

Context

There was rapid growth in both the unemployment rate and the number of people receiving Jobseeker Support – Work Ready (JS – WR) at the onset of the COVID-19 pandemic, followed by decreases throughout 2021.

By the September 2021 quarter, the Household Labour Force Survey (HLFS) unemployment rate had fallen below pre-COVID-19 levels to record lows, and has remained low since. However, JS – WR numbers have not yet returned to pre-COVID-19 levels.

This has raised the question:
Why are benefit numbers still high, relative to the low unemployment rate?

Unless otherwise noted, the analysis in this report is not official statistics. It has been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ.

To enable the analysis of people's benefit and employment status, the benefit population within this report has been aligned with the HLFS. For example, the benefit population includes partners of main benefit recipients. Official main benefit numbers count primary recipients only.

Key points



1. While the number of people receiving JS – WR is the best comparison to the number who are unemployed, these are different concepts that measure different things.



2. There is also limited overlap across both populations. Only around one third of unemployed people are supported by JS – WR, and only around a quarter of JS – WR recipients are classed as unemployed. Some unemployed people may not need, want, or be eligible for JS – WR, and some JS – WR recipients will not be classified as unemployed, eg. if they work part-time.



3. A key reason why JS – WR numbers have remained high relative to the low unemployment rate is the different characteristics of this group.
 - People who are unemployed and supported by JS – WR face greater barriers to employment than those who are unemployed and not supported by a main benefit. These include less employment history, lower qualifications, and more experience of broader life challenges, such as disadvantage during childhood.
 - The ability of JS – WR recipients to return to work is also influenced by their skills and experience. Unlike higher skilled occupations, lower skilled occupations have not yet recovered from the job losses seen in the first year of COVID-19. Uneven recovery across sectors may also be making it challenging for some JS – WR recipients to enter work.
 - These complex challenges can result in some JS – WR recipients becoming discouraged from actively seeking employment.



4. Another factor that may be contributing to benefit numbers remaining high is that unemployed people have been more likely to seek support from the welfare system than in the past. This may have been driven by increasing living costs and people finding it difficult to find work that matches their skills and experience.



5. Operational factors may also be playing a role in benefit numbers staying high.
 - The Ministry of Social Development's increased focus on ensuring people are aware of and can access support may have contributed to an increased number of people receiving JS – WR.
 - The Ministry's focus on both income support and employment has at times meant frontline staff have had to prioritise providing immediate and urgent income support over proactive employment focused interventions.

Unemployment and JS – WR cover different populations with some overlap – but only around a third.

The unemployment rate and the number of people receiving a main benefit are different concepts and measure different things.

Unemployment is a consistent and internationally comparable measure of spare or additional labour market capacity. It is an estimate based on the Stats NZ Household Labour Force Survey (HLFS), a sample survey of around 15,000 households. The unemployment rate is calculated as the proportion of unemployed people in the labour force, as a quarterly average, and is seasonally adjusted.

In contrast, official benefit numbers are an administrative count of the number of people receiving a main benefit, as at the end of the month. Benefit numbers can be affected by changing trends in take-up of benefits as well as policy and operational changes.¹ This is discussed further on page 7.

Stats NZ define an **unemployed** person as someone who:

- is 15+
- has no job
- is available for work, and
- has actively looked for work in the past four weeks or has a new job to start within the next four weeks.

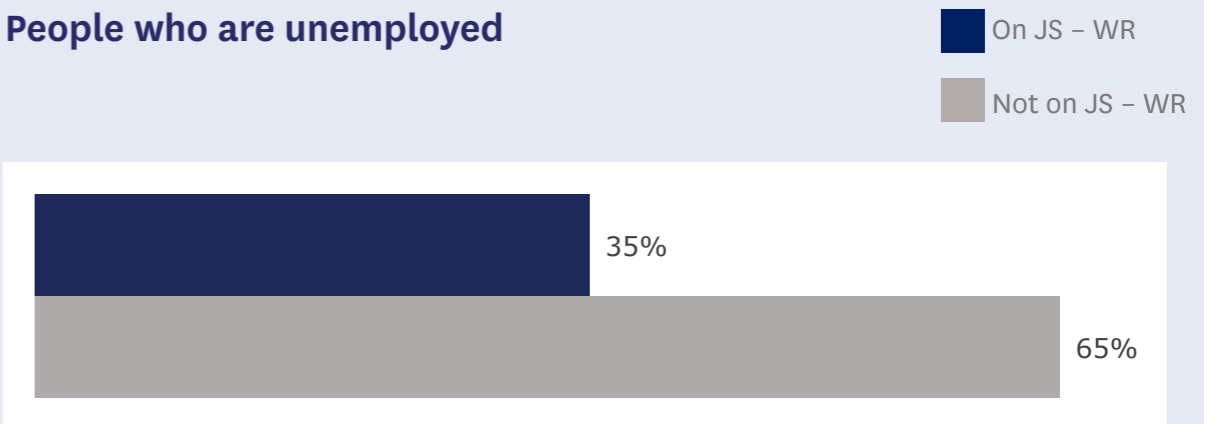
JS – WR recipients compare best with those who are unemployed, but there is limited overlap between these two groups.

