

# Benefit System Update | July 2022 – December 2022

## Overview

The Ministry of Social Development (MSD) regularly reports on trends in the benefit system on a weekly, monthly and quarterly basis. This Benefit System Update (BSU) aims to take a longer-term and high-level view of key trends across the benefit system. This includes exploring trends for MSD's priority groups, policy changes and the broader influence of the economy. This report is the fourth in MSD's BSU series, which focuses on the period between July and December 2022. This reporting series is intended to be updated on a six-monthly basis.

## Background

COVID-19 had a significant impact on the benefit system from early 2020, with an unprecedented increase in the number of people accessing support. The benefit system responded better than forecast<sup>1</sup>, and main benefit numbers began trending down from January 2021. This was driven by high numbers of exits into work as the economy recovered and MSD's focus on supporting people quickly back into work. Year-on-year decreases in main benefit numbers continued through to June 2022 (which is covered in the previous BSU<sup>2</sup>).

## Key findings

### The positive outcomes seen in the first half of 2022 continued through to December 2022.

- > The number of people on a main benefit continued to decline throughout most of the second half of 2022, and fell at a faster rate than following the Global Financial Crisis (GFC).
- > Jobseeker Support numbers were also lower than expected, supported by MSD's sustained focus on employment and the strong labour market.
- > Jobseeker Support continued to drive the overall decline in main benefit numbers.
- > The number of people receiving a main benefit continued to fall throughout the second half of 2022, with slowing reductions towards the end of 2022. This partly reflects people who have remained on benefit for longer and often have more barriers to employment.

### More people have continued to leave the benefit system into employment, reflecting MSD's sustained focus on supporting people into work and the strong labour market.

- > The number of exits into work was around 100,200 in the year to December 2022, which was higher than the average in the five years prior to COVID-19<sup>3</sup>.
- > We have also seen positive employment outcomes for people who exited in the year to June 2021 with a significant increase in employment sustainability rates in recent years<sup>4</sup>.
- > MSD continues to support people across different priority groups to enter sustainable employment and to engage in education, including programmes such as Mana in Mahi and the Apprenticeship Boost.

### The rising cost of living has impacted the take up of hardship payments in the second half of 2022.

- > There has been a slight increase in the number of hardship grants and in the amount being granted per grant, particularly for food. Food prices have been one of the biggest drivers of inflation over 2022.
- > The effect of the recent increases in main benefit rates and Working for Families has been partially reduced by the rising cost of living.
- > MSD continues to support New Zealanders in response to the increasing cost of living.



<sup>3</sup> Between 2015 and 2019 there were an average of 76,600 exits into work each year.

<sup>4</sup> This is based off analysis from the 'What happened to people who left the benefit system during the year ended 30 June 2021' which follows people for 12-months (up to June 2022) after they left the benefit system to understand their outcomes. This can be found here: [What happened to people who left the benefit system – Ministry of Social Development \(msd.govt.nz\)](#)

<sup>1</sup> The Treasury's Budget Economic and Fiscal Update (BEFU) released on 14 May 2020 includes benefit number forecasts and forecasted that growth in working age benefit numbers would peak at 487,500 by January 2021.

<sup>2</sup> The previous Benefit System Update, describing trends from October 2021 to June 2022, can be found here: [Benefit System Update – October 2021 to June 2022 – Ministry of Social Development \(msd.govt.nz\)](#)

## Main Benefits

### The number of people receiving a main benefit continued to fall throughout the second half of 2022.

Excluding the regular seasonal impacts that generally occur throughout the year, benefit numbers continued to fall overall from July to December 2022.

