

Summary report

Overview

This report is the third in the Ministry of Social Development’s (MSD’s) Benefit System Update series, which summarises key trends in the economy, labour market, and benefit system, including the impact of COVID-19¹. This report focuses on the period between October 2021 and June 2022.

¹ Previous reports in this series include [Benefit System Update: August 2020](#), and [Benefit System Update: 2021](#).

Key findings

Main benefit numbers have continued to decrease, and have fallen faster than following the GFC.



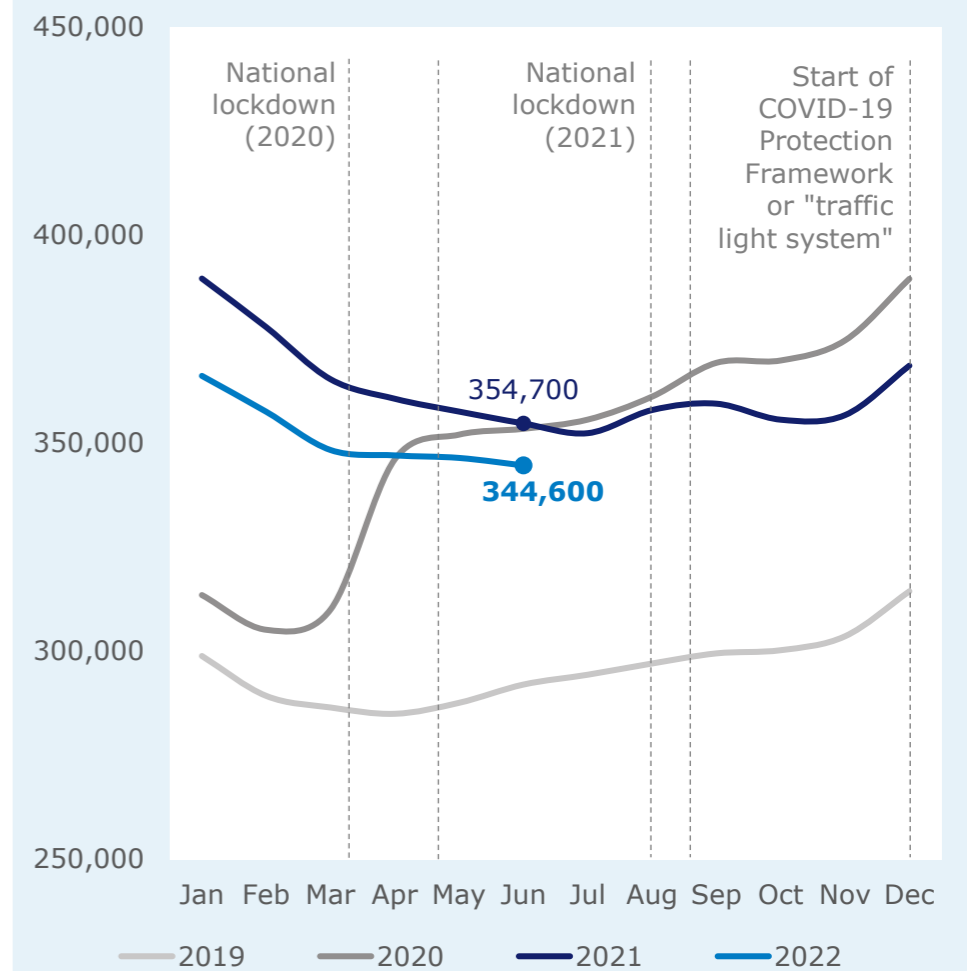
- > COVID-19 had a significant impact on the benefit system from early 2020, with a large increase in the number of people accessing support.
- > However, the benefit system responded better than expected, and main benefit numbers began trending down from January 2021 (see Figure 1), supported by high numbers of exits into work.
- > This decrease occurred much faster than following the Global Financial Crisis (GFC). Year-on-year decreases continued through to June 2022.

Record numbers of work exits reflect MSD’s sustained focus on supporting people into work, the tight labour market, and the overall performance of the economy.



