

Benefit System Update

The effect of COVID-19 on New Zealand's economy and the income support policy response, and how those factors affected demand for benefit payments

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Executive summary

The purpose of this report is to explain the effect COVID-19 has had on New Zealand's economy, the subsequent income support policy responses, and the insights we have gained about how those factors have affected demand for benefit payments (up to August 2020).

The main effect COVID-19 had on the economy was a sudden reduction in activity during the lockdown. Moving down alert levels quickly meant that economic activity could resume faster and keep more people employed. However, economic conditions after the lockdown were still weak due to ongoing border restrictions and general uncertainty.

The Wage Subsidy, COVID-19 Income Relief Payment, \$25 increase to main benefits, and the temporary doubling of the Winter Energy Payment were all important policy responses that helped minimise disruptions in the economy.

The main insights we have gained about how those factors have affected benefit demand are that:

- Demand for Jobseeker Support rose sharply during the lockdown, but growth eased thereafter as economic activity resumed.
- However, the overall number of people on Jobseeker Support and the COVID-19 Income Relief Payment continued to grow after the lockdown as economic conditions remained weak.
- Growth in Jobseeker Support has been driven by young people (aged 18-34), those living in Auckland, and by NZ Europeans. This is consistent with past recessions.
- Māori are over-represented in benefit statistics and generally stay on benefit for longer than NZ Europeans.
- Women seem to have been adversely affected in the labour market so far, but there has not been a corresponding increase in women on Jobseeker Support.
- The regional story has been partly driven by the sectoral story; jobs related to tourism, such as in hospitality and retail, have been affected the most.
- We have not yet seen the full impact of weaker economic conditions on main benefit demand. We expect demand to increase as the Wage Subsidy Extension ends and the labour market deteriorates further.
- Hardship grants rose significantly over the lockdown due to heightened food insecurity and increased access to extra support online.

Background

This report aims to tell a cohesive and comprehensive story of what has happened in the benefit system and why. It draws on insights from published Evidence Briefs on Jobseeker Support Work-Ready grants and the impact of COVID-19 on one-off hardship assistance grants¹.

The context for this report is the global COVID-19 pandemic which has led to nationwide restrictions (a lockdown, physical distancing and border restrictions) aimed at limiting its spread. In response to the negative economic and community impacts caused by these restrictions, Government has implemented income support policy changes to support people. We now have a fuller view of the data and analysis relating to the economy and these policy changes, and how they have affected demand for benefit payments.

This report focuses on the economic, policy and benefit payment effects up to August 2020 and does not cover any effect of the second COVID-19 outbreak in New Zealand that was announced on 11 August 2020. This report uses data that was available up to 7 August 2020.

COVID-19 has negatively affected New Zealand's economy in three main phases

COVID-19 has affected New Zealand's economy in three main phases throughout 2020 that we can broadly observe. They are:

- some early effects, before New Zealand went into lockdown
- effects during the lockdown, resulting in a sharp drop in economic activity
- effects after the lockdown, driven by ongoing restrictions and the global recession.

The following sections describe these phases in greater detail.

Before New Zealand went into lockdown, the labour market was relatively robust overall, but was expected to soften

Most parts of our economy were not severely affected by the presence of COVID-19 overseas in January to February 2020. Overall the labour market was in a relatively strong position in the March 2020 quarter, with a near historically low unemployment rate at 4.2 percent (this result largely reflected the state of the labour market before COVID-19 was present in New Zealand).

Even before COVID-19 began affecting the economy, in late 2019 and early 2020 the economy was in an uncertain environment with global trends showing subdued economic growth. This was mainly driven by uncertainty surrounding trade and geopolitical factors.

¹ <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/covid-19-evidence.html>

However, there were early signs of COVID-19 affecting some parts of the economy before the lockdown

As a small, open economy New Zealand is constantly affected by the global macro-economic environment². This means that the international economic scene often has implications for New Zealand's economy because it affects how much we export. Exports make up around 30 percent of our annual Gross Domestic Product (GDP).

Although COVID-19 was not present in New Zealand until late February 2020, there were some parts of our economy that were affected earlier because China had reduced its imports during its lockdown, and both tourists and students stopped arriving from China.

Forestry was one of the first industries to feel the economic effect of COVID-19

On 23 January 2020 the first lockdown restrictions in China began, leading to limitations on the amount of forestry products that could enter China (our main market for log exports). The harvesting of logs in New Zealand slowed in response to the fall in the demand, and prices fell to their lowest level in three years in February 2020³. The Agriculture, Forestry and Fishing industry contributes around six percent of total GDP in New Zealand and employs around 152,000 people across the country.

The logging sector is a significant employer in the East Coast, which may have contributed to the Gisborne/Hawke's Bay region having the highest unemployment rate in New Zealand in the March 2020 quarter, at 5.8 percent.

Tourism levels have dampened New Zealand's largest export industry

Additionally, a suite of restrictions at the New Zealand border from February 2020 began to dampen international tourism. Firstly, entry restrictions for foreigners from, or transiting through, China were introduced. In mid-March the requirement for tourists to self-isolate for 14 days was introduced. By 19 March 2020, the country's borders were closed to all but New Zealand citizens and residents. These restrictions saw international arrivals in New Zealand plummet by the end of March 2020⁴.

Before COVID-19, tourism was New Zealand's largest export industry (in terms of foreign exchange earnings) and directly employed around 230,000 people nationally (8.4 percent of New Zealand's workforce)⁵.

Border restrictions also negatively affected the international education sector

Another sector that may have been affected before the lockdown was the international education sector, which contributes around \$5.1 billion to the economy and supports around 50,000 jobs (based on 2017 data)⁶. Around 21 percent of people holding valid study visas were outside of New Zealand as at 15 March 2020. The absence of those

²<https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Analytical%20notes/2018/an2018-01.pdf?revision=7377a00f-a898-43d4-b1b2-5dbff8005bdb>

³<https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2020/ANZ-CPI-20200304.pdf>

⁴ <https://shorthand.radionz.co.nz/coronavirus-timeline/>

⁵ <https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/tourism-and-the-economy/>

⁶ <https://enz.govt.nz/news-and-research/ed-news/international-education-contributes-5-1-billion-to-new-zealand>

people from New Zealand will have negatively affected revenue growth in the education sector, but we are unable to quantify this effect.

Businesses were feeling downbeat about the future

It is difficult to capture the full effect of the events leading up to the lockdown with data, because it is mixed, and the lockdown was announced before most data collection was completed at the end of March 2020. For example, the official labour market statistics for the March 2020 quarter covered an average of the weeks from the beginning of January 2020 to the end of March 2020. This means the results range from before there were restrictions in China, to the severe border restrictions in New Zealand, and the beginning of the lockdown in New Zealand.