Of the different main benefit types, Jobseeker Support – Work Ready (JS – WR) compares best with the HLFS unemployed population, as people on this benefit are generally the closest to the labour market.² However, as shown in Figure 1, there is only limited overlap between people supported by JS – WR and people who are unemployed.³

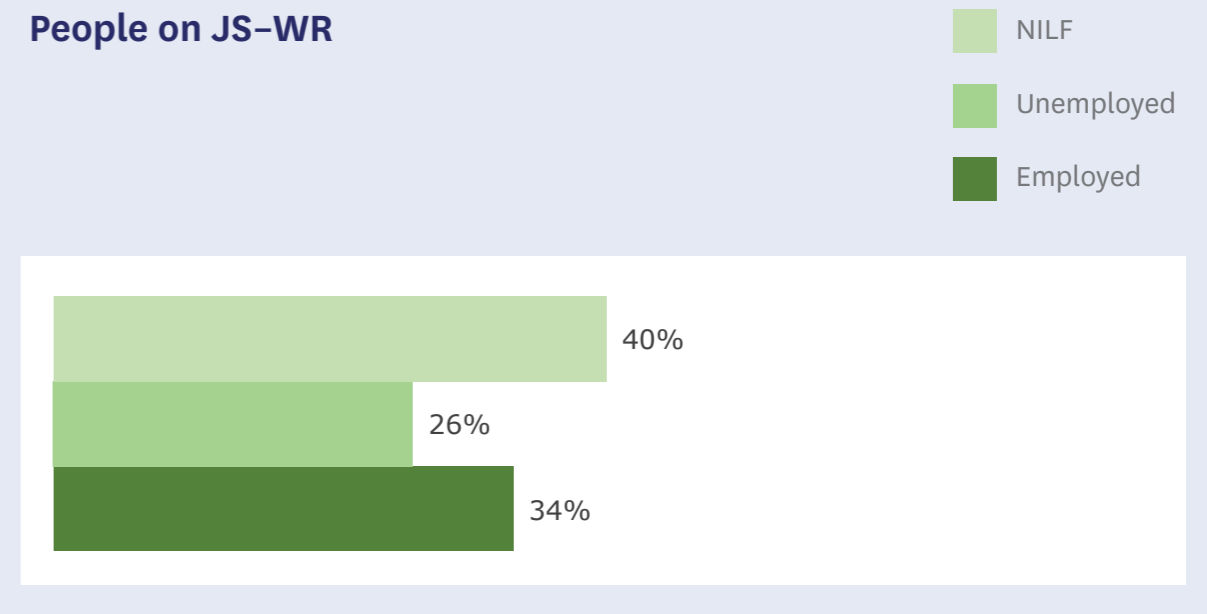
- Most people who are unemployed are not receiving JS – WR. They might not be eligible if, for example, they have a partner earning above the income threshold, or they may choose not to apply for income support.
- Around a third of people who are supported by JS – WR are employed as they or their partner are working, for example part-time.⁴
- Some people supported by JS – WR may also be classified as Not in the Labour Force (NILF), which means they may not have been ‘actively seeking’ work or available to work in the last four weeks.

Figure 1: Only around one third of unemployed people are on JS – WR, and only around a quarter of JS – WR recipients are classified as unemployed.⁵

People who are unemployed



People on JS-WR



To be defined as unemployed in the HLFS, someone must be ‘actively seeking work’ in the four weeks prior to being surveyed, eg. applying for jobs or contacting employers. A person receiving JS – WR can be classed as NILF but still meet their work obligations by searching job vacancies on the internet or other locations.

Vignettes

The purpose of these scenarios is to provide some hypothetical, but realistic examples of people with different HLFS statuses, who may or may not be receiving JS – WR. These scenarios are not data driven.

Figure 2: Not all unemployed people will need, want, or be eligible for income support, and not everyone on JS – WR falls under the official definition of unemployed.



Niko works at a café for 10 hours a week but is seeking full-time work. A rent increase meant he struggled to cover his expenses, so he applied for and is now **receiving JS – WR**. In the HLFS, he will be considered **employed** because he is working.



