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TE MANATU WHAKAHIATO ORA

Benefit System Update

OCTOBER 2021 TO JUNE 2022





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Disclaimer

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Introduction

The Benefit System Update series

In August 2020, the Ministry of Social Development (MSD) began publishing the Benefit System Update (BSU) report, which provides an overview of key trends in the economy, labour market, and benefit system.

The first BSU described the initial impact of COVID-19 on Aotearoa New Zealand's economy, subsequent policy responses, and how these factors affected demand for benefit support (MSD, 2020a). The second BSU, published in February 2022 (MSD, 2022a), described trends in the benefit system throughout the 12 months to June 2021. Following the second nationwide shift to Alert Level 4 in August 2021, we extended our analysis to also include trends observed following this shift.

This BSU builds on earlier reports and explores key trends in the benefit system between October 2021 and June 2022.

Overview

This report explores trends in the economy, labour market, and benefit system, and how these have been impacted by COVID-19, (see Appendix 1 for key COVID-19 related dates). This report also describes the impacts of macro-economic conditions and seasonal trends.

This report also explores how well several priority groups have fared. These include youth, sole parents, women, Māori, Pacific Peoples, people with health conditions or disabled people, as well as New Zealand Superannuation and Veteran's Pension recipients. Finally, this report also provides an overview of expected trends across the benefit system going forward.

Background

Following the shift to Alert Levels 3 and 4 in March 2020, we saw a sharp increase in the number of people entering the benefit system

Main benefit numbers increased by around 41,000 people by April 2020 (up 13.4 percent from February 2020), and continued increasing for the remainder of the year. This reflected restricted economic activity and high levels of uncertainty at that time (MSD, 2020a).

Following the March 2020 lockdown there was the sharpest contraction in Gross Domestic Product (GDP) on record, with a decrease of 10.3 percent (Statistics New Zealand; Stats NZ, 2022a).¹ The Household Labour Force Survey (HLFS) underutilisation and unemployment statistics also increased, peaking in September 2020 at 10.5 and 4.8 percent, respectively (Stats NZ, 2022f).²

There was rapid recovery in benefit numbers through 2021, supported by record numbers of exits into work

However, the benefit system responded better than expected, with growth in benefit numbers peaking lower and more quickly than forecast. We also saw a sustained downward trend through 2021. By June 2021, there were around 354,700 people receiving a main benefit, a drop of around 34,900 from the peak in January. Following March 2020, benefit numbers increased more quickly but peaked lower and decreased more quickly than during the Global Financial Crisis (GFC)³.

This sustained decrease in benefit numbers reflected historically high rates of exit into study or work, mostly for people leaving Jobseeker Support – Work Ready (JS – WR). In the year to June 2021, around 113,400 people moved from a benefit into employment.

The rapid recovery through 2021 reflected the tight labour market, the overall performance of the economy, and MSD’s sustained focus on supporting people into work

Sustained reductions in the number of people receiving a benefit also reflected the better-than-expected performance of the economy and the labour market. By June 2021, GDP and other unemployment² indicators had returned to pre-COVID-19 levels, with GDP growth of 2.4 percent in the June 2021 quarter, and the unemployment rate dropping to 3.9 percent. The Government’s substantial fiscal and economic response to COVID-19 also supported the performance of the benefit system.

Decreases also reflect MSD’s sustained focus on supporting people into work throughout this period, at the same time as processing a record level of applications for support. In response to the economic impact of the pandemic, the Ministry also moved some of its employment focus to meet the unprecedented demand for income support services.

¹ All GDP data is as at March 2022.

² Seasonally adjusted, as at June 2022.

³ See MSD (2022a) for more information.

The Ministry's temporary shift in focus was to ensure that the people coming onto benefit were supported to quickly return to employment to avoid becoming entrenched, as occurred following the GFC.

Alert Level changes in the second half of 2021 had less of an impact on the benefit system than previous lockdowns

The second national level shift to Alert levels 3 and 4 restrictions in August 2021 immediately led to increases in benefit numbers. However, the benefit system became more resilient to changing Alert Levels over time. The overall the shift to higher Alert Levels from August 2021 had much less of an impact than in March 2020, with benefit numbers peaking at a lower level (up around 7,100 people or 2.0 percent between July and September 2021) and decreasing in October 2021. In contrast, after an initial sharp rise in main benefit numbers following the March 2020 lockdown, main benefit numbers continued increasing for the remainder of the year.

There were some key differences between the two lockdowns, including the timing and length of the lockdown, as well as the available Government supports (MSD, 2022a). The August 2021 national lockdown was shorter than March 2020 (three weeks compared to seven), although some regions, including Auckland, spent longer than others at higher Alert Levels (see Appendix 1).

The labour market and economy also fared much better than expected

The labour market and economy also became more resilient to Alert Level shifts over time. Following the August 2021 period at higher Alert Levels most HLFS indicators were at historic strengths in the September 2021 quarter. For example, the unemployment rate decreased to 3.3 percent. Employers may have become increasingly comfortable with retaining employees during shifts to higher Alert Levels, in part due to the continued provision of wage subsidies and other supports.

There was some impact on GDP, with a decrease of 3.8 percent (Stats NZ, 2022a). This reflected the fall in activity in service industries (eg. retail, accommodation, and restaurants), which are the most dependent on face-to-face activities, and thus were the most likely to be affected by higher Alert Level restrictions (Stats NZ, 2021).

Benefit System trends October 2021 to June 2022

The economy and labour market continue to be resilient, although there are emerging risks

Despite high levels of uncertainty for businesses, the labour market has remained tight

From October 2021 to June 2022, Aotearoa New Zealand saw fluctuating Alert Levels, the introduction of the COVID-19 Protection Framework, and the outbreak of the COVID-19 Omicron variant.⁴ Despite these factors causing high levels of uncertainty for businesses, the unemployment rate remained low and flat in the December 2021 quarter and was stable at 3.3 percent in the June 2022 quarter. Over this period the employment rate also remained historically high, at 68.5 percent in the June 2022 quarter.

Employers' ability to access international labour has been constrained by the border closure. In addition, high demand for labour from business has helped maintain lower rates of unemployment. Hiring intentions from the Quarterly Survey of Business Opinion (QSBO) remained positive between the December 2021 and June 2022 quarters with firms indicating they will continue to hire more workers (New Zealand Institute of Economic Research; NZIER, 2022a; b). Online job advertisements also increased over this time (Ministry of Business, Innovation and Employment; MBIE, 2022c).

The Omicron outbreak created challenges for the labour market

Although the employment and unemployment rates have remained steady, the spread of the Omicron variant has increased worker absenteeism due to self-isolation requirements. However, industries were unevenly impacted. For example, the hospitality industry faced higher worker absenteeism compared to industries where people can work from home. This may also have restricted people's ability to exit benefits to work in these industries throughout this time. The spread of Omicron also partly contributed to the increased difficulty finding unskilled labour as there is limited availability to work from home in many of the lower skilled roles (NZIER, 2022a; b).

⁴ For more information on the framework, see: https://covid19.govt.nz/?qclid=EA1aIQobChMIipy3lvjv-AIVDpNmAh3mIAb6EAAYASAAEgKaHPD_BwE



The cost of living has been increasing

The labour market and economy have been resilient overall. However, heightened inflationary pressures have been driven by strong domestic demand combined with constrained supply. These have been compounded by global supply disruption and the Russian invasion of Ukraine (The Treasury, 2022b).

Stats NZ (2022c) reported annual inflation reached 7.3 percent in the June 2022 quarter, the highest it has been in 32 years. For those in employment, increases in wages have not kept up with the higher cost of living, causing peoples' purchasing power to fall.⁵ Low-income families may struggle more as they have less disposable income to compensate for the increases in prices. However, for families on a main benefit, total incomes have still grown faster than inflation, following increases in main benefit rates (MSD, 2022d).

To address high and persistent inflation pressures, the Reserve Bank of New Zealand (RBNZ) began increasing interest rates in October 2021. Raising interest rates reduces economic stimulus and activity by controlling spending. The Official Cash Rate (OCR) has risen from 0.5 percent in October 2021 to 2 percent in June 2022, with the bank signalling further increases to come (RBNZ, 2022).

Increases in mortgage rates because of this will impact households with mortgages, particularly higher spending households as interest payments already make up a higher proportion of their expenditure than lower income households (Stats NZ, 2022d). However, if costs of rents also rise because of rising interest rates⁶ then this also impact lower income households who are renting their homes.

The Government has introduced several initiatives to ease the short-term impact of cost of living rises on households, including:

- fuel excise duty and Road User Charges reduced until 31 January 2023
- half price public transport fares until 31 January 2023
- a new temporary cost of living payment for people earning up to \$70,000 who are not eligible to receive the Winter Energy Payment.⁷

⁵ Changes in real wages have been used as an indicator of purchasing power. Real wages are wages that have been adjusted for inflation. Real hourly wages have been calculated using the change in the Quarterly Employment Survey average income relative to the changes in CPI available from Stats NZ.

⁶ Note the cost of rent can also be affected by other factors, including changes in supply.

⁷ For more information see: www.beehive.govt.nz/release/cost-living-package-eases-impact-households-%E2%80%93-2.1-million-kiwis-get-new-targeted-payment



Signs of slowing economic activity are beginning to emerge

Although the economy and labour market continue to be strong, there have been some signs of slowing economic activity emerging. The December 2021 quarterly GDP growth was slightly below expectations at 3.0 percent. GDP also contracted by 0.2 percent in the March 2022 quarter.

While household consumption remained strong over the December 2021 and March 2022 quarters, it fell in the June 2022 quarter (The Treasury, 2022c; d; e). Consumer confidence also remained subdued through to June 2022, possibly signalling an upcoming slowdown in spending (ANZ Research, 2022). In line with this, retail sales volumes fell 2.3 percent in the June 2022 quarter. House prices have also fallen through 2022 and were down 3.4 percent nationally through the June 2022 quarter (QV, 2022).

In the labour market, in June 2022 firms remained positive about hiring, with more businesses intending to hire than not intending to hire. The net of 18 percent was down slightly from the net of 23 percent in the March 2022 quarter but was still historically relatively high (NZIER, 2022b). However, this slowing is unlikely to be even across the economy. For example, in June 2022 the BNZ (Bank of New Zealand) and BusinessNZ Performance of Manufacturing Index showed a reduction in activity within manufacturing industries, while the Performance of Services Index showed an increase in activity within services industries in June 2022 (BNZ & BusinessNZ, 2022a; b).