However, the Quarterly Survey of Business Opinion (from NZIER) in April 2020 did not include any business opinions formed after the lockdown was announced, so the effects of the lockdown are clearer. The release showed that even before the lockdown, businesses were feeling very downbeat about the future with a sharp decline in business confidence. However, in the weeks leading up to the lockdown, there were increased sales of groceries, whiteware and IT equipment which partly offset the decline in spending in tourism and hospitality-related areas.

This highlighted the unevenness of the effects on different sectors. Notably, manufacturers were also very pessimistic about the economic outlook (with a net 72 percent of manufacturers expecting deterioration in the economy).

The lockdown severely restricted economic activity with only essential businesses operating as usual

On 23 March 2020 New Zealand went into lockdown (alert level 4) which lasted four and a half weeks. Only essential businesses were operating as usual (such as supermarkets and their suppliers, pharmacies and medical clinics), with some businesses operating from home if they could do so. This effectively halted much of the economy. New Zealand then spent around two and a half weeks at alert level 3, which opened some parts of the economy, but activity was still considerably below normal levels.

GDP is the official Statistics New Zealand measure of the value of the final goods and services we produce, but it has a publication lag of around twelve weeks after the end of the quarter and so we will not know how much the economy contracted in the June 2020 quarter until mid-September 2020.

Accommodation and Food Services, and Construction were heavily affected during the lockdown

The Reserve Bank of New Zealand (RBNZ) has estimated that GDP was around 37 percent lower during the period of alert level 4 than it would have been without any restrictions, which equates to the lockdown reducing annual GDP by 3.2 percent.⁷ The RBNZ estimated that the time spent under alert level 3 equated to a reduction of annual GDP by a further 1.7 percent. There is significant uncertainty and limitations surrounding the estimates, but they give us a broad indication of the impact the lockdown had on the economy.

All industries were affected by the lockdown in some way, but the RBNZ estimated that the Accommodation and Food Services and Construction industries were the most

⁷<https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Analytical%20notes/2020/AN2020-04.pdf?revision=6c59d0c8-a81f-48bb-931c-0e38209139ba>

heavily affected (estimated to be producing at only 11 percent and 19 percent of their normal output levels, respectively). Under alert level 3, those industries were estimated to still be the most affected. Note that restrictions on activity for Accommodation and Food Services was mainly for restaurants, cafes and accommodation as opposed to supermarkets and their suppliers, which were considered essential services.

Economic growth (as measured by GDP) fell by 1.6 percent in the March 2020 quarter, with the largest contributions to this decline coming from the construction, manufacturing, transport, and retail trade and accommodation industries. The fall in March quarter growth only captured around one week of the impact of the lockdown on the economy, but the result for the June 2020 quarter will provide a fuller view (due to be published on 17 September 2020).

Consumer spending also slowed significantly over the lockdown period. Electronic card spending (seasonally adjusted) was around 53 percent lower in April 2020 than it was in February 2020 (pre-lockdown comparison), and around 15 percent lower in May 2020.

From an international perspective, it has been estimated⁸ that economic growth in New Zealand for the June 2020 quarter has fared better than most OECD countries. However, it has been noted that the negative effect COVID-19 has had on economies is not only driven by the stringency of lockdowns (which was among the highest for New Zealand), but also public confidence in limiting the spread of COVID-19.

After the lockdown, economic activity bounced back partially with signs of better labour market conditions

While alert levels 4 and 3 clearly reduced GDP levels, economic activity was able to resume closer to pre-lockdown levels as the restrictions were relaxed by moving to alert level 2 (beginning on 14 May 2020) and alert level 1 (beginning on 8 June 2020).

Economic conditions for the June 2020 quarter were expected to contract substantially (by around 19 percent)⁹, but seem to have fared better than expected coming out of alert levels 3 and 4, which means that people are more likely to have stayed in employment.

Moving down the alert levels relatively quickly is likely to have increased certainty for businesses and therefore have had an effect on their intentions to retain employees. Some of the indicators of this are that:

- The number of monthly filled jobs in May 2020 (seasonally adjusted) increased by around 17,000, after a reduction of around 35,000 filled jobs in April 2020, which was spent in lockdown.
- The June 2020 ANZ New Zealand Business Outlook¹⁰ shows that headline business confidence stabilised over June, with a net 26 percent of firms expecting weaker activity for their own business.

⁸ <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/covid-19-saving-thousands-of-lives-and-trillions-in-livelihoods>

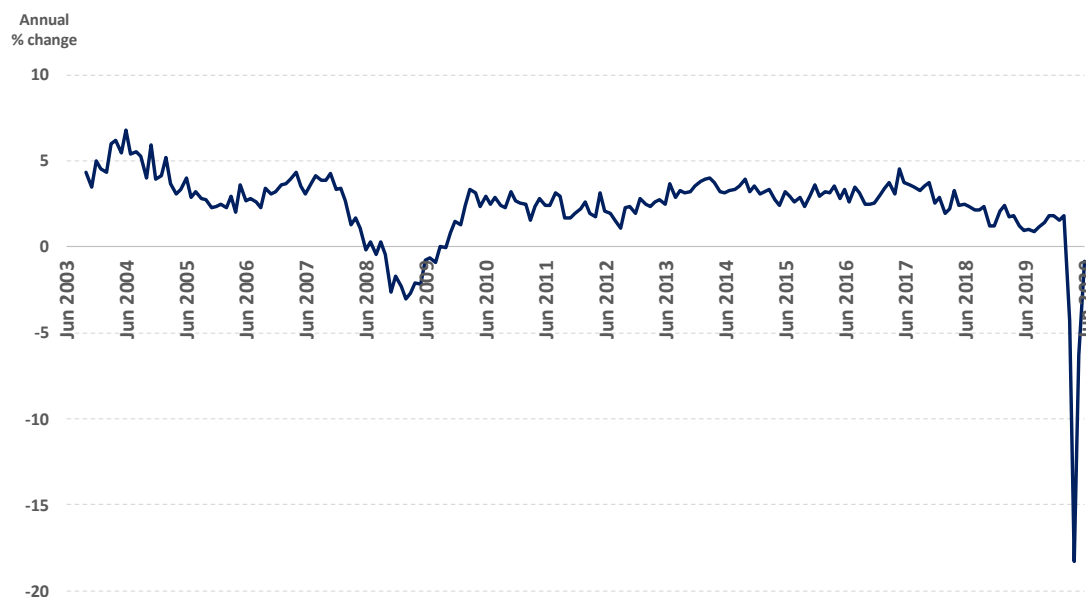
⁹ Based on The Treasury's Budget Economic and Fiscal Update (BEFU) 2020 that was published in May 2020.