Stacey does not have a job but is regularly applying for jobs online and visiting recruitment agencies. Because she is actively looking for work, she will be considered **unemployed** in the HLFS. Stacey lives with her partner who earns more than \$50,000 per year, so she is **not eligible for JS – WR**.



Tyler is a 24-year-old living in Whangarei and currently **receiving JS – WR**. He wants to find full-time work in graphic design, which he studied at university. Tyler had been applying for jobs but after searching for several months without any success, became disheartened. Now he sometimes looks online for jobs that may be of interest to him. In the HLFS, Tyler will be considered **not in the labour force** because he is not 'actively seeking' work.



Aroha is living in Northland and currently **receiving JS – WR**. She is looking for a full-time job, and has been asking her family and friends if they know of anything available. But, all that is on offer at the moment is short-term seasonal, casual, or part-time work. Aroha is not currently working so she will be considered **unemployed** in the HLFS.



Kiri is a businesswoman and has been running a successful tourism business in New Zealand, but had to close it following the COVID-19 pandemic. Although she is now **unemployed** in the HLFS, she **decides not to apply for JS – WR** since she still has a lot of savings that she can live off for now.

Unemployment and JS – WR numbers generally move in the same direction, and have followed broadly consistent trends during the COVID-19 pandemic.

The unemployment rate fell from **5.3 percent** in the September 2020 quarter to **3.3 percent** in the September 2021 quarter.

The number of people receiving JS – WR **decreased by around 28,500** between January and December 2021.

32,900 people exited into work in the March 2021 quarter, the highest since electronic records began in 1996. Most of these were JS – WR recipients.

The number of unemployed people generally moves in the same direction as the number of people receiving JS – WR.

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 can be volatile from quarter to quarter (especially during recessions or when the labour market improves). There have also been periods where these numbers have diverged previously,⁶ and we expect this will occur again.

Following the COVID-19 pandemic, both unemployment and JS – WR experienced rapid growth, followed by decreases.

Following the COVID-19 pandemic, both unemployment and JS – WR numbers experienced rapid growth, followed by decreases. The unemployment rate peaked in the September 2020 quarter at 5.3 percent, up 1.1 percentage points from the March 2020 quarter. It then fell to record lows, reaching 3.2 percent in the December 2021 quarter, and staying low since.

JS – WR numbers also increased throughout 2020, although to a greater extent than unemployment. JS – WR numbers peaked at around 134,800⁷ people at the end of January 2021, up around 46,000 people from the end of March 2020. We then saw sustained decreases throughout 2021. These decreases were driven by record numbers of people exiting into work through 2021.

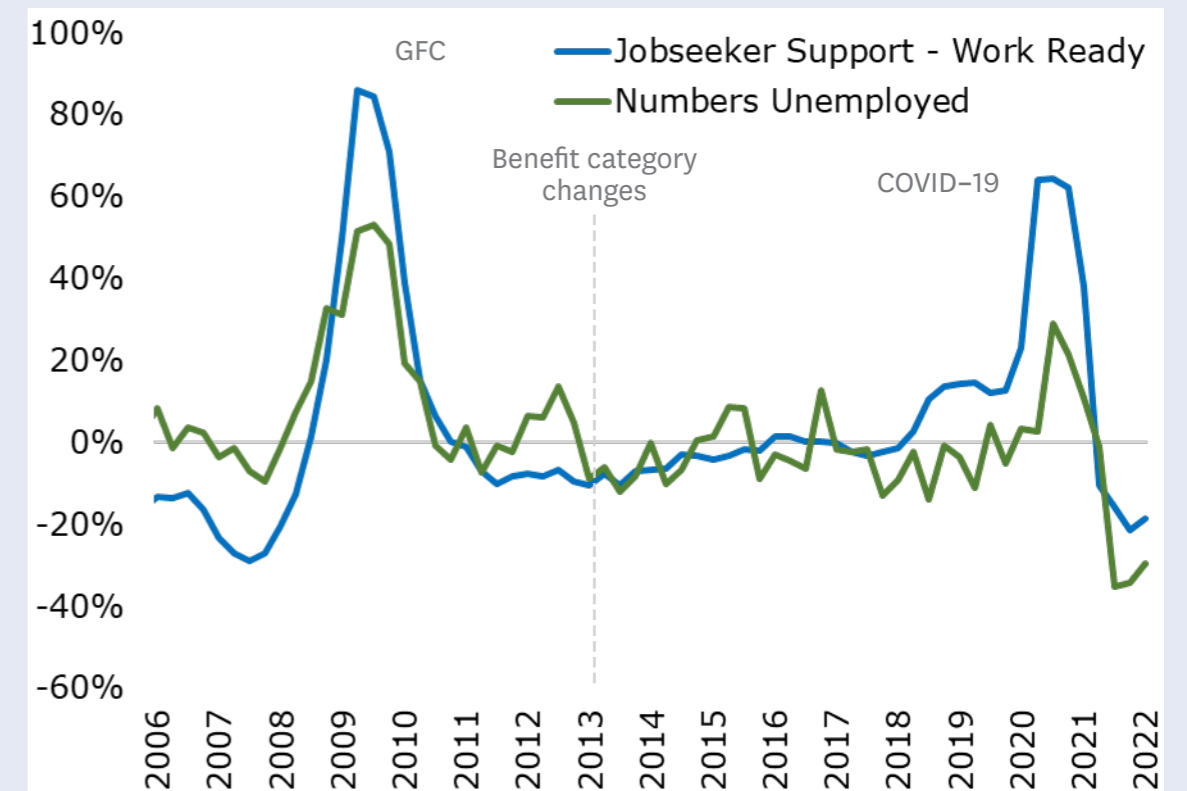
The sustained downward trends and record work exits through 2021 were supported by Aotearoa New Zealand’s strong economic recovery and the Ministry of Social Development (MSD)’s continued focus on supporting people into employment.⁸