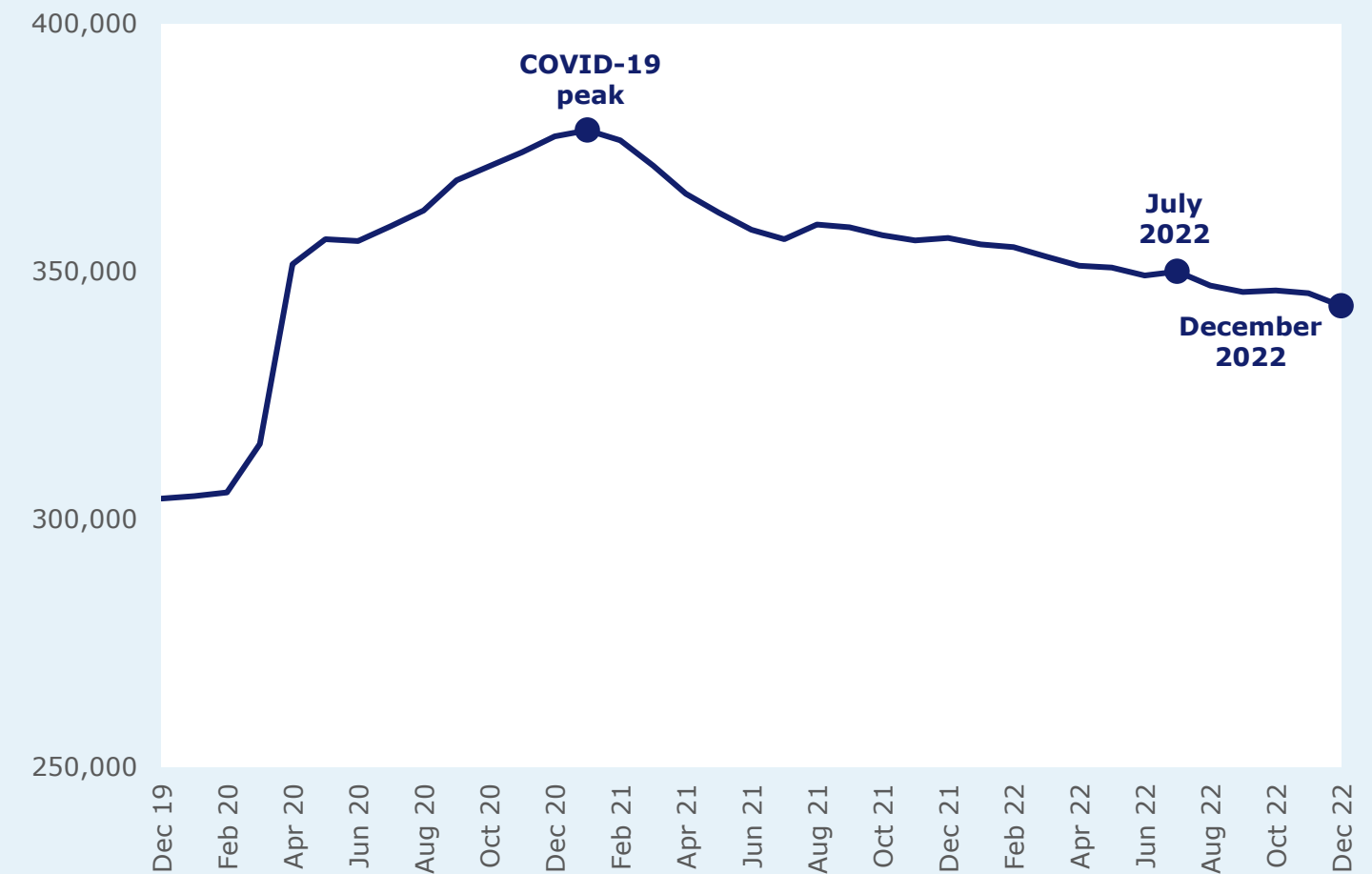
By December 2022 there were almost 14,300 fewer people receiving a main benefit compared to December 2021 due to:

- > MSD's sustained focus on getting people into employment. There were 100,200 exits into work in the year to December 2022 which is relatively high compared to the five years prior to COVID-19.
- > Relatively strong economic conditions and a tight labour market, with the unemployment rate continuing to be near record lows at 3.4 percent in the December 2022 quarter.

Slowing reductions in working-age benefit numbers continued towards the end of 2022 reflecting:

- > The number of benefit recipients that have remained on benefit for longer, who often have more barriers to employment (such as health issues) and may require more time and support to exit a benefit into work.
- > The impact of higher interest rates beginning to loosen the labour market, as the unemployment rate increased slightly towards the end of 2022 by 0.1 percentage points to 3.4 percent in the December 2022 quarter.
- > Weaker economic activity in the December quarter after particularly strong growth in the June and September quarters, with GDP falling by 0.6 percent.

Figure 1: Working-age benefit numbers have continued to decline on a seasonally adjusted basis.<sup>5</sup>



<sup>5</sup> Please note that this graph begins its count from 250,000 people to better show trends over time.

## Main Benefits continued

### MSD has continued to focus on supporting people into employment, education, and training.

There were 100,200 exits into work in the year to December 2022, which is relatively high historically. The average monthly exit rate into work in 2022 was 2.4 percent which is slightly higher than the long-term average.

MSD continues to support people across different priority groups to enter employment and engage in education through programmes and policies such as:

- > Mana in Mahi<sup>6</sup>
- > Apprenticeship Boost<sup>7</sup>
- > Additional funding to support disabled people and people with health conditions into employment.
- > Training Incentive Allowance<sup>8</sup>
- > Cost of Living Package: From April 2023 more families will receive childcare support.

There have also been positive employment outcomes for people longer-term.

- > More people have left the benefit system, remained off benefit and have sustained their employment. Employment sustainability rates have improved for almost all of MSD's priority groups.
- > To have sustained employment, this means a person remained off benefit and continued to earn at least \$1,696 a month for at least a year.
- > This analysis covers the economic recovery after the initial COVID-19 period which was in part due to the Government's policy response and MSD's focus on supporting people back into work quickly.
- > MSD continues to focus on sustainable employment.

### Main benefit numbers have continued to fall faster than following the Global Financial Crisis

- > COVID-19 significantly impacted the benefit system in early 2020, resulting in an unprecedented increase in the number of people who needed support.
- > Following this initial impact of COVID-19 on the economy, benefit numbers increased more quickly than the GFC.
- > Working-age benefit numbers then did not reach the same level as and decreased more quickly than during the GFC.
- > Employment sustainability rates (in the year ended June 2022) are also higher when compared to the period following the GFC.<sup>9</sup>
- > Part of the relatively quick recovery in benefit numbers following the initial COVID-19 lockdowns compared to the GFC was due to the Government's policy response, including monetary and fiscal stimulus to keep people connected to the labour market, and MSD's focus on supporting people back into work quickly.