¹⁰ <https://www.anz.co.nz/content/dam/anzconz/documents/economics-and-market-research/2020/ANZ-BusinessOutlook20200630.pdf>

The Treasury's New Zealand Activity Index^{11, 12} shows that while activity fell sharply in April 2020, by June 2020 it had recovered somewhat although it was still well below pre-COVID 19 levels. This trend is shown below in Figure 1.

Figure 1 – Annual change in the New Zealand Activity Index dropped sharply due to the lockdown but partially rebounded in June 2020

New Zealand Activity Index (monthly)



Note: While the series summarises several monthly indicators of economic activity, it is only intended to be interpreted as a broad measure of economic activity and it should not be treated as a high-frequency version of GDP¹³.

The labour market statistics (as measured by the Household Labour Force Survey) for the June 2020 quarter show that the unemployment rate fell to 4.0 percent (from 4.2 percent), which was a surprising result on the face of it. However, this was a consequence of a reduction in the number of people actively seeking work during April 2020¹⁴ because of the level 4 lockdown, and the mitigating effects from the Wage Subsidy. This can be seen in the underlying details of the results, which reveal:

- The number of people employed fell by only 0.4 percent in the quarter
- But there was a 10.3 percent quarterly drop in the total number of hours worked.

More people worked fewer hours than they would have liked, reflecting a 1.6 percentage points rise in the underutilisation rate to 12.0 percent. Some people are likely to have been discouraged from seeking work due to weaker economic conditions,

¹¹ <https://treasury.govt.nz/sites/default/files/2020-06/nzac-qanda-note-30jun20.pdf>

¹² The New Zealand Activity Index is a new monthly composite series made up of seven economic indicators which seeks to track movements in the New Zealand economy. The seven components of the index are consumer spending, unemployment, job vacancies, traffic volumes, electricity generation, business outlook, and manufacturing activity.

¹³ <https://treasury.govt.nz/publications/nzac/nzac-qa-note-html> - See FAQ 9

¹⁴ Statistics NZ reported the unemployment rate at week 1 of the June quarter was 1.5% during Level 4, but rose to 6.2% by week 13. <https://www.stats.govt.nz/news/covid-19-slows-labour-market-activity>.

with a fall in the proportion of people who were actively in the labour force of 0.8 percentage points. There was also a significant increase in the group of people in the potential labour force – those wanting work but not currently available – though the increase in this group was not as large as the increase in people wanting more hours.

However, economic conditions are still subdued, particularly in sectors affected by border restrictions

Although there has been a resumption in economic activity, some sectors of the economy have been hit harder than others and may struggle when the wage subsidies run out. This is because ongoing border restrictions continue to affect tourism and industries that indirectly rely on tourism, such as Accommodation and Food services. Under alert level 1, New Zealand's border is still closed to international tourists and it is highly uncertain how long this will continue for.

On the other hand, export industries like livestock, forestry and horticulture were resilient throughout the COVID-19 lockdown¹⁵. Aside from the initial lockdown in China that disrupted supply chains there has been strong demand for our exports to Asia and flexible supply chains are contributing to this.

To some extent, the regional picture is driven by the sectoral story, with areas like Queenstown and Rotorua heavily affected by the economic impacts of COVID-19. There are also likely to have been negative flow-on effects in sectors related to tourism including retail. On the other hand, Wellington has not seen much change in labour market outcomes, which is partly due to public sector employment.

Uncertainty about the economic outlook is likely to be one of the main issues for businesses because it makes investment decisions more difficult and limits them in the short term.

Looking forward the main risks are global uncertainty, when border restrictions are loosened and how the pandemic plays out

New Zealand's economic outlook remains highly uncertain, mainly because the world economy is dependent on how the COVID-19 pandemic plays out globally, and because domestic fiscal supports have almost run their course. A global recession would have significant flow-on risks to New Zealand as we are a small, open economy.

One perspective on global uncertainty is illustrated in the OECD's economic outlook for June 2020¹⁶ which outlines two (equally probable) economic scenarios. In their worst-case scenario, there is a second wave of infections with renewed lockdowns before the end of 2020. The other scenario is one in which another major outbreak is avoided. They estimate that New Zealand would rank 12th most heavily impacted by the worst-case scenario out of the 36 OECD countries in terms of the projected negative change in GDP in 2020.

The global economy affects the New Zealand economy through a variety of channels. The impact on our terms of trade (export and import prices) and on demand for exports are key. However, border restrictions and judgements about the speed at which international tourism will rebound once borders are re-opened, are currently particularly relevant.

¹⁵ https://nzier.org.nz/static/media/filer_public/e0/2f/e02f3f0c-a26f-4a0c-8acf-5737423ef337/nzier_insight_90_land-based_industries.pdf

¹⁶ <http://www.oecd.org/economic-outlook/june-2020/>

Aside from the impacts on tourism, loosening of border restrictions is important because it will affect the timing of returning migrants and students, who also contribute to our economy.

Uncertainty leads to businesses being tentative about investment and hiring, potentially creating a significant negative impact on the labour market. There is still a high level of uncertainty regarding how the pandemic will play out domestically and any subsequent policy actions arising from any potential outbreaks in New Zealand.

Policies were implemented in response to the negative economic effects of COVID-19

The welfare system exists to protect New Zealanders during adverse events such as sickness and unemployment. The need for income-support payments is obviously heightened during a major recession or pandemic, when a large proportion of the population is affected by these adverse events. In response to COVID-19 there have been several policy initiatives designed to help minimise disruption to the economy and buffer New Zealanders from the full effects of the income shock that COVID-19 is causing.

From a macro-economic perspective, the welfare system plays an important economic stabilisation role, which is automatic and can also be discretionary. An example of an automatic economic stabiliser was the rise in welfare expenditure as more people required income support.

Examples of discretionary economic stabilisers were the rapid implementation of the Wage Subsidy (including the Wage Subsidy Extension) and the COVID-19 Income Relief Payment (CIRP). These were the two main new policies that affected the number of people on benefits.

The Wage Subsidy may have prevented some people from coming onto the benefit system by supporting employers to continue paying their staff. Over 1.7 million jobs have been covered by the scheme so far. The Wage Subsidy also provided fiscal stimulus, which is important in a recession.

The CIRP affected benefit demand because it meant that some people who would have otherwise come onto Jobseeker Support (JS) received the CIRP payment instead. The CIRP was introduced to provide up to 12 weeks of financial support to people who lost their job (between 1 March and 30 October 2020) due to the impacts of COVID-19.

