

# 8

## The case of New Zealand

---

This case study provides an overview of recent trends in income inequality in New Zealand and discusses how distributional analysis is considered within government as part of the budget process, as well as how the various frameworks of different organisations within government consider distributional issues. It discusses the practices currently in place in the country, how they are set up in the country's public expenditure frameworks, and how they are supported at the technical level, through the range of models, and data tools that are utilised in policy practice.

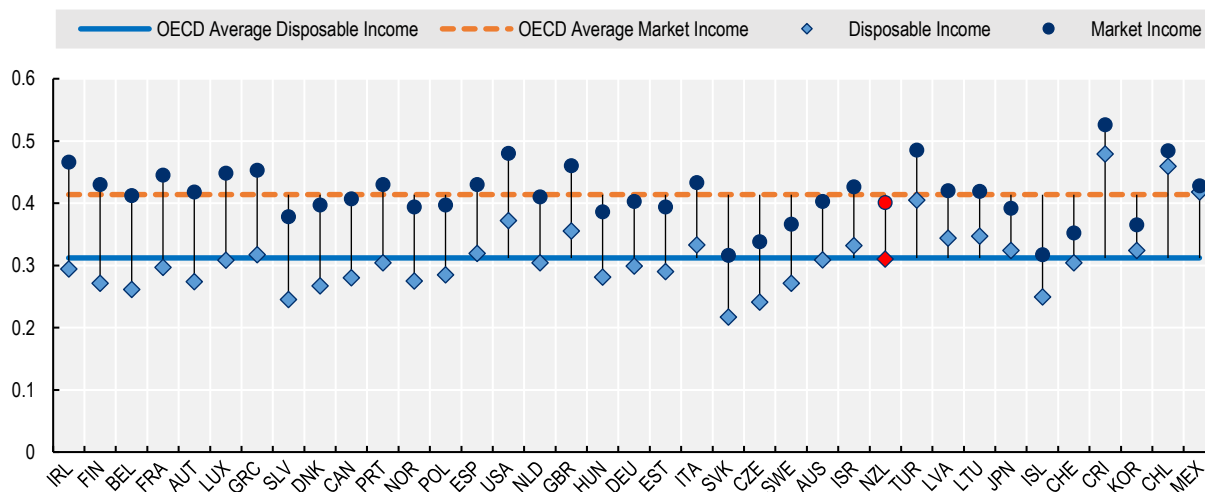
---

## 8.1. An overview of recent trends in inequality in New Zealand

New Zealand ranks below the OECD average for the impact of taxes and transfers on income distribution, and its market income distribution is slightly less unequal than in other OECD countries. In 2020, New Zealand had a Gini coefficient of 0.401, which went down to 0.31 after taxes and transfers – a 0.091 decrease, compared with the OECD average decrease of 0.102 (Figure 8.1). As a result, average disposable income inequality is very close to OECD average.

**Figure 8.1. Differences in household income inequality**

Gini coefficients for income pre- and post-tax and government transfers, 2019



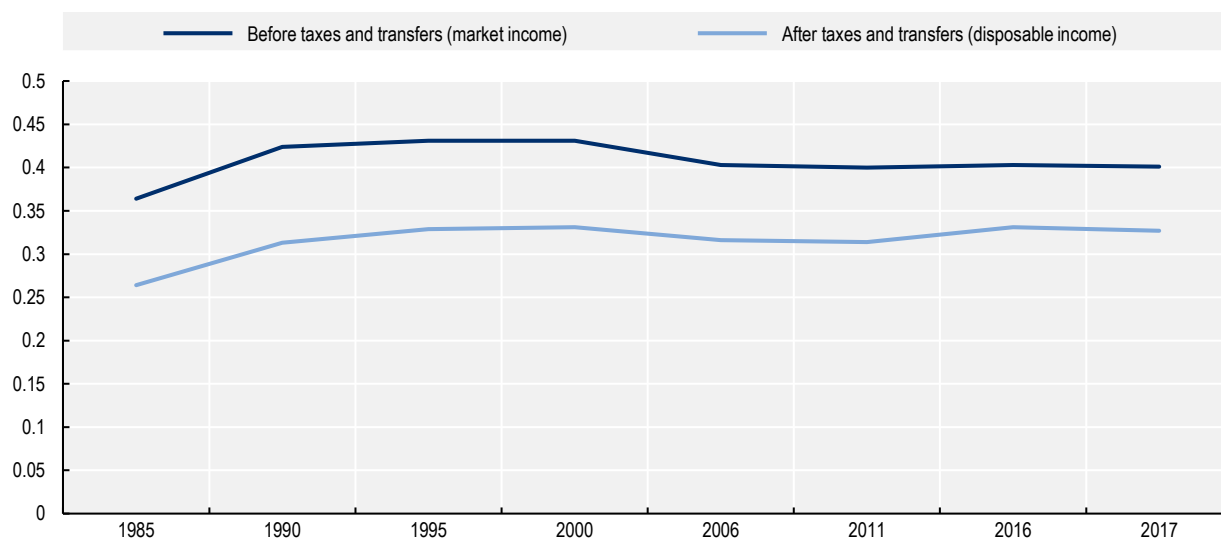
Notes: Countries are ranked from the highest to the lowest difference in the Gini coefficients for average market incomes (before) and disposable income (after taxes and transfers). Before taxes and transfers data for Mexico are post taxes but before transfers. The latest data refer to 2019 for all countries except Costa Rica and the United States (2021); Australia, Canada, Latvia, Korea, Mexico, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom (2020); Ireland, Italy, Japan and Poland (2018); Chile, Iceland and South Africa (2017). No data available before 2018 for Belgium and Japan or before 2015 for Luxembourg and South Africa. Earlier data for Brazil, Chile, Estonia, Sweden and the United States are from 2013.

Source: OECD Income Distribution Database

Market income inequality rose steadily throughout the 1980s and early 1990s, after which it saw a gradual yet steady decline. Disposable income followed a very similar pattern, although between 2011-2016 its Gini coefficient increased more rapidly than market income, implying that the reduction of income inequality via taxes and transfers was less impactful in this time period (Perry, 2019<sub>[1]</sub>).

## Figure 8.2. Income inequality over time, households

Gini coefficients for income pre- and post-tax and government transfers. Data every 5 years + 2017.



Source: (Perry, 2019<sup>[1]</sup>)

### 8.1.1. Gender inequality

Women interact differently with the labour market to men, which can put women at an economic disadvantage. On average, women earn less than men, experience gender and ethnic pay gaps, are more likely to work in part-time work or be underutilised, undertake a disproportionate share of caring and family responsibilities, and are more likely than men to experience discrimination, harassment or bullying in the workplace.

Women's increased labour market participation has long been a driver of economic growth in New Zealand and closing the gap between male and female employment rates would boost New Zealand's GDP by an estimated 10% (Manatū Wāhine Ministry for Women, 2021<sup>[2]</sup>). Women's participation in the labour force has increased from 54.3% to 70.3% from 1991 to 2021 (Manatū Wāhine Ministry for Women, 2021<sup>[2]</sup>).

The gender pay gap is a high-level indicator of the difference between women and men's earnings. The OECD reported that New Zealand's gender pay gap in 2021 was 6.7% (see Figure 8.3).<sup>1</sup> The gender pay gap has reduced since 1998 (when it was 11.4%). The gender pay gap has remained relatively unchanged since 2017, when it was around 7.2% (Stats NZ).

The gender pay gap is greater for those of different ethnicities. The Ministry for Women in New Zealand regularly reports on the gender and ethnic pay gaps, using data from Statistics New Zealand. In 2022, the pay gap for Māori and Pacific women was over double that of women of European descent (see Table 8.1). The gender pay gap is also higher for Asian women and women with disabilities. In 2022, disabled women's pay gap with disabled men was 3.8%. The pay gap with non-disabled men was much higher, at 19.0%.