The benefit system has continued to recover from the impact of COVID-19

Despite the on-going impact of COVID-19, there was a return to usual trends through the December quarter

There were some on-going disruptions in trends following the August 2021 lockdown. For example, seasonal increases in November 2021 were smaller than usual (see Figure 1, overleaf). However, despite the shift to the COVID-19 Protection Framework on 2 December 2021, and Auckland and some other regions remaining at higher levels of restrictions until mid-December, the increase in the number of people receiving main benefits at the end of 2021 was in line with usual trends. This return to seasonal trends (seen pre-COVID-19) from December 2021 was likely supported by the on-going resilience of the labour market.

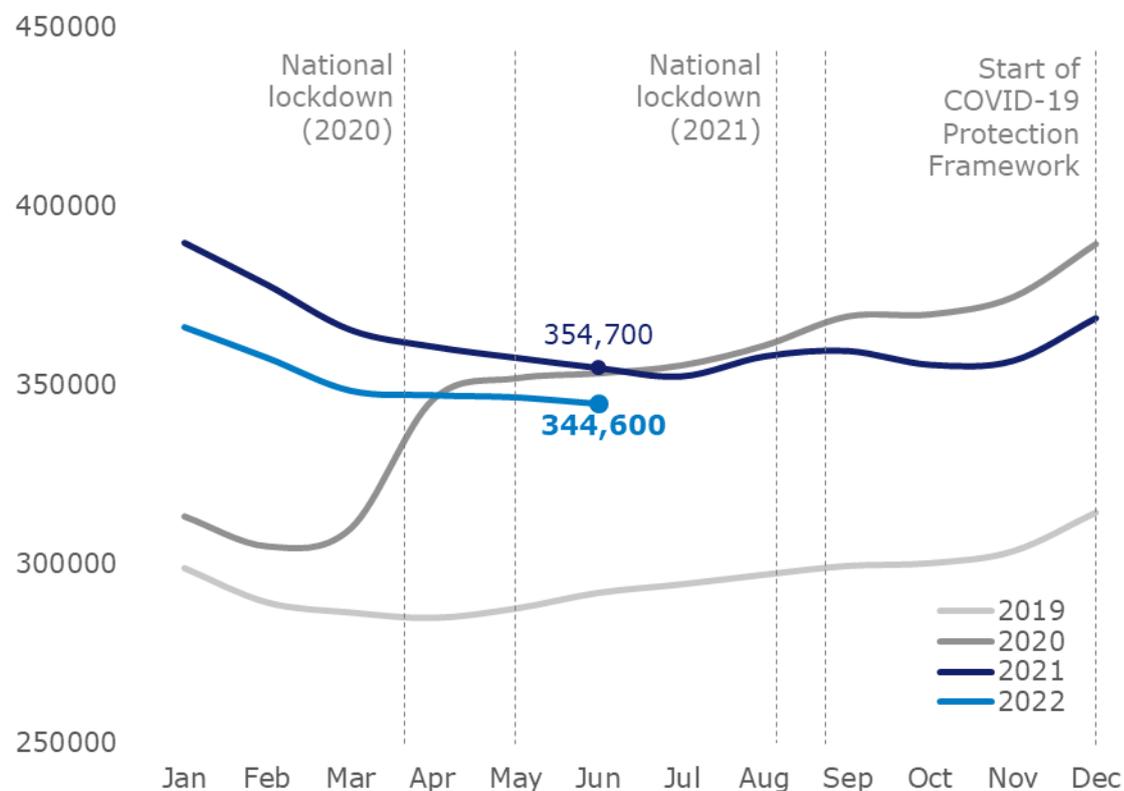
The number of people receiving main benefits (particularly JS – WR) usually begins to increase towards the end of the year as hiring can slow down and seasonal workers (eg. in viticulture) reach the end of their contracts. We also tend to see increases in main benefit numbers (particularly Jobseeker Support Student Hardship; JSSH) as students complete their studies or are in-between semesters.

Main benefit numbers decreased through to June 2022

The number of people receiving a main benefit then fell through the March 2022 quarter. This decrease reflects hiring picking up in the new year and more seasonal work becoming available. In addition, we usually see JSSH numbers decrease January to April of each year, as tertiary education institutions open for the year and students start or resume their studies.

While we saw a reasonably flat trend between April and May 2022, main benefit numbers decreased in June. Pre-COVID-19, the number of people receiving main benefits usually flattened or increased slightly around the middle of the year. Historically, this reflected changes due to seasonal work in some regions ending for winter at the same time as hiring slows.

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

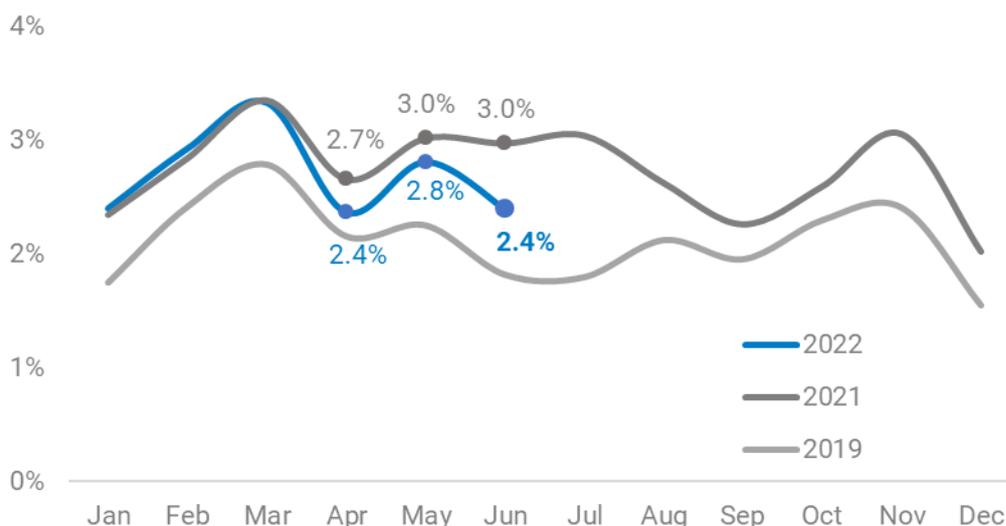


The number of work exits remained high, in line with MSD’s sustained focus on supporting people into work and the tight labour market

The continued decreases in main benefit numbers were partially driven by high numbers of work exits. In the year to June 2022, we saw around 113,400 work exits, which was the highest number since electronic records began in 1996.

In the year to June 2021, we also saw a similar number. These reflect MSD’s sustained focus on supporting people into work, as well as the tight labour market. The high number of work exits in the year to June 2022 was largely driven by the number of exits between October 2021 and March 2022. As shown in Figure 2, although the work exit rate fell below 2021 levels between April and June 2022, it remained higher than pre-COVID-19 (2019) levels.

Figure 2: Through 2022 the work exit rate⁸ has remained higher than 2019 levels, but began falling below 2021 levels through the June 2022 quarter



Jobseeker Support numbers have continued to decrease

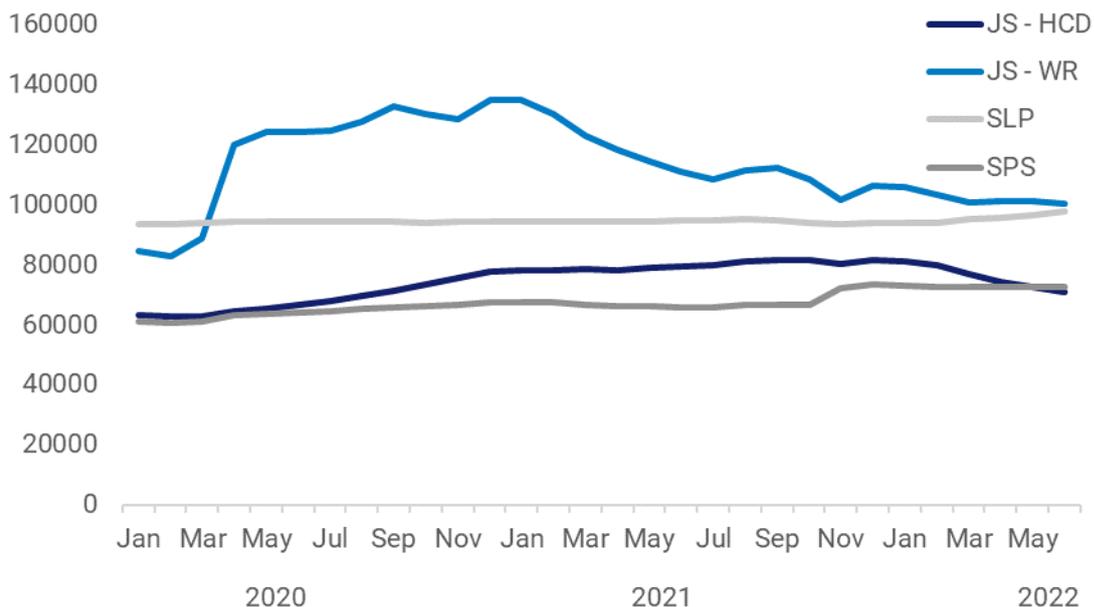
Main benefit trends continued to be driven by changes in JS

Decreasing JS numbers through 2021 and into 2022 have continued to contribute to the downward trend in main benefit numbers.

⁸ The work exit rates have been calculated by dividing the total number of cancels into work during the period by the total number of benefit recipients as at the end of the immediately preceding period.

In the first half of 2022, this reflected decreasing JS – WR numbers, and larger than usual decreases in the number of Jobseeker Support – Health Condition or Disability (JS – HCD) (see Figure 3).

Figure 3: The decreasing number of main benefit recipients in 2021 and into 2022 continued to reflect fewer JS recipients



Trends in the number of people receiving JS – WR between October 21 and June 22 largely reflected seasonal trends in the labour market and work exits

There was an overall decrease in the number of people receiving JS – WR between September and October 2021. The number of people receiving this benefit decreased in most regional council areas. However, regions more affected by on-going lockdowns (eg. Auckland) were slower to return to pre-August 2021 levels.

Between November 2021 and June 2022, JS – WR numbers largely followed seasonal trends in the labour market and work exits (see Appendix 2), despite the on-going impacts of COVID-19.

For example:

- JS – WR numbers decreased through November, this was largely due to the removal of the Subsequent Child Policy (described below) but also partially reflected more seasonal work becoming available, and work exits increasing.



