improve settings from a child wellbeing perspective.

⁵ Childcare supports and funding for disabled children are provided by MoE. This funding is out of scope of the Review of Childcare Assistance.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

For the purposes of this Regulatory Impact Statement, changes to income thresholds will be considered against the following subset of objectives from the Review:

The criteria used to compare the options to the status quo are as follows:

Review of Childcare objectives

- Improving labour market participation by parents/caregivers – increasing the income thresholds will mean that more parents will become eligible for Childcare Assistance, thus reducing the cost of childcare, which is one of the key barriers to labour market participation, particularly for sole parents.
- Improving participation in early childhood education – reducing the cost of childcare will assist parents to maintain or increase their use of formal childcare.
- Effect on child wellbeing – providing more affordable childcare will contribute to child poverty reduction goals by reducing pressure on household budgets.

Fiscal and implementation objectives

- Fiscal costs – striking the balance between limiting fiscal costs and improving coverage.
- Feasibility of implementation – whether MSD can deliver assistance to more families eligible for Childcare Assistance within existing operational capacity.

What scope will options be considered within?

The analysis for this Regulatory Impact Assessment is confined to considering options for addressing impacts for labour market participation, participation in early childhood education, and effects on child wellbeing within the constraints of income thresholds for Childcare Assistance administered by the Ministry of Social Development.

There are no non-regulatory options to address this problem. Income thresholds for Childcare Assistance are outlined in Schedule 2 of the Social Security Regulations 2018. These regulations cannot be adjusted without regulations made by Order in Council by the Governor General, pursuant to section 424(2)(c) of the Social Security Act 2018.

s 9(2)(f)(iv)

What options are being considered?

This regulatory impact assessment considers four options in relation to Childcare Assistance income thresholds:

- Option One – Status Quo
- Option Two – Catch up from 2010 freeze
- s 9(2)(f)(iv)
- s 9(2)(f)(iv)

s 9(2)(f)(iv)

Ministers indicated that Option Two was their preferred option, with an earlier implementation date of 1 April 2023.

Due to time and modelling resource constraints, priority was placed on revising costings and impacts for the earlier implementation date for Option Two only.

Additionally, given time constraints, operational costings to implement the threshold changes have only been provided for Option Two. s 9(2)(f)(iv)

s 9(2)(f)(iv)

Costings have been completed assuming that take-up rates will remain consistent.

Assessing the impacts of each option

As noted earlier, this RIS explores options to adjust one setting within the income support system as part of a broader review.

In general, we expect that each of options Two to Four would:

- Increase the number of parents eligible for Childcare Assistance
- Improve the affordability of childcare for these parents
- Lead to a corresponding increase in labour market participation
- Reduce pressures on household budgets through lower childcare costs, which could contribute to lower material hardship rates
- Increase children's attendance in high quality Early Childhood Education, which is associated with increases in child wellbeing.

s 9(2)(f)(iv)

Option Two – Catch up from 2010 freeze

This option is a one off-increase to update income thresholds so that they are at similar levels relative to wages as in September 2010. The income thresholds would then continue to be indexed annually against the average wage. The effective implementation date is 3 April 2023.

The highest rate of subsidy, Level 1, was introduced in 2016, therefore the income threshold associated with this rate has been wage indexed from 2016. The remaining three income

thresholds associated with rates 2, 3 and 4 have been wage indexed from September 2010 when they were previously frozen.

Table Two. Annual⁶ income thresholds for Option Two for 1 April 2023 implementation

Number of children	Level 1 (highest level of subsidy)	Level 2	Level 3	Level 4 (lowest level of subsidy)
	Annual gross income thresholds			
1 child	Less than \$51,324	\$51,324 to \$93,496	\$93,497 to \$101,296	\$101,297 to \$109,096
2 children	Less than \$59,020	\$59,020 to \$107,536	\$107,537 to \$116,116	\$116,117 to \$124,644
3+ children	Less than \$66,092	\$66,092 to \$119,964	\$119,965 to \$130,104	\$130,105 to \$140,244

Impacts

Under this option, in 2023/24 parents of approximately 7,400 additional children will be eligible for the Childcare Subsidy and parents of approximately 2,900 additional children will be eligible for the OSCAR Subsidy, an increase of 36% compared to Option One⁷. Some existing recipients of Childcare Assistance will also be eligible for higher rates of subsidy, but these impacts have not been provided separately.