**Table 8.1. National gender and ethnic pay gaps, 2022**

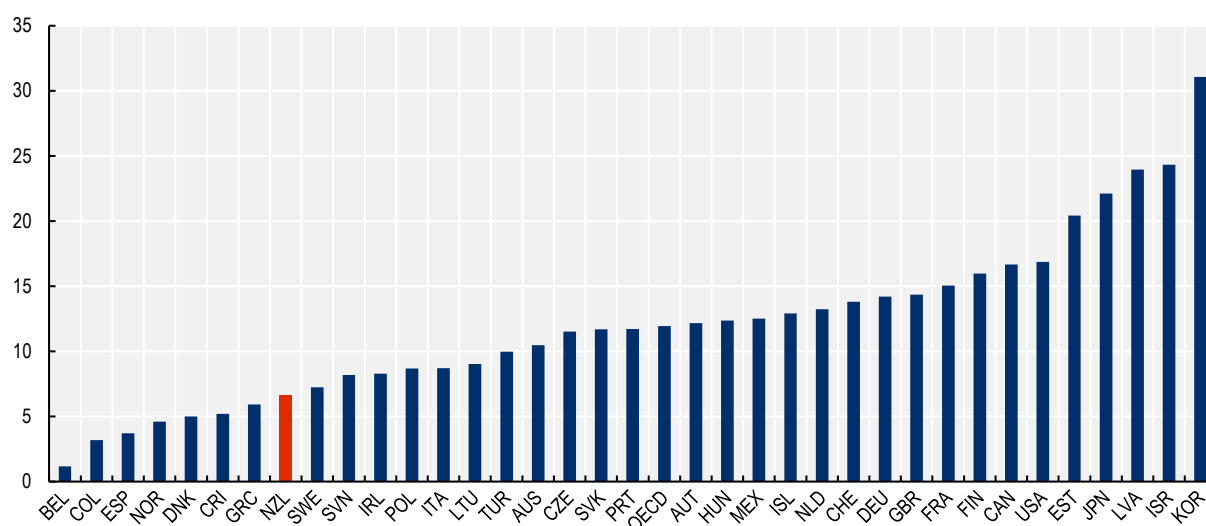
Women's Ethnicity	Median Hourly Earnings	% GPG from all Men's Earnings	Difference from Men's Earnings
European	USD 28.90	6.3%	USD 1.95
Māori	USD 26.00	15.7%	USD 4.85
Pacific	USD 26.00	15.7%	USD 4.85
Asian	USD 27.33	11.4%	USD 3.52

Note: Note that these figures are calculated in New Zealand as the difference between the median hourly pay of all male and female workers (full time and part time workers)

Source: Stats NZ. Labour market statistics (income): June 2022 quarter.

**Figure 8.3. New Zealand has a gender pay gap below the OECD average**

Difference between median earnings of men and women relative to median earnings of men: full time employees only, 2021 or latest available data



Note: Data for Belgium, Switzerland, Germany, Denmark, Finland, Hungary, Italy, Poland and Portugal are from 2020. Data from Greece and Israel are from 2019. Data from Ireland, Iceland and Slovenia are from 2018.

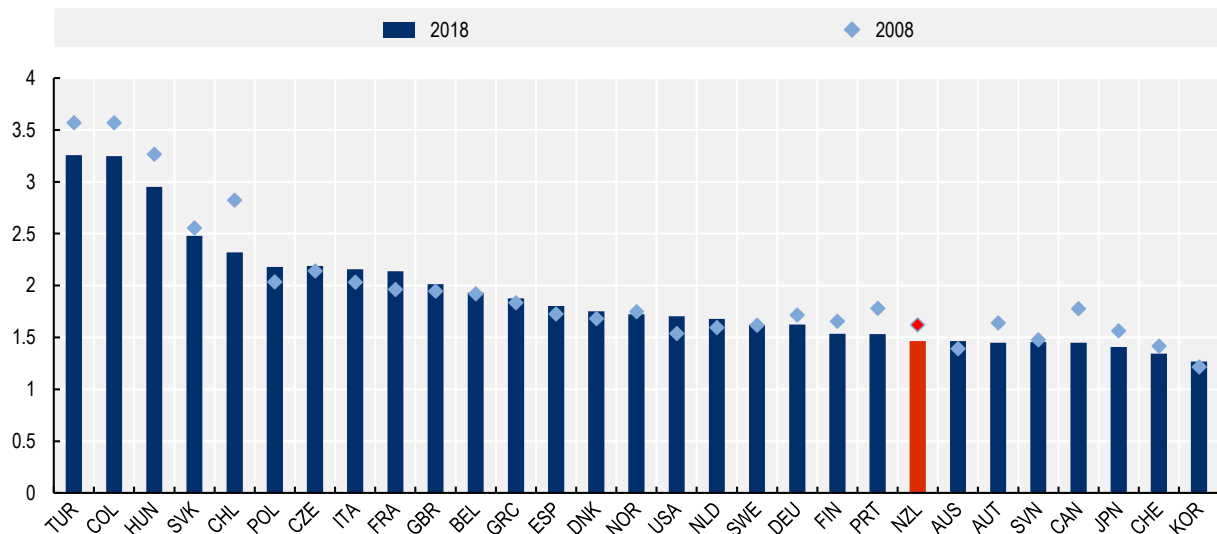
Source: OECD.Stat

### 8.1.2. Regional income inequality

As of 2018, GDP per capita in the richest 20% of New Zealand's regions was 1.465 times higher than the poorest 20% of its regions, a lower regional disparity than many other OECD countries (Figure 8.4). This gap has declined over the past decade – in 2008, this richest fifth had a GDP per capita 1.62 times higher than the poorest fifth. This can be attributed in part to high productivity growth in the agricultural sector, and as such a less pronounced division between incomes in cities and provincial areas than other countries. Furthermore, New Zealand has a relatively mobile workforce, and has historically been prepared to move from areas of high unemployment to low unemployment, thus evening out unemployment across regions (Whiteford, 2014<sup>[3]</sup>).

**Figure 8.4. Index of regional disparity in GDP per capita**

Ratio of the 20% richest regions over the 20% poorest regions

Source: (OECD, 2022<sup>[4]</sup>)

## 8.2. Budgeting frameworks related to inequality and well-being

This section is split into several subsections. The first sections provide an overview of the role of the Treasury. In the case of New Zealand, this includes developing an overall Living Standards Framework and He Ara Waiora, to enhance the quality of policy advice. The second section highlights how the sixth Labour Government drew on the Treasury's LSF, and on He Ara Waiora, to support its well-being approach to budgeting, and to reflect on the implications for the budget process, highlighting the use of distributional analysis within it. It also highlights the recent piloting of gender-responsive budgeting. The subsequent subsections explain the role of several other relevant government organisations concerned with distributional analysis.

### 8.2.1. The Living Standards Framework and He Ara Waiora

The Treasury developed the Living Standards Framework (LSF) to enhance the quality of its policy advice to Governments on improving the living standards of New Zealanders. The framework enables the Treasury to consider the wider impacts of policies systematically, based on evidence, thereby ensuring that its advice is well-informed and comprehensive.

In 2021, a new version of LSF was released.<sup>2</sup> This version removed references to well-being domains as current well-being and capitals as future well-being, with both relevant to both current and future well-being. Instead, it defines the well-being domains as capturing the microeconomic distribution of experiences and wealth across individuals and groups, while the capitals (now called the aspects of wealth) capture the macroeconomic aggregation of wealth across the whole country.

This LSF is split into three levels:

1. **“Our Individual and Collective Wellbeing”** includes the twelve aspects of New Zealander’s lives that have been developed through an iterative process of research, and public engagement with people across Aotearoa New Zealand, and in response to the emerging international and New Zealand literature as being important for the well-being of individuals, families, whanau and communities.
2. **“Our Institutions and Governance”** recognises the role institutions<sup>3</sup> and organisations play in facilitating the well-being of individuals and collectives.
3. **“The Wealth of Aotearoa New Zealand”** captures overall wealth, including non-financial measures of wealth such as human capability and the environment.

The framework is based on the OECD’s *How’s Life/Better Life* model. However, the OECD views the four types of capitals as factors of production used to produce well-being outcomes whereas the Treasury describes them as aspects of New Zealand’s wealth (and calls them financial and physical capital, human capability, social cohesion and the natural environment), recognising that the value of these goes beyond their role as factors of production. Both the OECD’s model and the Treasury’s framework emphasise the importance of looking at the distribution of outcomes across the population, and across different sub-populations such as age, gender, ethnicity, and regional distribution. Furthermore, they both highlight that maintaining well-being over time in a sustainable manner requires preservation of the capitals / the four aspects of wealth. The Treasury also adapted several components of the OECD model to better capture the distinctive nature of well-being in New Zealand. This adaptation involved including culture as underpinning all aspects of wealth and the inclusion of the ‘Our Institutions and Governance’ level to the LSF. It also involved revisions to the LSF domain to better reflect children’s well-being and well-being in te ao Māori and Pacific cultures (e.g., by introducing the concept of collective well-being and redefining many of the domains). It also includes subjective well-being as a well-being domain.