JS – WR and unemployment have been falling at a similar rate, although benefit numbers have not returned to pre-COVID-19 levels.

When JS – WR numbers and the unemployment rate are seasonally adjusted and smoothed out to account for volatility, they have been falling at a similar rate (see Figure 3). However, while the unemployment rate has returned to pre-COVID-19 levels, benefit numbers remain higher than they were before COVID-19.

Figure 3: The fall in Jobseeker Support – Work Ready (JS – WR) has been occurring at a similar rate to falling unemployment.⁹

Annual rate of change, seasonally adjusted.



The overall pattern is similar to the Global Financial Crisis (GFC), where there was greater growth in JS – WR which means there was further to fall.

Unemployed JS – WR recipients have a different set of characteristics to those not supported by a benefit, which is a key reason benefit numbers have remained relatively high.

Unemployed people receiving JS – WR face greater barriers to employment, which impacts their ability to quickly enter work.

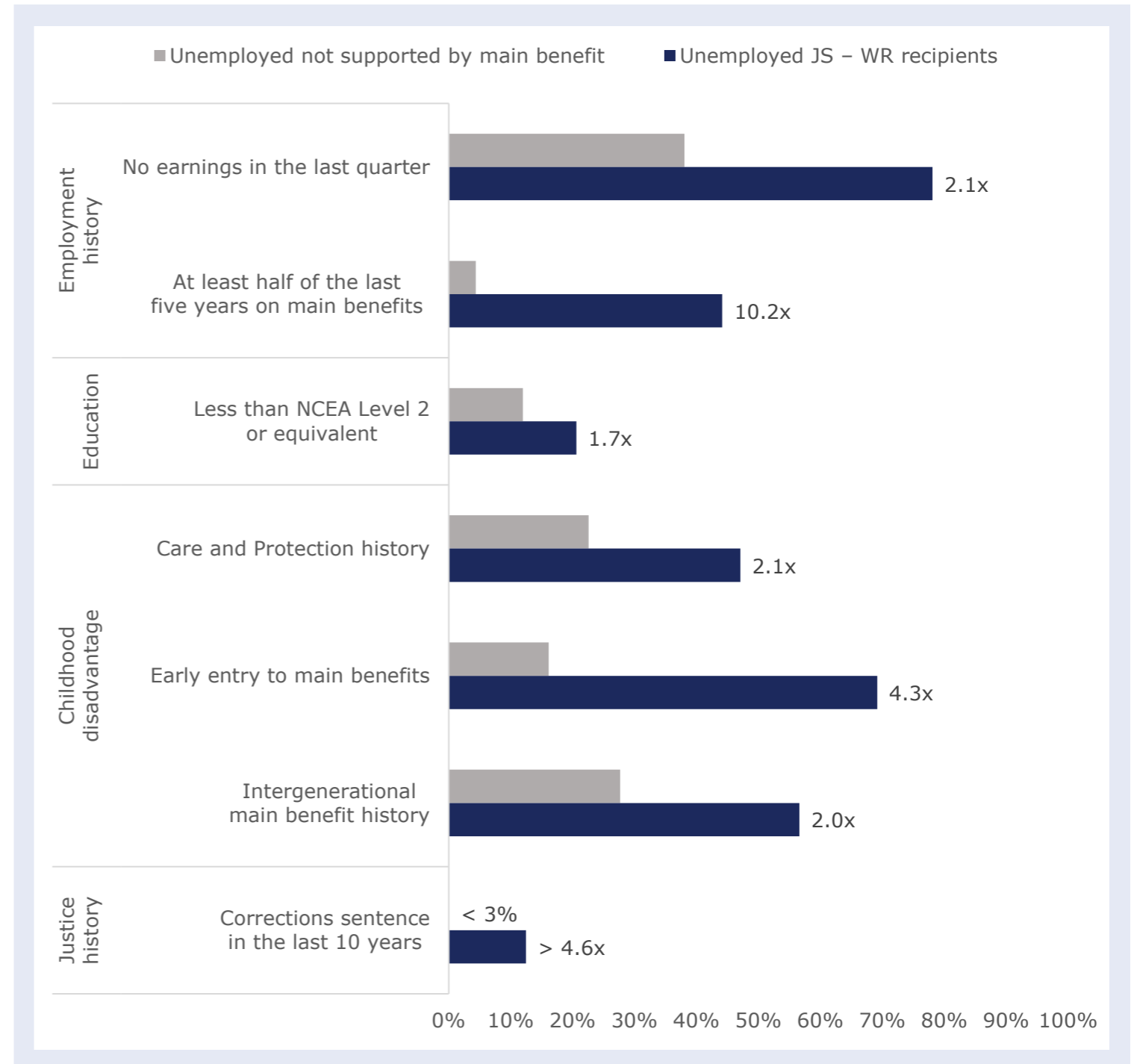
Compared to unemployed people not supported by a main benefit, unemployed JS – WR recipients are more likely to have less employment history, lower qualifications, and have experienced broader life challenges, such as disadvantage during childhood and interactions with the Justice system (see Figure 4).