- JS – WR numbers increased in December, in line with work exits slowing as hiring slows down towards the end of the year, and seasonal workers reaching end of their contracts.
- Decreases in JS – WR are usually apparent from mid- to late-January, as more seasonal work becomes available, hiring picks up after the Christmas/holiday period, and work exits increase.
- Through the June quarter JS – WR numbers stayed reasonably flat. JS – WR numbers tend to increase or flatten around the middle of the year, due to seasonal work ending for winter at the same time as hiring slows.

The Subsequent Child Policy removal resulted in a one-off shift of JS clients to SPS

There was a large decrease in JS – WR numbers in November because of the removal of the Subsequent Child Policy⁹. Although the overall number of main benefit recipients was not affected, this policy removal resulted in around 5,700 people transferring from JS to Sole Parent Support (SPS). Most of the transfers were from JS – WR (4,300), rather than JS – HCD (1,400).

Due to several factors, JS – WR numbers have not yet returned to pre-COVID-19 levels, but the unemployment rate reached record lows

We have seen overall decreases in the number of people receiving JS – WR and the unemployment rate since the highs reached in 2020. By June 2021, there were nearly 13,200 fewer people receiving JS – WR than in June 2020 (down 10.6 percent). By June 2022, the difference from June 2020 had grown to nearly 23,900 (down 19.3 percent), although, year-on-year decreases had been slowing from February 2022.

Historically, the number of people receiving JS – WR and the number of people who are unemployed usually move in a similar direction, as both respond to economic conditions. However, the unemployment rate fell to record lows in 2021, and has remained low since, while JS – WR numbers remain above pre-COVID-19 levels. This likely reflects differences in these concepts, limited overlap in the populations they reflect, and the characteristics of these populations.

⁹ For more information see: www.workandincome.govt.nz/about-work-and-income/news/2021/subsequent-child-policy-removal.html

Changing trends in unemployed people's take up of benefits, and operational processes may also be playing a role.¹⁰

The resumption of the Work Capacity Medical Certificates review process and high work exit rates have been contributing to decreases in the number of people receiving JS – HCD

MSD made several operational changes to respond to the pandemic and the unprecedented number of requests for support (see MSD, 2020a; 2022a for more information). For example, Work Capacity Medical Certificate (WCMC) reassessments¹¹ were deferred in April 2020 as higher Alert Level restrictions made it difficult for people to get a medical certificate. The number of people receiving this benefit increased by around 18,000 (up 28.7 percent) between March 2020 and January 2022. This process was resumed from 31 January 2022 for JS – HCD.¹²

In March 2022 we started to see the resumption of this process result in decreasing JS – HCD numbers. By June 2022, the number of people receiving JS – HCD had decreased by around 10,300 people (around 12.7 percent from January 2022), and this was a key driver of the decrease in overall JS numbers through the first half of 2022. This decrease reflected a combination of more people moving off-benefit as well as higher levels of transfers to JS – WR and Supported Living Payment – Health Condition or Disability (SLP - HCD), as some recipients transferred to benefits which better reflected their current circumstances. The resumption of the WCMC process was initially expected to reduce JS – HCD numbers for 12 months, as people (who had their WCMC process deferred) come up for their first review since the process was resumed. However, it is likely that most of these JS – HCD recipients will have completed a WCMC review by August or September 2022.¹³

The decreasing number of JS – HCD recipients also continued to be supported by high work exit rates. Through to June 2022 work exit rates for people receiving JS – HCD have been higher than 2019 (see Appendix 1).

¹⁰ For more information on the relationship between unemployment and benefit numbers, see MSD. (2022c; Stats NZ, 2022b).

¹¹ 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. For more information see: www.workandincome.govt.nz/providers/health-and-disability-practitioners/guides/work-capacity-med-cert-health-practitioners.html

¹² This ran from 30 March 2020 to 23 July 2021 for SLP and is discussed further on p.30).

¹³ However, there is some uncertainty to this. Previously there were mandatory review periods for clients. However, under the new process the client's health practitioner determines the appropriate review period.



Year-on-year decreases have started to slow

Continued uncertainty and changing COVID-19 protection framework settings were reflected in slowing year-on-year reductions through 2022

Although main benefit numbers continued to decrease year-on-year, this slowed through the March and June 2022 quarters. By June 2022 the difference from the same month in 2021 had narrowed to 2.9 percent, down from 6.0 percent in January 2022. This may be reflective of uncertainty associated with the COVID-19 community outbreaks, movement within the COVID-19 Protection Framework (Aotearoa New Zealand moved to the Red setting in January 2022), and uncertainty associated with changing or slowing economic conditions.

The slowing year-on-year reductions may also reflect the changing composition of people on benefit and reduced number of exits, including work exits

The slowing year-on-year reductions in 2022 are partly because in 2021 we saw record-high numbers of work exits, which drove overall decreases in main benefit numbers into winter. This was likely due to several factors including MSD's sustained focus on supporting people into work and the high demand for labour. Operational processes, including the resumption of the 52-week application process,¹⁴ were also contributing to a higher than usual number of exits through 2021 (MSD, 2022a).

The high number of work exits through 2021 was also partially due to the characteristics of those who came onto benefit over 2020. Many of the people who came on benefit during 2020 had no previous benefit history and were able to find work more easily than those who had been on benefit longer-term (MSD, 2022a). However, we have seen increases in the number of benefit recipients with longer durations, in line with what we have seen following previous economic shocks. People with a longer benefit duration often have more barriers to employment (such as limited employment history) than those with a shorter duration and may require more time and support to exit a benefit into work. The slowing year-on-year reductions may reflect this changing composition of people receiving benefits.

¹⁴ Jobseeker Support 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, see: www.workandincome.govt.nz/on-a-benefit/re-apply/index.html



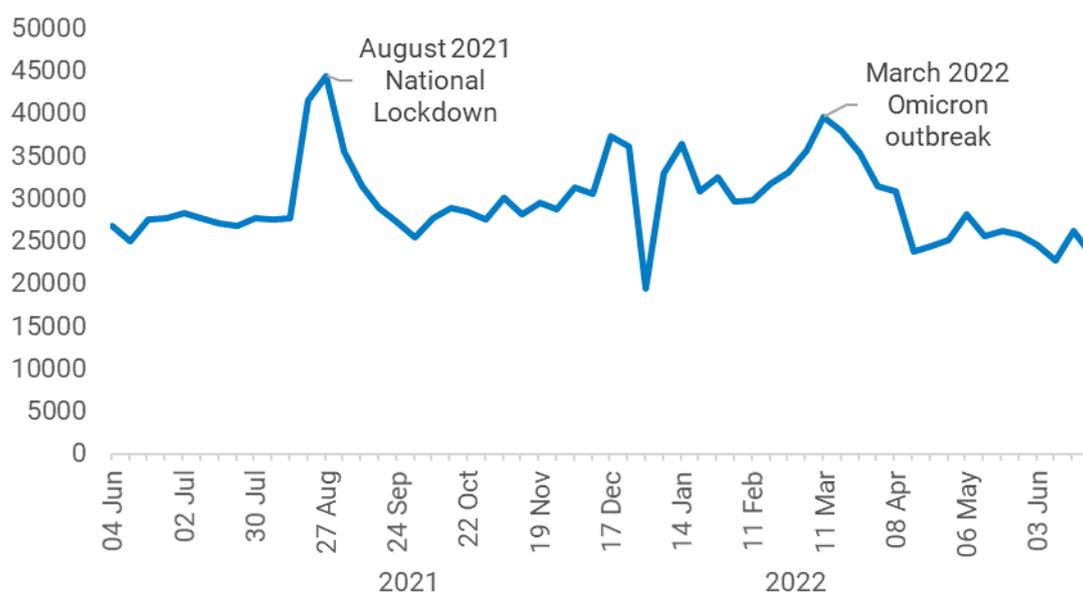
MSD has continued to provide support to New Zealanders with hardship, housing, and COVID-19 related assistance

Hardship assistance refers to payments to help people meet essential costs such as food, housing, medical needs, or other essentials that cannot be met by any other means. This type of assistance is available for both people receiving main benefits and very low-income working families, subject to an income and asset test. The following section explores trends in one of the main types of one-off hardship assistance, Special Needs Grants (SNGs).

There was some on-going disruption in trends for SNGs from the August 2021 lockdown

The number of SNGs increased sharply in August 2021, in line with the shift to higher Alert Levels (see Figure 4). We also saw increases in hardship grants in response to previous periods at higher Alert Levels (MSD, 2020a, 2022a). In line with main benefit trends, there was some on-going disruption in trends for SNGs following the August 2021 lockdown. The overall number of SNGs fell through September and into October.

Figure 4: Weekly SNG numbers increased in response to the August 2021 lockdown and the March 2022 Omicron outbreak, but otherwise followed seasonal trends¹⁵



¹⁵ A dip in grants in late December/early January reflects public holidays resulting in fewer processing days.

We usually see a one-off increase in SNGs in October after the Winter Energy Payment (WEP)¹⁶ ends, while people adjust back to their regular weekly benefit income levels.

More people not receiving a main benefit were supported through hardship assistance

As part of the response to the extended COVID-19 Alert Level restrictions, from November 2021 there was a temporary¹⁷ increase in hardship assistance limits. This was to enable more low-income New Zealanders to receive assistance for one-off immediate and/or essential needs. In line with this change, the number of hardship grants to non-beneficiaries increased by around 950 (up 45 percent) in the first week of November. Except for the post-Christmas reduction, the increase in hardship grants for non-beneficiaries has largely been sustained through to June.

In line with main benefit numbers, there was a return to seasonal trends through the holiday period

Households tend to come under more financial pressure over the holiday period. In line with this, the overall number of SNGs increased through the end of the year, before decreasing through January and February. This was in line with what we usually see at this time of year, despite the move to phase 3 of the Red setting.¹⁸

MSD provided support to those self-isolating as part of the Care in Community Welfare Response

There was a large increase in SNGs, particularly SNGs for food in March 2022. There were 137,900 SNGs for food provided in March 2022, up 31.3 percent from February. This was the largest month-on-month increase since the COVID-19 outbreak in August 2021. The increase in March reflected the peak in COVID-19 cases in the community and increased number of requests MSD received for welfare assistance from those self-isolating (see Figure 5, overleaf). Under the COVID-19 Protection Framework, people with COVID-19 self-isolate in the community, with support where appropriate.

¹⁶ For more information see: www.workandincome.govt.nz/products/a-z-benefits/winter-energy-payment.html

¹⁷ The Government made permanent changes to the income limits for some hardship assistance from 1 July 2022, which may result in some changes in trends going forward.