Culture was added and placed at the bottom of the framework (see Figure 8.5) to emphasise that all aspects of wealth, institutions and well-being are cultural, and thus culture is relevant for every part of the framework.

The framework also includes four analytical prompts – distribution, resilience, productivity, and sustainability. The distribution prompt encourages the analysts to consider distribution impacts of any investment or policy suggestion. As one dimension of distribution, gender is a cross cutting issue to the LSF and does not map to one domain in particular (New Zealand Treasury, 2017<sup>[5]</sup>). The resilience prompt encourages consideration of how well individuals and communities are able to absorb future physical and economic shocks. The productivity prompts invites consideration as to how effectively wealth is being used to generate well-being and things of economic value, and the sustainability prompt encourages consideration of whether national wealth is being used sustainably (New Zealand Treasury, 2021<sup>[6]</sup>).

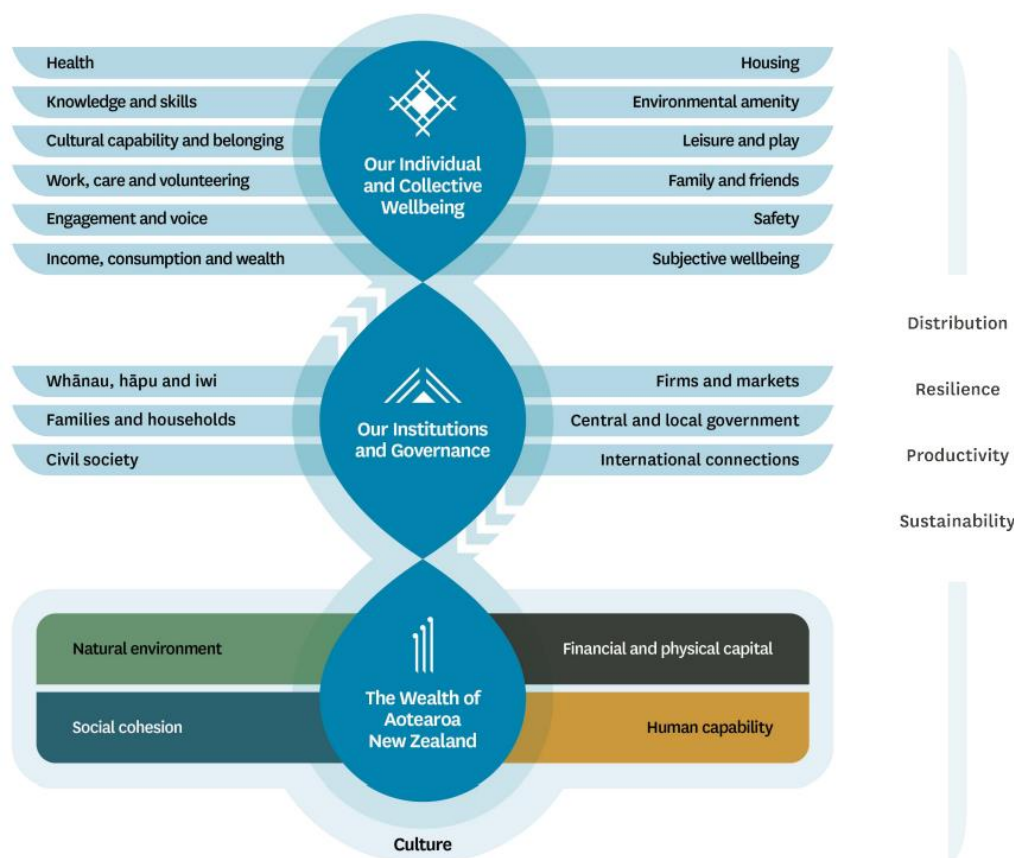
The LSF Dashboard<sup>4</sup> is a measurement tool that informs the Treasury’s well-being reporting and supports its advice to Ministers on priorities for improving well-being. An initial version of the LSF Dashboard was consulted on from June 2018, and after receiving feedback from a range of private organisations, NGOs, academics and government agencies, was released in December 2018. The LSF Dashboard currently assembles 96 indicators across the 12 well-being domains, the six institutional spheres and the four aspects of wealth. Where available, it provides international comparisons and distributional breakdowns across ethnicity, age, gender, and places. It predominantly draws from Statistics New Zealand data for its existing domains and also draws on OECD data in order to show how New Zealand compares with other countries.

The Dashboard is updated every six months. In 2022, the LSF Dashboard was refreshed to align with the 2021 version of the LSF. This refresh involved adding, moving and removing several indicators in order to better align with the redefined domains, most notably in order to incorporate more child-relevant indicators and to include indicators for the new institutional level of the LSF (New Zealand Treasury, 2022<sup>[7]</sup>).

The Treasury emphasizes that the LSF Dashboard is not intended to provide the depth of quantitative and qualitative evidence needed for agency or sector policy analysis, and highlights that agencies, local government and non-government groups will want to develop their own well-being datasets (New Zealand Treasury, 2022<sup>[7]</sup>). Such datasets are present within many institutions – for example, the Ministry for the Environment reports on the state of different aspects of the environment every six months (Ministry For The Environment, 2022<sup>[8]</sup>), the Ministry of Education provides a variety of statistics, indicators and publications on their “Education Counts” website (Ministry of Education, 2023<sup>[9]</sup>), and the Ministry of Health provides annual updates on the health of New Zealanders using its Health Survey (Ministry of Health, 2023<sup>[10]</sup>).

Alongside the LSF, the Treasury uses He Ara Waiora, a complementary framework to help the Treasury understand ‘Waiora’, a word that roughly translates to ‘well-being’ in Māori (New Zealand’s indigenous population) language. He Ara Waiora presents a holistic, intergenerational approach to well-being and deepens the Treasury’s understanding of living standards. It highlights the importance of co-ordination and alignment, partnership, collective and strengths-based actions, and stewardship.

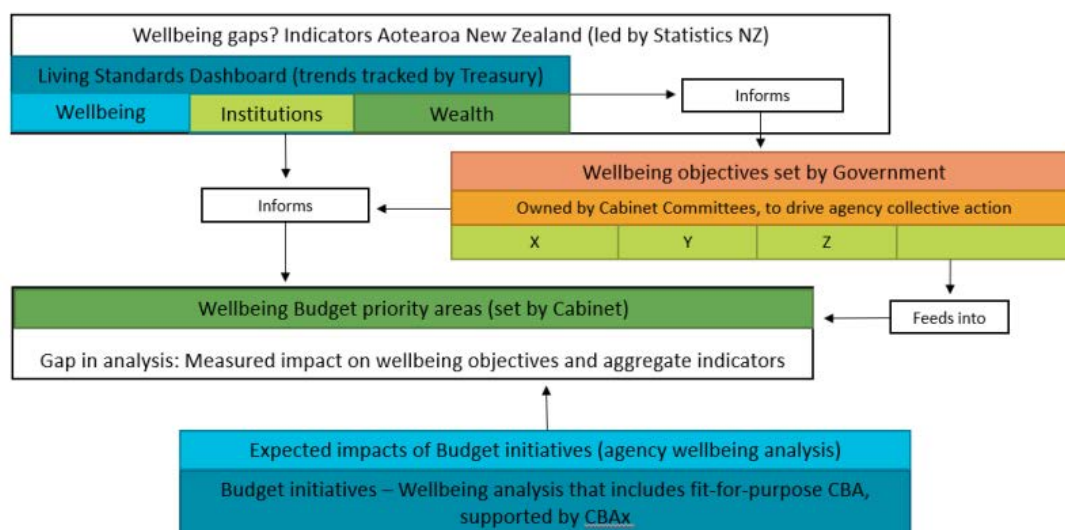
**Figure 8.5. The Treasury’s 2021 Living Standards Framework**



Source: (New Zealand Treasury, 2021<sup>[6]</sup>)

The Treasury suggests that LSF can be used both at a higher level in order to inform policy priorities, as well as at a micro level for the analysis of specific policy proposals and options (see Figure 8.6).

**Figure 8.6. Illustrative example of use of the LSF at different levels.**



Source: (New Zealand Treasury, 2022<sup>[11]</sup>)

### 8.2.2. The budget process

Te Tai Ōhanga The Treasury is the main organisation responsible for management of the budget process, which includes preparing the annual budget as well as assessing and providing advice on the outcomes and impact of the various policies within it.

