



# Social Outcomes Model — Benefit System Insights

## Purpose

This report provides information on the benefit system, offering insight into how the dynamics are changing over time using analysis from the Social Outcomes Model (SOM). It includes key insights from the latest model update (2023 SOM).<sup>1</sup> This report focuses on projections of average future years on a main benefit and in employment for specific groups of interest. These results are compared to the previous year's (2022 SOM) estimates to help explain what changes have occurred over the past year.

A fuller actuarial report including risks, opportunities, longer term trends, and how the Ministry of Social Development (MSD) is responding will be available in early 2025.

## Key insights



**1.** Estimated average future years on a main benefit has been relatively stable between the 2022 SOM and 2023 SOM, falling slightly from 13.6 to 13.4 years (down 0.2) for main benefit clients. Despite the recent slight decrease, this estimate is still 26 percent higher than in 2016, following a sustained period of increases.



**2.** Weakening economic conditions were already incorporated in the 2022 model and resulted in a small increase in the average future years on benefit estimates. Updated economic forecasts are consistent with those used last year so have had little impact on the 2023 SOM's projections.



**3.** Although estimated future time on a main benefit has decreased slightly, there are now more people receiving a benefit. The increase was expected given Treasury's forecast of weakening economic conditions.



**4.** Main benefit clients, including those receiving Jobseeker Support, are more likely to have experienced challenges than people that do not receive a main benefit. We can identify some of these challenges through risk factors. Almost 50 percent of Jobseeker Support clients have two or more risk factors, compared to less than 5 percent of people not on a main benefit. People with more complex needs are more likely to be on benefit for longer.



**5.** Young people aged 16 to 24 years old have had a larger decrease in their estimated average future years on a main benefit between the 2022 SOM and 2023 SOM, falling from 21.3 to 20.4 years (down 0.9). This has been driven by weakening economic conditions increasing the number of young clients. These new entrants tended to have fewer risk factors than the previous young client base, and are therefore expected to spend less time, on average, receiving a main benefit in the future. This has reduced the overall estimated average future years on a main benefit for young clients.



**6.** Young clients are more likely to have lower skill levels, more casual employment arrangements, and high levels of employment in sectors like the service industry. This means that young people are more likely to be negatively impacted by economic downturns, as observed during the Global Financial Crisis (GFC) and COVID-19 pandemic. The current weakening economic conditions have increased the number of young clients. However, we have also seen that when the economy recovers, youth main benefit numbers tend to recover faster than most other age groups.

<sup>1</sup> Based on data available at 30 September 2023.

## The benefit system

### The SOM estimates how long different groups will receive a main benefit in the future.

The SOM estimates how many future years people will spend on a main benefit over their remaining lives, up until they turn 65 years old<sup>2</sup>. This is cumulative and allows for people to move in and out of the benefit system, or to transfer to different main benefit types. It is future focused and does not include time already supported by a benefit in the past, although this is used in estimating future support. Not everyone in a group will spend the same number of years on a main benefit, it is the estimated average for each group.

The 2023 SOM modelling does not explicitly allow for the government target to reduce the number of people receiving Jobseeker Support by 50,000 to 140,000 by 2030. However, changes in policy and new interventions that impact benefit system dynamics will flow through future modelling.

### Estimated average future years on a main benefit has been relatively stable between the 2022 SOM and 2023 SOM, falling slightly for main benefit clients.

While estimated average future years on a main benefit has decreased for main benefit clients from 13.6 years to 13.4 years (down 0.2), the decrease is relatively small. Despite the recent slight decrease, this estimate is still 26 percent higher than in 2016.

<sup>2</sup> Results from the SOM may not match official MSD statistics as they are based on analysis of past trends of administrative data in the IDI, as well as economic forecasts. The SOM also includes a wider age range (16–64 years old) compared to official main benefit numbers, which are working age (18–64), and counts partners. All counts are rounded to the nearest hundred.

Figure 1: Example client with past and estimated future benefit use.