- > Across all main benefits, there were 113,400 exits into work in the year to June 2022, the highest number since 1996. We saw a similarly high number of work exits in the year to June 2021.
- > This reflects MSD’s sustained focus on supporting people into work, the tight labour market, and the overall performance of the economy. The Government’s substantial fiscal and economic response to COVID-19 also supported the performance of the benefit system.
- > To meet the unprecedented demand for income support during the pandemic period, MSD also temporarily shifted some of its employment focus to ensure both people at risk of poor labour market outcomes and those closer to the labour market could return to employment quickly.
- > At the same time, the Ministry also responded to the considerable increase in demand for hardship and housing assistance.

Figure 1: Year-on-year decreases in main benefit numbers continued through to June 2022.

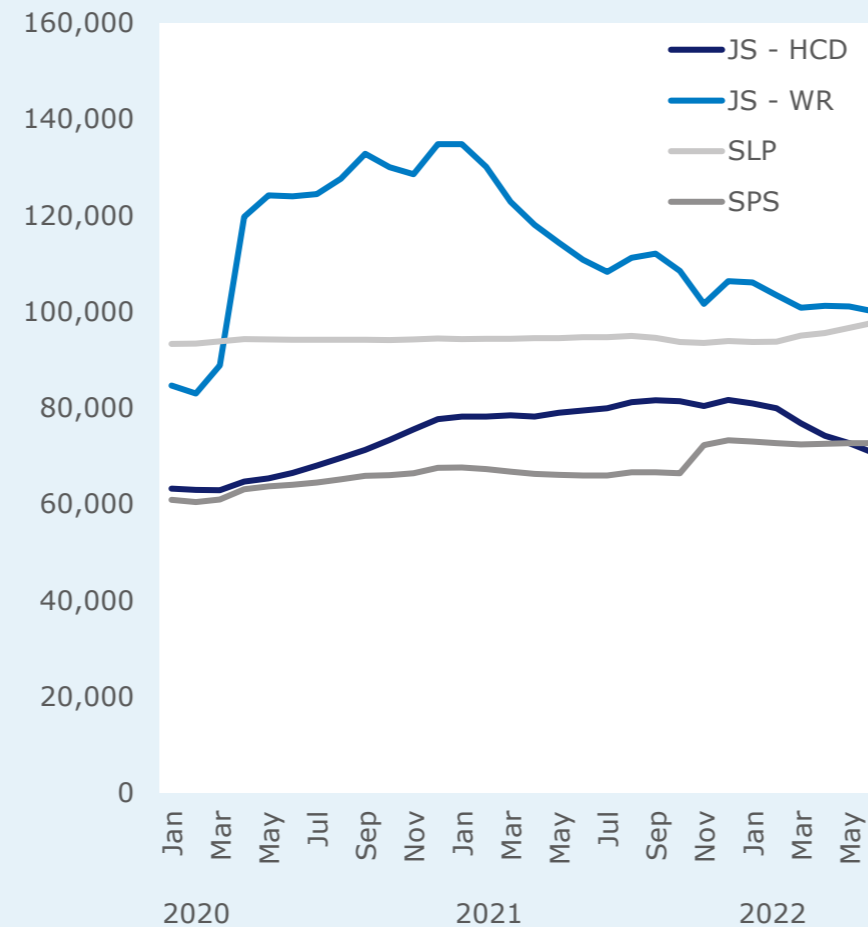


Changes in main benefit numbers have continued to be driven by changes in Jobseeker Support.



- > There have been continued decreases in the number of people receiving Jobseeker Support – Work Ready (JS – WR; see Figure 2), which were supported by high work exit rates. By June 2022, there were nearly 23,900 fewer people (down 19.3 percent) receiving JS – WR, compared to June 2020.
- > There have also been large decreases in the number of people receiving Jobseeker Support – Health Condition or Disability (JS – HCD) (see Figure 2; down 10,300 people or 12.7 percent between January and June 2022).
- > From March 2022, decreases in JS – HCD numbers largely reflected the resumption of the Work Capacity Medical Certificate process,² as more people transferred to other benefits or moved off benefit. There have also been high work exit rates for JS – HCD recipients.