¹⁸ For more information on the Government's response to Omicron, please see: <https://covid19.govt.nz/news-and-data/latest-news/government-announces-three-phase-public-health-response-to-omicron/>



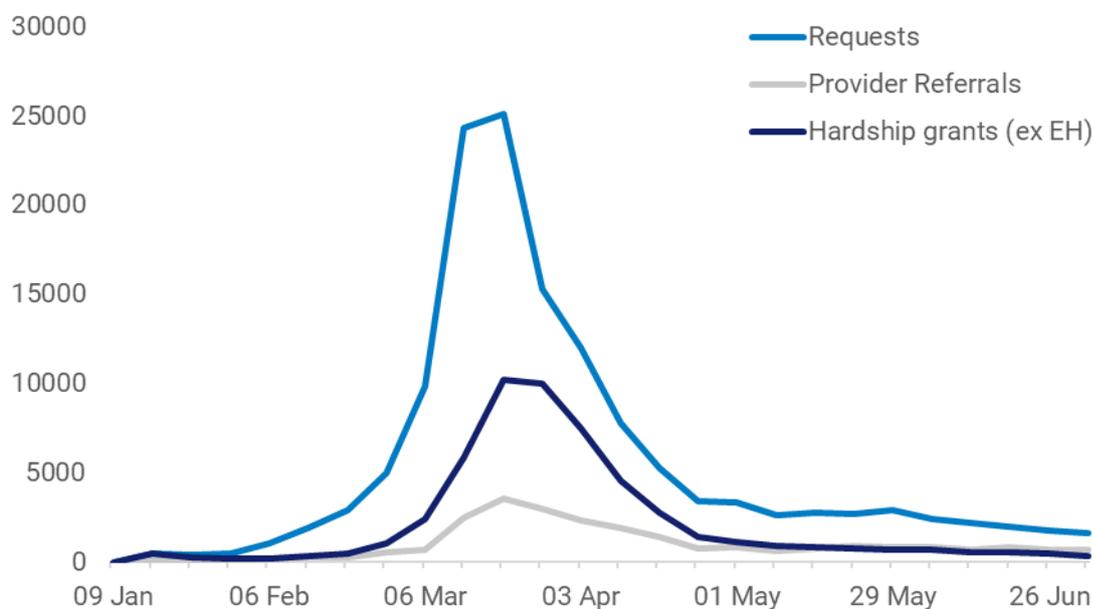
The Care in the Community (CiC) welfare response is a locally led, regionally enabled, and nationally supported approach that helps people remain safe and supported while isolating due to COVID-19. This is achieved through partnerships between community providers and leaders, iwi, Māori, Pacific Peoples, and ethnic communities, the disability sector, Councils, and government agencies.

Partnerships between regional leadership structures and communities allow for the welfare response to be delivered in a way that is tailored to local needs.¹⁹ Government funding was provided to bolster existing community resources and ensure effective delivery of the response.²⁰

In addition to hardship grants and referrals to community providers, other types of support provided by MSD included:

- other MSD financial support, including being granted a benefit or other on-going financial assistance
- referrals to other external organisations who might be better suited to meet their needs, eg. local food banks, public health units, or housing providers
- advice, information, and employment support.

Figure 5: Weekly requests for support from people self-isolating, referrals to providers, and hardship grants peaked in mid-March



¹⁹ An evaluation of the welfare response is underway to understand how regional coordination mechanisms and partnerships with the community sector are working in practice. Data collection for the evaluation will occur in three cycles. Longer-term evaluations are also planned.

²⁰ Current Care in the Community welfare support will remain in place until the legislative requirement to self-isolate is lifted. This funding covers a transitional period up to June 2023. For more information see: www.beehive.govt.nz/release/care-community-pivots-nz-returns-greater-normality



In line with COVID-19 case numbers, after peaking in the week ending 20 March requests to MSD for support, provider referrals, and hardship grants fell sharply, and remained reasonably flat through May and June 2022.

Local community providers were providing a large share of the support to those directly affected by COVID-19

It is important to note that the requests for support to MSD and these outcomes do not fully reflect demand for support or support provided. Local community providers were providing a large share of the support to those directly affected by COVID-19. Self-referrals appear to be the dominant referral source for community providers, followed by MSD referrals. These numbers also will not reflect people who were referred directly by regional public health units.

Hardship grants decreased and remained low through the June quarter

The number of SNGs decreased in April and remained low and reasonably flat through the remainder of the June quarter. This likely reflected several factors including fewer people requiring support while self-isolating compared with March. In addition, there were increases in benefit recipients' incomes because of the 1 April increases in main benefit rates, and the Winter Energy Payment (WEP) starting on 01 May.²¹ Outside of increases in August 2021 and March 2022, weekly hardship numbers have been decreasing slowly over the last year and have been similar to pre-COVID-19 levels, particularly through the June 2022 quarter.

The Wage Subsidy August 2021, Leave Support Scheme, and Short-Term Absence Payment were available to protect jobs and support people self-isolating

In addition to hardship assistance, MSD also administered other forms of COVID-19 related assistance through October 2021 to June 2022. The Wage Subsidy August 2021 was available to support eligible employers, including self-employed people. This scheme was designed to help pay and retain employees through the shift to higher Alert Levels.²²

²¹ On 1 April 2022 Main benefit rates increased by between \$20 and \$42 per adult, per week compared to 1 July 2021, which saw rates see rates come into line with the key recommendations of the Welfare Expert Advisory Group (WEAG). The Winter Energy Payment is an extra payment to help people with the cost of heating their homes over the winter months

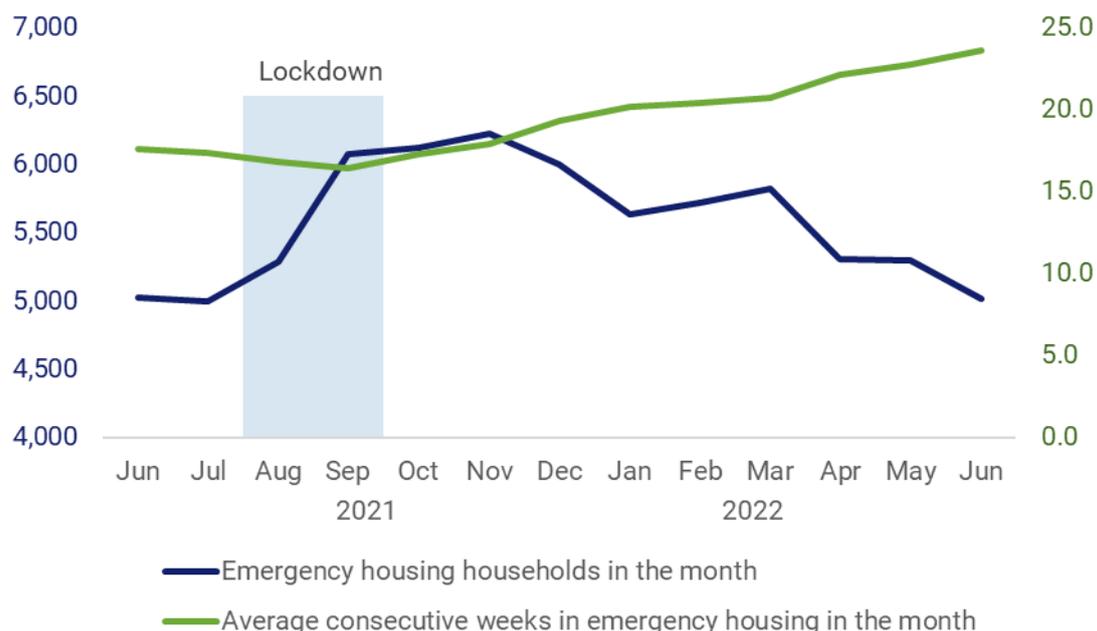
²² Wage Subsidy August 2021 #1 opened on 20 August 2021. Following this there was a series of fortnightly wage subsidies ending with Wage Subsidy August 2021 #8, which closed on 9 December 2021, after the move to the COVID-19 Protection Framework and most regions moving to the Orange setting. For more information see MSD. (2022b).

Additional schemes have also been available to help employers pay employees who cannot work from home and are waiting for a COVID-19 test result (COVID-19 Short-Term Absence Payment) or have been advised to self-isolate (the COVID-19 Leave Support Scheme).²³ These schemes are likely to have mitigated impacts on New Zealanders by protecting jobs²⁴ and reducing the likelihood of employees experiencing financial hardship where they are unable to work from home but need to self-isolate. In turn, this may have contributed to fewer people coming into the benefit system during this time or needing hardship assistance from MSD.

Rental prices, housing supply, and COVID-19 has contributed to demand for housing support

While the number of applications on the Public Housing Register and demand for emergency housing have been increasing for several years, we saw accelerated growth throughout 2020/21 (MSD, 2022a). The August 2021 lockdown also resulted in a sizable increase of demand for emergency housing (see Figure 6).

Figure 6: The number of emergency housing households²⁵ has been decreasing, however people are also staying for longer



²³ For reporting on LSS and STAP, see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/index.html

²⁴ Modelling by the Reserve Bank of New Zealand suggested that the March 2020 Wage Subsidy saved an estimated 183,600 jobs in the labour market (Graham & Ozbilgin, 2021).

²⁵ Emergency housing households in the month are the number of individual people who have applied for emergency housing assistance for themselves and/or their family one or more times. The average consecutive weeks in emergency housing is the average length of stay of a client/household based on their last grant in the month.



The number of households in emergency housing grew from around 5,000 households in July 2021 to nearly 6,100 in September 2021. After reaching a high point of around 6,200 in November 2021 (which may reflect some seasonal demand), the number of clients in emergency housing has begun to decline, reaching 5,000 in June 2022. However, emergency housing numbers remain well above pre-COVID-19 (February 2020) levels. Notably, the time clients are spending in emergency housing began continued to increase, staying an average of six weeks longer in emergency housing than they were 12 months ago (as shown in Figure 6).

In addition to COVID-19, high market rental prices and lack of general availability across the country has also contributed to the number of households seeking housing support. Public Housing Register applications reached a population of around 32,700 in April 2022 at the highest point, then slightly decreased to below 32,200 in June 2022. The growth in the Public Housing Register has since stabilised over the last six months, although in June 2022 numbers remained 10 percent higher than a year ago. Housing supply began to increase in the June 2022 quarter, contributing to rental prices beginning to decrease (Trademe, 2022), despite the on-going increases in interest rates.