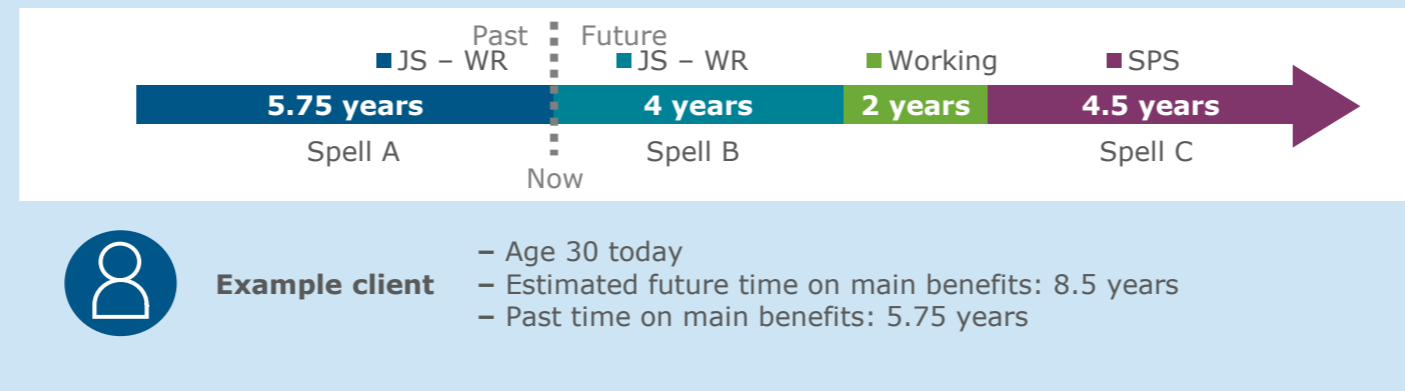
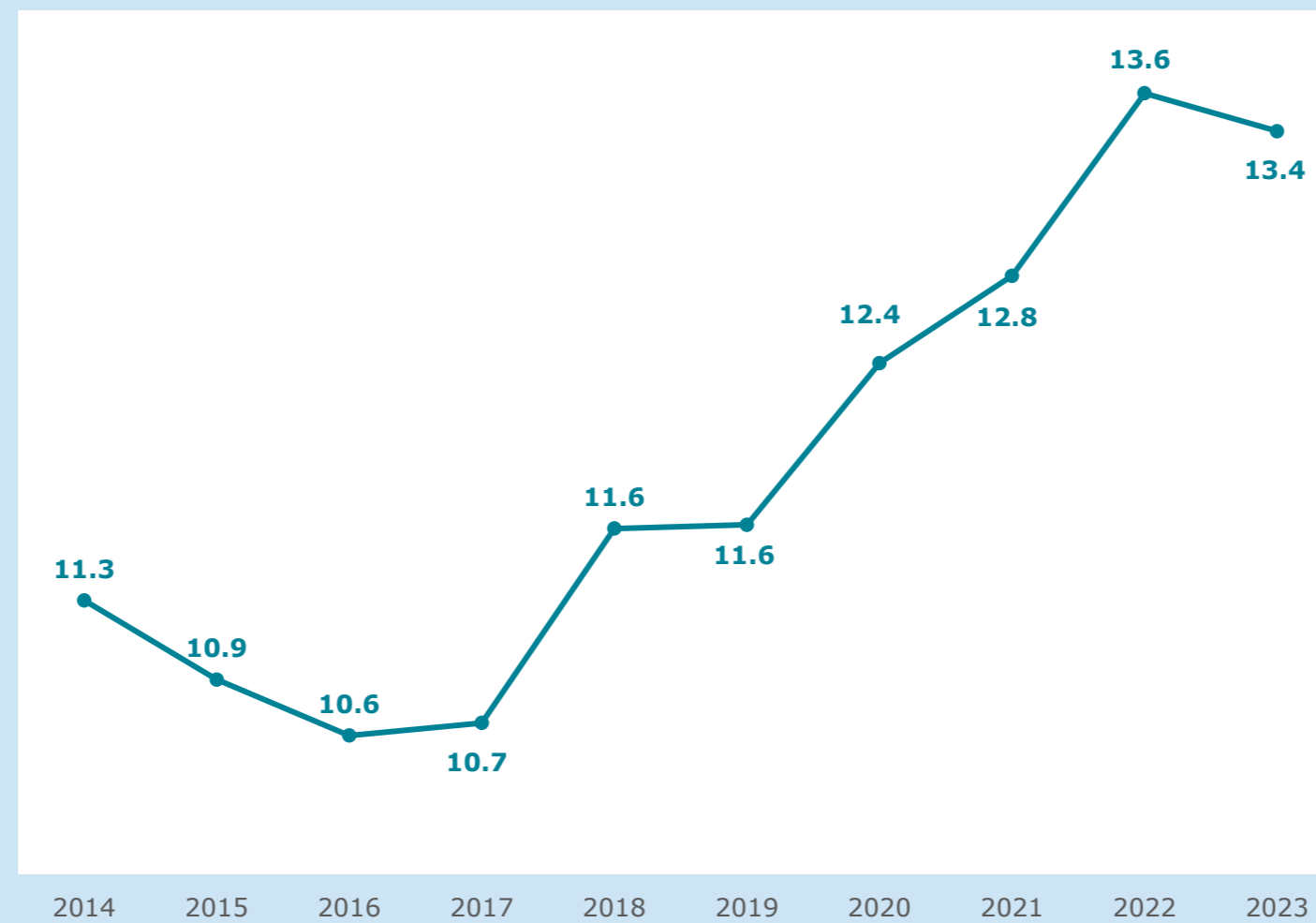


Figure 2: Despite the recent slight decrease, estimated average future years that main benefit clients are estimated to be supported by a main benefit remains above historical levels.



### There are three main reasons for the slight decrease in estimated average future years on a main benefit.

#### Reason 1: Exit rates for Jobseeker Support – Work Ready were slightly higher than projected in last year’s model

While exit rates (the proportion of people leaving benefit) have continued to be lower than historical levels, recent exit rates tended to be slightly higher for some benefits, especially for Jobseeker Support – Work Ready (JS – WR), than projected in the 2022 SOM. This has resulted in a slight increase in projected longer-term exit rates in the 2023 SOM and therefore a slight decrease in the estimate of average future years on a main benefit.

#### Reason 2: Fewer people have been re-entering the benefit system than projected

Fewer people left the benefit system and returned to a benefit than projected in the 2022 SOM. As more people are remaining off benefit after they exit, on average people are estimated to spend slightly less time on a main benefit in the future.<sup>3</sup>

#### Reason 3: A slightly higher proportion of people had higher than projected earnings

There was a slight increase in the proportion of people earning at or above the equivalent of working 20 hours per week at the minimum wage. This was higher than projected in the 2022 SOM. People who have higher incomes are less likely to need future benefit support, and therefore this increase reduces estimates of average future years on a main benefit in SOM 2023.

<sup>3</sup> For more information on people’s outcomes after they leave the benefit system, see: Ministry of Social Development. (2024). What happened to people in the 12 months after they left the benefit system, up to June 2023. [www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/benefit-system/what-happened-to-people-who-left-the-benefit-system.html](https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/benefit-system/what-happened-to-people-who-left-the-benefit-system.html)

## The benefit system

### Updated economic forecasts have had little impact on the 2023 SOM's projections.

The economic forecasts used in the 2022 SOM allowed for weakening economic conditions. This resulted in a small increase in estimated average future years in last year's projections. Revised economic forecasts were incorporated into the 2023 SOM but, as these forecasts were very similar, there was minimal impact on estimates in SOM 2023.<sup>4</sup>

<sup>4</sup> The 2022 SOM used economic forecasts from Treasury's Half Year Economic and Fiscal Update (HYEFU) 2022 and the 2023 SOM used economic forecasts from Treasury's Pre-election Economic and Fiscal Update (PREFU) 2023. More information on these forecasts is available here: [www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/forecasts/benefit-forecasts-index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/forecasts/benefit-forecasts-index.html)