The sixth Labour Government drew on the Treasury's LSF, and on He Ara Waiora, to support its well-being approach to budgeting. The LSF was embedded in the budget templates and guidance, asking agencies to identify the key benefits with reference to the relevant well-being domain(s) from the LSF. During the assessment phase, Treasury Vote Teams would consider to what extent the initiative positively impacted the well-being domains of the LSF, considering the synergies and trade-offs between different initiatives.

The first phase in the budget process is the strategic phase, which ordinarily occurs from June to September. Here, the Treasury provides advice to the Minister of Finance on an overall budget strategy, including priorities for spending. Decisions by Ministers here are reflected in the Government's Budget Policy Statement (BPS), which is required to be tabled in Parliament no later than 31 March but is generally published in December the previous year, so as to have enough time to modify and adapt the document if any sudden changes arise. The Public Finance Act requires the Government to state the well-being objectives in the Budget Policy Statement which will guide Budget decisions, and to explain how those well-being objectives relate to and are intended to support long-term well-being in New Zealand. The Treasury draws on the LSF and He Ara Waiora in providing advice on these well-being objectives.

Between September and December, agencies develop initiatives using this guidance issued by the Treasury and explain how these initiatives will contribute to government priorities and well-being objectives. The LSF was embedded in the budget templates and guidance by asking agencies to identify the key benefits with reference to the relevant well-being domain(s) from the LSF. Agencies were also asked to consider the impact of their initiative in relation to some of the elements of He Ara Waiora,



The assessment and decision-making phase occurs from January to April. The Treasury reviews and advises the Minister of Finance on the Budget initiatives submitted by agencies. During the assessment phase, Treasury Vote Teams considered to what extent the initiative will positively impact the well-being domains of the LSF, considering the synergies and trade-offs between different initiatives. Once senior Ministers have considered and taken decisions on Budget initiatives, they put forward a Budget package to Cabinet for a final decision.

Following Cabinet's decisions, a subsequent phase occurs where the Treasury and agencies prepare the Wellbeing Budget, the main document for Budget Day. This document includes explanations of any new investments' impacts on well-being, as well as an outline of the Wellbeing Approach used for the Budget and an overview of New Zealand's current state of well-being. The Wellbeing Budget is published alongside a range of documents, including estimates of government expenditure and the government's financial position over a medium-term horizon, and includes a report on child poverty (see Box 8.1).

The final phase involves obtaining Parliamentary support for the Government's Budget package. This includes examination of all financial estimates by the appropriate Select Committee. All budget documents are tabled in Parliament, helping to inform debate.

During the initiative development phase, which occurs between September and December, when preparing and submitting Budget initiatives, all departments are asked about the distributional impacts of the initiative (for example, whether the initiative will have a positive impact on the environment, Māori and Pacific people, or women and girls). Departments use data and anecdotal evidence to support this distributional analysis. Departments are also asked to explain how the initiative aligns with Government priorities, which are informed by its enduring well-being objectives.

Departments or Agencies must also state what they intend to achieve and justify any increases in appropriation. In most cases, the Department or the agency must also highlight how they expect their initiatives' performance to be assessed at the end of the year, including who will report on what was achieved, and in what document this report will be presented to the House of Representatives. Treasury analysts will use this analysis when evaluating the value for money of the initiative.

For example, for spending on Improved Employment and Social Outcomes Support, which aims to support New Zealanders receiving, or at risk of receiving, a benefit closer to independence, the Ministry of Social Development stated that performance information would be reported in the Ministry of Social Development Annual Report (Various Ministers, 2021<sup>[12]</sup>). The report also highlighted that while a deeper and long-lasting economic shock may have been prevented, COVID-19 had a disproportionately negative effect on some groups more than others. These groups included young people, Māori, Pacific peoples and women, where pre-existing inequalities in the labour market were exacerbated and which the budget is intended to help. (New Zealand Treasury, 2021<sup>[13]</sup>).

### *Stewardship reports*

The Treasury also produces a number of periodic reports. Among those most relevant to distributional analysis is a statement on the long-term fiscal position of the government, which is published at least once every four years and examines economic trends and potential policy impacts over a 40-year horizon. The most recent publication was in 2021, and used both the Living Standards Framework and He Ara Waiora (see "Tools for assessing the distributional impacts of budget decisions" section for more information) to consider the distributional impacts of potential policy choices – for example, it highlighted that a decision to reduce the growth rate of retirement payments would have the largest impact on those close to retirement, as they would have the least time to adjust to this change. (New Zealand Treasury, 2021<sup>[13]</sup>).

In 2020, the 1989 Public Finance Act was amended to require the Treasury to produce a well-being report at least once every four years. The first of these reports, named Te Tai Wairoa, was first published in 2022, and provides an overview of well-being in New Zealand, how it has changed over time, and its resilience

and sustainability. It uses the Living Standards Framework and He Ara Waiora. It examines trends in each of the Living Standards Framework’s well-being domains (see “Tools for assessing the distributional impacts of budget decisions” section for more information) and compares these to OECD averages (New Zealand Treasury, 2022<sup>[14]</sup>). Most notably, it examines the distribution of well-being in New Zealand, highlighting trends in income inequality and suggesting some reasons for these trends, as well as highlighting differences in well-being levels of various major subpopulations, including differences in gender, age, ethnicity, and those with disabilities (New Zealand Treasury, 2022<sup>[14]</sup>). The report explores the sustainability of well-being through the lens of the four aspects of wealth. The findings of the report led the Government to refine its well-being objectives relating to the future of work and physical and mental well-being in the 2023 Budget Policy Statement. They also informed the Treasury’s assessment of Budget initiatives and advice to the Government.

The Treasury also produces ad-hoc reports on a variety of topics, including distributional issues. Recent examples with a distributional lens have included an overview of trends in household income distribution in the past 15 years (Stephens, 2023<sup>[15]</sup>), an analysis of the impact of government taxation and expenditure on household income (Aziz et al., 2012<sup>[16]</sup>), age and gender dimensions of income distribution and fiscal incidence (Aziz and Gemmell, 2015<sup>[17]</sup>), and several others (Hyslop and Mare, 2001<sup>[18]</sup>), (Crawford and Johnston, 2004<sup>[19]</sup>).

### **Box 8.1. The Child Poverty Report**

Each year, the Government publishes a dedicated report on child poverty alongside the budget, as mandated under the Child Poverty Reduction Act 2018 (New Zealand Legislation, 2018<sup>[20]</sup>). This report must discuss any progress made in reducing child poverty and provide, wherever possible, consideration of how the measures in that year’s budget may affect child poverty, as well as projected rates of child poverty over the next four years.

The 2018 Act sets out nine child poverty measures – three of which are primary measures and six of which are supplementary. The three primary measures are: 1) The number of children in households with incomes much lower than a typical 2018 household, after housing costs have been paid and adjusting for the cost of living; 2) The number of children in households with much lower incomes than a typical household in the measurement year; and 3) material hardship, a measure which looks at the number of households going without the basics, and considers the impact of income level as well as other resources, such as the cost of essential items (New Zealand Treasury, 2023<sup>[21]</sup>).

In 2018, Statistics New Zealand received additional government funding in order to improve the Household Economic Survey, the data source for measuring child poverty. As a result, Stats NZ increased the sample size to 20 000 households, started to use administrative data for income rather than collect income directly from respondents, and improved the survey design in order to ensure good representation of lower socio-economic households (Statistics New Zealand, 2019<sup>[22]</sup>).

### *Gender budgeting*

Gender budgeting adds a valuable lens to the budget process and may offer some complementary perspective on distributional issues though it goes beyond income inequality as such. It is a powerful tool to understand how and to what extent different people will be affected by Budget initiatives and Government spending decisions, depending on their gender. New Zealand introduced gender budgeting in 2021 for Budget 2022, and is progressing this work on a year-by-year basis.

In 2021, the Minister of Finance, Minister for Women and Minister for Social development agreed to pilot a gender budgeting programme for Budget 2022. Manatū Wāhine Ministry for Women and The Treasury

ran this pilot between September 2021-May 2022, focusing on *ex ante* gender impact assessments (Manatū Wāhine Ministry for Women, 2022<sup>[23]</sup>) Six participating Government agencies working in education, employment and training areas applied a gender lens across 19 budget initiatives, by completing a gender assessment template (GAT) as an annex to the Budget template. Agencies identified and assessed the impacts of Budget initiatives on women and girls, particularly for Māori women and girls, alongside alignment to the Government's Wellbeing Objectives.