The greater barriers to employment faced by unemployed JS – WR recipients are reflected in their estimated future main benefit use, which is much higher on average than for those who are unemployed but not supported by a main benefit.

Forty-five percent of unemployed JS – WR recipients are estimated to spend the majority (more than 60 percent) of the next 10 years receiving a main benefit, compared to less than about five percent of those who are unemployed and not supported by a main benefit.¹¹

Overall, this analysis shows that unemployed JS – WR recipients typically have higher barriers to work than those who are not receiving a benefit.

Figure 4: Indicators of barriers to employment are more prevalent among unemployed JS – WR recipients than among those who are unemployed but not supported by a main benefit.¹⁰



The ability of JS – WR recipients to return to work is also influenced by their skills and experience.

While Aotearoa New Zealand’s economic recovery from the initial shock of COVID-19 was strong, there was also large variation in job growth across different sectors. Some industries have recovered well (eg. construction), compared to others (eg. tourism and hospitality). This means that it may be difficult for some JS – WR recipients to return to work if most of the job opportunities are in an industry unrelated to their skills and experience.

For JS – WR recipients who have previously been employed in lower skilled jobs, opportunities to move into work may be relatively more limited. Unlike higher skilled occupations (eg. managers, professionals, technicians and trades workers), lower skilled occupations (eg. sales workers) have not yet recovered from the job losses seen in the first year of COVID-19.¹²

These factors may also be making it more challenging for some JS – WR recipients to enter work, meaning they may need additional training and support to re-enter the workforce.

Longer-term JS – WR recipients may also have been out-competed for jobs by recent entrants to the benefit system following COVID-19.

We saw rapid recovery in employment outcomes for people who entered the benefit system throughout 2020, after the initial economic impacts of the pandemic. In contrast, people who were already accessing a benefit prior to March 2020 have been exiting at lower rates and are now more likely to stay on benefit longer. These JS – WR recipients may have been out-competed for jobs by the more recent entrants to the benefit system who were closer to the labour market.

These factors have contributed to growth in the number of long-term JS – WR recipients.¹³ A longer duration on benefit is associated with increased difficulty in re entering the workforce, so this group will continue to require targeted and additional support to return to work.