Figure 2: The decreasing number of main benefit recipients was driven by fewer JS recipients³



MSD continues to provide support to New Zealanders with hardship, housing, and COVID-19 related assistance.



- > Outside of increases associated with the August 2021 lockdown and the March 2022 Omicron outbreak, the overall weekly levels of hardship assistance provided have been decreasing over the last year. They have also been similar to pre-COVID-19 levels, particularly through the June 2022 quarter.
- > From November 2021, changes to income thresholds meant more people who were not receiving a main benefit could be supported through hardship assistance.
- > Rental prices, housing supply, and COVID-19 contributed to ongoing increases in demand for housing support through 2020 to early 2022. However, there were signs that rental prices and housing supply pressures were easing in the June 2022 quarter.
- > The Wage Subsidy August 2021, Leave Support Scheme, and Short-Term Absence Payment were also available to protect jobs and support people self-isolating through to June 2022.

² People need to give MSD (Work and Income) a medical certificate from their health practitioner to help assess their eligibility for a benefit when they have a health condition, injury, or disability that affects their ability to work. These were deferred in April 2020 as higher Alert Level restrictions made it difficult for people to get a medical certificate. This process was resumed from 31 January 2022 for JS – HCD.

³ Sole Parent Support (SPS), Supported Living Payment (SLP).

Outcomes for many of MSD's priority groups have continued to improve.

Youth



Working-age young people experienced the largest proportionate growth in main benefit numbers from February 2020. However, youth main benefit numbers then rapidly recovered through 2021 and into 2022, and by June 2022 were closer to pre-COVID-19 levels than was the case for most other age groups. These decreases were in line with improved labour market outcomes for young people.

Māori



Māori experienced strong reductions in JS – WR numbers through to June 2022, supported by improved work exit rates and labour market outcomes. The number of Māori JS – WR recipients decreased by 11,700 people (down 21.1 percent) between the peak in December 2020 and June 2022.

Pacific Peoples



Pacific Peoples have also continued to experience strong reductions in JS – WR numbers, supported by high work exit rates. Improved labour market outcomes for this group were driven by trends in Auckland, where a high proportion of Pacific Peoples live. By June 2022, the number of Pacific Peoples receiving JS – WR had decreased by around 4,500 people (down 25.7 percent) from the peak in January 2021.

Short-term duration on benefit



During the pandemic period MSD temporarily shifted its focus to ensure that the people coming onto benefit were supported to quickly return to employment. In line with this, through 2021 and into 2022, we saw rapid recovery in the number and proportion of people receiving JS – WR for short-term (less than one year) durations. People with less than year duration decreased from 58.3 percent of JS – WR recipients in December 2020 to 48.4 percent in June 2022.

Long-term duration on benefit



We have also seen recovery in the number and proportion of people receiving JS – WR for 1–2 years duration, from around mid-2021 through to June 2022 (down 8.5 percentage points to 16.4 percent).

However, the number and proportion of JS – WR recipients who have spent 2–5 years on benefit has grown. The proportion of JS – WR recipients with 2–5 years duration increased from 17.1 percent at February 2020 to 23.4 percent at June 2022 (up 6.3 percentage points). While this is a normal pattern following an economic shock, this group has higher barriers to employment and will need more time and support to move off benefit.

Sole Parents



Compared to Jobseeker Support (JS), Sole Parent Support (SPS)⁴ experienced much lower growth in numbers through 2021. However, SPS numbers also reduced slowly through to June 2022 and labour market outcomes for sole parents are yet to recover. Because sole parents have childcare responsibilities and other barriers to work, people on SPS generally have lower exit rates and are more likely to receive this benefit for longer than people on JS.

Women



Women came onto benefit in lower numbers than men following the pandemic, but numbers also decreased more slowly. This overall trend continues to reflect gender-based differences in uptake of benefits. For example, women are more likely than men to go onto SPS instead of JS – WR if they have children. However, labour market outcomes for women have continued to improve, and disparities between men and women in labour market outcomes have narrowed.