The Pilot found that 100% of participating initiatives would impact on women and girls (directly or indirectly), particularly for wāhine Māori and Pacific women. Nearly half (47%) identified a disproportionately positive impact for women and girls. 94% highlighted an impact for wāhine Māori – 56% of which was a disproportionately positive impact.

Following the pilot's success, a second gender budgeting exercise was conducted for Budget 2023, similarly using gender impact assessments. Manatū Wāhine provided additional support to agencies for the second Exercise through a 'Gender Budgeting Toolkit'. The toolkit included: an additional guide (separate to the Budget guide) for agencies, group gender analysis workshops, 1:1 support, a peer-review service, and the *Bringing Gender In* tool. 15 agencies were required to participate in the Exercise for budget 2023 – more than double the original pilot.

Participating agencies completed additional gender analysis on their Budget initiatives by identifying and articulating the impacts on diverse groups of women and girls, (whether direct, indirect or negative), through both qualitative and quantitative insights and with gender-disaggregated data where possible. The gender assessments were reviewed by Manatū Wāhine and incorporated into the Treasury's Vote Analysts' overall assessments and ratings, and provided to Ministers to support decision making. In addition, Budget 2023 included for the first time a gender budgeting snapshot, which highlighted a range of initiatives that were identified as having direct positive impacts on women and girls.

### **8.2.3. Te Manatū Whakahiato Ora, the Ministry of Social Development**

The Ministry of Social Development (MSD) is the main organisation in New Zealand responsible for providing social services, including financial assistance for those who are unemployed or have low incomes, as well as housing support, child welfare and disability support.

In 2019, the Welfare Expert Advisory Group released a series of recommendations for the MSD, including that they should begin annually reporting after-tax and abatement earnings for those receiving financial support by ethnicity, gender, location, health conditions, disabilities, and number and age of dependent children, thereby helping them better understand the distribution of their services. In order to enact this recommendation, MSD have designed a new dataset looking at the full range of financial support received by MSD clients receiving main benefits, and have stated an intention to develop an annual publication using this dataset in the future (Ministry of Social Development, 2022<sup>[24]</sup>). This report aims to improve transparency and increase public understanding of income trends for MSD clients, as well as to help MSD monitor whether payment levels in the income support system are increasing or decreasing over time.

The dataset, which uses MSD administrative data, employs a 'total incomes' reporting approach, which in most cases accounts for housing costs. The dataset covers families who received an income-tested benefit from 2006 onwards and breaks down these figures by the factors listed above, as well as by different family types. It reports income distribution across these family types, finding that single clients have the lowest variation in total income, while families with multiple children have the largest variation. It also reports on which benefits the highest-earning recipients are receiving (Ministry of Social Development, 2022<sup>[24]</sup>).

Up until 2019, the MSD also produced an annual household incomes report<sup>5</sup> using HES data (see "Data and Information Infrastructure" section for more detail). This report was used to inform policy development both within and outside of MSD, as well as to contribute to discussion and debate by stakeholders outside of government. Unlike the planned publication described above, the incomes report uses both gross and

disposable household income measures, covers a wide range of income distribution themes including inequality and low-income rates for different population groups, sets New Zealand outcomes in an international context, and highlights the impact of selected policies on income distribution – for example, highlighting that the 2004 Working for Families package, which provided various tax credits for families, caused the incomes of households below the median to grow faster than the incomes of those above the median for the first time in 25 years (Perry, 2019<sup>[1]</sup>). This report is used extensively within government agencies, predominantly due to its comprehensive information on household income distribution.

#### **8.2.4. The Social Wellbeing Agency**

The Social Wellbeing Agency (SWA) is a departmental agency working on complex social sector issues that span across other social sector agencies. It was founded in 2017 (as the Social Investment Agency) to help social sector agencies better understand and meet the needs of the most at-risk New Zealanders and communities. The SWA is actively engaged with the Integrated Data Infrastructure (IDI) held by Statistics New Zealand, as it has used it for its own purpose and shared certain codes and tools (e.g., data assembly tool) that they have developed.

Following Cabinet decisions in late 2019, it had its mandate refreshed to an approach centred on people, with emphasis on broader measures of well-being that inform social sector agencies on whether people are leading full, meaningful lives. As part of this refresh, SWA was given two broad functions:

1. Providing cross-social system advice and supporting the social sector with cross-system work; and
2. Creating insights, tools, and practices that improve cross social system decision making and ultimately social well-being.

SWA thus serves as the ‘glue’ for social sector co-ordination and enables a strategic cross-sector approach. It has a degree of separation from individual agency operational pressures, but still has a range of relationships with different parts of the social sector. It is able to deliver actionable advice and insights that help key social sector decision makers to understand complex social issues and how they might address them.

Recent work from SWA has included insights on COVID-19 vaccination patterns, how government debt affects people’s lives, the well-being of older people, youth crime and gang harm, and children with high and complex needs.

#### **8.2.5. Te Puni Kōkiri**

Te Puni Kōkiri (TPK), also known as the Ministry of Māori development, is the government’s key advisory body on Māori well-being. In 2020, TPK set forward its refreshed strategic framework, which highlights how its nine focus areas connect with its strategic priorities, role, purpose, and vision. One of these focus areas concerns the monitoring of Māori well-being and ensuring that public services perform well for them. To this end, TPK is currently developing a set of indicators for measuring how the public sector enables Māori well-being in a number of sectors, the results of which will be compiled into a public sector performance report (Te Puni Kōkiri, 2020<sup>[25]</sup>).

#### **8.2.6. Oranga Tamariki**

Oranga Tamariki, also known as the Ministry for Children, is responsible for ensuring that all tamariki (children) are in loving whānau (groupings of families, kinship, and connection) and communities, where oranga tamariki (child well-being) can be realised. It supports the delivery of a multi-agency Action Plan whose responsibility stretches across six children’s agencies, including MSD, and is supported by many more. This Action Plan comprises 11 actions, which highlight, among other things, that Oranga Tamariki

must undertake in depth assessments of the needs of children and young people, and develop an indicator dashboard to allow for evidence-based discussions on progress. (Oranga Tamariki, 2023<sup>[26]</sup>).

Oranga Tamariki also provides a quarterly report, which looks at how it is performing in relation to its Outcomes Framework – a document that highlights its key goals (including reducing the number of children in state care or custody), and how it plans to achieve them. This report breaks down all its data by gender, ethnicity, and age (Oranga Tamariki, 2022<sup>[27]</sup>).

### **8.2.7. Manatū Wāhine Ministry for Women**

Manatū Wāhine Ministry for Women is the Government’s principal advisor on improving the lives of women (wāhine) and girls (kōtiro). Manatū Wāhine has four strategic outcomes: 1) Wāhine Māori have improved outcomes (which encompasses the other three outcomes); 2) social and economic well-being (all wāhine women and kōtiro girls enjoy economic security and thrive throughout their lives); 3) participation (all wāhine women and kōtiro girls fully participate in society) and 4) safety (all wāhine women and kōtiro girls are safe from all forms of violence.) (Manatū Wāhine Ministry for Women, 2023<sup>[28]</sup>)

In 2022, the Ministry for Women and Manatū Wāhine launched [Te Mahere Whai Mahi Wāhine: Women’s Employment Action Plan](#) to provide a roadmap towards a better future for women’s employment. It includes long, medium- and short-term actions to improve employment pathways for women, particularly those who are marginalised at work. Manatū Wāhine also provides an online tool, named *What’s my gender pay gap*, which helps users find out how the gender pay gap varies by occupation, industry and other factors (Manatū Wāhine Ministry for Women, 2023<sup>[29]</sup>).

Each year, Manatū Wāhine conducts a rapid gender assessment of the final Budget package, to assess the overall impacts on women and girls, which is provided to the Minister for Women. In 2022, Manatū Wāhine found that NZD 2.34 billion of Budget 2022 was likely to have a largely positive impact on women and girls, ranging from some positive impacts to strong, direct benefits ([Manatū Wāhine, 2022](#)).