The policy response was important in helping minimise economic disruption

In addition to the Wage Subsidy and CIRP, the \$25 increase to main benefit payment rates and the temporary doubling of the Winter Energy Payment (WEP) were other important discretionary stabilisers of the economy. These initiatives bolstered people's incomes, and therefore provided further immediate fiscal stimulus for the economy.

There have also been various changes to the way that income support payments are being administered. For example, renewals of benefits that usually require a re-application process are being cleared automatically. This means that some people who might leave the benefit system or transfer to another payment under normal circumstances will continue to receive their benefit payments.

Table 1 in Appendix 1 outlines the key MSD-related policy and temporary operational initiatives that have been put in place, directly relating to some form of income support. Some of these initiatives were established in response to the negative economic effects of COVID-19 while others assisted MSD to deal with the increase in demand.

Both weakening economic conditions and the COVID-19 policy responses have affected demand for benefit payments

There is a lot of uncertainty around what effect the suite of new policy and operational changes has had on benefit numbers. The effect of some changes is difficult to quantify because benefit numbers are also driven by changes in labour market conditions and this factor cannot easily be disentangled.

Modelling of policy and operational changes was mainly completed during the early stages of the COVID-19 pandemic lockdown when uncertainty was particularly high, so the risk of forecast variance was greater than normal.

The demand for income support, particularly JS, has risen significantly, which is linked to both the initial lockdown and weakening economic conditions, and the subsequent policy response.

The rest of this report explains how the trends in demand for benefit payments have changed due to both weakening economic conditions and the subsequent policy response.

Most of the growth in Jobseeker Support Work-Ready occurred during the lockdown due to restrictions on economic activity

The number of people on a main benefit, particularly JS Work-Ready, increased sharply in April 2020 under alert level 4, due to the severe restrictions on economic activity. Some businesses may have permanently shut, or reduced output activity, due to lockdown restrictions, resulting in job losses.

Lockdown restrictions also meant that it was difficult for people to move into employment, and so the increase in people on JS Work-Ready was driven by both a sharp increase in the number of people coming onto the benefit, as well as significantly fewer numbers of people leaving compared with usual levels.

It is important to note that even though the most common reason for being granted JS is because of job loss, some of the other reasons for the grant can also be related to a weaker labour market. For example, people returning to New Zealand or who are released from prison may come onto JS because they are entering a labour market in which it is more difficult to find employment. In these cases, their officially recorded reason for coming onto JS may not be due to ceased work.

The number of people on Jobseeker Support Work-Ready during the lockdown increased much faster than in past recessions

The impact of the lockdown caused an acceleration in demand for benefit payments at a scale much faster than we have seen in past recessions, such as the Global Financial Crisis (GFC) or Asian Crisis.

The rapid rise in the number of people on JS Work-Ready was one of the earliest labour market indicators that reflected the impact of the lockdown on jobs, with around a 31,000 person increase (35 percent increase) from March 2020 to April 2020.

The scale of the increase in JS Work-Ready numbers over April 2020, which covers most of the lockdown period, was much faster than that experienced during the beginning of the GFC. The 31,000 person increase in April 2020 was almost as much as the equivalent Unemployment Benefit (UB) grew in the entire first year of the GFC,

when the number of people on UB increased from around 18,000 people in June 2008 to around 51,000 people in June 2009 (a 33,000 person increase).

Figure 2 shows that the magnitude of the increase in JS Work-Ready was larger and faster compared to increases in the number of people on UB during different phases of the GFC and Asian Crisis, as the lockdown caused a sharp shock to the economy.

Figure 2 – The number of people on JS Work-Ready grew much faster than the Unemployment Benefit grew in previous recessions¹⁷

Jobseeker Support Work-Ready weekly numbers compared to past recessions

Comparison of cumulative growth

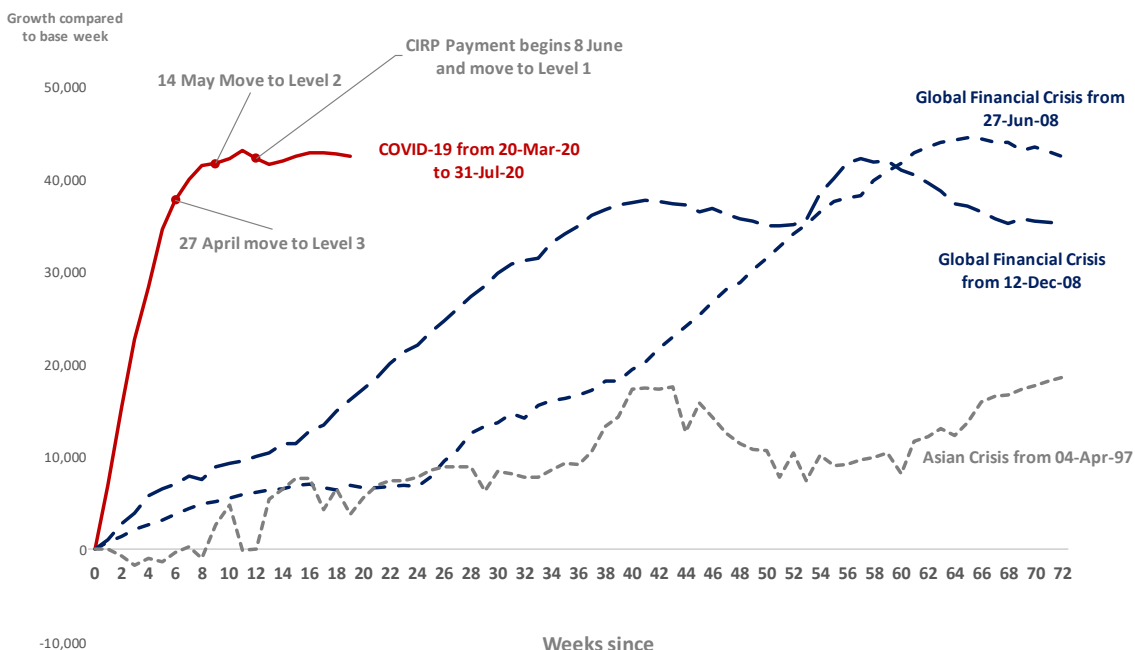


Figure 2 also shows that as we moved down alert levels, growth in JS Work-Ready numbers began to ease, in line with economic activity resuming as restrictions were relaxed.