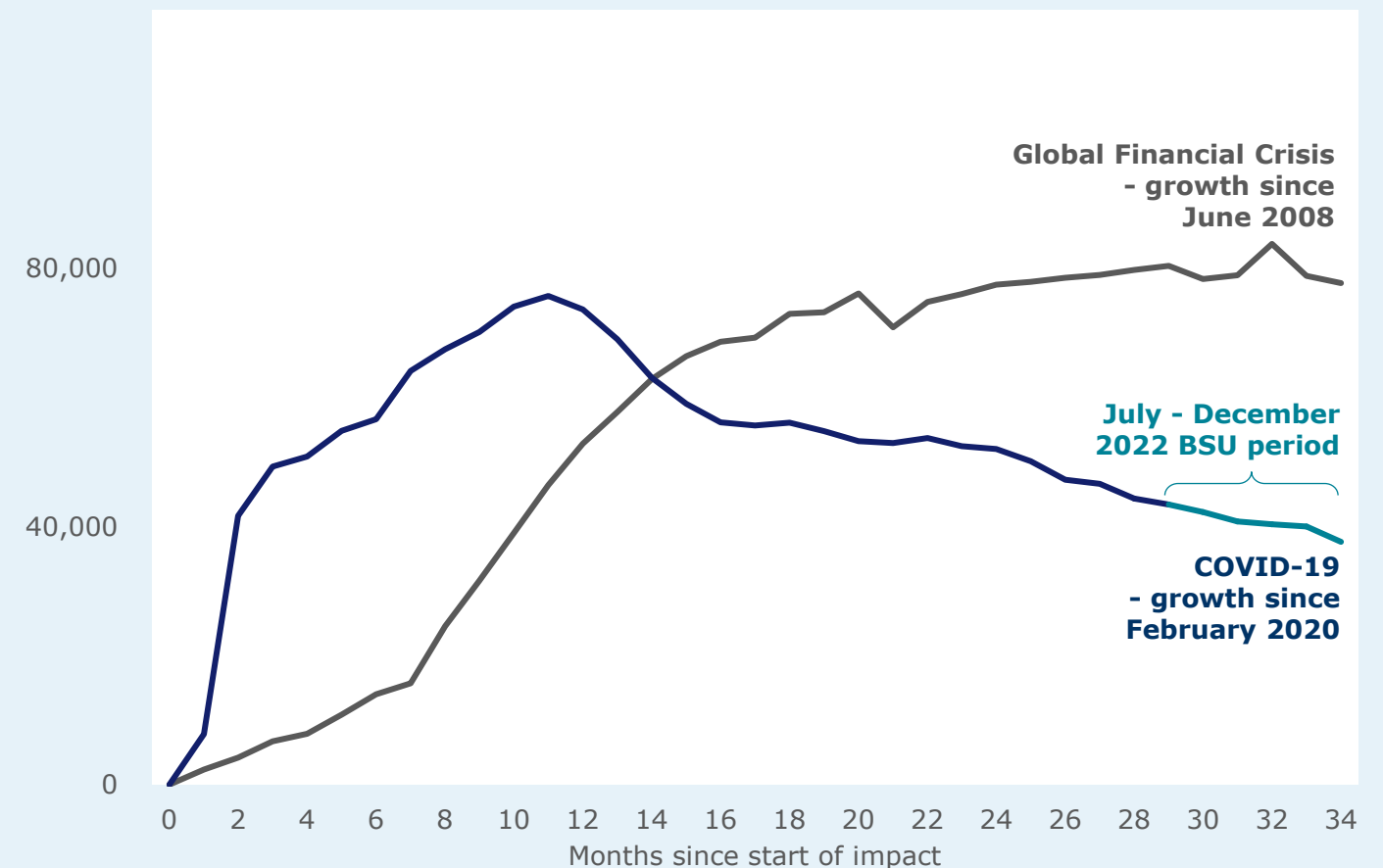
<sup>6</sup> This programme supports people into sustainable employment while gaining an apprenticeship and formal industry qualification as well as providing pastoral care.

<sup>7</sup> The Apprenticeship Boost helps employers with the costs of keeping their current apprentices or hiring new ones for up to 24 months of their programme of study.

<sup>8</sup> The Training Incentive Allowance supports sole parents, carers and disabled people on eligible benefits with the upfront and ongoing costs of study, such as fees, books, transport and childcare costs.

<sup>9</sup> For people who left the benefit system in the year ended June 2011, their employment sustainability rate was around 42 percent. For more information please see [What happened to people who left the benefit system](#) – Ministry of Social Development ([msd.govt.nz](http://msd.govt.nz))

Figure 2: The number of people on working-age benefits grew quickly following COVID-19 but peaked lower and decreased faster than the GFC.





## Jobseeker Support



**The number of people on Jobseeker Support – Work Ready (JS – WR) continued to fall overall throughout the second half of 2022.**

From July to November 2022, the number of people on JS – WR decreased by around 4,500 people, before increasing in December 2022. Towards the end of every year the number of people on JS – WR tends to increase as hiring slows down over the holiday period in some industries, and as some students come onto benefit when they finish their studies.