## **8.3. Tools for assessing the distributional impacts of budget decisions**

### **8.3.1. Microsimulation modelling: The Tax and Welfare Analysis Model (TAWA)**

TAWA<sup>6</sup> is the Treasury’s in-house model of the New Zealand personal tax and transfer system, and is used extensively to estimate the costs and assess the distributional impacts of potential tax and welfare policies. For any Ministerial decision making on major income support policies, such as changes to core income support payments, TAWA is used to conduct distributional analysis. This analysis is routinely included in policy advice, and directly informs Ministerial decisions on any budget initiatives. It is also commissioned by various government agencies, including the Welfare Expert Advisory Group, and is used in academic collaborations in order to explore policy reforms. It has provided valuable information on welfare reform, including changes to programmes such as Working for Families (which provides tax credits to help with the costs of raising children), as well as evaluating the distributional impacts of the emissions trading scheme.

TAWA combines representative micro data on individuals with either historical, projected, or hypothetical tax and transfer policies to allow for comparisons of the impact of different policy settings. As it looks at both tax and transfer changes, it can also look at the interactions between the two. It is also able to analyse policy changes at the household, family and individual level. However, it is not able to model behavioural impacts. (New Zealand Treasury, 2018<sup>[30]</sup>).

TAWA has made substantial contributions to the measurement and analysis of child poverty. It has provided valuable advice on welfare reform, including significant changes to programmes like Working for

Families and child support pass-on. Furthermore, TAWA has been instrumental in understanding the distribution of wealth and expenditure.

### 8.3.2. CBAX

CBAX is an excel-based spreadsheet designed to support cost-benefit analysis (CBA) of budget and policy initiatives. It was first released in October 2015, and has since been updated annually to reflect the upcoming budget, most recently updated in October 2022. In a budget context, the tool is mostly used by the Treasury for supporting recommendations and advice on value for money, although it is also used across many social sector agencies.

CBAX includes the LSF well-being domains, so that agencies can identify, quantify, and where possible, monetise impacts. The CBAX guidance materials highlight the importance of distributional analysis, suggesting that any CBA should as a minimum set out significant positive or negative impacts for particular subgroups, and if necessary, undertake further analysis looking at the nature and magnitude of these impacts. The guidance also provides several prompts for considering the distributional impacts of policy options, including questions such as “is the proposal targeted specifically at a particular population group, and if not, will it have different impacts on different individuals and groups?” and “is there a group of people that has particularly low outcomes, and to what extent does the policy proposal reinforce these existing patterns?” (both paraphrased) (New Zealand Treasury, 2022<sup>[11]</sup>).

To undertake CBAX analysis, an agency first needs to define the policy and counterfactual, identify the portion(s) of the population that is(are) likely to gain and the portion(s) likely to lose, and identify the benefits and costs, allocated to specific time periods. For this process, the CBAX guidance materials strongly recommend that agencies use their own dedicated research teams, as well as consider if external organisations such as the SWA could help. The tool is then able to quantify the benefits and costs and compare them. This is an iterative process, where the outputs will provide further options which can then inspire alternate inputs.

In 2018, consulting firm NZIER was hired by the Treasury to review whether CBAX was improving the quality of budget initiatives. It found that the quality of advice had improved following the introduction of CBAX, mostly due to clearer definitions of issues, better identification of the target population, greater use of evidence, and greater transparency about assumptions. However, it also noted that the work for CBAX analysis posed a heavy burden of work on agencies, and underlined a failure to describe the counterfactual clearly and consistently. There was also a lack of understanding amongst some agencies on how to monetise some impacts, and inadequate guidance for dealing with these (NZIER, 2018<sup>[31]</sup>). The NZIER review led to greater focus on the front end of undertaking cost-benefit analysis, such as a clear intervention logic, and coverage of all of the impacts whether or not these were quantified or monetised.

### 8.3.3. Bringing gender in

In 2019, Manatū Wāhine Ministry for Women launched *Bringing Gender In* (BGI) is an online analysis tool to help policymakers explore the gender impacts of their policies. The tool has several stages, which encourage gender issues to be considered at multiple steps of the policy process, including in forming the policy issue, in developing the policy options, in consultation, in implementation, and in monitoring and evaluation. It provides several prompting questions, as well as links to potential data sources. It has drawn on Canada’s GBA+ framework, adapting it to New Zealand’s situation with relevant data and examples. In late 2022, Manatū Wāhine commenced a review of the tool to enhance its usability and increase the focus on Māori women and girls, to be re-launched in 2023.

## 8.4. Data and information infrastructure

### 8.4.1. Integrated Data Infrastructure

Integrated Data Infrastructure (IDI) is a database developed by Stats NZ, where they have taken the databases from various government agencies, non-government organisations, and Stats NZ surveys and combined them. The data is made anonymous and can only be used for non-commercial purposes. There are eight broad categories of data – health, education and training, benefits and social services, justice, people and communities, population, income and work, and housing. The data is split into core data, which is available to all researchers with an approved research project, and restricted data, to which access is granted on a case-by-case basis. The dataset is open to additions, and anyone can apply to have new data added.

While SWA operates as a user of the IDI, it has built up significant expertise and experience using the IDI to feed into social sector analysis and insights. SWA creates analytical tools and practices that support the data and analytics community across government including the Dataset Assembly Tool<sup>1</sup>, which standardizes and automates data preparation and dataset assembly, in order to help researchers who want to conduct data analysis do so more efficiently. (Social Wellbeing Agency, 2020<sup>[32]</sup>).

### 8.4.2. Data for microsimulation: TAWA

TAWA uses the Household Economic Survey (HES) as its input data. There can be some potential issues with this, including lack of certain information and sample size. This can lead to differences when comparing results using different HES survey years, as well as differences when comparing results with models that use administrative data (due to, for example, misreporting of benefits or income in the survey).

TAWA increases HES accuracy by modelling income support payments and tax credits, then calculating personal income tax. Up to 2017-18, Stats NZ merged this calculated information into the HES survey dataset, which was then used by Stats NZ, MSD and others to produce reports on various trends, including income inequality. This composite dataset is known as the HES-TAWA dataset. TAWA does not model self-employment and income from investment, so this is taken straight from the reported survey values. Since 2017-18, TAWA has also integrated administrative sources of income from Stats IDI. When administrative data is not available, the survey response has been used, although from HES 2019-20, much of this survey information is no longer collected. In these instances, the HES-TAWA dataset is now used (New Zealand Ministry of Social Development, 2022<sup>[33]</sup>).

From the 2018-19 HES onwards, Stats NZ started using administrative data for most of the income information, and calculated disposable income themselves, rather than relying on the Treasury's TAWA estimates. Tax data from Inland Revenue and data from MSD on benefits paid has been used to provide salary, wages and benefit income. These datasets are called HES-Admin, and have been available for report use since 2019. The use of administrative data has improved income information available for HES analysis, as it reduces misreporting issues, and avoids the need to make take-up assumptions. However, there are still some remaining issues – notably that it is not always possible to match 100% of the administrative data to HES respondents, and there are also some timing mismatches between IR income and HES time frames. (New Zealand Ministry of Social Development, 2022<sup>[33]</sup>). TAWA also projects HES data into future years, using CPI-based indicators.

### 8.4.3. Data for modelling: MSD Benefit Simulation

The projection model used by MSD for benefit simulation is processed by Taylor Fry, an analytics and actuarial consulting firm operating in New Zealand and Australia. It uses SAS datasets supplied directly by MSD on the public benefit and public housing systems, as well as various other data files looking at

sentences served, child protection, and education. It also uses the Treasury’s fiscal projections to inform its own forecasting of economic variables. For some sections of the report, Taylor Fry also made use of IDI data, including data on healthcare usage (Taylor Fry, 2017<sup>[34]</sup>).