People with health conditions and disabled people



Since the resumption of Work Capacity Medical Certificates reassessments, we have seen decreasing numbers of people receiving JS – HCD. We have also seen larger than expected increases in Supported Living Payment (SLP) recipients. The unemployment rate for disabled people has been trending down since the series began in 2017. However, the long-standing gap between employment outcomes for disabled people and the wider population continues to persist.

NZ Superannuation and Veteran's Pension recipients



Over the last five years, the amount of hardship assistance provided to New Zealand Superannuation and Veteran's Pension clients increased much more than the number of clients (e.g. a 90.0 percent increase in grants compared to a 17.1 percent increase in recipients). Continued increases in need for hardship assistance may be partially driven by declining rates of mortgage-free home ownership combined with an aging population.

MSD continues to support priority groups to engage in education and enter employment.



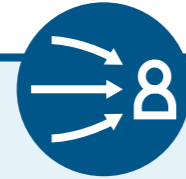
Through the pandemic period, MSD has continued to support and invest in expanding programmes for priority groups. This includes:

- > boosting Mana in Mahi to extend places available,
- > additional funding to support disabled people and people with health conditions into employment, and
- > reinstating the Training Incentive Allowance (TIA) to 2024.

TIA provides additional study support to sole parents on benefits as well as disabled people and carers receiving the Supported Living Payment.

⁴ Although most sole parents receiving a benefit are likely to be receiving SPS, some sole parents will be receiving other benefits, like JS – WR, if they meet the eligibility criteria for them.

Looking forward



MSD is shifting its provision of services and programmes to focus more on clients at risk of long-term benefit receipt and other priority cohorts.

Although outcomes for many of MSD's priority groups have continued to improve, some have on-going vulnerabilities. For example;

- > Māori and Pacific Peoples remain overrepresented in the benefit system.
- > Youth also remain vulnerable to economic shocks. There have been increases in the number of people staying on benefit for longer, who face more barriers into employment.
- > Longer-term, we may see increasing growth in health condition or disability related benefits, due to the psycho-social impacts of the COVID-19 pandemic.

MSD is now shifting the primary focus of the provision of its services and programmes back to clients at risk of long-term benefit receipt and other priority cohorts. MSD will also continue to support other people on benefit who have fewer barriers to employment.



Looking forward, main benefit numbers are expected to continue decreasing through 2022.

- > Overall main benefit numbers have continued to decrease, and year-on-year reductions have continued through to June 2022.
- > We expect the underlying trend in the number of people on benefit will continue to decline throughout the rest of 2022 (excluding usual seasonal trends⁵), as the labour market remains strong and MSD continues to focus on supporting people into work.



There are some emerging risks in the economy.

- > Year-on-year reductions in benefit numbers and work exits started to slow through 2022. This could reflect several factors, including uncertainty associated with the COVID-19 community outbreak and emerging risks in the economy, particularly rising inflation impacting the cost of living.⁶
- > These trends may also reflect changes in the composition of people receiving benefits, including the increase in the number and proportion of people with longer term durations (particularly 2–5 years duration).
- > Main benefit numbers are expected to increase from about mid-2023 (excluding seasonal trends), in line with Treasury forecasts. The Treasury forecast a period of low economic and employment growth in response to recent high inflation and supply pressures.
- > These trends are being monitored and we will formally update our forecasts in the next Half Year Economic and Fiscal Update in December 2022.

⁵ While overall benefit numbers (excluding seasonal trends) may continue to decrease through 2022, we may see seasonal increases in some benefits. For example, Jobseeker Support Student Hardship (JSSH) numbers generally increase towards the end of the year, as students are in-between semesters.

⁶ Operational processes, including the resumption of the 52-week application process, were also contributing to a higher than usual number of exits through 2021. JS and SPS clients are generally required to reapply for their benefit every 52 weeks. This process ensures clients are receiving the right support and that MSD holds up-to-date information on their circumstances. For more information on the 52-week reapplication process: www.workandincome.govt.nz/on-a-benefit/re-apply/index.html