When removing the impact of these seasonal changes, the number of people on JS – WR also fell. This declining number of people reflects MSD's sustained focus on supporting people into work as well as the overall performance of the economy and the tight labour market.

Jobseeker Support Student Hardship (JSSH) numbers also start to rise at the end of the year as students end their studies or training for the year. JSSH numbers then decline again as the academic year begins the following year.

The increase in JSSH was smaller when compared with previous years. From 2016 to 2021, the number of JSSH recipients peaked between 8,000 and 10,000 each December. In December 2022 there were around 6,200 JSSH recipients. The lower number of people on JSSH is likely due to a combination of an increase in young people in employment, and a decline in the number of Student Allowance Recipients.<sup>10</sup>

## Regional Impacts



**The number of people on Jobseeker Support – Work Ready has decreased across almost all regions.**

The decrease in JS – WR numbers between July and November 2022 occurred across all MSD regions. By December 2022, the number of people on JS – WR had decreased across most regions compared to the same time last year.

The main regional drivers in the overall fall in JS – WR for 2022 were Auckland, Wellington, Southern, and the East Coast of the North Island. These regions contributed the most in terms of the overall decrease in JS – WR, and also had the highest proportional change from a year ago.

While most regions remain strong in terms of falling numbers of people on JS – WR, a few regions have started to see reductions slow or even increase slightly. For example, in Taranaki, Bay of Plenty, and Central region, JS – WR numbers increased slightly on an annual basis in November 2022 and by December 2022 they were relatively flat. Whereas in Auckland, JS – WR was still falling by an average of 11 percent year-on-year in the second half of 2022.

## People with Health Conditions or Disabilities<sup>11</sup>



**Peoples' circumstances are now better reflected as the medical certificate reassessments have been restarted.**

The number of people on Jobseeker Support – Health Condition or Disability (JS-HCD) trended downwards in the first half of 2022 as the Work Capacity Medical Review (WCMC) reassessments restarted in January 2022.

Restarting the WCMC reassessments resulted in some people exiting the benefit system or transferring to another benefit to better reflect their health condition or disability circumstances. This contributed to the decrease in the number of people receiving JS – HCD throughout the first half of 2022 and the increased number of people receiving Supported Living Payment (SLP).

In the second half of 2022, the impact of restarting the WCMC reassessments slowed as most people who transferred benefits to better reflect their circumstances had done so. This meant that the number of people on JS – HCD stabilised towards the end of 2022. The number of people moving onto SLP from JS – HCD also slowed, but transfers also stayed relatively high compared to longer-term trends, resulting in higher growth in SLP in the second half of 2022.

<sup>10</sup> See December Monthly Benefits Update commentary for more information on the lower numbers of JSSH recipients: [monthly-benefits-update-december-2022-commentary.pdf \(msd.govt.nz\)](https://www.msd.govt.nz/monthly-benefits-update-december-2022-commentary.pdf)

<sup>11</sup> As data is not available for all people, who have a health condition or disability, we use Jobseeker Support – Health Conditions and Disabilities (JS – HCD), and Supported Living Payment (SLP) numbers as a proxy.

## Sole parents on benefit

### The number of sole parents on benefit has remained relatively flat in the second half of 2022.

MSD has implemented several policy changes to give families more financial support and remove barriers to employment. This includes the removal of the Subsequent Child Policy in November 2021. This helped more parents become eligible for Sole Parent Support (SPS) because it meant MSD can now always consider the age of the youngest child in a person's care when determining eligibility for SPS. This change resulted in around 5,600 more sole parents being eligible for SPS.

Since this change in November 2021, there has generally been more sole parents moving from JS – WR to SPS each month.