## References

- Aziz, O. and N. Gemmell (2015), “Income and Fiscal Incidence by Age and Gender: Some Evidence from New Zealand”, <https://onlinelibrary.wiley.com/doi/10.1111/roiw.12165> (accessed on 30 May 2023). [17]
- Aziz, O. et al. (2012), “The Effect on Household Income of Government Taxation and Expenditure in 1988, 1998, 2007 and 2010”, <https://ojs.victoria.ac.nz/pq/article/view/4411/3902> (accessed on 30 May 2023). [16]
- Crawford, R. and G. Johnston (2004), “Household Incomes in New Zealand: The impact of the Market, Taxes and Government Spending, 1987/88-1997/98”, New Zealand Treasury, <https://www.treasury.govt.nz/publications/wp/household-incomes-new-zealand-impact-market-taxes-and-government-spending-1987-88-1997-98-wp-04-20#abstract> (accessed on 7 July 2023). [19]
- Hughes, T. (2022), “Social Investment (in Wellbeing?)”, <https://ojs.victoria.ac.nz/pq/article/view/7709/6860> (accessed on 7 July 2023). [36]
- Hyslop, D. and D. Mare (2001), “Understanding Changes in the Distribution of Household Incomes in New Zealand between 1983-86 and 1995-98”, New Zealand Treasury, <https://www.treasury.govt.nz/publications/wp/understanding-changes-distribution-household-incomes-new-zealand-between-1983-86-and-1995-98-wp-01-21> (accessed on 7 July 2023). [18]
- Manatū Wāhine Ministry for Women (2023), “Manatū Wāhine Ministry for Women: About Us”, <https://women.govt.nz/about-us> (accessed on 6 June 2023). [28]
- Manatū Wāhine Ministry for Women (2023), “What’s my Gender Pay Gap?”, <https://women.govt.nz/tools/whats-my-gender-pay-gap> (accessed on 6 June 2023). [29]
- Manatū Wāhine Ministry for Women (2022), “Review of the Gender Budgeting Pilot and next steps”, <https://women.govt.nz/sites/default/files/2022-08/Advice%202022.05.24%20Proactive%20Release%20of%20Review%20of%20the%20Gender%20Budgeting%20Pilot%20and%20next%20steps.pdf> (accessed on 26 July 2023). [23]
- Manatū Wāhine Ministry for Women (2021), “Women’s Employment Action Plan”, <https://women.govt.nz/news/womens-employment-action-plan> (accessed on 30 June 2023). [2]
- Ministry For The Environment (2022), “Environmental reporting”, <https://environment.govt.nz/facts-and-science/environmental-reporting/> (accessed on 26 July 2023). [8]
- Ministry of Education (2023), “Education Counts”, <https://www.educationcounts.govt.nz/home> (accessed on 26 July 2023). [9]
- Ministry of Health (2023), “New Zealand Health Survey”, <https://www.health.govt.nz/nz-health-statistics/surveys/new-zealand-health-survey> (accessed on 26 July 2023). [10]



- Ministry of Social Development (2022), “Total incomes of MSD main benefit clients as at April 2022”, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/working-papers/wp-total-incomes-of-msd-main-benefit-clients-as-at-april-2022.pdf> (accessed on 23 March 2023). [24]
- New Zealand Government (2018), *Our People, Our Country, Our Future - Living Standards Framework: Background and Future Work*, <https://www.treasury.govt.nz/sites/default/files/2018-12/lstf-background-future-work.pdf> (accessed on 13 March 2023). [38]
- New Zealand Legislation (2018), “Child Poverty Reduction Act 2018”, <https://www.legislation.govt.nz/act/public/2018/0057/18.0/LMS8294.html> (accessed on 29 June 2023). [20]
- New Zealand Ministry of Social Development (2022), *Child Poverty in New Zealand*, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/2022-child-poverty-report.pdf> (accessed on 20 March 2023). [33]
- New Zealand Treasury (2023), “Te Pōharatanga Tamariki Child Poverty Report 2023”, <https://budget.govt.nz/budget/2023/wellbeing/child-poverty-report/index.htm> (accessed on 29 June 2023). [21]
- New Zealand Treasury (2022), “CBAX Tool User Guidance”, <https://www.treasury.govt.nz/sites/default/files/2022-10/cbax-guide-oct22.pdf> (accessed on 20 March 2023). [11]
- New Zealand Treasury (2022), “Te Tai Waiora: Wellbeing in Aotearoa New Zealand 2022”, <https://www.treasury.govt.nz/sites/default/files/2022-11/te-tai-waiora-2022.pdf> (accessed on 23 March 2023). [14]
- New Zealand Treasury (2022), “The Living Standards Framework Dashboard”, <https://www.treasury.govt.nz/system/files/2022-03/lstf-dashboard-apr22.pdf> (accessed on 7 June 2023). [7]
- New Zealand Treasury (2021), “He Tirohanga Mokopuna 2021”, <https://www.treasury.govt.nz/system/files/2021-09/lstf-2021.pdf> (accessed on 23 March 2023). [13]
- New Zealand Treasury (2021), “The Living Standards Framework (LSF) 2021”, <https://www.treasury.govt.nz/publications/tp/living-standards-framework-2021-html> (accessed on 31 May 2023). [6]
- New Zealand Treasury (2018), “Tax and Welfare Analysis (TAWA) Commissioning Manual”, <https://www.treasury.govt.nz/sites/default/files/2018-09/tawa-commissioning-manual.pdf> (accessed on 20 March 2023). [30]
- New Zealand Treasury (2017), “Living Standards Framework”, <https://www.treasury.govt.nz/sites/default/files/2017-12/lstf-pres-13dec17.pdf> (accessed on 31 May 2023). [5]
- New Zealand Treasury (2012), “Improving the Living Standards of New Zealanders: Moving from a Framework to Implementation”, <https://www.treasury.govt.nz/sites/default/files/2012-06/sp-livingstandards-paper.pdf> (accessed on 8 June 2023). [37]

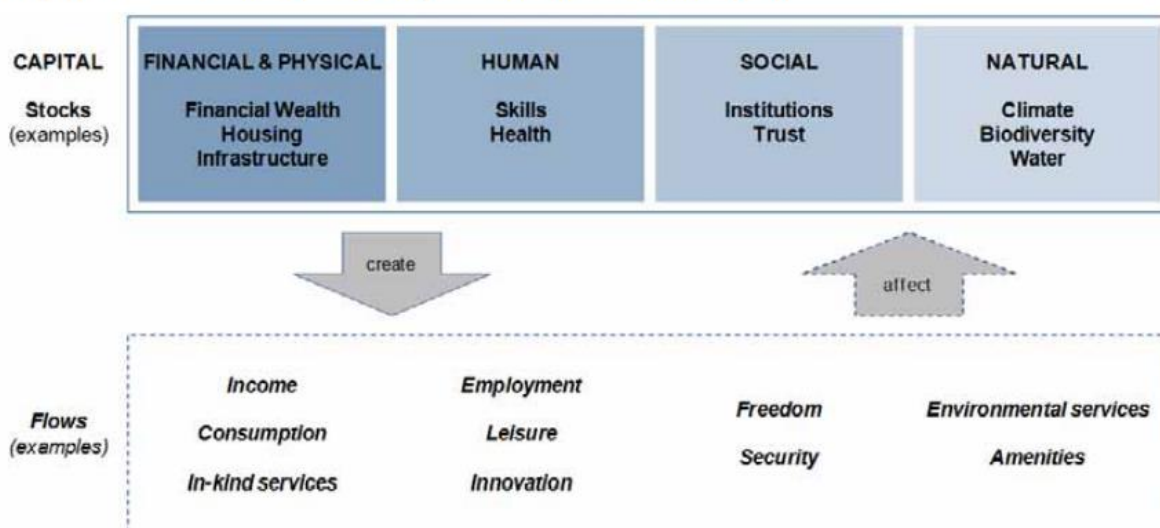
- New Zealand Treasury (2011), “Working Towards Higher Living Standards for New Zealanders”, [35]  
<https://www.treasury.govt.nz/sites/default/files/2011-05/tp-hls-may11.pdf> (accessed on 6 April 2023).
- NZIER (2018), *Review of CBA advice to support budget initiatives*, [31]  
<https://www.treasury.govt.nz/sites/default/files/2018-09/nzier-cbax-report.pdf> (accessed on 20 March 2023).
- OECD (2022), *OECD Regions and Cities at a Glance 2022*, OECD Publishing, Paris, [4]  
<https://doi.org/10.1787/14108660-en>.
- Oranga Tamariki (2023), “Action Plan”, <https://www.orangatamarikiactionplan.govt.nz/otap-resources/publications/> (accessed on 12 April 2023). [26]
- Oranga Tamariki (2022), “Quarterly Report to 30 September 2022”, [27]  
<https://www.orangatamariki.govt.nz/assets/Uploads/About-us/Performance-and-monitoring/Quarterly-report/September-2022/Oranga-Tamariki-Quarterly-Performance-Report-as-at-September-2022.pdf> (accessed on 12 April 2023).
- Perry, B. (2019), “Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2018”, Ministry of Social Development, Wellington. [1]
- Social Wellbeing Agency (2020), “Accelerating dataset assembly”, [32]  
<https://swa.govt.nz/assets/Publications/guidance/Introduction-to-the-Dataset-Assembly-tool-primer-and-guide.pdf> (accessed on 23 March 2023).
- Statistics New Zealand (2019), “Child poverty statistics: Technical appendix 2017/18”, [22]  
<https://www.stats.govt.nz/assets/Uploads/Methods/Child-poverty-statistics-technical-appendix-2017-18/Download-data/child-poverty-statistics-technical-appendix-201718.pdf> (accessed on 29 June 2023).
- Stephens, M. (2023), “Trends in the household income distribution: 2007-2021”, [15]  
<https://www.treasury.govt.nz/publications/an/an-23-01> (accessed on 7 July 2023).
- Taylor Fry (2017), “Annual report on the Benefit System for Working-age Adults: Appendices”, [34]  
<https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/annual-report-on-the-benefit-system-for-working-age-adults-as-at-30-june-2017-appendices.pdf> (accessed on 17 April 2023).
- Te Puni Kōkiri (2020), “He Takunetanga Rautaki”, <https://www.tpk.govt.nz/en/mo-te-puni-kokiri/corporate-documents/corporate-publications/strategic-intentions/he-takunetanga-rautaki-strategic-intentions2020-24> (accessed on 12 April 2023). [25]
- Various Ministers (2021), “Estimates of Appropriations 2022/23 - Social Services and Community Sector: Vote Social Development”, <https://budget.govt.nz/budget/pdfs/estimates/v9/est22-v9-socdev.pdf> (accessed on 13 April 2023). [12]
- Whiteford, A. (2014), “How unequal are our regions?”, <https://www.infometrics.co.nz/article/2014-12-how-unequal-are-our-regions> (accessed on 17 April 2023). [3]