A more detailed view of benefit numbers compared to significant economic downturns since the Depression in the 1930s is discussed further in a published MSD report.¹⁸

People affected have mainly been consistent with past recessions

While the pace of demand for benefits surpassed the level seen during the GFC, the groups of people who came onto JS have been largely consistent with those affected in past recessions.

In past recessions, people who were lower skilled and paid less while employed were the most vulnerable to job loss. This pattern is likely to be similar in the current

¹⁷ Numbers used in this graph will not match the official counts in the Benefit Fact Sheets because they are weekly counts as at Fridays and include people of all ages. Week 0 for the COVID-19 period began on 20 March 2020.

¹⁸ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/impact-of-covid-on-benefit-numbers-in-historic-perspective-12-august.pdf>

economic conditions. However, there is a risk that people in higher skilled roles may also be affected, for example management roles in the tourism sector.

MSD's Evidence Brief¹⁹ describes trends in the number and composition of people coming onto JS Work-Ready during the lockdown. Some key points from the Evidence Brief are that:

- While all regions experienced a rise in the number of people coming onto JS Work-Ready, the Nelson, Southern and Auckland Metro regions saw the highest proportional increases.
- There was a relative increase in JS Work-Ready being granted for people who were younger, NZ European, with little or no benefit history, and with higher amounts of lost income.
- Job loss continued to be the most common reason for a person coming onto JS Work-Ready.

NZ Europeans drive the overall change in Jobseeker Support during recessions

As seen in Figure 3²⁰, NZ Europeans have historically been the largest group of people on JS (or the equivalent Unemployment Benefit before July 2013). While NZ Europeans accounted for most of the increase in the Unemployment Benefit during the GFC, they also tend to drive most of the decline in beneficiary numbers during economic recovery.

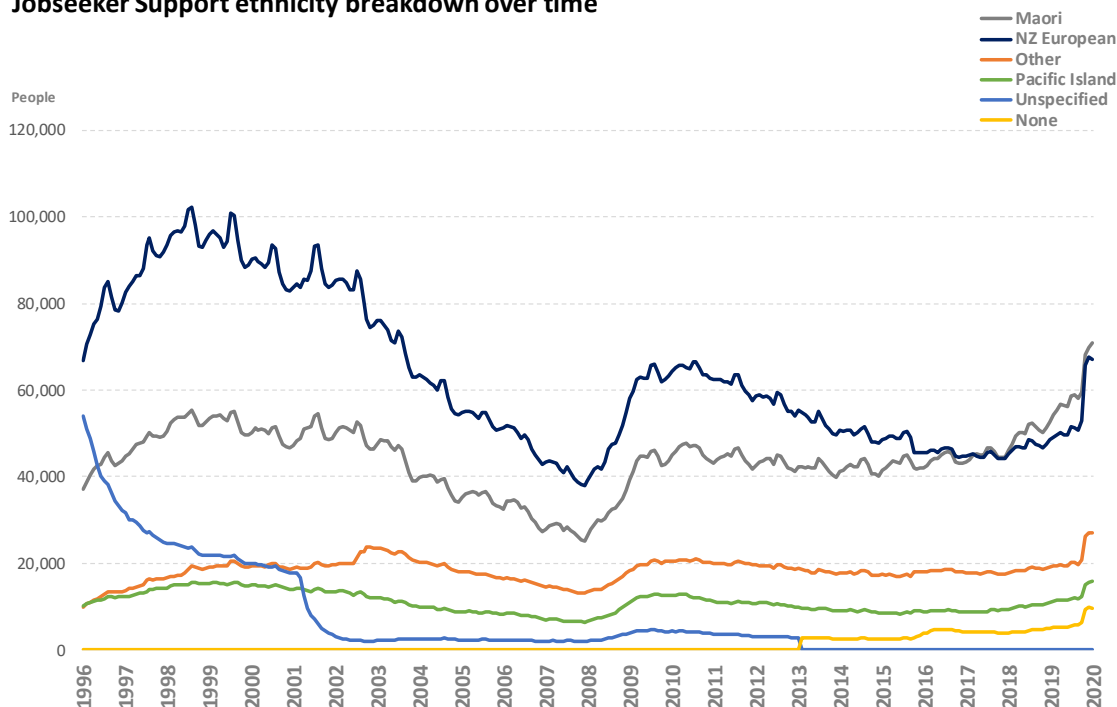
In late 2017, the number of people on JS who are Māori surpassed the number who are NZ European. This may be partially related to the age-structure differences in ethnicities, with Māori having a younger population compared to NZ Europeans.

¹⁹ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2020/topic-briefs/topic-brief-jobseeker-support-work-ready-grants-to-end-april-2020.pdf>

²⁰ Note that the 'unspecified' ethnicity (blue line) is included in the data because MSD did not require an ethnicity to be recorded for people applying for a benefit before July 2013. Since July 2013, this has been replaced with an option not to record an ethnicity (yellow line).

Figure 3 – Historically NZ European has been the largest ethnic group on Jobseeker Support (or the equivalent Unemployment Benefit plus Sickness Benefit) until late 2017 when Māori overtook as the largest group of people to receive the payment.

Jobseeker Support ethnicity breakdown over time



However, Māori are over-represented in benefit statistics and stay on benefit for longer

While NZ Europeans have driven most of the increase in JS since March 2020 at around 35 percent, Māori are close behind with a 32 percent contribution to total growth.

It is important to note that as a proportion of the population in New Zealand, Māori are over-represented in benefit statistics. For example, around 37 percent of people on JS identified as Māori in June 2020 while they make up 16.5 percent of the New Zealand population.

So, while people who are NZ European may drive the increase in overall volumes of people coming onto JS Work-Ready during recessions, they also tend to drive volumes of people leaving JS Work-Ready as the labour market becomes stronger in the economic recovery phase. Māori on the other hand tend to benefit less from an economic recovery.

Actuarial modelling²¹ shows that the likelihood of people staying on benefit for longer is associated with certain 'risk factors' in their life, for example, having recently earned no income or accessing a mental health service in the last year (among others). The likelihood of a person staying on benefit for longer is also increased for people with multiple associated risks. Māori are generally more likely to have one or more of these risk factors compared to NZ Europeans, therefore increasing their comparative predicted average years on benefit.

This trend is likely to continue after economic recovery because Māori tend to have a higher average number of future years on benefit. On average, we expect Māori currently on a benefit to stay on benefit for a further 13.1 years while for NZ Europeans this figure is 10.3 years. Māori are also more likely to have multiple spells of time on

²¹ Based on unpublished 2019 data

benefit. This is exacerbated for younger people, with the expected average further years on benefit for Māori under 30 years (who are currently receiving a benefit) at 17.0 years compared to 14.3 years for people who are NZ European.