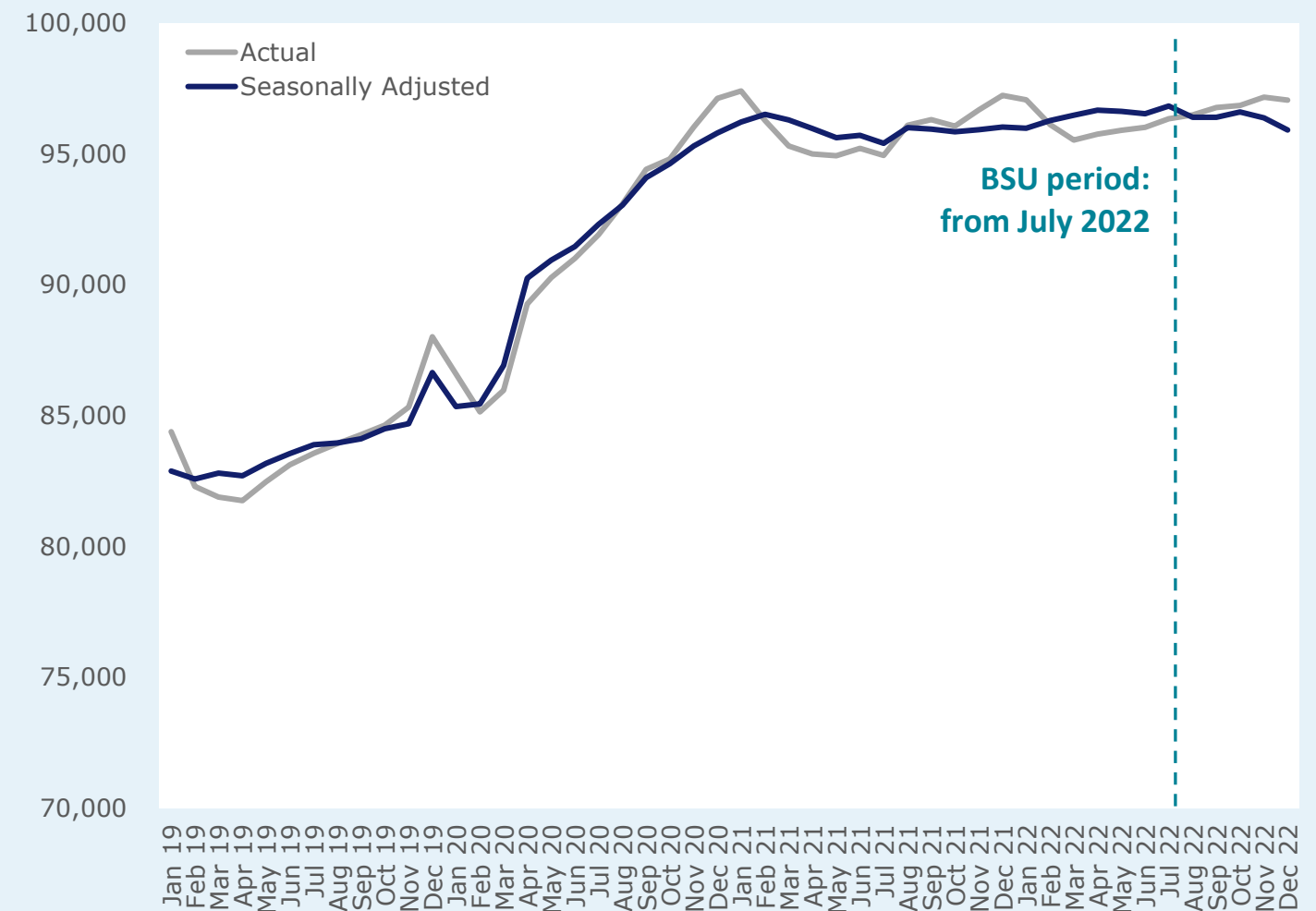
Numbers of sole parents on any benefit has risen slightly in the second half of 2022, a seasonal effect which generally happens in the latter half of each year. When these seasonal variations are controlled for, the underlying trend shows that the number of sole parents has remained relatively flat and has fallen slightly towards the end of the year.

Sole parents receiving a benefit continue their labour market recovery post COVID-19 as people on SPS generally have lower exit rates and tend to stay on benefit for longer than people on Jobseeker Support. MSD continues to support sole parents into employment.

Many sole parents face additional barriers to employment (such as childcare responsibilities). Therefore, they may be less likely to exit into employment compared to the general population. For example, sole parents on SPS and Young Parent Payment (YPP) had a 9.9 percent likelihood of exiting to work in the year to June 2021 compared to 19.0 percent for all main benefit clients. However, sole parents had the highest employment sustainability rates compared to all other main benefit types, with 55.3 percent sustaining their employment compared to 49.7 percent overall. This suggests that, for some SPS clients, once their childcare needs are met, they are more likely to find work and sustain it.



Figure 3: The number of sole parents on a benefit has remained steady since 2020.<sup>12</sup>



<sup>12</sup> Please note that this graph begins its count from 70,000 people to better show trends over time.

## Hardship grants



### The increase in the average cost per Special Needs Grant provided has broadly kept up with the increasing cost of living.

- > Hardship grants generally increased towards the end of 2022.<sup>13</sup> The number of Special Needs Grants (SNGs), Benefit Advances and Recoverable Assistance Payments granted rose year-on-year from September 2022.
- > The number of SNGs for food rose in particular. Food SNGs made up around 83 percent of all SNGs from July to December 2022.
- > On average, the value of each food SNG has also increased over the second half of 2022 (with an increase of 6.6 percent compared to the same time last year).
- > The increase in the number of grants and cost per grant broadly aligns with the increased cost of living over 2022 (with inflation increasing by 7.2 percent in the year to December 2022).
- > Around half of the increase in hardship grants in the second half of 2022 occurred for people who do not receive grants frequently (received from one to five grants). The other half of the increase was among people taking up grants more frequently (six or more grants).

## Cost of Living



### The increasing cost of living is impacting New Zealanders and low-income household.

- > The Household Living Price Indexes are best suited to monitoring the cost of living, especially for those on low incomes. The increase for all households was 8.2 percent, for low-income households it was 7.5 percent, and for beneficiaries it was 6.9 percent.
- > The cost of living for all the households in the index above accelerated through 2022, with annual headline inflation beginning to flatten towards the end of 2022.
- > Living costs for beneficiaries have not accelerated as quickly as for other households over 2022 as beneficiaries spend proportionately less than other households on some items which have risen most strongly, such as mortgages.
- > Food prices have been one of the biggest drivers of inflation over the past year (along with housing and transport), with the annual rise in food prices being 11.3 percent at December 2022.
- > Beneficiaries and people on low incomes tend to spend larger proportions of their incomes on food compared to other households and therefore continue to be affected disproportionately by the rise in food prices.