## Annex 8.A. History of the Living Standards Framework

The first version of the Living Standards Framework (LSF) was published in 2011, with the stated aim of helping the Treasury consistently provide Ministers with robust, theoretically-grounded and evidence-based advice that aims to improve the lives of all New Zealanders (New Zealand Treasury, 2011<sup>[35]</sup>). This Framework looked at both aggregate living standards and their distribution across the population, and created the distinction between capitals and domains that continues to be used today. The framework emphasizes the importance of measuring and monitoring a broad spectrum of indicators, rather than merely focusing on economic ones, and encourages identifying the broad impacts of policies on well-being (Hughes, 2022<sup>[36]</sup>).

### Annex Figure 8.A.1. The 2011 Living Standards Framework

**Figure 1 – Treasury’s Living Standards Framework**

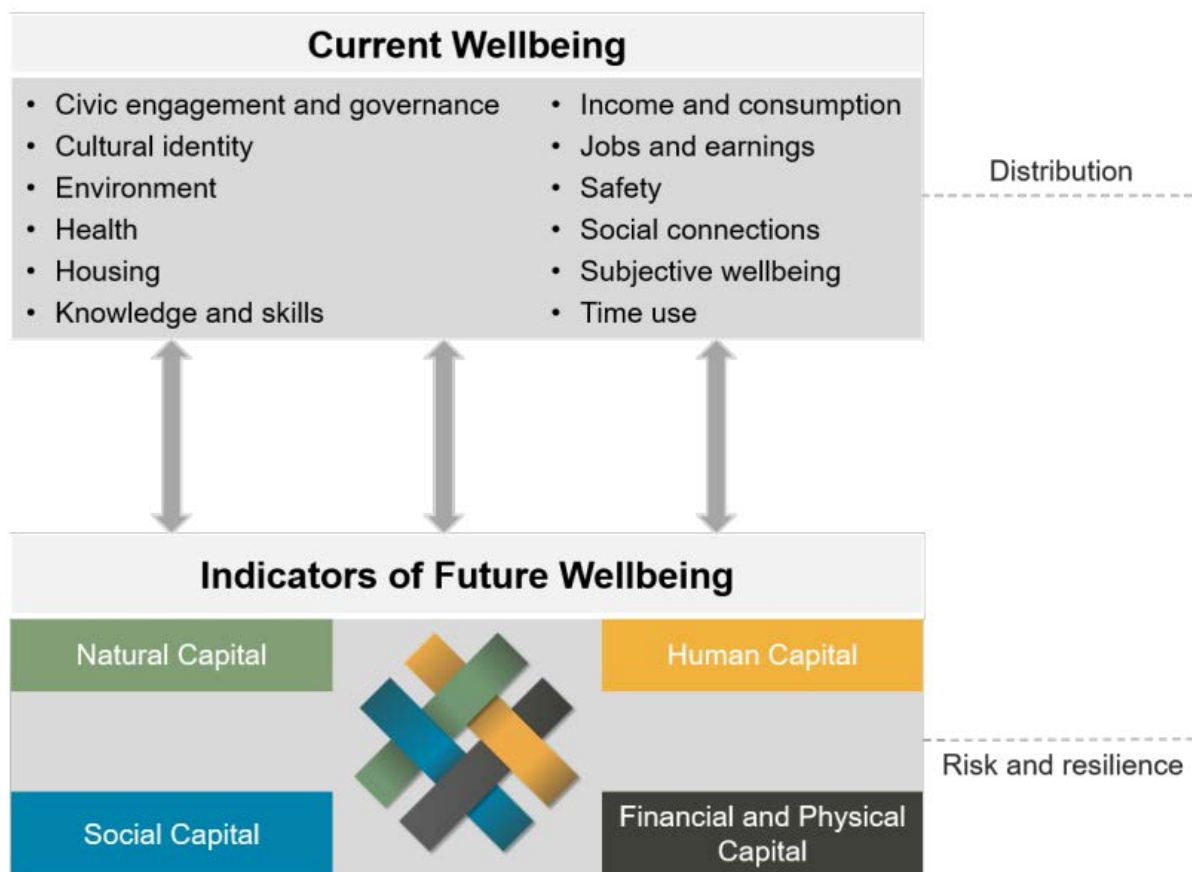


Source: (New Zealand Treasury, 2011<sup>[35]</sup>)

Between 2012 and 2018, the Treasury’s work focused on how to apply the Living Standards Framework to policy advice. Much of this work used a simpler representation of the key concepts in a pentagon that supported analysts to consider key high-level trade-offs. This simpler framework was first developed as part of the work of a working group set up to provide recommendations on tax policy to the Government, to help them apply the Living Standards Framework to their analysis (New Zealand Treasury, 2012<sup>[37]</sup>). In subsequent years, the Treasury developed a variety of guides and background notes in order to help further guide use of the LSF for formulating policy advice.

In 2018, a second version of the LSF was released (Annex Figure 8.A.2). This version explored the four capitals introduced in the initial 2011 version in more depth, and defined the 12 domains of well-being for the first time. The LSF Dashboard was also released alongside this version of the LSF, with a selection of indicators chosen through consultation with the public and a range of experts both in New Zealand and overseas (New Zealand Government, 2018<sup>[38]</sup>).

### Annex Figure 8.A.2. The Treasury's 2018 Living Standards Framework



Source: (New Zealand Government, 2018<sup>[38]</sup>)

## Notes

<sup>1</sup> Please note that the OECD gender pay gap is calculated based on the difference between median earnings using full time employees, whereas New Zealand's gender and ethnic pay gaps are calculated based on the median hourly pay of all working people (full time and part time). See Stats NZ, <https://stats.govt.nz/information-releases/labour-market-statistics-june-2022-quarter/>.

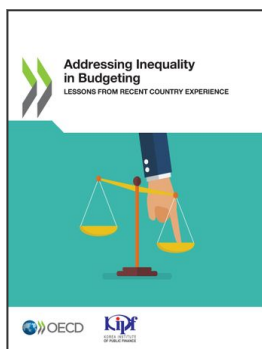
<sup>2</sup> For a history of the LSF, see Annex 8.A.

<sup>3</sup> The LSF uses a broad definition of “institutions”. It includes formal and informal rules, social norms and other political, economic, social and cultural institutions.

<sup>4</sup> See <https://lsfdashboard.treasury.govt.nz/wellbeing/>

<sup>5</sup> After 2019, the MSD paused the production of this paper due to data issues, which are currently being resolved with Stats NZ. Their website states that they plan for the report to return in 2023.

<sup>6</sup> TAWA is the current model used. TAXMOD-B was the New Zealand Treasury's behavioural microsimulation model, but it is no longer in use since 2018.



**From:**  
**Addressing Inequality in Budgeting**  
Lessons from Recent Country Experience

**Access the complete publication at:**  
<https://doi.org/10.1787/ea80d61d-en>

**Please cite this chapter as:**

OECD/Korea Institute of Public Finance (2024), "The case of New Zealand", in *Addressing Inequality in Budgeting: Lessons from Recent Country Experience*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/67e64474-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.