Priority groups²⁶

Long-term benefit duration

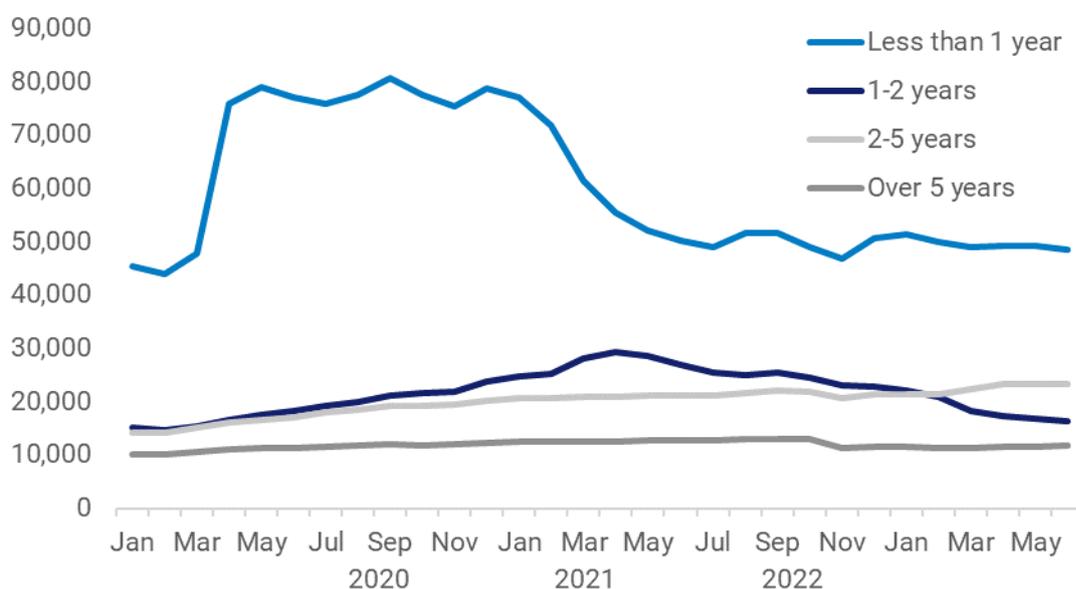
We have seen rapid recovery in the number of people with both short-term (less than one year) and longer-term (1-2 years) durations

Through 2020, the number of people, particularly JS – WR recipients, with a benefit duration of up to one year rose. This reflected the influx of people who entered the system during the initial COVID-19 period. This group then reduced quickly up to July 2021 and has remained around July 2021 levels since (see Figure 7, overleaf). As a proportion of the total number of JS – WR recipients, people with up to one year duration decreased from 58.3 percent in December 2020, to 48.4 percent in June 2022 (down 9.9 percentage points; see Appendix 3).

²⁶ Unless otherwise stated, all HLFS statistics reported in this section are as at June 2022 and not seasonally adjusted.

The number of people with a duration of 1-2 years also increased²⁷ through 2020 and 2021, but with a lower and slower trend. This group started reducing from around mid-2021 and this continued through to June 2022.²⁸ As a proportion of the total number of JS – WR recipients, people with 1-2 years duration decreased from 24.9 percent in May 2021, to 16.4 percent in June 2022 (down 8.5 percentage points).

Figure 7: The number of people receiving JS –WR on shorter durations (≤ 1 year, 1-2) have been decreasing, but the 2–5 year group have slowly increased²⁹



This relatively rapid decrease in the number of shorter duration clients reflected the cohort of people who came on benefit during the pandemic period. People who entered the benefit system during Alert Level 3 and 4 restrictions in 2020 on average tended to have higher levels of education, were younger, and were more likely to have little to no recent benefit history. Because of this, this group may have been able to find work more easily than others. The resumption of the 52-week reapplication process in February 2021 and associated work assessments also likely contributed to the decrease in the number of shorter duration clients, particularly those receiving JS – WR for 1-2 years.

²⁷ The number of JS – WR recipients with 1-2 years duration had been increasing slowly from March 2019.

²⁸ Some 1-2 year duration JS – WR recipients may have been moving into the 2-5 year duration group through 2021. However, the 1-2 year group decreased steeper than the 2-5 year cohort increased, suggesting that more people are exiting benefits.

²⁹ Note the drop across all duration cohorts between October to November 2021 may reflect the removal of the subsequent child policy, and the transfer of some JS – WR recipients to SPS.



We have seen increases in the number and proportion of people longer durations, particularly 2-5 years

However, the group of JS – WR recipients with 2-5 years duration has continued to increase. It increased by around 9,200 people (up around 64.9 percent) between February 2020 and June 2022. As a proportion of the total number of JS – WR recipients, this was an increase of 6.3 percentage points, from 17.1 to 23.4 percent.

JS – WR recipients with over 5 years duration also increased but not to the same degree (up around 1,800 people or 17.7 percent). As a proportion of the total number of JS – WR recipients, there was a decrease of 0.3 percentage points, from 12.1 to 11.8. This is likely to partially reflect the larger increase in the count of JS – WR recipients with 2-5 years duration over this period.

The increase in the number of longer- term JS – WR recipients may reflect several factors

The increasing number of longer-term JS – WR recipients during the COVID-19 pandemic period may reflect a combination of factors. For example, people already on benefit when the first COVID-19 lockdown occurred may have been effectively 'outcompeted' for jobs by the more recent entrants. People vulnerable to long-term benefit uptake also face additional barriers to accessing the labour market, including limited employment history. The number of people with a longer benefit duration also tends to increase following economic shocks such as the GFC.

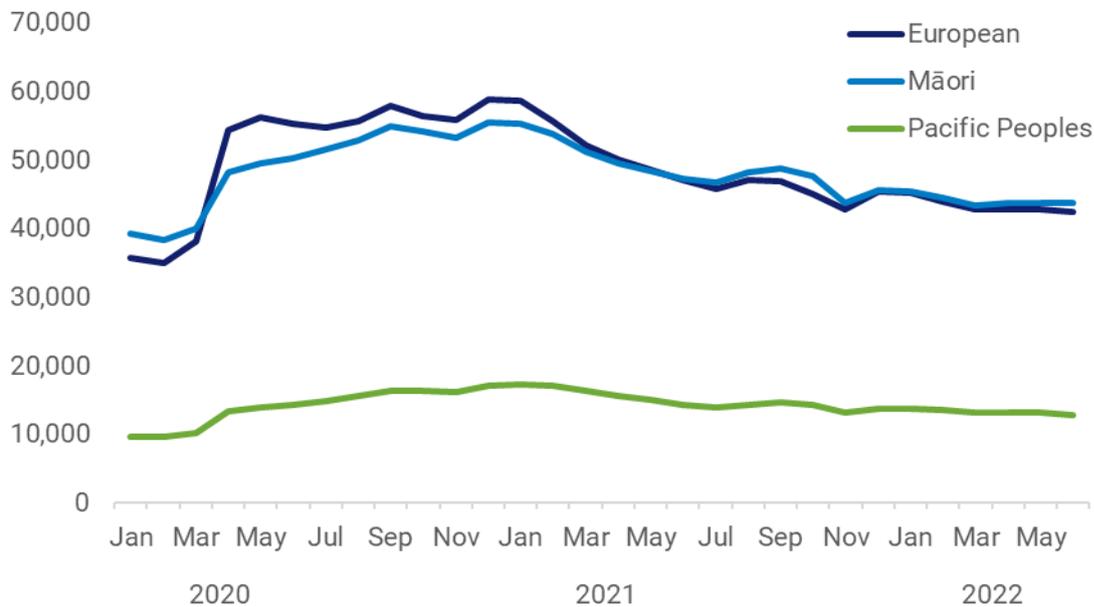
MSD is responding to the growth in longer-term JS – WR recipients by shifting its provision of services and programmes to focus on clients at risk of long-term benefit receipt as well as other priority cohorts.

Māori

JS – WR numbers have continued to decrease for Māori, supported by increasing work exit rates

Māori experienced lower growth in JS – WR numbers through 2020 and slower decreases through 2021, when compared with Europeans (see Figure 8, overleaf). This reflected the cohort of people who entered the benefit system during 2020, who were more likely to be European.

Figure 8: Since January 2021, JS – WR numbers have fallen for Māori, Pacific Peoples, and Europeans³⁰



As shown in Figure 8, Māori experienced strong recovery through to June 2022, with 11,700 fewer people (down 21.1 percent) receiving JS – WR in June 2022, when compared to December 2020. This is in line with improving work exit rates for this group (see Table 2). Although the gap between Māori and European JS – WR numbers did narrow over time, by June 2022 JS – WR numbers for Māori were still closer to pre-COVID-19 (February 2020) levels than for Europeans.

Table 2: For Māori, Pacific Peoples, and Europeans, work exit rates in the June 2022 quarter were lower than in June 2021, but remained higher than in 2019

Ethnicity	Jun-19	Jun-20	Jun-21	Jun-22
European	5.8%	5.7%	8.3%	7.3%
Māori	6.7%	4.4%	8.3%	7.5%
Pacific Peoples	6.9%	4.6%	9.7%	8.9%
Total	6.2%	5.4%	8.5%	7.6%

Note. Work exit rates in this table are for all main benefits, for June quarters.

Between June 2020 and March 2021, European benefit recipients had high work exit rates from main benefits.

³⁰ Monthly percentage change from February 2020

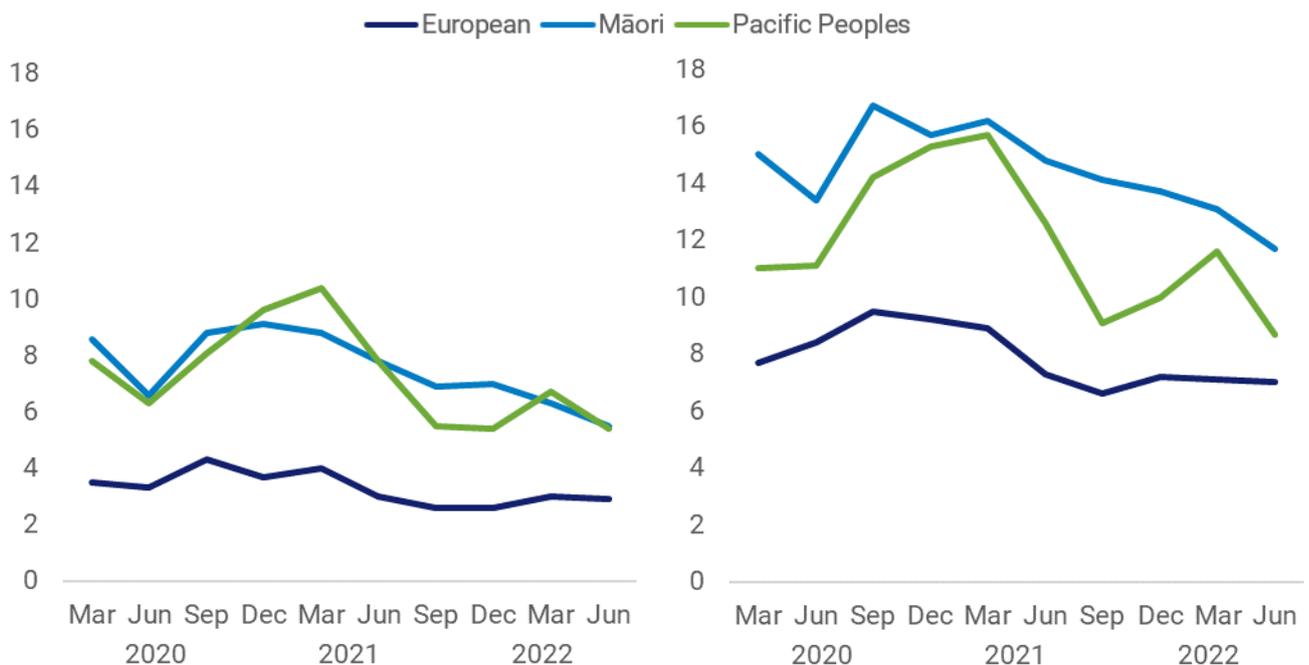
This reflected the cohort of people who came on benefit through 2020, who tended to be younger and had little to no benefit history.