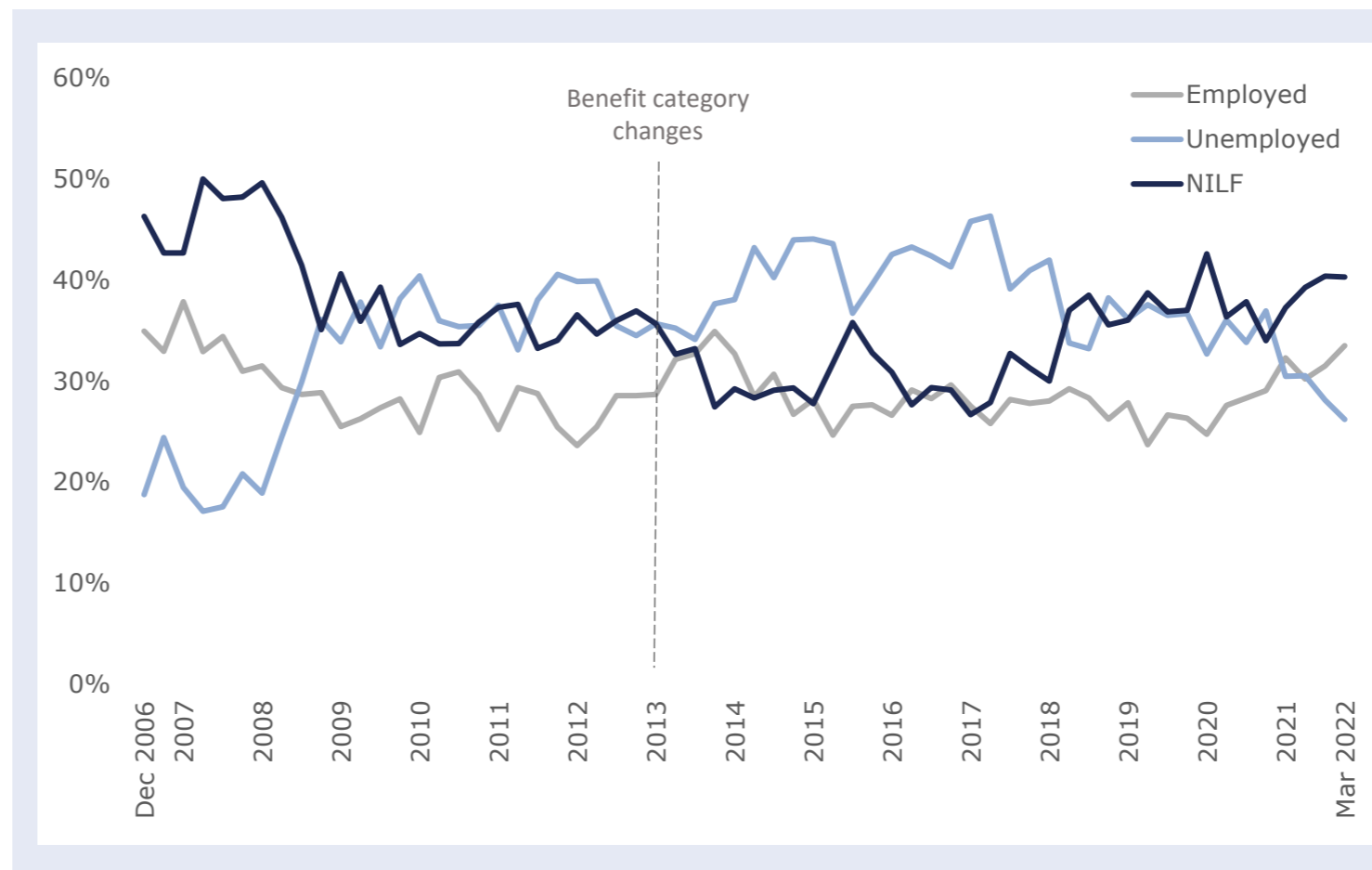
These complex challenges can result in some JS – WR recipients being discouraged from seeking work

Due to these complex challenges, some JS – WR recipients may struggle to find work and become discouraged from seeking employment. If they stop applying for new jobs, they may stay on benefit but be considered NILF by the HLFS, as they may not be ‘actively seeking’ work. This may have contributed to the increased proportion of JS – WR recipients¹¹ classed as NILF, which increased over the last four years and has remained high during the pandemic period (see Figure 5).

We have seen this previously. Throughout 2007 and 2008, there was a higher proportion of JS – WR (equivalent) recipients classified as NILF, and a lower proportion classified as unemployed.

The rapid increase in the proportion of unemployed JS – WR equivalent recipients throughout 2008 reflects the impact of the GFC, as more people tend to seek welfare support in an economic crisis.

Figure 5: The number of people receiving JS – WR (or equivalent⁹) classified as NILF began increasing prior to the pandemic and has remained high.



On average, NILF JS – WR recipients face greater challenges entering work than unemployed JS – WR recipients. This is borne out by 53 percent of NILF JS – WR recipients being estimated to have high or very high intensity of future main benefit use, compared to only 45 percent for unemployed JS – WR recipients¹¹. The relatively high number of JS – WR recipients classed as NILF may be another reason benefit numbers are remaining high, relative to the low unemployment rate.