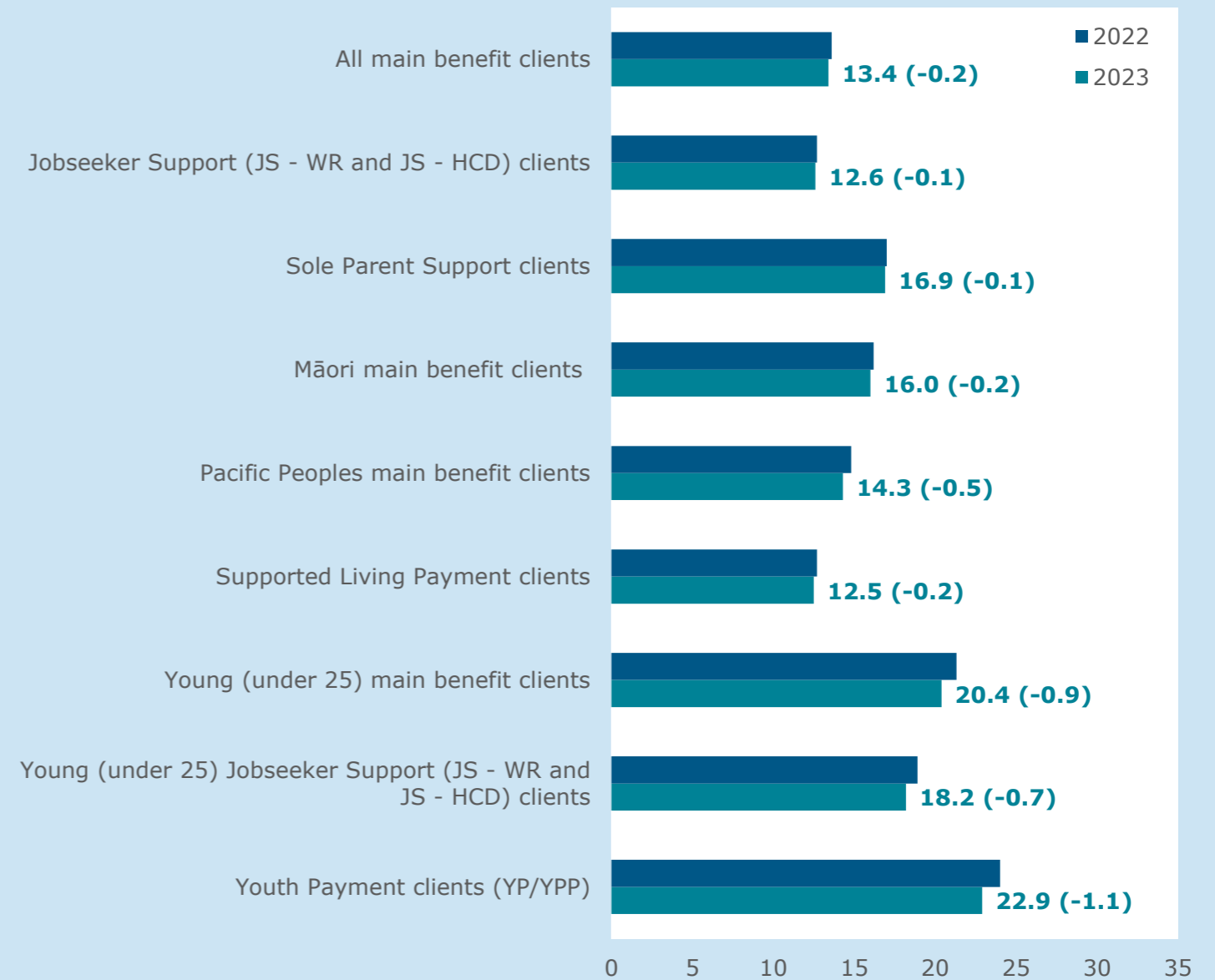
### Although estimated future time on a main benefit has decreased slightly, there are now more people receiving a benefit.

Overall, there has been an increase in the number of people supported by a main benefit of 4 percent, from 373,700 to 388,800.<sup>5</sup> While partially off-set by the decrease in estimated average future years, the net result is a slight increase in overall estimated future support.

<sup>5</sup> From 30 September 2022 to 30 September 2023. Benefit recipient numbers from the SOM may not match official MSD statistics as they are based on analysis of past trends of administrative data in the IDI, and includes partners. All counts are rounded to the nearest hundred

### The change in estimated average future years on a main benefit varies for key groups of interest, with some such as youth clients experiencing larger decreases.

**Figure 3:** Estimated average future years have decreased slightly for most groups.<sup>6</sup>



<sup>6</sup> For more details including counts see Figure 11 in the appendix.