Under the proposed changes, coverage of parents would increase substantially. From our analysis, we expect that under new income thresholds:

- Sole parent coverage increases from 85-98% to 93–98%.
- Couples coverage increases from 20-38% to 35–55%.

Option Two will have an estimated fiscal cost of \$44.646m in 2023/24, this figure includes \$5.241m of implementation costs.

Achievement of objectives

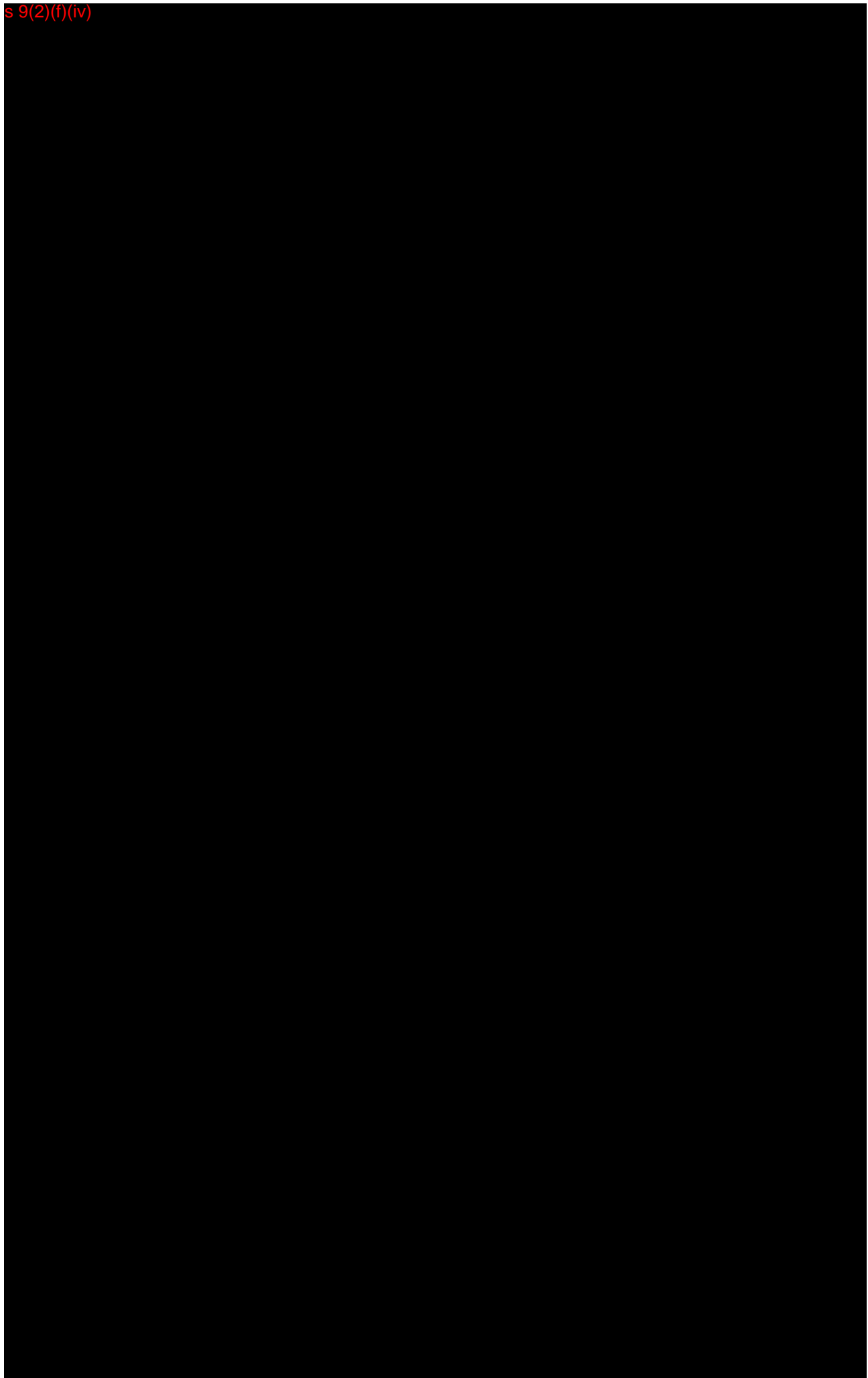
Compared to Option One, this option means more low and middle-income families will become eligible for Childcare Assistance and some existing recipients will become eligible for more Childcare Assistance from 1 April 2023, providing a greater fiscal and operational impact.

s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

⁶ When any changes to policy are implemented, eligibility will be based on weekly income derived from these annual figures. Income is presented annually here for ease of understanding the differences between options.

