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The impact of the 2018 Families Package Winter Energy Payment policy

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Executive summary

The Winter Energy Payment was introduced as part of the 2018 Families Package. It is available to all New Zealand Superannuation (NZS) and Veteran's Pension (VP) recipients, and people receiving working-age main benefits. It is a cash payment to help recipients heat their homes during the winter months, with the aim of improving their health and wellbeing. The Winter Energy Payment was first available in 2018 for 13 weeks from 1 July until 30 September. In subsequent years it has been available for 22 weeks from 1 May until 30 September. Nearly 98% of people eligible for the payment receive it, and the annual cost was about $450m in 2019.

The Winter Energy Payment is paid at different rates depending on the recipient's family structure: $20.46 per week for single recipients ($450 over five months); and $31.82 per week for recipients with partners or children ($700 over five months). These weekly payments typically represent about 7% of recipients' main benefit amounts (10% of working-age recipients' main benefit amounts, and about 5% of NZS and VP amounts); and less as a fraction of recipients' total income support and total income (7% of recipient total income support on average, and about 4% of their total income). The Winter Energy Payment represents a small fraction of households' total expenditure (4%), but a larger fraction of expenditure on energy (the average Winter Energy Payment to energy expenditure ratio is 120%, and the median ratio is 60%). The payment was temporarily doubled in 2020 as part of the initial response to the COVID-19 pandemic. It represented a larger fraction of income and expenditure in that year.

This study analyses the effects of the Winter Energy Payment in the period prior to the pandemic across several dimensions. These dimensions include household expenditure patterns, especially energy expenditure; self-reported material wellbeing; health outcomes; financial incentive effects on benefit receipt and earnings; and receipt of hardship assistance.

Data sources

The analyses use various data sources stored within Statistics New Zealand's Integrated Data Infrastructure (IDI).

Because the Winter Energy Payment is determined by recipients' family structures, and any impacts of home heating potentially benefit all people in the household, the study focuses on the household as the 'treated' unit. To identify whether people are in households that receive the payment, the analysis uses samples from the Household Economic Survey (HES) or the Household Labour Force Survey (HLFS). Samples from each of these surveys are matched to Ministry of Social Development (MSD) administrative data on people receiving working age main benefits, NZS, and VP. The HLFS samples are also matched to either Ministry of Health (MOH) data on hospitalisations, Inland Revenue (IR) data on earnings, or MSD data on receipt of hardship assistance, depending on the analysis.

Findings

Because the Winter Energy Payment amounts are small relative to recipients' incomes and total expenditure, it is difficult to detect statistically significant effect-sizes using the household survey samples, particularly the HES sample which has fewer than 4,000 households in the expenditure survey.

1. Effects on energy expenditure

Although the Winter Energy Payment policy has an "energy payment" label, it is an unconditional cash transfer to recipients, and can be used for any expenditure. However, any health benefits are expected to be due to recipients using the payments to help heat their homes. For this reason, the study first examines the Winter Energy Payment's effects on household expenditure patterns, using information in the HES. We focus primarily on whether recipient households increased their expenditure on power and home heating.

The results show no statistically significant effects on energy expenditure by recipient households. However, the estimates are suggestive of an increase in the share of expenditure that goes on power and home heating in the winter months: on the order of 0.5 percentage points (0.24 percentage points for households with working age benefit recipients, and 0.54 percentage points for households with NZS or VP recipients). These estimated increases suggest that recipients spend about 24% of the Winter Energy Payment on power and home heating, compared to the average expenditure share of about 6.5%.

2. Effects on material wellbeing

We also examine the effects on self-reported material wellbeing in HES, across three domains: first, measures of heating-related wellbeing due to financial constraints (feeling cold, damp and mould, and having a cold house); second, financial hardship (difficulty paying utility bills, difficulty handling an unexpected $500 bill, and reporting insufficient income to meet their needs); and third, general life dissatisfaction.

The results show statistically significant reductions in two financial hardship measures in the winter months (difficulty handling an unexpected bill, and insufficient income) for households with working age benefit recipients. We also estimate statistically significant increases in two of the three heating-related hardship measures for households with working age benefit recipients. The results show small statistically insignificant effects on

overall life satisfaction for households with working age benefit recipients, and across all material wellbeing measures for households with NZS or VP recipients.

3. Effects on housing related health outcomes

Improving health outcomes is the main stated objective of the Winter Energy Payment policy. Because of this, we analyse whether the Winter Energy Payment improved the health of recipient families, focusing on hospitalisations that could be related to housing conditions. We focus primarily on effects on the incidence of being hospitalised, as well as the length of stay and the cost associated with such events.

The results show no statistically significant effects of the Winter Energy Payment on the incidence of hospitalisations in the winter months, or the length or cost of hospitalisation stay, for individuals in eligible households. However, the estimates are generally consistent with the Winter Energy Payment having some positive effects on health outcomes, particularly for households with NZS or VP recipients.

4. Effects of financial incentives to be on-benefit

A possible unintended consequence of the policy is that it may encourage people to be on benefit to qualify for the Winter Energy Payment during the winter months, particularly as there is a 'cliff-edge' loss of the payment when a person stops receiving a benefit. To address this, we analyse whether there was any increase in working-age main benefit receipt in winter months associated with the Winter Energy Payment.

The analysis finds no statistically significant responses to these financial incentives, but the direction of results is suggestive of some response. The estimates suggest an increase in the proportion of people supported by a working-age benefit associated with the Winter Energy Payment policy. There was a 0.07 percentage point higher entry rate onto benefits and a 0.25 percentage point lower exit rate from benefits in the winter months. In addition, although not statistically significant, the magnitude and direction of the results suggests about a 1% drop in earnings in the winter months associated with the Winter Energy Payment policy.

5. Effects on receipt of hardship assistance

Our final analysis focuses on whether the Winter Energy Payment had any effect on the receipt of hardship assistance, which includes Temporary Additional Support, Special Needs Grants (SNGs), Benefit Advance Payments, and Recoverable Assistance Payments. The Winter Energy Payment is excluded from assessable income for most hardship assistance: one exception is SNGs for power, and it may also influence SNGs for food which are generic cash payments. In addition, fewer recipients may apply for hardship assistance if they feel better off because of the additional income support from Winter Energy Payment. Alternatively, more recipients may apply for hardship assistance if they respond to financial incentives, and as a result have lower earnings and income.

The analysis finds that there was a statistically significant 1.8 percentage point drop in the incidence of receipt of hardship assistance by working age beneficiaries in the winter months associated with the Winter Energy Payment policy. This effect was concentrated among SNGs, consistent with the Winter Energy Payment reducing the need for SNGs for power and food.

Summary

The Winter Energy Payment provides relatively small cash payments to help recipients heat their homes during winter, with the aim of improving their health and wellbeing. Given this, the effect sizes are expected to be small and difficult to detect in small samples. The results from this study are generally statistically weak. However, they are consistent with some favourable effects of the policy on energy expenditures, health and wellbeing outcomes, and receipt of hardship assistance, and some adverse effects in terms of higher rates of benefit receipt and lower earnings.