However, work exits rates for Māori have been steadily increasing since mid-2020. Although work exit rates have slowed across all ethnic groups in the June 2022 quarter, the longer-term trend meant that between the October 2021 and June 2022 quarters, Māori have been exiting into work at a similar rate or slightly higher than European benefit recipients. Māori have also been making up a larger proportion of work exits, while this has been decreasing for Europeans.

Labour market outcomes for Māori, including for wāhine Māori, have continued to improve

The increasing work exit rates for Māori were in line with improving labour market outcomes. The HLFs unemployment rate for Māori decreased to 5.5 percent in June 2022, down from 7.8 percent in June 2021. The underutilisation rate for Māori also decreased to 13.4 percent from 17.5 percent, over the same period. However, a gap between headline results remained (see Figure 9). Labour market outcomes for wāhine Māori also continued to improve. For example, the decrease in the underutilisation rate for Māori was driven by 10,300 fewer underutilised wāhine Māori, and 5,700 fewer tāne Māori.

Figure 9: Unemployment (L) and underutilisation (R) rates fell through 2021 and into 2022³¹



³¹ Quarter to quarter rates can be volatile, and so caution is warranted when drawing conclusions other than regarding the year-on-year or longer-term trend.

Pacific Peoples

Pacific Peoples continued to experience strong recovery in benefit numbers, supported by high work exit rates

The number of Pacific Peoples that received a main benefit peaked in January 2021, following a similar trend to Māori and European recipients. By June 2022, the number of Pacific Peoples receiving JS – WR had decreased by around 4,500 people (down 25.7 percent). Despite this, by June 2022 the number of Pacific Peoples receiving JS – WR remained 34.6 percent higher than in pre-COVID-19 (February 2020). The relatively larger proportionate growth for Pacific Peoples may reflect the relatively smaller base numbers for this group.

The work exit rate for Pacific Peoples has been steadily increasing since April 2020. Work exit rates for Pacific Peoples were largely in line with or higher than Māori through 2020 and 2021. However, work exits for Pacific Peoples were much higher than other groups through mid-2021, and although the gap narrowed, it remained higher through to June 2022.

Labour market outcomes for Pacific Peoples have continued to improve

As shown in Figure 9, the increasing work exit rates for Pacific Peoples were also in line with improving labour market outcomes. In the June 2022 quarter, the HLFS unemployment rate for Pacific Peoples fell to 5.4 percent, down from 7.8 percent in the June 2021 quarter. This was driven by reductions in the number of unemployed Pacific people in Auckland, particularly the south Auckland region, where a high proportion of Pacific people reside (MBIE, 2022b). In the June 2022 quarter, the underutilisation rate for Pacific Peoples also decreased to 10.9 percent from 14.4 percent in the same quarter last year. Increases in the employment rate have also been seen for both Pacific women and men.

Some vulnerabilities remain

However, some vulnerabilities remain for Māori and Pacific Peoples. Overall, Māori and Pacific Peoples remain overrepresented in the benefit system. In addition, previous recessions have also shown that Māori and Pacific Peoples are at greater risk of remaining on benefits for a longer period than other ethnicities, even as the economy improves.

While we have seen increases in the number and proportion of Māori and Pacific Peoples in the 2-5 and over 5 years duration bands for main benefits, this likely reflects a longer-term trend.

The proportion of Māori and Pacific benefit recipients has been increasing overall since at least June 2006, and it is too soon to tell whether COVID-19 is having an impact on the underlying trend.

Sole Parents³²

SPS experienced much lower growth than other benefits through to January 2021, and began to decrease in 2021

While the number of SPS recipients was influenced by the economic shock following the pandemic, the rate of growth remained well below increases for JS – WR recipients. Unlike JS – WR, the increase in SPS numbers was mostly due to fewer people leaving the benefit system, rather than more sole parents entering benefit (MSD, 2021b). SPS numbers increased by around 7,200 people (up 11.9 percent) between February 2020 and January 2021. Although SPS numbers decreased until October 2021, at that point they were still up around 6,000 people or 9.9 percent from February 2020.

Because sole parents have childcare responsibilities, their patterns of exit from benefit, and exit into work, differ from other benefits. SPS generally has lower exit rates than other benefit types like JS – WR (see Appendix 2), and recipients are more likely to access support for a longer duration.

The number of SPS recipients in June 2022 was higher than forecast, likely reflecting weaker labour market outcomes for sole parents

In November 2021, the number of people receiving SPS was affected by the removal of the Subsequent Child Policy, which saw a one-off shift of around 5,700 people from JS to SPS. Seasonal increases in November also continued into December, after which there was a slight downward trend in the number of SPS recipients through to June 2022 (down nearly 600 people or 0.8 percent from December 2021). However, overall SPS numbers have remained reasonably flat.

The trend for SPS numbers may be affected by fewer people exiting this benefit due to weaker labour market outcomes for sole parents. The SPS work exit rate largely remained below or in line with 2019 levels through 2021, and this has continued through 2022 (see Appendix 2).

³² Note this section focuses on trends for SPS. 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.

Unlike headline rates, which were better than pre-COVID-19 levels, the proportion of sole parents in employment was also yet to recover. In the June 2022 quarter the employment rate for sole parents³³ was at 62.8 percent, lower than the pre-COVID-19 rate of 64.6 percent in March 2020. Additionally, the gap between sole parent employment rates and headline employment rates widened. Given sole parents also face additional barriers to the labour market associated with childcare, sole parents will continue to require relatively more support to re-engage with the labour market.

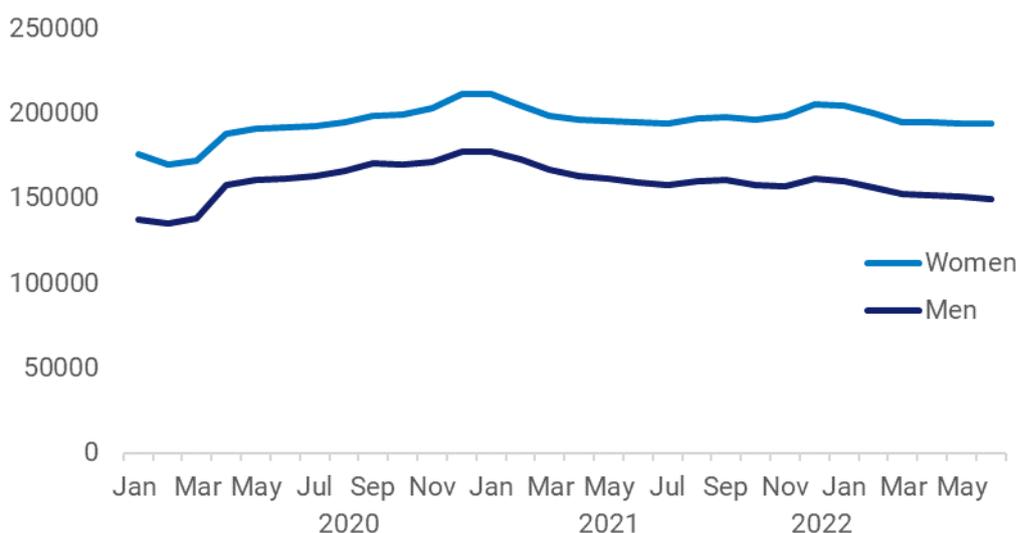
Women

Trends in main benefit numbers continue to reflect gender-based patterns in uptake of different benefits

Women came onto benefit during the COVID-19 pandemic period in fewer numbers than men, but also experienced slightly slower recovery.

By June 2022 main benefit numbers for women had decreased by around 17,500 (down 8.3 percent) from December 2020³⁴ (see Figure 10). In contrast, main benefit numbers for men decreased by around 27,900 (down 15.7 percent) over the same period.

Figure 10: Men experienced greater growth in monthly main benefit numbers during 2020, but also experienced slightly faster recovery than women



³³ The Sole Parent population (defined as a sole parent with a dependent child aged 0–18 years) is a customised series provided by Statistics New Zealand, based on the HLFS, and is not seasonally adjusted.

³⁴ Note, main benefit numbers peaked in December 2020 for both genders.