## MSD support



### MSD continues to support beneficiaries in response to the increasing cost of living.

- > The effect of the recent increases in main benefit rates and Working for Families has been partially reduced by the rising cost of living.
- > MSD increased the support available for dental treatment in December 2022 so that more people can receive dental care. This change caused SNGs for medical costs to almost double (to around 7,800 grants) in December 2022.

<sup>13</sup> This does not consider hardship grants in early 2023, so does not include the impact of severe weather events. Nor does this include the Annual General Adjustment to main benefits that occurred in April 2023, which aims to account for the increasing cost of living. The 'Total Incomes' report contains information on the total income MSD clients received as at the end of April 2023, which includes this adjustment as well as income from tax credits, Accommodation Supplement (AS), hardship grants etc. [Total Incomes annual report – 2023 – Ministry of Social Development \(msd.govt.nz\)](https://www.msd.govt.nz/total-incomes-annual-report-2023)

<sup>14</sup> The 13 different household groups include: beneficiaries, Māori, income quintiles (five groups), expenditure quintiles (five groups), and superannuitants.

## Housing



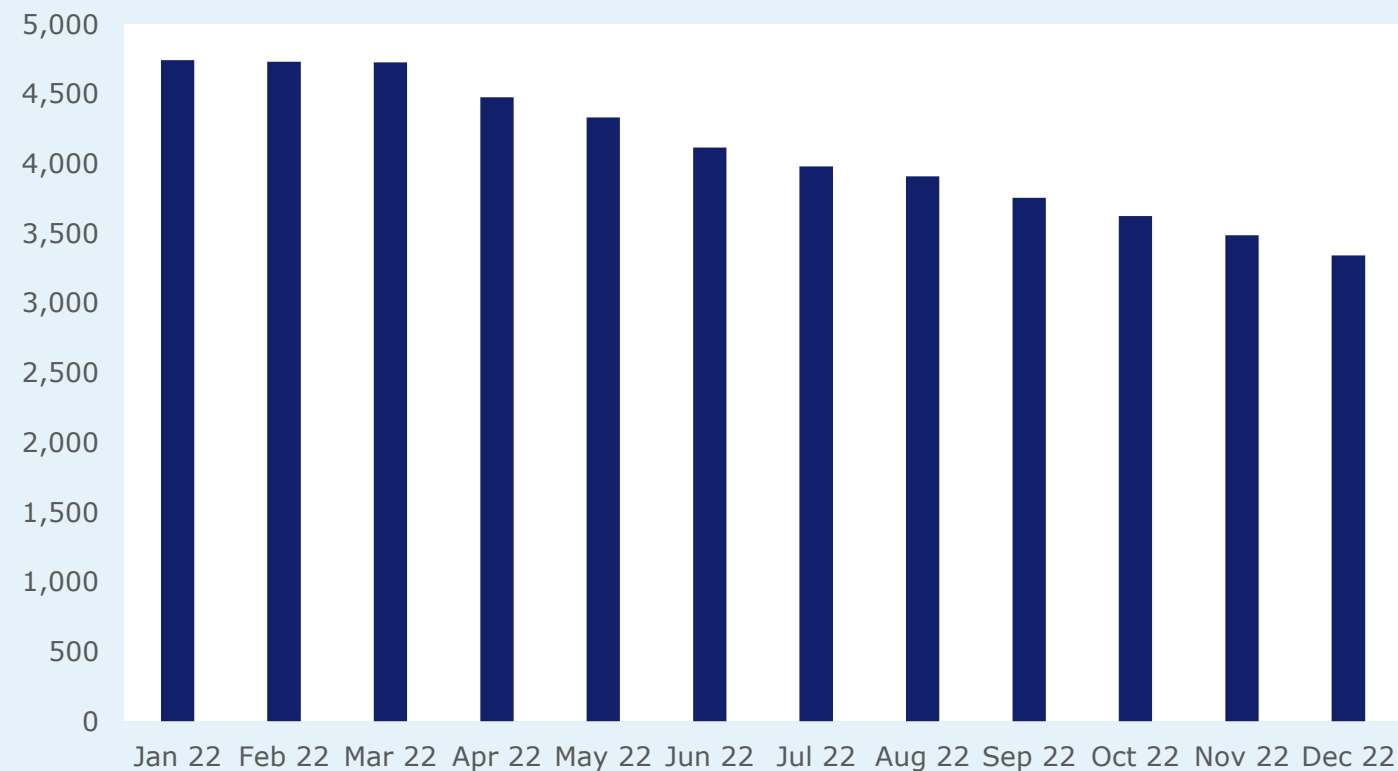
### The number of households in emergency housing has been falling throughout 2022 and remains lower than 2021.

The number of households in emergency housing continued to fall over the second half of 2022, reaching 3,342 households at the end of December 2022. The falling number of households in emergency housing was driven by a combination of factors. For example:

- > MSD continues to contribute to better housing outcomes for vulnerable families through the provision of housing-related financial assistance, Ready to Rent programmes, Housing Broker and Navigator services and Intensive Case Management.
- > There has also been a reducing supply of Emergency Housing providers as tourism returns. The number of Emergency Housing providers declined by 23 percent between June and December 2022. The number of providers has been declining since March 2022, resulting in individual providers accommodating more households in emergency housing on average.