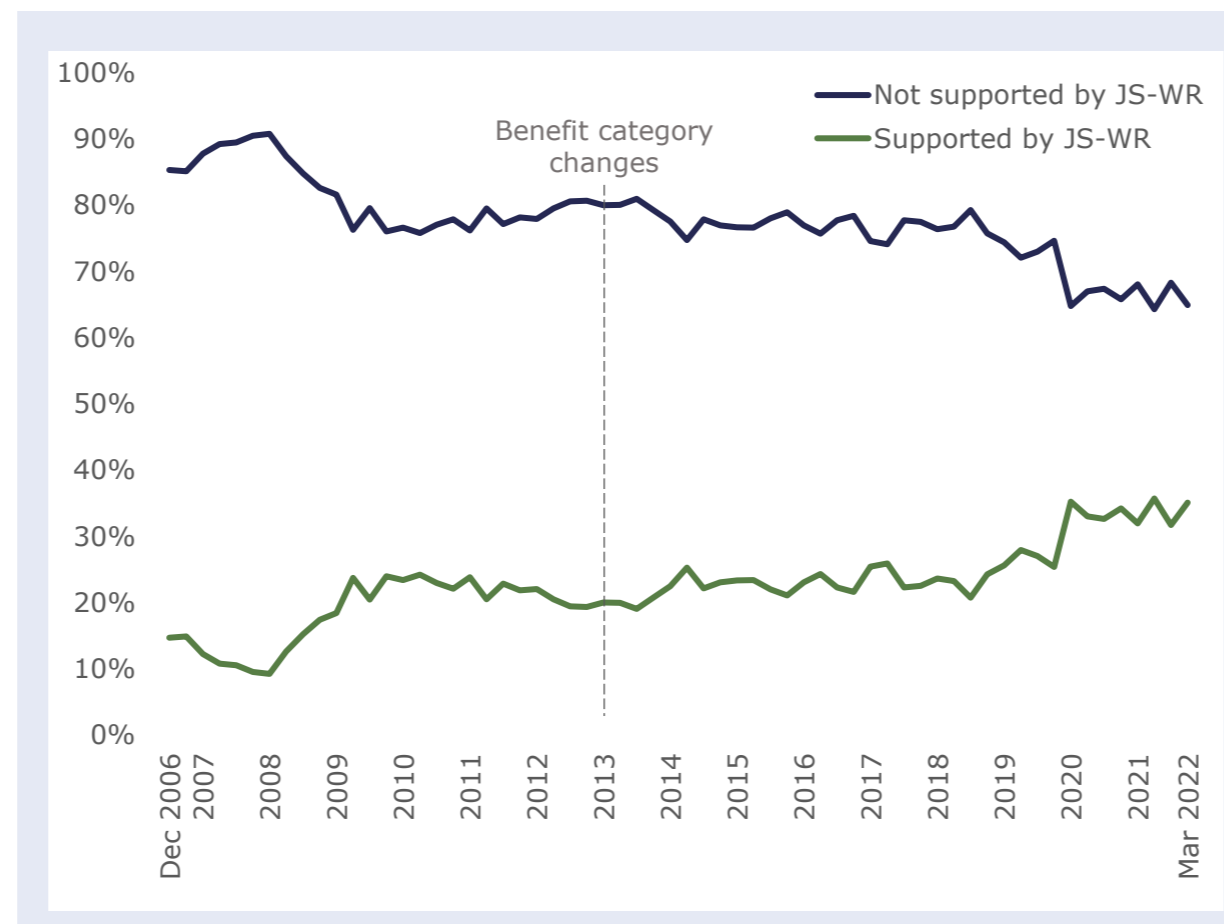
People are also more likely to seek support from the welfare system than in the past.

Over time, the proportion of unemployed people receiving JS – WR has increased.

The proportion of unemployed people receiving JS – WR also began increasing prior to 2020 and grew further following the pandemic (see Figure 6). Increased uptake of support through the benefit system likely contributed to the number of JS – WR recipients increasing prior to COVID-19, despite the number of people unemployed falling at this time. More unemployed people taking up JS – WR than previously may also be contributing to the number of benefit recipients remaining higher than pre-COVID-19 levels.

As shown in Figure 6, prior to 2018 the proportion of unemployed people receiving JS – WR was generally flat. However, through 2008 and 2009 the proportion of unemployed people receiving JS – WR increased, reflecting the impact of the GFC

Figure 6: Unemployed people’s take-up of JS – WR (or equivalent⁹) began increasing since before the COVID-19 pandemic and has remained high.



People may be more likely to seek support from the welfare system due to increased levels of hardship and uneven job growth across skill levels and sectors.

Unemployed people may be more likely seek support from the welfare system than in the past due to increased levels of hardship, such as from rising accommodation costs. Higher housing costs mean that people may have been more reliant on the benefit system while between jobs, where previously they may not have accessed this support.

In addition, since around 2018, job growth was driven by higher-skilled occupations. If jobseekers find it difficult to find work that matches their skills and experience, then they may be more likely to come onto a main benefit.