Women seem to have been more adversely affected in the labour market compared to men

So far, some women seem to have been more adversely affected in the labour market due to COVID-19 compared to men, as seen in the June 2020 quarter Household Labour Force Survey (HLFS).

Women tend to be employed in sectors more exposed to the border restrictions

This may be because those sectors affected by alert level 3 and 4 lockdowns tended to have a higher proportion of female employees. These exposed sectors may also be less likely to recover under lower alert levels as they are more affected by the border restrictions and rules associated with the various alert levels, such as physical distancing and limits on the number of people who can be in a certain area. Examples include jobs related to tourism, such as hospitality, accommodation, retail, and private sector administrative and support services. Women are also more likely to be in casual or other forms of insecure employment.

Some key statistics on women being adversely affected in the labour market (from the June 2020 quarter HLFS) are that:

- Underutilisation of women in the potential workforce rose by around 29,000, compared with a rise of 16,000 for men. The main driver of the female increase was a 20,000 rise in the number of women working part-time but wanting to work more hours.
- There were 206,000 women who were either unemployed, underemployed (wanting more hours), or wanting to work but not currently seeking or available to work.
- The unemployment rate rose slightly for women to 4.4 percent (from 4.3 percent in the March 2020 quarter), while the male unemployment rate fell from 4.0 percent to 3.6 percent. This equated to around 1,000 more unemployed women and around 7,000 fewer unemployed men.
- The drop in the employment rate for women was twice that of the drop for men (female employment rate dropped 0.8% from 62.8 percent to 62.0 percent, compared with the male employment rate which dropped 0.4% from 72.5 percent to 72.1 percent). This corresponded to around 10,000 fewer women employed, compared with 1,000 fewer men. However, this change was not statistically significant and was within normal seasonal patterns.
- Full-time jobs for women in the Retail and Trade industry fell by 3,200 jobs, compared with only 200 fewer jobs for men.²²
- In the Accommodation and Food Service industry, total jobs for women fell by 6,900, compared with 3,000 fewer jobs for men.
- There were about 1,800 fewer jobs in Arts, Recreation and Other Services for women, compared with no change for men.

²² From the Quarterly Employment Survey (QES) for the June 2020 quarter. Filled jobs by industry are not seasonally adjusted.

It is important to note that quarterly movements in the HLFS can be volatile, so we have not yet seen sustained worse outcomes for women in the labour market.

These trends seen in the labour market statistics for women have not fully aligned with what we are seeing in demand for income support. Demand for JS, while up by around 27 percent between March 2020 and July 2020, shows a slightly larger rise for males (at 29 percent) than for females (at 24 percent). There are also slightly more people on the CIRP who are male (55 percent) than female in July 2020. The number of people on Sole Parent Support (SPS), where a large majority are female, has increased by around six percent from March 2020 to July 2020, nowhere near the levels seen for JS or CIRP.

The lower overall growth in the number of female beneficiaries may be partially explained by many women not being eligible or not requiring income support. A person may not be eligible or require income support if, for example, they lose employment but their still-working partner's earnings are enough to exceed the income threshold for JS or even CIRP.

After the lockdown, growth in Jobseeker Support eased as economic activity resumed

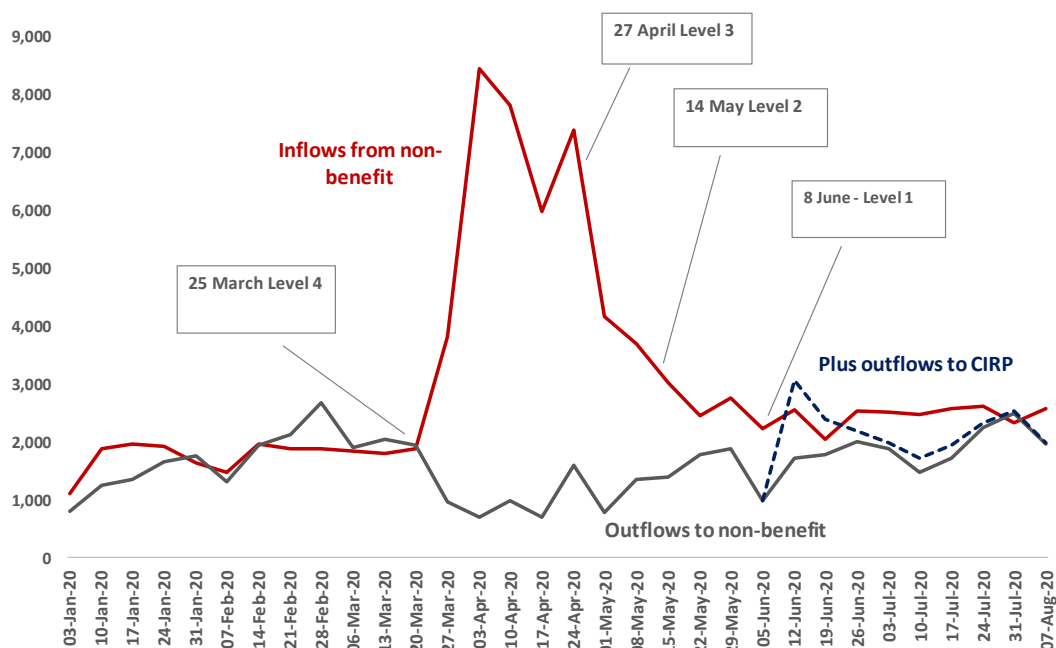
Economic conditions after the lockdown, and therefore the state of the labour market, seemed to have fared better than initially expected in Treasury's macro-economic forecasts from the Budget Economic and Fiscal Update (BEFU) 2020. Moving down alert levels relatively quickly is likely to have played a part in the rebound in economic activity. This has made it more likely for businesses to retain employees, and therefore less likely for people to enter the benefit system.

The better-than-expected economic conditions have led to slowing growth in the number of people on JS since around the time New Zealand entered alert level 2.

Figure 4 shows that there was a sharp rise in the number of people coming onto JS from outside the benefit system (inflows from non-benefit) as New Zealand moved to alert level 4. At the same time, the number of people moving off benefit (outflows to non-benefit) fell. As we moved down the alert levels, there was a corresponding fall in the number of inflows from off-benefit, and a slight increase in outflows off-benefit as economic activity resumed.

Figure 4 – The increase in the number of people on Jobseeker Support Work-Ready has been driven by more people coming onto the payment (inflows from non-benefit) and a low number of people leaving (outflows to non-benefit).

Weekly Jobseeker Support - Work Ready flows to non-benefit



Note that even during alert levels 4 and 3 people were still exiting JS Work-Ready due to obtaining work as some new jobs were being created.