⁷ The numbers of additional children are calculated on average over a month.



Impact on child poverty and material hardship

Childcare costs are generally the most significant in-work cost for families with children, so reducing the costs of childcare is likely to reduce pressures on household budgets. Reductions in costs from changes to Childcare Assistance may also have direct and positive impacts on the number of children living in households experiencing material hardship, although this is hard to quantify.

It is not possible to directly model the magnitude of any impacts on material hardship rates. As a broad indication, the changes to the threshold are most likely to have an impact on households with children whose incomes are between fifty per cent of the median and the median – and we know that a little under half of children in material hardship live in households within this income band. Any impacts on material hardship rates, however, depend on a range of assumptions about take-up rates and the level of subsidy received that cannot be readily modelled.

The options would not directly impact income measures of child poverty (e.g. on the before and after housing cost child poverty measures) because Childcare Assistance is a subsidy paid directly to childcare providers and does not increase the incomes of families. It is possible that reducing childcare costs could have an indirect positive impact on income poverty and material hardship rates by improving financial incentives to work. The scale and timing of any indirect impacts cannot be modelled but are likely to be modest and gradual.

Population impacts across options two s 9(2)(f)(iv)

The following paragraphs discuss the impacts of options to change the income thresholds (Options Two, s 9(2)(f)(iv) for different population groups. As these options all provide a degree of improvement, impacts are discussed together.

Māori and Pacific peoples

⁹ Note these are the total numbers of recipients, not just the additional numbers of recipients from this change.

Options two, § 9(2)(f)(iv) are likely to be beneficial for Māori and Pacific Peoples as a disproportionate number of sole parents are Māori, and a disproportionate number of low-income workers identify as Māori or Pacific Peoples. As at December 2020, 34 percent of Childcare Assistance recipients identified as Māori and 8 percent identified as Pacific Peoples.

The proposal could also help address the disproportionate rates of material hardship experienced by Māori and Pacific children. Māori and Pacific children are about twice as likely to experience material hardship compared to New Zealand children overall. They are also significantly more likely to be in material hardship but not income poverty, and so may be more likely to benefit from this proposal which primarily impacts households above the income poverty thresholds.

Recent research commissioned by the Ministry for Women showed that some groups of mothers experience greater access issues than others – for example, Māori and Pacific mothers were two or three times more likely to experience issues accessing childcare than European mothers.

Women

Childcare is essential infrastructure that supports working parents, and in particular mothers (given that women are far more likely to take up caring roles). Women may find it difficult to return to work after having children, as their work opportunities can erode over time, and this is often exacerbated by a lack of suitable, affordable childcare. When parents are unable to access suitable, affordable childcare, mothers are more often the ones who take time out of the labour force to care for children.

This proposal is likely to be particularly beneficial for women, who form the highest proportions of sole parents and of secondary earners. Current income thresholds cover a significant proportion of sole parents. § 9(2)(f)(iv)

Disabled people

According to Stats NZ, in the year ended June 2020, disabled children were more likely than non-disabled children to be in low-income households, and one in five disabled children lived in material hardship (20.4 percent), which was more than double the rate of non-disabled children who lived in material hardship (10.1 percent).

Households with disabled people may benefit from this proposal, though the lower rates of employment of disabled people may reduce this impact.

Stakeholder engagement on options

No consultation has been carried out on these specific options. However, we know from repeated discussions with the National Beneficiary Advocates Consultative Group (NBACG) that income thresholds are a barrier for parents in accessing Childcare Assistance. Analysis of Ministerial correspondence received over the last five years also shows that income thresholds are a common source of complaint by parents and caregivers.

The Welfare Expert Advisory Group in their report *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand* recommended considering increasing income thresholds to provide greater subsidisation of childcare costs for low and middle-income working families and to ensure that effective marginal tax rates for these families are not too high. These

recommendations were based on a comprehensive and inclusive engagement process carried out in 2018.

How do the options compare to the status quo/counterfactual?