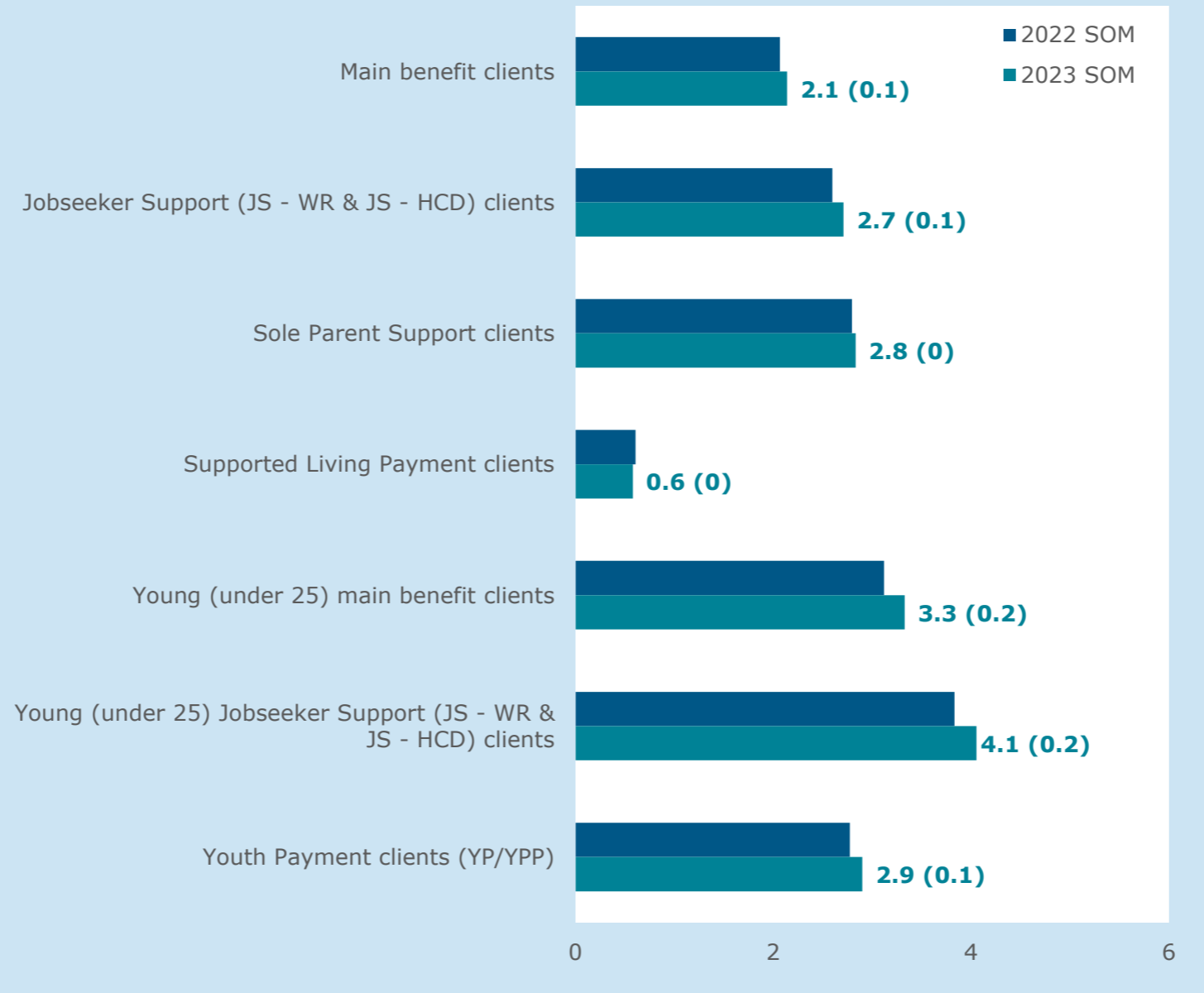
## The benefit system

### Estimated time in employment and income levels over the next 10 years

#### The SOM estimates how long different groups will be employed in the future.

The SOM also estimates how many future years people will spend in employment over the rest of their working lives, up until they turn 65 years old. This is a cumulative measure which allows for people to move in and out of work, and change roles, over their working life. Peoples' estimates are then averaged for each group, to understand which groups are likely to spend more or less time in employment. This helps us understand who is closer and who is further from the labour market. This report focuses on the time people are projected to spend in employment over the next 10 years.

**Figure 4:** People are generally projected to spend more time (years) earning at least the equivalent of 20 hours per week at the minimum wage over the next 10 years than previously projected.



### People are projected to spend slightly more time in employment earning more income over the next 10 years than previously projected.

There was a slightly higher proportion of people earning at or above the equivalent of working 20 hours per week at the minimum wage than projected in the 2022 SOM. Because of this increase, the 2023 SOM projects that people will spend slightly more time in employment earning above this income threshold and, consequently, spend slightly less time on benefit.

While the increase in estimated time earning above this income threshold is small, it can be seen across most main benefit types, regions, and ages.



## The benefit system

### Risk factors

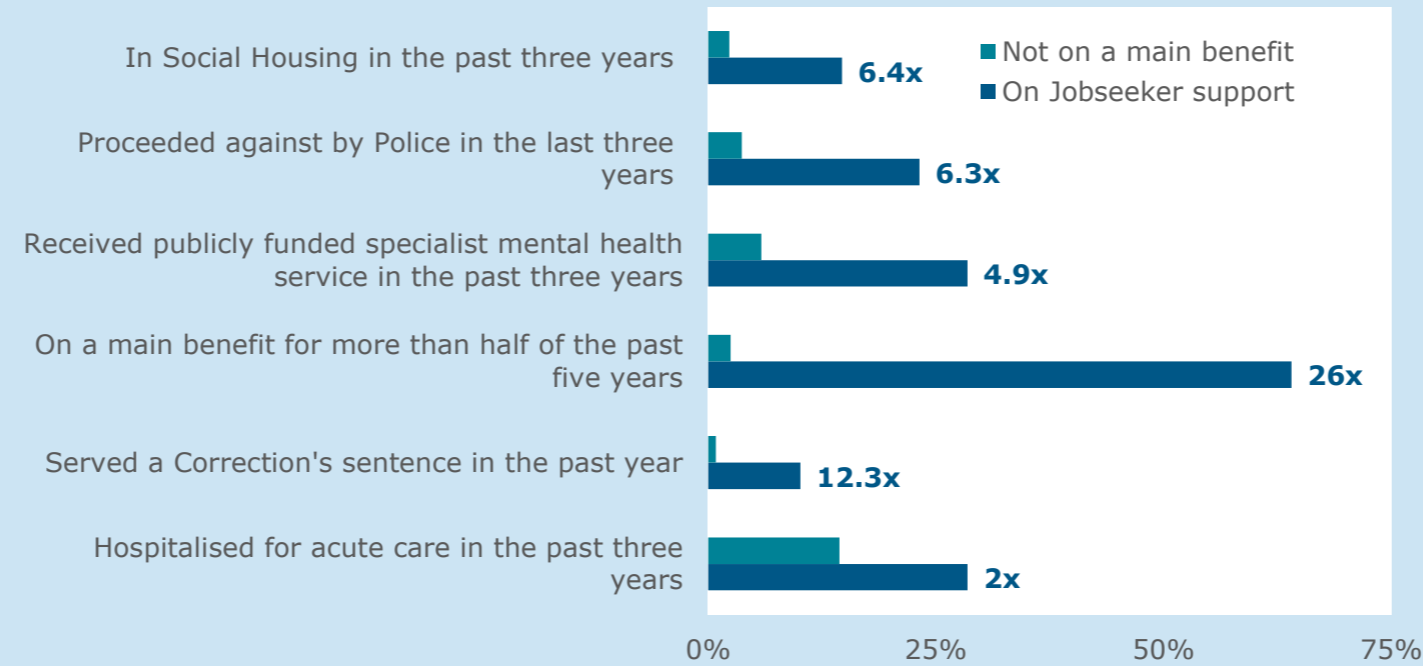
#### Jobseeker Support clients and other clients are more likely to have experienced challenges than people that do not receive a main benefit.

The SOM identifies several ‘risk factors’<sup>7</sup> that indicate that if a person has experienced challenges then they are more likely to need benefit support (see Figure 5).

Jobseeker Support clients are much more likely to have experienced these risk factors than people not on a main benefit. For example, Jobseeker Support clients are five times more likely to have received publicly funded specialist mental health services in the past three years.