Identifying precise causes for shifts in the number of households supported by an EH – SNG within different regions is difficult. This is because a variety of factors (for example, supply and demand factors in the rental and housing market, shifts in people's incomes and localised influences, such as weather events) may influence regional uptake.

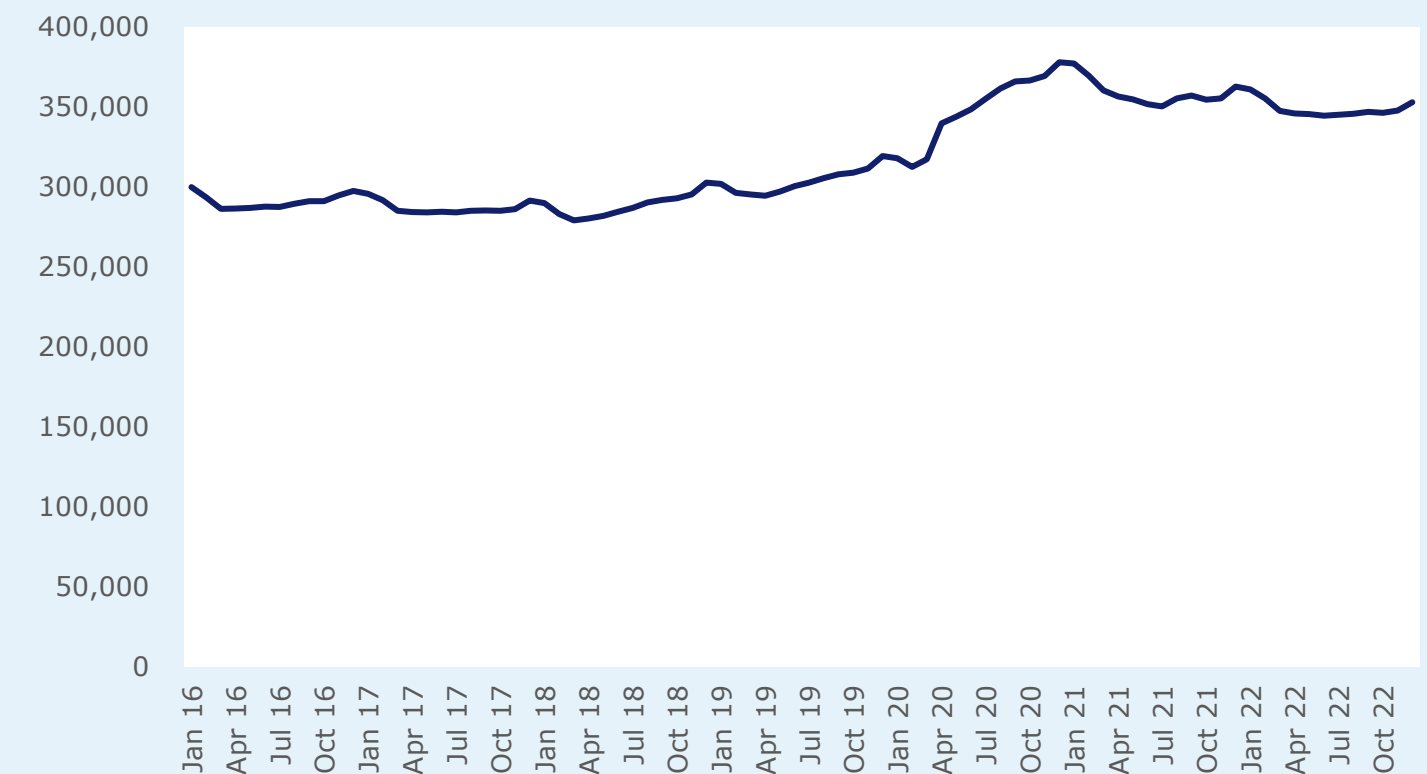
**Figure 4: The number of households in emergency housing has fallen throughout 2022.**



### The number of people receiving Accommodation Supplement (AS) remained fairly stable between July and November 2022.

The number of people receiving AS increased towards the end of the year. However, this is in line with seasonal trends, as there were more people on Jobseeker Support also receiving AS. Although the rental market had started to stabilise,<sup>15</sup> growth in costs claimed by benefit clients for AS remains high as housing continues to be a key challenge for some (see Figure 5).

**Figure 5: Number of people receiving the Accommodation Supplement has remained relatively stable over 2022**



<sup>15</sup> Median rents had remained relatively flat across 2022. This was based on rental bond data from the Ministry of Business Innovation and Employment (MBIE) found here: [www.tenancy.govt.nz/about-tenancy-services/data-and-statistics/rental-bond-data/](http://www.tenancy.govt.nz/about-tenancy-services/data-and-statistics/rental-bond-data/)



## Priority groups



### Women

Labour market outcomes for women have continued to improve, and disparities between men and women in labour market outcomes have narrowed. By December 2022, the unemployment rate for women was 3.5 percent and 3.3 percent for men.