Operational factors may also be playing a role in benefit numbers saying high.

Over the last several years, MSD has changed its culture around benefit applications, to ensure we are helping New Zealanders in need. MSD has been working to improve people’s awareness of what types of income support are available. We are also making changes to improve the accessibility of information and support by making these available through multiple channels (online, over the phone, or in person).

There may have been an increase in unemployed people receiving a benefit because of these changes, as more people were now aware of their entitlements or were more comfortable accessing income support.

Additionally, MSD's focus on both income support and employment has at times meant frontline staff have had to prioritise providing immediate and urgent income support over proactive employment focused interventions. This may have contributed to the increased number of JS – WR recipients classed as NILF in the HLFS.

Looking forward...

This piece of work provides a synthesis of our current insights into this topic. Over time, we intend to complete further analysis to develop our understanding. This may include exploring trends across different population groups or undertaking work to explore the underutilisation element of the HLFS across the benefit population. Stats NZ will also be publishing a report on trends in benefit receipt and unemployment.

Looking forward, there is still some uncertainty about the ongoing effects of the pandemic, the Omicron outbreak, and the worldwide economic environment on Aotearoa New Zealand's labour market and benefit system. These factors could result in further changes to the HLFS unemployment rate and benefit numbers over time.

Stats NZ IDI data

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit www.stats.govt.nz/integrated-data.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

¹ For more information on the HLFS and measurement differences see Stats NZ. (2017). [Guide to unemployment Statistics \(third edition\)](#).

² For further discussion on comparing main benefit numbers to the unemployment rate, see MSD. (2020). [Benefit numbers as a timely indicator for the labour market](#); Rea, D. & Maloney, T. (2021). [Nowcasting the current rate of unemployment using administrative data](#).

³ To enable the analysis of people's benefit and employment status in the Integrated Data Infrastructure (IDI), the benefit population has been aligned with the HLFS. The benefit population has been determined by benefit status as at the HLFS interview date and includes partners of main beneficiaries. This differs from official main benefit numbers reported by MSD, which are as at week/month/quarter end and do not include partners. The IDI-based figures are for the population aged 16-64. In contrast, the MSD definition of working-age is ages 18-64.

⁴ People can earn up to \$160 each week before their benefit is affected (this is the abatement threshold). For people who earn more than \$160 a week, the amount deducted from their benefit depends on the benefit they are on and their situation. For more information see: www.workandincome.govt.nz/about-work-and-income/news/2021/income-abatement-changes.html

⁵ Data in Figure 1 relates to the March 2022 quarter. The data from Stats NZ is preliminary and subject to revisions. However, it is comparable with estimates from the December 2021 quarter, which are as follows: the proportion of unemployed people supported by JS - WR (27.9 percent); the proportion of people supported by JS - WR who are NILF (35.8 percent), unemployed (23.2 percent), and employed (41.0 percent).

⁶ For more information on periods where trends in the unemployment rate and benefit numbers have diverged previously, see MSD. (2020). [Benefit numbers as a timely labour market indicator](#).

⁷ Official main benefit numbers, as at the end of the month.

⁸ For more information on trends in the economy, labour market, and benefit system see MSD. (2022). [Benefit System Update: 2021](#).

⁹ JS - WR was introduced in 2013, through the Welfare Reform changes. In Figures 3,5, and 6 data from prior to July 2013 has been adjusted to approximate JS - WR. The adjustments capture the broad trends but are not exact. These figures include quarterly data from December 2006, when the HLFS data became available, up to the end of the March 2022 quarter.

¹⁰The results in Figure 4 relate to the September 2021 quarter. They are based on HLFS respondents' benefit statuses on their interview dates, weighted by revised HLFS weights. The differences between unemployed JS - WR recipients and unemployed not supported by main benefits shown here may be understated slightly if the very disadvantaged are underrepresented in the HLFS. Due to data history limitations, the education, Care and Protection, and intergenerational main benefit history indicators are reported for people up to age 30 only, and the early entry to main benefits indicator is reported for people up to age 43 only. Intergenerational benefit history refers to whether between the ages of 13 and 18 someone had a parent on main benefit. NCEA is the National Certificate in Educational Achievement. NCEA Level 2 corresponds to the former Sixth Form Certificate.

¹¹These estimates relate to the September 2021 quarter. Benefit statuses on HLFS respondents' interview dates were used, weighted by revised HLFS weights. High or very high intensity of future main benefit use has been defined as spending 60 percent or more of the subsequent 10 years (or to age 65 if shorter) supported by main benefits.

¹²This analysis on trends in job growth by skill level is based on data from the HLFS.

¹³For more information on trends in the number of long-term benefit recipients see MSD. (2022). [Benefit System Update: 2021](#).