	Option One – Status Quo: income thresholds annually indexed to net average wage	Option Two – Catch-up for wage increases since 2010 (April 2023 implementation)
Expanded coverage	0	7,400 additional children (CCS) 2,900 additional children (OSCAR)
Labour market participation by parents	0	+
Participation in early childhood education	0	+
Child wellbeing	0	+
Fiscal impact	-	+++ \$44.646m in 2023/24 (Both Childcare Subsidy and OSCAR Subsidy) Implementation costs included
Implementation feasibility	0	+++ The operational impact of increased applications (36% increase) would be relatively small
Overall assessment	0	+



What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

s 9(2)(f)(iv) [Redacted]

Option Two has been selected as the preferred option at this time by Ministers. Option Two provides a significant increase in eligibility, s 9(2)(f)(iv) [Redacted]

s 9(2)(f)(iv) [Redacted]

What are the marginal costs and benefits of the option?

Affected groups <i>(identify)</i>	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Regulated groups	Recipients of Childcare Assistance (parents, caregivers)	Low.	High. The increased thresholds will reduce childcare costs for affected families and will not create any new costs.
Regulators	MSD and Work and Income – cost of implementation to make required changes (IT, training, communications etc)	Increased expenditure on subsidies: \$39.405m (2023/24) Implementation costs: \$5.241m (2023/24)	Medium confidence in expected annual expenditure. Costs have been forecast to the best of MSD's ability, however, are dependent on assumptions regarding take-up levels. High confidence in implementation costs.
Others (eg, wider govt, consumers, etc.)	N/A		
Total monetised costs		\$44.646m (2023/24)	High
Non-monetised costs	New recipients of Childcare Assistance will need to complete application forms. Impact on ECE and OSCAR provider staff adjusting to new thresholds and increase in clients.	Low. System is already in operation.	High
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Providing more affordable childcare could directly contribute to lower	High Parents of approximately 7,400	High

	material hardship rates by reducing cost pressures on household budgets for low- and middle-income families. It could also indirectly contribute to reducing the number of children in income poverty and material hardship by supporting parental labour market participation.	additional children will be eligible for the Childcare Subsidy and parents of approximately 2,900 additional children will be eligible for the OSCAR Subsidy (on average over a month)	
Regulators	Enhanced support for Childcare costs could assist MSD with broader goals of supporting people into sustainable employment.	Low	Medium
Others (eg, wider govt, consumers, etc.)	Supports the Government's objectives to: overhaul the welfare system; implement Employment Action Plans; deliver the Child and Youth Wellbeing Strategy.	High	High
Total monetised benefits	No costings available for monetised benefits.		
Non-monetised benefits	Reduces costs for low- to middle-income households and supports labour market participation.	High	High

Section 3: Delivering an option

How will the new arrangements be implemented?

The changes can be made by the Governor General through regulations by Order in Council pursuant to s424(2)(c) of the Social Security Act 2018. Income thresholds are outlined in Schedule 2 of the Social Security Regulations 2018.

MSD already delivers Childcare Assistance, and there are already income thresholds in place as part of the eligibility criteria. This proposal will adjust the levels of the income thresholds. This is a relatively simple change as MSD regularly implements changes to rates and thresholds of this nature annually as part of the Annual General Adjustment. The increase to income thresholds will be implemented by the Ministry of Social Development alongside the Annual General Adjustment.

Updates to MSD's IT system will be made in March 2023.

The effective start date for the change will be 3 April 2023 (as changes to Childcare Assistance must start from a Monday).

Processing Childcare Assistance applications is relatively complex and requires significant manual work. Expanding eligibility will result in a requirement for additional staff. Funding is being sought for these costs through the Cabinet paper.

Communications

MSD will contact current recipients of Childcare Assistance to explain the changes and indicate that they may be affected.

MSD has existing relationships with ECE and OSCAR providers who receive the subsidy payments. We will inform providers about the upcoming change and seek their assistance in communicating to parents at their centres.

Changes to the thresholds would be announced via the Ministry of Education's Early Learning Bulletin to ECE providers.

We understand that the Government intends to announce the change, which will assist in raising awareness with the public ahead of time. We will prepare messaging for the MSD website and staff to assist with communicating the change.

How will the new arrangements be monitored, evaluated, and reviewed?

MSD will remain the overall steward of Childcare Assistance and its enabling legislation.

Sufficient data is already collected regarding the usage of Childcare Assistance to make monitoring the effects of this change possible. Extra data collection will not be required.

We expect that numbers would increase gradually from April 2023 as the changes take effect and more parents are eligible. Overtime, we would expect to see numbers to increase.

There is no planned evaluation of the proposed change at this time.