Women came onto benefit in lower numbers than men following the pandemic, but the number of women 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 start receiving SPS instead of JS – WR if they have children.

In the second half of 2022, the number of women on JS – WR fell faster than for men (during the first half of 2022 this was the other way around).

### Youth

Youth (18 to 24 years old) have continued their strong post-COVID-19 recovery.

Youth main benefit numbers rapidly recovered through 2021 and into 2022. By June 2022 youth main benefit numbers were closer to pre-COVID-19 levels compared to most other age groups.

From July to October 2022 main benefit numbers for young people continued to fall, with the final two months of the year increasing in line with seasonal patterns.

These decreases were in line with generally strong labour market outcomes for young people throughout the rest of 2022.

### Māori

The number of Māori JS – WR recipients decreased by 11,700 people (down 21.0 percent) from the peak in December 2020 to December 2022. Throughout 2022, annual JS – WR reductions for Māori continued, but were slower than the strong annual reductions seen in 2021.

In December 2022 the number of Māori on JS – WR was around 1,800 people lower (or 4 percent) compared to a year earlier. Work exits (working age (18–64)) for Māori are still relatively high (in December 2022, the annual average was around 3,100 work exits) but have slowed throughout 2022.

Although the total number of work exits for Māori was lower in 2022 than in 2021 (by around 10 percent), this reduction was lower than for non-Māori (whose work exits in 2022 were around 19 percent lower than in 2021).

### Pacific Peoples

Pacific peoples experienced strong reductions in JS – WR from the peak in January 2021 to December 2022 (with a decrease of 5,300 or 30.6 percent over this time).

Annual reductions in JS – WR for Pacific peoples slowed in the first half of 2022 but then generally picked up from July to December 2022.

The number of Pacific Peoples on JS – WR was around 1,700 people lower (or 12 percent) in December 2022 compared to a year earlier. This is one of the highest year-on-year reductions proportionately across the ethnic groups.

### People with health conditions and disability

The unemployment rate for disabled people has been trending down since the series began in 2017, and particularly for females.

The gap between employment outcomes for disabled people and non-disabled people continues to persist.

This gap has generally narrowed across some of the key labour market statistics in the last two years.

The unemployment rate gap between disabled and non-disabled people aged 15 to 64 years was 4.6 percentage points in the June 2022 quarter, down from 8.2 percentage points in 2017. The unemployment rate for disabled people was 7.9 percent in June 2022.

### Seniors

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. In the second half of 2022, SNGs for people 65 and older generally increased faster than it did for people under 65.

Continued increases in need for hardship assistance may be partially driven by declining rates of mortgage free home ownership combined with an aging population.

Around 53 percent of older workers (50–64 years) who left main benefits<sup>16</sup> into employment in 2020/21 sustained their employment<sup>17</sup> in the following 12 months, an increase from the previous year when this figure was 45 percent. This was also higher than the overall average employment sustainability rate of around 50 percent.

### 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.

Throughout 2021 we saw rapid recovery in the number and proportion of people receiving JS – WR for short-term (less than one year) durations.

Throughout 2022, the number of people who had been on JS – WR for less than one year continued to fall but the proportion has stayed relatively flat.

### Long-term duration on benefit

There has been recovery in the number and proportion of people receiving JS – WR for one to two years following the COVID-19 pandemic. Both the number and proportion of people who have been on JS – WR for one to two years has fallen since 2021.

The number of people on working-age benefits who have spent two to five years on benefit continuously fell in the second half of 2022 after generally increasing strongly since early 2020. MSD has continued to focus on supporting this group as they are more likely to have higher barriers employment.

<sup>16</sup> Main benefits are made up of Jobseeker Support – Work Ready, Jobseeker Support – Health Conditions and Disability, Emergency Benefit, Sole Parent Support, Supported Living Payment – Health Condition and Disabilities, Supported Living Payment – Carers.

<sup>17</sup> This counts people who left the benefit system and then began earning at least \$1,696 a month as exiting to employment. To have sustained employment a person must continue to earn at or above this threshold each month for at least 12-months after they exited.



## Looking forward



Cyclone Gabrielle and the upper North Island flooding has had a major impact on the lives of those in the affected areas, and will have a prolonged impact on the New Zealand economy.

- > The full extent of the impact the cyclone will have on the economy and the labour market is uncertain, but it is expected that affected regions will spend considerable time and resources on the rebuild.
- > To rural communities in particular, the disruption to business operations, loss of tourism, lost crops and agricultural production will be significant.
- > The immediate impacts are likely to have flow on impacts to the benefit system in terms of higher need for income support and Civil Defence Payments.
- > The next Benefit System Update will cover the impacts of the cyclone.

## Other MSD releases



MSD regularly publishes reports, some recent releases include:

- > The previous [Benefit System Update](#), covering the period between October 2021 to June 2022.
- > Monthly benefit updates, including commentary, A3 and data can be found [here](#) each month.
- > The [Budget Economic and Fiscal Update 2023](#), which includes MSD's most recent benefit forecasts, was published at Budget 2023.
- > The [Youth report](#) which is the first in the insights reporting series and focused on young people between 16 to 24 years old.
- > The [Off-benefits insights report](#), which describes what happened to people who left the benefit system, when MSD had a record number of work exits.