The flow of people between JS and outside the benefit system (non-benefit) captures changes in economic conditions more accurately than the changing trend of total flows to and from JS. Total flows include transfers to other benefits, which may reflect policy or operational changes within the benefit system.

The rate of people going into work rose after the lockdown

Taking a wider view of the rate of people moving into work from all working-age benefits (mainly Jobseeker Support, Sole Parent Support and Supported Living Payment) is a measure that helps indicate the rate at which people are able to find employment.

While the majority of people on a benefit who move into work come from JS Work-Ready, there are also flows from the other working-age benefits that are important to consider. Sole parents in particular tend to have a higher likelihood of staying on a benefit for longer compared to people on JS Work-Ready²³. For example, of people who are under 25 years old and who first came onto benefit before the age of 20, those who are currently receiving SPS are estimated to spend 13 percent more time on a benefit in the future compared to those currently receiving JS Work-Ready (16.4 years compared to 14.5 years respectively).

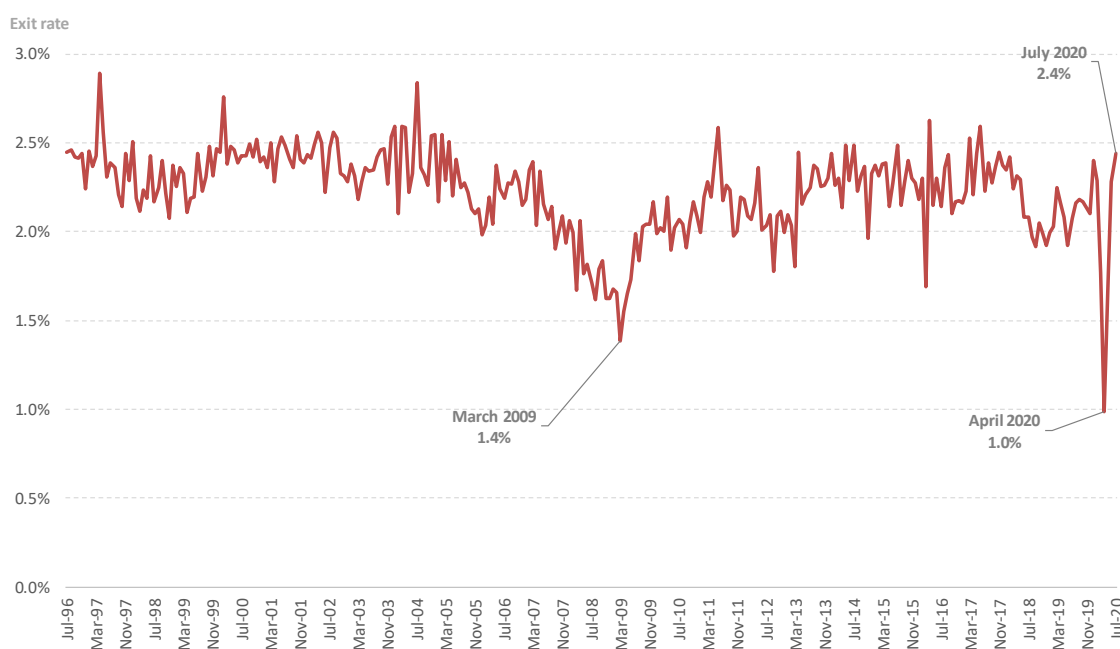
The rate over time of people who exit a working-age benefit because they have obtained work is shown in Figure 5. The 'obtained work' exit rate for people who were on a working-age benefit dropped below GFC levels during the lockdown when economic activity was severely reduced, but bounced back by July 2020.

²³ Based on unpublished actuarial modelling using 2019 data.

Figure 5 – The exit rate for people going into work from a working-age benefit dropped to near-GFC levels during the lockdown but bounced back by July 2020 as economic activity resumed and some capacity pressures on MSD frontline employment support staff were alleviated.

Working-age benefit 'obtained work' exit rate

Seasonally Adjusted



In July 2020, the number of exits into work from a working-age benefit was around 7,500, which was higher compared to the same time last year when there were around 5,300 exits into work from a working-age benefit.

There are a number of factors that influence people to go into work when they are on a benefit

It is difficult to quantify how much of the change in the exit rate is due to changes in economic conditions because there are a number of other factors at play. Some of these include MSD's focus on case management to support people into work, people's resilience and confidence to be able to enter and stay in work, the potential costs of going into work (such as transport or childcare), and stable housing.

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.

Employment focused case management staff can play a key role in supporting exits into employment, and while the COVID-19 lockdown meant there was significantly higher demand for immediate income support, MSD was still running employment services. The demand for essential workers during lockdown increased, resulting in some people who were on benefit obtaining work.

However, during the lockdown, economic activity was severely reduced with the complexity of some clients' needs resulting in further pressures at MSD's frontline. As economic activity resumed however, and as the complexity of clients' needs eased, growth in the immediate demand for income support slowed.

Despite some pressures at the frontline being prevalent even after the lockdown, MSD has retained a strong focus on employment, with over 500 case managers dedicated

to employment or intensive support. They are supported by work brokers and a suite of employment, education and training support initiatives for clients.

The combined number of people on Jobseeker Support and CIRP is a more complete labour market indicator

While Jobseeker Support, Sole Parent Support and Supported Living Payment comprise New Zealand's main working-age benefits, including the COVID-19 Income Relief Payment (CIRP) gives a wider view of the demand for income support.

The combined number of people on JS and CIRP tells a more complete labour market story, compared to the number of people on each payment in isolation. This is because for people needing income support since 8 June 2020, there have been people:

- coming onto CIRP who would have otherwise come onto JS
- who transferred from JS to CIRP because they are 'better off' on CIRP
- who have come onto CIRP who would not have been eligible for JS because the threshold for partner income is higher than for JS.

However, there are some differences between the two payments and so the combined number of people on CIRP and JS is not directly comparable to JS over time. The main differences are that:

- There are different eligibility criteria for JS and CIRP which means that the combined numbers will be higher than JS numbers alone would have been. For example, CIRP has a higher partner income threshold than JS, so some people coming onto CIRP may not have otherwise qualified for JS.
- Officially reported JS numbers are working-age while reported CIRP numbers include people of all ages and can include New Zealand Superannuation (NZS) recipients.
- Officially reported CIRP numbers include people's partners who are also on CIRP, which is inconsistent with the way JS numbers are officially reported (which only include the primary recipient – essentially treating one person on JS with a partner and/or dependent as a 'household' rather than as individuals).