<sup>7</sup> The six risk indicators are based on looking back at people’s past experiences from the end of the September 2023 quarter. These risk indicators comprise whether a person: was placed in social housing in the previous three years; was proceeded against by Police in the previous three years; accessed publicly funded, community or inpatient, specialist mental health or addiction services in the previous three years; received a main benefit for at least half of the previous five years (or since turning 16); served a Correction’s (either a community or custodial) sentence in the previous year; or was discharged after receiving acute hospital care in the previous three years. See appendix for details around data quality and timing that may impact these factors.

**Figure 5:** Prevalence of risk factors for those aged 16–64.

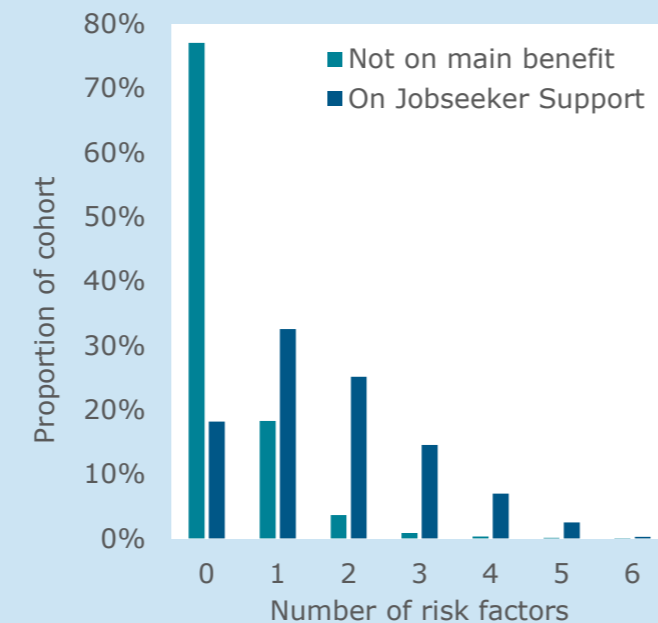


#### The more risk factors a person has, the longer they are estimated to be on a main benefit in the future.

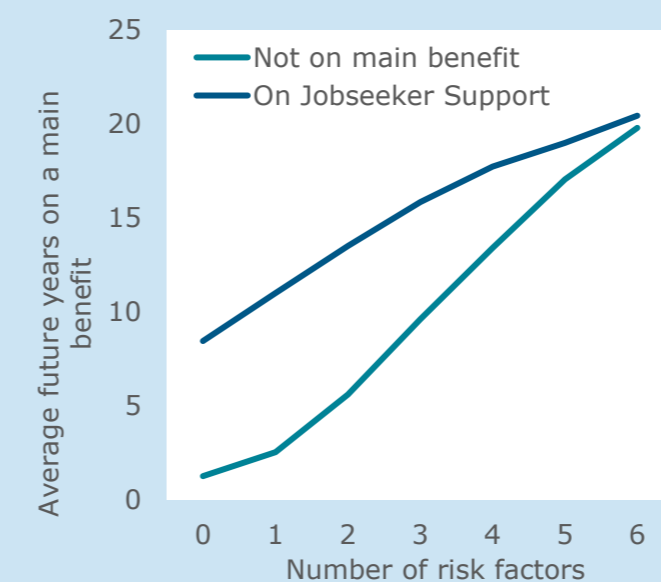
On average, people who have experienced more risk factors are more likely to be on a main benefit and they are also estimated to spend more time on a main benefit in the future.

Figure 7 shows that estimated average future years on a main benefit increases as the number of risk factors a person has experienced increases, regardless of whether they are receiving a benefit or not. Figure 6 demonstrates that as the number of risk factors increases, a much greater proportion of people are on a main benefit. Almost 50 percent of Jobseeker Support clients have two or more risk factors, compared to less than 5 percent of people not on a main benefit. This highlights the high-level of need that many clients experience.

**Figure 6:** People on Jobseeker Support are more likely to have multiple risk factors.



**Figure 7:** The more risk factors a Jobseeker Support client has, the longer they are estimated to be on a main benefit in the future.



## The benefit system

### Youth

#### Young clients have had a larger decrease in estimated average future years on a main benefit than other groups of interest, driven by new entrants having fewer risk factors.

There has been an increase in the number of young clients (under 25 years old) receiving a main benefit, including Jobseeker Support which increased by 9 percent from 35,800 to 39,000.<sup>8</sup> These new clients tend to have slightly fewer risk factors, on average, and are expected to spend less time receiving main benefit support in the future. This has contributed to the decrease in average future years on a main benefit for young clients. The estimated average for under 25 year old main benefit clients has decreased by 0.9 years from 21.3 to 20.4. Average future years for young Jobseeker Support clients has decreased by 0.7 years from 18.9 to 18.2 years, and for YP/YPP<sup>9</sup> clients this has decreased by 1.1 years from 24.0 to 22.9 years.

The increase in the number of young clients receiving Jobseeker Support reflects the current weakening economic conditions. Young people tend to be affected more by economic shocks<sup>10</sup> and generally have larger increases in benefit numbers during economic slowdowns. This is because young people are more likely to have lower skill levels, more casual employment arrangements, and high levels of employment in sectors like the service industry, which are more exposed to the effects of economic downturns as observed during the Global Financial Crisis (GFC) and COVID-19 pandemic. However, younger age groups also tend to have larger decreases in benefit numbers as the economy recovers.

For younger people, there is more data on risk factors available,<sup>11</sup> as some data has only been consistently collected relatively recently. This includes information on childhood disadvantage, including youth justice and intergenerational benefit history.

**Under 25s on a main benefit are very likely to have at least one risk factor and, on average, have more risk factors than other young people not on a main benefit.**

**50.1 percent** of young people not receiving a main benefit have none of these risk factors, compared to **5.9 percent** of those on Jobseeker Support.