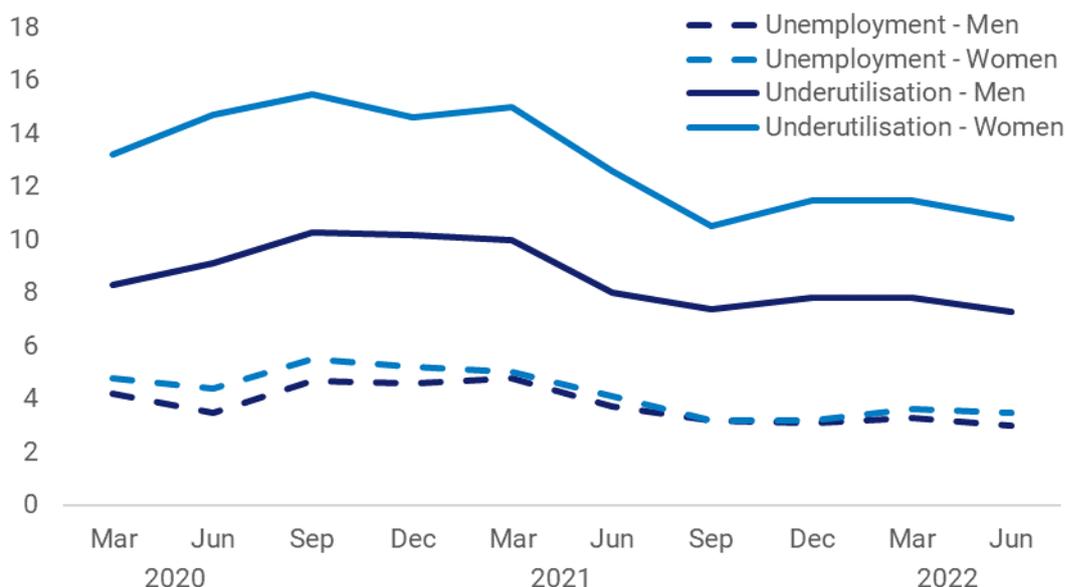
Differences in trends between men and women continue to reflect gender-based patterns in uptake of different benefits.³⁵ Women are more likely than men to go onto SPS instead of JS – WR if they have children. As described previously, SPS has different patterns of work exit and benefit duration than JS – WR. Also, compared to JS – WR, SPS numbers experienced less growth but also slower recovery through the pandemic period.

Labour market outcomes for women have continued to improve

Labour market outcomes have continued to improve for women with the unemployment rate falling to 3.5 percent in the June 2022 quarter, and the underutilisation rate falling to 10.8 percent. In addition, there was a larger increase in the number of women employed, with 31,000 more women employed compared with 13,000 more men employed in the year to June 2022 (MBIE, 2022a).

While there are disparities in labour market outcomes between men and women, these have been narrowing (see Figure 11). The labour force participation rate for women of 66.1 percent also remains below the rate of 75.0 percent for men. Some women may not enter the labour force if they are caring for family members or have childcare responsibilities.

Figure 11: Unemployment and underutilisation rates for women have continued to improve, but remain higher than men



³⁵ There may also be an element of undercounting, as partners are not included in reported numbers of people receiving a benefit.

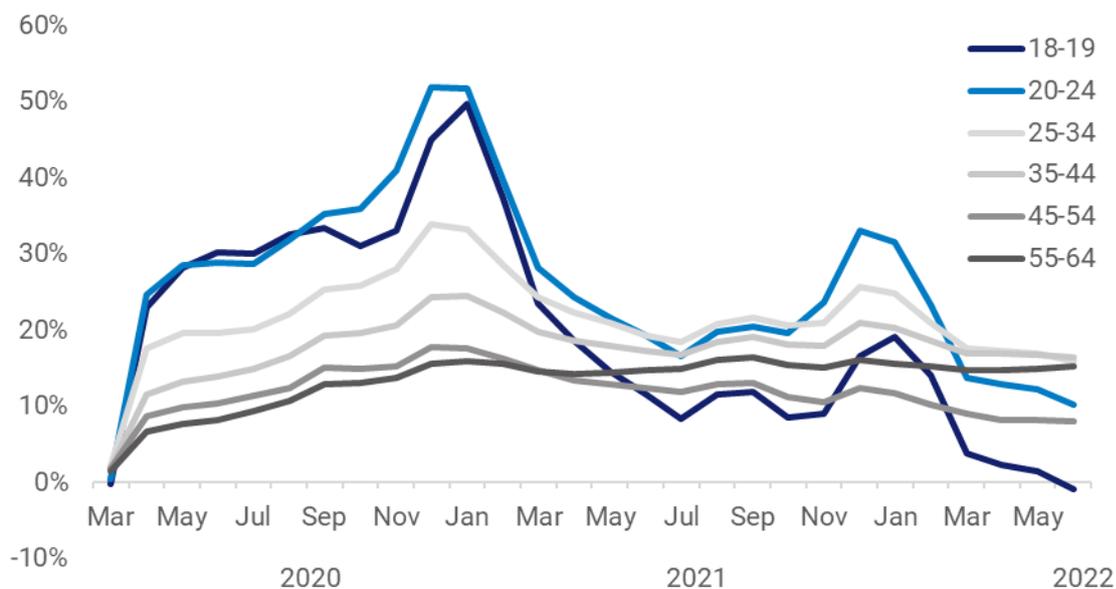
Youth

Main benefit numbers for younger people have continued to recover from the impact of COVID-19

Young people tend to be more severely affected by economic shocks, which reflects their more vulnerable position in the labour market. They are also more likely to be employed in industries which have been more impacted by COVID-19, eg. tourism and hospitality. This was seen in response to the March 2020 lockdown and continued through 2020, where growth in the number of working-age younger people drove overall growth in benefit numbers (MSD, 2022a). However, outcomes for youth (18-24 years old) held up better than expected, and by June 2021 main benefit numbers had fallen (see Figure 12).

There were some seasonal impacts on benefit numbers for younger people through the Christmas period, associated with growth in benefits like Jobseeker Support Student Hardship. We generally see an increase in this benefit from October each year as student's semesters come to an end. Numbers then decrease from around mid-January as education institutions open for the year and students resume their studies.

Figure 12: Younger people experienced the largest proportionate growth in main benefit numbers from February 2020, but also experienced some of the fastest recovery³⁶



³⁶ Percentage change from February 2020, by month.

As shown in Figure 12, through to June 2022 main benefit numbers across all age groups had fallen again, although more so for youth. By June 2022 the number of 18–19-year-old recipients had fallen to below February 2020 levels, and the 20–24-year-old group were also relatively close to pre-COVID-19 levels.

Labour market outcomes for youth have also improved

The reduction in main benefit numbers for youth is in line with improved labour market outcomes. All labour market outcomes for youth remain stronger than pre-COVID-19 (see Table 3). The Not in Employment Education, or Training (NEET) rate for younger people (15–24-year-olds) has also decreased and is now in line with pre-COVID-19 levels.

Table 3: Labour market outcomes for youth improved in the June 2022 quarter

Key statistics	Ages³⁷	Jun-17	Jun-20	Jun-21	Jun-22
Unemployment rate (qtr.)	15-19 years	21.2	14.0	17.9	13.3
	20-24 years	8.6	8.0	6.3	5.9
	Total (all ages)	4.7	3.9	3.9	3.2
Employment rate (qtr.)	15-19 years	34.1	36.1	38.6	42.6
	20-24 years	69.4	70.7	74.3	74.7
	Total (all ages)	66.7	66.9	67.5	68.2
Participation rate (qtr.)	15-19 years	43.2	42.0	47.0	49.1
	20-24 years	75.9	76.9	79.3	79.4
	Total (all ages)	70.0	69.6	70.2	70.5
NEET rate	15-19 years	8.5	8.2	8.3	7.1
	20-24 years	13.3	15.0	13.3	14.3
	Total (15-24)	11.0	11.8	10.8	10.7

However, some vulnerabilities for youth remain

Although employment outcomes for younger people have improved since March 2020, they remain more vulnerable to economic shocks. Also, although the number of younger people receiving adult benefits has been decreasing, there are more young people at risk of staying longer on benefits going forward.

³⁷ Note 'all ages' includes people who are 15+.

One indicator of this is the rate of transfers from youth benefits to adult benefits. Although the rate of transfers³⁸ from Youth Payment (YP) benefit to adult benefits has been decreasing since June 2020, YP recipients are still transferring to adult benefits at a higher rate (24 percent or 361 people in June 2022) than pre-COVID-19 levels (19 percent or 261 people in December 2019).

The total number of people on YP each month is relatively low compared to other adult benefits such as JS – WR. However, transferring from youth benefits into adult benefits can have large impacts on people’s ability to be independent from the welfare system and gain employment later on (MSD, 2014).

NZ Superannuation and Veteran’s Pension recipients

The total number of New Zealand Superannuation (NZS) and Veteran’s Pension (VP) clients has been steadily increasing over the last five years

The total number of New Zealand Superannuation (NZS) and Veteran’s Pension (VP) clients increased by 17.1 percent over the last five years, from around 737,700 in June 2017 to nearly 864,000 in June 2022. As shown in Table 4, this increase was largely driven by an increase in NZS recipients.

Table 4: Over the last five years, increasing numbers of NZS clients have been driving overall increases in senior clients

Benefit	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
New Zealand Superannuation	729,400	753,300	781,400	809,000	837,500	858,400
Veteran's Pension	8,300	7,600	7,000	6,400	6,000	5,600
Total	737,700	760,900	788,400	815,400	843,600	864,000

Note. The number of clients in this table are at the end of June.

These trends are in line with Aotearoa New Zealand’s aging population and are forecast³⁹ to continue. In 2022 (in the year ending June), about 1 in every 6 people in New Zealand were 65+. Population projections suggest this will increase to about 1 in 5 people in 2028 (Stats NZ, 2022e).

³⁸ The transitions are based on identifying people's benefit type at the end of January/July, and then identifying which benefit type they were on six months later at the end of June or December.

³⁹ At BEFU 22.

Over the same period, there were large increases in the amount of hardship assistance provided to senior clients

Over the last five years, within the June quarter both the number and dollar amount of hardship (SNGs and Advances) grants to NZS/VP clients increased much more than the number of clients. The number of hardship grants to NZS/VP recipients increased 90.0 percent between the June 2017 and June 2022 quarters. This was an increase of around 12,000 grants, from 13,400 to nearly 25,500.

The increase to the amount paid in hardship grants (SNG and Advances) to NZS/VP recipients was even larger, up 134.7 percent between the June 2017 and June 2022 quarters (an increase of \$7.3 million, from nearly \$5.5 million to \$12.8 million).

Several factors may be contributing to the increasing amount of hardship assistance provided to seniors

The increase in hardship assistance for NZS/VP clients over the last five years was in line with overall increases in hardship assistance over this time, including increases associated with the COVID-19 pandemic. However, this cohort may be facing challenges which are contributing to the increase in hardship assistance.

Our ageing population reflects increased longevity, which is an achievement offering opportunities for all people irrespective of their age. Many older people are living well, however, growing numbers of older people are not doing so well. Things like lifelong disability, health issues, job losses, and relationship breakdown can impact how we live our later life. These factors may result in complex needs, poorer outcomes, challenges accessing services, and increased demand for hardship assistance (Office for Seniors, 2019).

Mortgage-free home ownership is also declining for older people and NZS adequacy is based on the premise of mortgage free home ownership. Combined with the projected increase in the number of people aged 65+, longer-term there may be increased need for supplementary and hardship assistance, particularly for the group entering older age either renting or still paying a mortgage.⁴⁰

⁴⁰ For more information on the need for appropriate and affordable housing, as well as home ownership and housing cost trends for seniors see: The Treasury, (2022a); The Commission for Financial Capability, (2020).