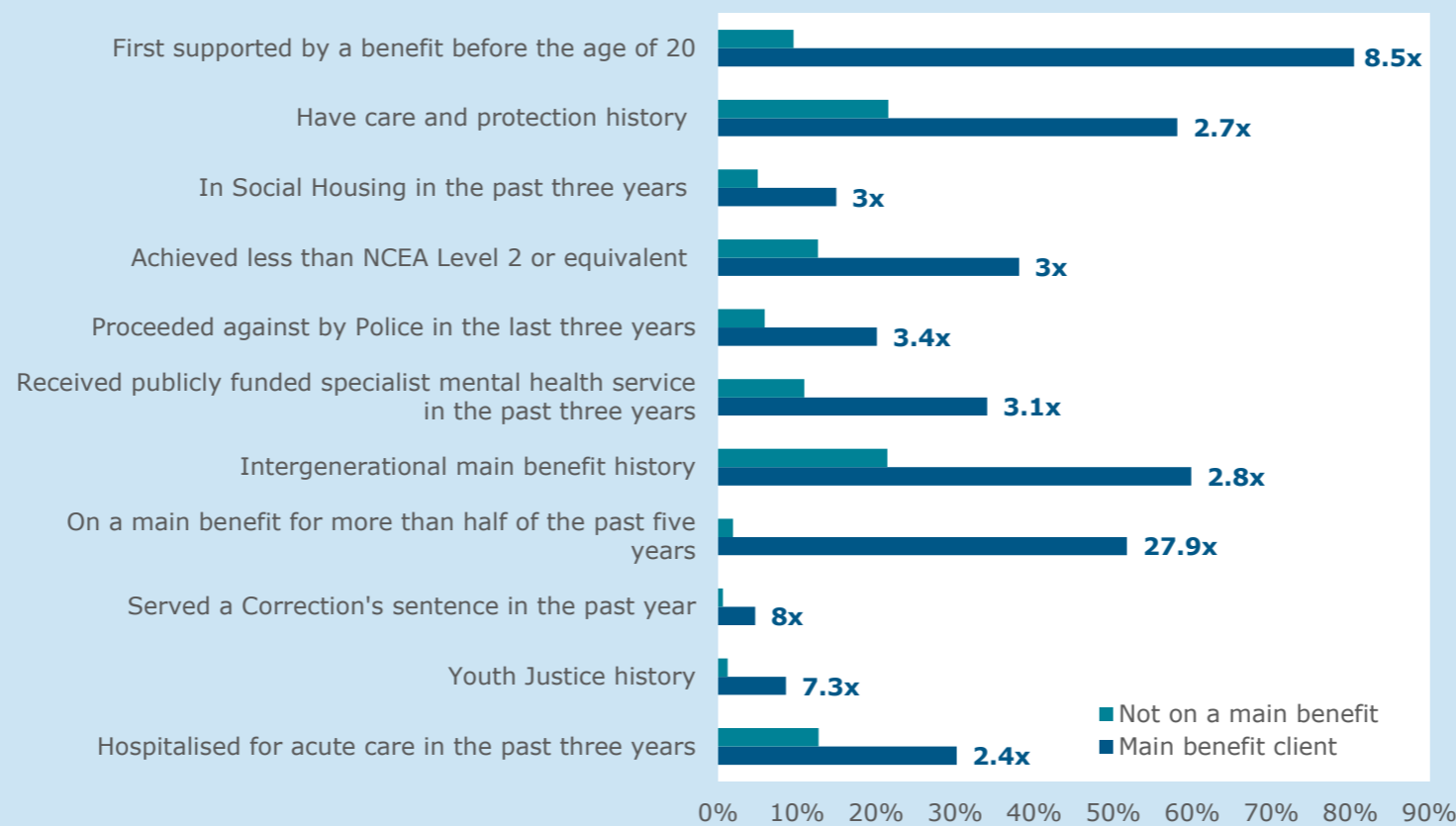
**54.3 percent** of young people on Jobseeker Support have experienced at least 4 risk factors, compared to **6.1 percent** of young people not on a main benefit.



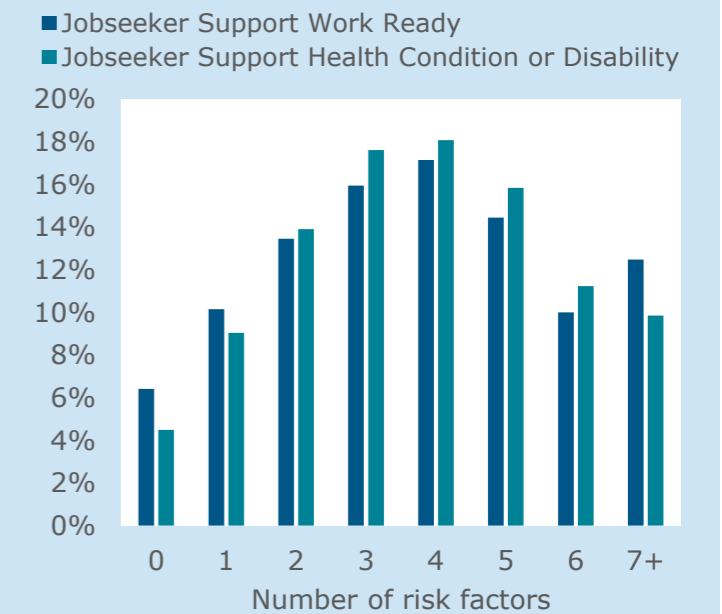
**1.8 percent** of young people on Jobseeker Support have seven or more risk factors, compared to **0.5 percent** of those not on a main benefit.



**Figure 8:** Prevalence of risk factors for main benefit clients and those not on a main benefit, aged 16 to 24 years old.



**Figure 9:** Young people receiving Jobseeker Support Health Condition or Disability (JS – HCD) are more likely to have a moderate to high number of risk factors (3–6). Young people receiving Jobseeker Support Work Ready (JS – WR) have a wider range, with more young people with no or very high (7+) levels of risk factors.



<sup>8</sup> From 30 September 2022 to 30 September 2023. Benefit recipient numbers from the SOM may not match official MSD statistics as they are based on analysis of past trends of administrative data in the IDI, and includes partners. All counts are rounded to the nearest hundred.

<sup>9</sup> Youth payment clients receiving either Youth Payment (YP) or Young Parent Payment (YPP)

<sup>10</sup> Ministry of Social Development. (2023). Insights Reporting Series: Young people 16-24 years old. [www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/insights-reporting-series-docs/insights-reporting-series-young-people.pdf](http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/insights-reporting-series-docs/insights-reporting-series-young-people.pdf)

<sup>11</sup> These 11 risk indicators are based on looking back at people's past experiences from the end of the September 2023 quarter. They comprise whether a young person: had accessed main benefit support before they were 20 years old; had a report of concern, care and protection investigation, family group conference, whānau agreement, or care and protection placement with Oranga Tamariki; had not achieved a qualification equivalent to the National Certificate of Educational Achievement (NCEA) Level 2 or higher (this is only for young people who have left school); accessed publicly funded specialist community or inpatient mental health or addiction services in the previous three years; when they were 13–18 years old, had a parent or guardian who was receiving a benefit; received a main benefit for at least half of the last five years (or since they turned sixteen); had interacted with the Youth Justice system (i.e. had a report of concern, family group conference or whānau agreement), or youth justice placement; or was discharged after receiving acute hospital care in the previous three years. See appendix for details around data quality and timing that may impact these factors.

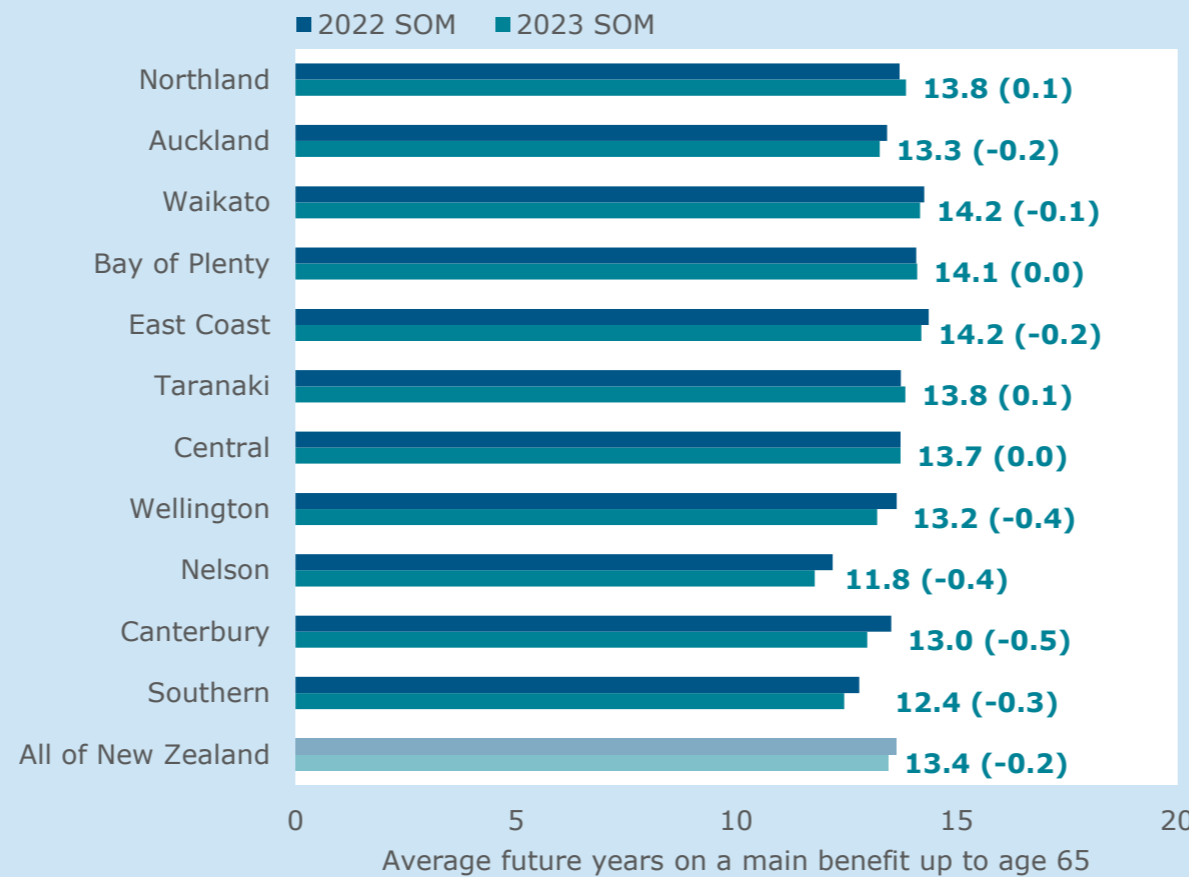
## The benefit system

### Regions

#### People face different challenges across the regions, and this can influence the benefit support they need in the future.

While the overall change in estimated average future years on a main benefit for main benefit clients is small, there is some regional variation. This reflects differences in the demographic make-up of populations, resources, employment opportunities, and challenges within each region.

**Figure 10:** There is a reasonable amount of regional variation in estimated average future years on a main benefit, with a difference of 2.4 years between the region with the lowest estimate (Nelson), and the regions with the highest (Waikato and East Coast).



### What MSD is doing

MSD is focussed on supporting clients into work and achieving the target of reducing the number of people receiving Jobseeker Support by 50,000 to 140,000 by 2030.<sup>12</sup>

MSD will achieve the Jobseeker Support target by:

- taking a strong focus on helping 18–24-year-olds on Jobseeker Support into jobs
- early and active engagement with priority groups of job seekers (these include young people and people with children)
- making it easier for people with work obligations to understand and meet expectations.

MSD has implemented a range of initiatives to achieve this and improve outcomes for our clients, including:

- Kōrero Mahi – Let’s Talk Work. A one-to-many seminar for clients in the first weeks on Jobseeker Support that began in February 2024. The sessions ensure that clients new to the Jobseeker Support benefit get consistent information about the support that’s available to help them find a job and understand their obligations while receiving a benefit.
- Re-setting employment caseloads. From 1 July, MSD began resetting employment case management caseloads to focus on Jobseeker Support cohorts, specifically those with work obligations and those with children.
- From 1 July, MSD has implemented a new service offering phone-based case management to 4,000 young JS – WR clients in their first 13 weeks on benefit.
- Kōrero Mahi Work Check-ins. From 24 June one to many seminars began for clients who have been on benefit for 26 weeks. These seminars give assistance to Jobseeker Support clients and check that they are taking sufficient steps to be ready for work and apply for jobs.