People with health conditions and disabled people

Trends in JS – HCD and SLP have largely reflected operational processes

As previously described, WCMC deferrals were introduced as part of MSD's response to the COVID-19 pandemic. These deferrals ran from 30 March 2020 to 23 July 2021 for SLP, and to 31 January 2022 for JS – HCD. Overall, the deferral for SLP had a limited impact on numbers. However, the deferral for JS – HCD contributed to a higher number of people receiving this benefit, as people were no longer transferring to other benefits, like JS – WR or SLP – HCD, or exiting this benefit at the same rate.

In March 2022 we started to see the resumption of this process for JS – HCD result in decreasing numbers of people receiving this benefit. By June 2022, the number of people receiving JS – HCD had decreased by around 10,300 people (down 12.7 percent from January 2022). As part of this, the flow of people from JS – HCD into SLP – HCD also increased. This contributed to overall SLP numbers increasing by around 4,000 people (up 4.3 percent) between January and June 2022.

There has been a long-standing gap between outcomes for disabled people and the wider population, and this continues to persist

There has been a continuation of trends reported in the last Benefit System Update (MSD, 2022a). The decreasing number of JS – HCD recipients continued to be supported by a high work exit rate (see Appendix 1). In line with this, the unemployment rate for disabled people (aged 15-64)⁴¹ remained low, at 7.9 percent in the June 2022 quarter (Stats NZ, 2022g). However, although the unemployment rate for disabled people has been trending down since the series began in 2017, the unemployment gap between disabled and non-disabled people remains persistent at 4.6 percent. Persistent gaps also remain for other employment indicators.

For example, the gap has also continued to widen in regard to median weekly incomes for wages and salaries, from \$146 in 2021 to \$240 in 2022. Despite strong annual growth in wages and salaries nationally, there were no significant increases to either the hourly or weekly median earnings for disabled wage and salary earners, in the year to June 2022.

⁴¹ Note there are some definitional and population differences between JS – HCD and SLP recipients and disabled people reflected in the HLFS.



Health or disability related benefit numbers may continue to increase over time

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. Recent experience also suggests that following recessions, as the economy starts to recover there is a rapid reduction in unemployment-related benefits but also flows from unemployment-related benefits to incapacity-related benefits (MSD, 2020b; OECD, 2010, as cited in WEAG, 2019a).

MSD support for priority groups

Through the pandemic, MSD has continued to support priority groups to engage in education and enter employment

To meet the unprecedented demand for income support during the pandemic period, MSD 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.

However, through the pandemic period MSD has also continued to support priority groups to engage in education and gain the skills they need to enter employment. MSD has also invested in expanding programmes for priority groups. This includes:

- boosting Mana in Mahi to extend places available. Mana in Mahi supports people to access an apprenticeship or industry training qualification and provides them with pastoral care to support them into long-term sustainable employment.
- additional funding to support disabled people and people with health conditions into employment through Oranga Mahi, disability Employment Services and Support Funds.
- reinstating the Training Incentive Allowance (TIA) to 2024. TIA provides additional study support at levels 4-7 on the New Zealand Qualifications Framework (NZQF) to sole parents on benefits as well as disabled people and carers receiving the Supported Living Payment.



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

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

We expect the number of people on benefit will continue to decline through to late 2022 as the labour market remains strong

Main benefit numbers have continued to decrease through to June 2022. Although reductions in numbers have slowed, we expect that the underlying trend in main benefit numbers will continue to decrease through to late 2022 overall (excluding usual seasonal trends⁴²) and remain close to forecast at the Budget Economic and Fiscal Update (BEFU 2022). This decline is expected to be driven by fewer people coming on to JS. This is because MSD continues to focus on supporting people into work and labour market conditions remain strong with high demand for workers.

Since BEFU 2022, the number of people receiving JS has declined more than expected, driven by fewer people being supported by JS – HCD. However, it is likely that the number of people receiving SLP over the next year will be greater than forecast at BEFU 2022. This is because more JS – HCD recipients transferred to SLP than expected following the resumption of WCMC reviews.

In addition, it is likely that the trend in the number of people on SPS will remain relatively flat over 2022, rather than fall as forecast at BEFU 2022. SPS numbers may be affected by fewer people exiting this benefit due to weaker than expected labour market conditions for sole parents.

⁴² While overall benefit numbers (excluding seasonal trends) may continue to decrease through 2022, we may see seasonal increases in some benefits. For example, JSSH numbers generally increase towards the end of the year, as students complete their studies or are in-between semesters.



Despite cost-of-living rises, growth in hardship grants is not expected in the short term

High inflation is expected to place greater financial pressure on households moving forward, which may contribute to growth in hardship grants. However, in the near-term, cost-of-living increases are expected to be mitigated by the April 2022 increases to benefit payments, food secure community funding⁴³, and Government initiatives including the temporary reduction in transport and fuel taxes as well as the Cost of Living Payments. Further growth in hardship assistance is not expected until late 2022.

The impact of the border reopening on jobs and benefits will likely be small and gradual

COVID-19 related border restrictions were lifted in phases and were fully lifted by July 2022. Once migration resumes, there may be more workers competing for the same lower skilled work as some people on benefit, which may slow exits into work. However, there is considerable uncertainty around how firms will adjust hiring behaviours now that the border restrictions have fully lifted, or how quickly temporary migrant workers will return to Aotearoa New Zealand. Job growth in tourism-related industries (including retail, food, and accommodation) may also result in job growth and more employment opportunities for benefit recipients in the medium-term, however tourism is expected to recover slowly. Over the next couple of years, it will be the wider economic factors that will have the larger effect to jobs and benefits.

Main benefit numbers may begin to increase from mid-2023, in line with forecasts of low economic and employment growth

At BEFU 2022 we forecast that benefit numbers would increase from around mid-2023 (excluding usual seasonal trends). This reflects The Treasury's forecast of a period of low economic and employment growth from around this time, which may lead to more people accessing income support, particularly JS. Historic trends suggest this increase in numbers will likely be driven by an increase in people coming on to benefit, rather than by fewer people leaving benefit.

We also expect that increases in main benefit numbers will flow through to hardship assistance and supplementary payments, as many people receiving a main benefit are also eligible for these supports.

⁴³ MSD has provided funding to support community providers who are distributing food to people and whānau experiencing food insecurity.



However, there is a level of uncertainty to these forecasts. Inflation has been higher than forecast by Treasury, and interest rates have risen faster than expected. There have also been on-going global supply chain issues (RBNZ, 2022).

Looking forward, the country's economic outlook will depend on several factors, including the broader economic environment and how well Aotearoa New Zealand manages any new COVID-19 variants or waves of cases in the community. These trends are being monitored and we will update the forecasts in the next Half Year Economic and Fiscal Update, due to be published in December 2022.



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Appendix 1: Key COVID-19 related dates July 2021- June 2022

August 2021 national lockdown- Alert Levels 3 and 4	17 August – 7 September 2021
Auckland	17 August – 2 December 2021
Regional shifts in Alert Levels	
Auckland (only) Alert Levels 3 and 4	17 August – 2 December 2021
Hauraki Alert Levels 3 and 4	20 September – 25 September
Waikato Alert Level 3	3 October – 16 November
Northland Alert Level 3	8 October – 19 October 2 November – 11 November
All of Aotearoa New Zealand moves to the COVID-19 Protection Framework, also known as the traffic light system	2 December 2021
Northland, Auckland, Taupō and Rotorua Lakes Districts, Kawerau, Whakatāne, Ōpōtiki Districts, Gisborne District, Wairoa District, Rangitīkei, Whanganui and Ruapehu Districts move into the Red setting, while the rest of the North Island and the whole South Island move to Orange.	
Auckland and all other regions currently in the Red traffic light setting, except Northland, move to Orange. Northland stays in Red until 21 January.	13 December- 22 January
All of Aotearoa New Zealand moves to the Red setting as Omicron was circulating in the community.	23 January - 13 April
All of Aotearoa New Zealand moves to the Orange setting	14 April- on-going as at June 2022.



Appendix 2: Work exit rates

Table 5: Work exit rates for JS – WR, JS – HCD, and SPS

Year	Month	Benefit Type		
		JS - WR	JS - HCD	SPS
2019	Jan	4.6%	1.0%	1.1%
	Feb	5.7%	1.5%	1.9%
	Mar	6.9%	1.7%	1.9%
	Apr	5.8%	1.2%	1.5%
	May	6.1%	1.3%	1.4%
	Jun	5.1%	1.1%	1.1%
	Jul	4.6%	1.1%	1.2%
	Aug	5.6%	1.3%	1.3%
	Sep	5.2%	1.1%	1.2%
	Oct	6.0%	1.2%	1.3%
	Nov	6.6%	1.2%	1.4%
	Dec	4.4%	0.9%	0.8%
2020	Jan	5.4%	1.1%	1.4%
	Feb	6.4%	1.5%	2.1%
	Mar	5.0%	1.4%	1.4%
	Apr	2.4%	0.5%	0.4%
	May	4.1%	0.7%	0.7%
	Jun	5.0%	0.9%	0.7%
	Jul	4.8%	1.1%	0.8%
	Aug	4.4%	1.0%	0.8%
	Sep	4.9%	1.1%	0.8%
	Oct	5.7%	1.4%	1.0%
	Nov	6.1%	1.5%	1.1%
	Dec	4.4%	1.1%	0.6%



2021	Jan	4.9%	1.3%	0.9%
	Feb	6.0%	1.6%	1.4%
	Mar	7.2%	2.1%	1.6%
	Apr	5.9%	1.7%	1.2%
	May	6.8%	1.9%	1.4%
	Jun	6.7%	2.1%	1.3%
	Jul	7.0%	2.1%	1.3%
	Aug	6.0%	1.8%	1.2%
	Sep	5.2%	1.5%	1.0%
	Oct	5.8%	1.6%	1.2%
	Nov	7.1%	2.0%	1.3%
	Dec	4.9%	1.4%	0.8%
2022	Jan	5.4%	1.7%	1.1%
	Feb	6.5%	2.0%	1.7%
	Mar	7.7%	2.5%	1.9%
	Apr	5.6%	1.6%	1.2%
	May	6.7%	1.9%	1.4%
	Jun	5.9%	1.5%	1.2%



Appendix 3: Composition of JS – WR by continuous duration

Figure 13: Composition of JS – WR by continuous duration (proportion of the total number of recipients)