<sup>12</sup> This target is based on official MSD statistics so may not match SOM counts which are based on administrative data in the IDI and includes partners

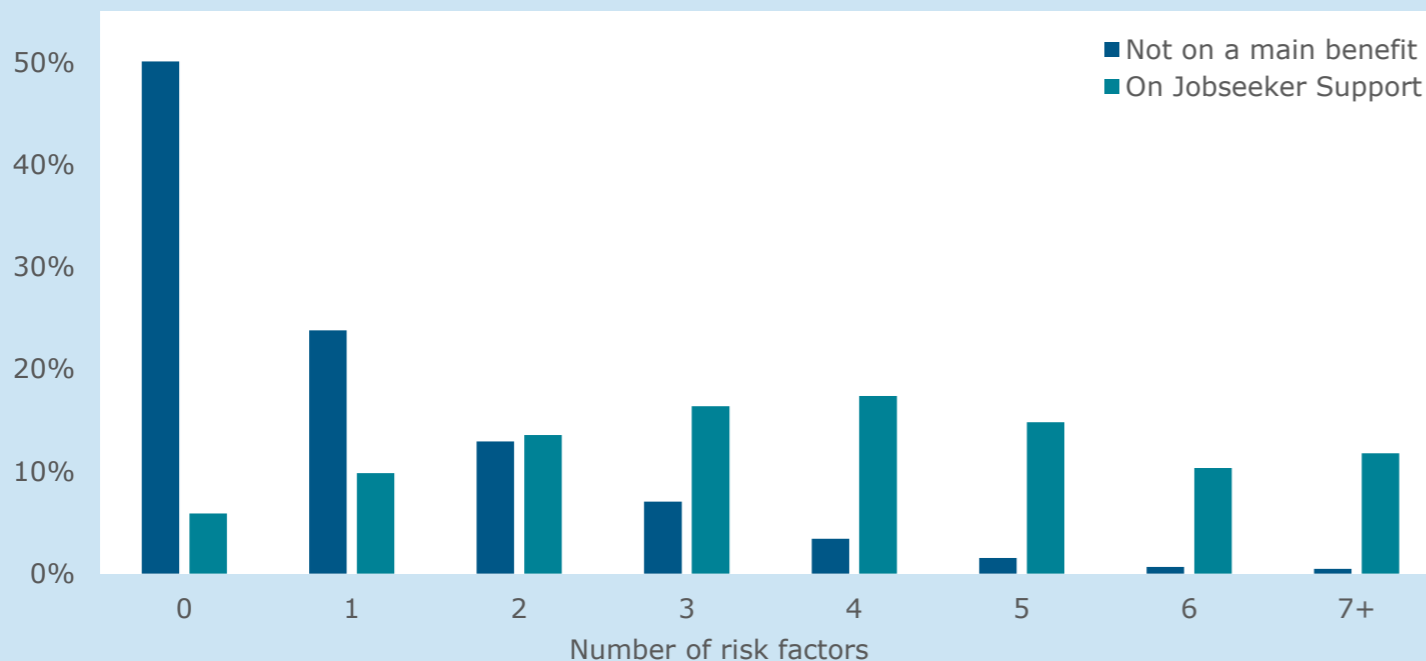


## Appendix

**Figure 11:** Estimated average future years supported by main benefit for groups of interest.<sup>13</sup>

Group	Count		Average future years on main benefit		Change in average future years	% change in average future years
	2022	2023	2022	2023		
Main benefit clients	373,700	388,800	13.6	13.4	-0.2	-1.3%
Jobseeker Support (JS - WR and JS - HCD) clients	189,800	201,400	12.7	12.6	-0.1	-0.9%
Supported Living Payment clients	106,900	108,500	12.7	12.5	-0.2	-1.8%
Sole Parent Support	74,900	76,300	17.0	16.9	-0.1	-0.9%
Māori main benefit clients	148,500	155,800	16.2	16.0	-0.2	-0.7%
Pacific Peoples main benefit clients	50,700	55,000	14.8	14.3	-0.5	-3.2%
Young (under 25) main benefit clients	57,000	60,500	21.3	20.4	-0.9	-4.4%
Young clients (under 25) receiving Jobseeker Support (JS - WR and JS - HCD)	35,800	39,000	18.9	18.2	-0.7	-4.0%
Youth Payment clients (YP/YPP) <sup>14</sup>	2,000	2,700	24.0	22.9	-1.1	-4.4%

**Figure 12:** Young people on Jobseeker Support are more likely to have multiple risk factors than young people not receiving a main benefit.



### Technical information

This report has been prepared specifically for social development decision makers including MSD leadership and the Minister for Social Development and Employment.

This report was completed on October 21st 2024 based on data up to 30 September 2023 from the 2023 SOM.

We have checked the data we have used for reasonableness and consistency where possible. Our analysis is based on the data available. We do not take responsibility for the quality of the underlying IDI data used to prepare the 2023 SOM. Some IDI data has a significant lag and missing data has been imputed to 30 September 2023. For publicly funded specialist mental health or addiction services, we have imputed data from July 2021 to September 2023. For acute hospital discharges, we have imputed data from July 2022 to September 2023. More detailed information about the data, assumptions, and methodology used for the 2023 SOM are available in the Social Outcomes Modelling 2023 Technical Report.<sup>15</sup>

This report complies with the requirements of the professional standards of the New Zealand Society of Actuaries.

### IDI disclaimers

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/](http://www.stats.govt.nz/integrated-data/).

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Data and Statistics Act 2022. The results presented in this study are the work of the author, not Stats NZ or individual data suppliers.

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.

<sup>13</sup> Benefit recipient numbers from the SOM may not match official MSD statistics as they are based on analysis of past trends of administrative data in the IDI, as well as economic forecasts. The SOM also includes a wider age range (16–64 years old) compared to official main benefit numbers, which are working age (18–64), and counts partners. All counts are rounded to the nearest hundred.

<sup>14</sup> For 2022 the YP/YPP group only included people aged 16–18, however there are some older YP/YPP clients that were grouped with other benefit groups. For the 2023 results, the YP/YPP group has been updated to include those aged 16–19. This results in an increase in the count but has minimal impact on the estimate of average future years on a main benefit.

<sup>15</sup> This report has also been published on MSD's website and is available here: [msd.govt.nz/content/documents/about-msd-and-our-work/publications-resources/research/benefit-system/2023-social-outcomes-modelling-technical-report.pdf](https://msd.govt.nz/content/documents/about-msd-and-our-work/publications-resources/research/benefit-system/2023-social-outcomes-modelling-technical-report.pdf)