It is estimated that around 25 percent of people on CIRP are not eligible for JS, with around 20 percent likely ineligible because their partner's income is too high. There are also other factors which affect entitlement for JS such as receiving NZS or getting a Student Allowance. These people are not eligible for a main benefit but qualify for CIRP if they lost their job due to COVID-19.

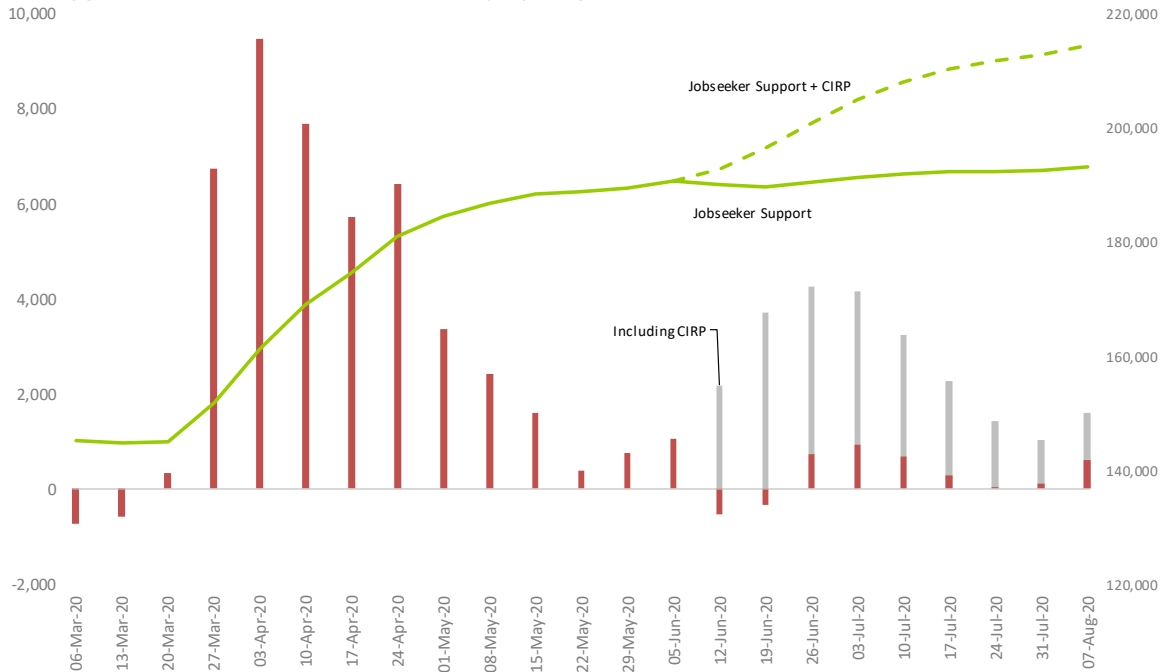
The number of people on Jobseeker Support and the CIRP is still increasing overall as economic conditions are weak

Figure 6 shows the total number of people receiving JS and CIRP over time (dotted green line) and the weekly growth (grey and red bars). It shows that the combined number of people on JS and CIRP continued to increase in July 2020 as economic conditions remained relatively weak.

Figure 6 – While the (combined) number of people on JS and CIRP has increased over time, the weekly growth slowed throughout July.

Jobseeker Support plus CIRP Recipients (excluding partners)

Weekly growth (left hand side) and total number of people (right hand side)



While the number of people on CIRP increased throughout July 2020, it is interesting to note that demand for CIRP has not been as high as originally anticipated. The modelling for CIRP was done at BEFU 2020 when the outlook was highly uncertain. The original forecasts for CIRP anticipated that there would be 230,000 people accessing the payment across the entire period, with around 125,000 people expected to be receiving the payment by July 2020. Some reasons that take-up of CIRP is lower than expected may be that:

- The Wage Subsidy Extension has preserved some jobs and reduced unemployment (at least in the short-term). The Wage Subsidy Extension was not factored into the BEFU 2020 forecasts for CIRP as the two initiatives were developed at the same time.
- The economy has fared better than originally expected to date, meaning fewer people require CIRP than would have otherwise been the case.
- There have been fewer people transferring from JS Work-Ready to CIRP than expected. There may be multiple underlying reasons for this, ranging from a lack of awareness of CIRP, to people not being eligible, and people choosing not to transfer to CIRP (among other possible reasons).

The Wage Subsidy Extension is likely to be delaying some growth in CIRP

Although weekly growth of JS and CIRP slowed throughout July, the number of people requiring income support due to job loss at the time of writing this report was expected to increase as coverage from the Wage Subsidy Extension comes to an end from 5 August 2020 through to October 2020.

It is important to note that while economic conditions after the lockdown were better than predicted in BEFU 2020, the economy was still weak. A significant number of people were still covered by the Wage Subsidy Extension in July and August, so it is

likely that growth in the number of people coming onto CIRP will accelerate in October 2020 when the Wage Subsidy Extension ends.

So far, we can see that the Wage Subsidy and Wage Subsidy Extension has succeeded in keeping people attached to their employers according to the labour market statistics for the June 2020 quarter. The results showed that there was a relatively small fall in the number of people employed (a 0.4 percent fall in the quarter) but there was a prominent drop in the total number of hours worked (which fell by 10.3 percent in the quarter).

Changes to the way income support is being administered are playing less of a role in increasing demand for main benefits

Since March 2020, MSD has announced various changes to the way main benefits are administered, through both policy and operational changes. The main changes impacting benefit numbers were removing the stand-down period for people coming onto a main benefit, and deferrals in relation to needing a medical certificate for JS Health Condition or Disability and Supported Living Payment. A comprehensive summary of MSD's changes to the way benefit payments were administered is outlined in Appendix 1 Table 1.

Removing the stand-down period does not affect the official number of people on benefit

The announcement about removing stand-downs was made on 9 March 2020 and took effect two weeks later. Removal of the stand-down period does not affect the official count of people on benefit because they are already counted as 'current'. People who were already on a stand-down period at the time had their benefits paid immediately, which provided a one-off impact on spending. This also affects new people coming onto benefit who now do not have a stand-down period, and means these people get their benefit payment sooner. There were around 2,300 people on a benefit stand-down prior to the announcement.

There was a one-off increase in the number of people on JS Work-Ready due to medical certificate deferrals

In terms of the impact on benefit payments from medical certificate deferrals, we saw one-off increase of around 3,000 people being paid JS Work-Ready in the last week of March 2020. This is because clients who were 'expired' on JS Health Condition or Disability transferred to be 'current' on JS Work-Ready to ensure continuity of payment since access to medical certificates was reduced. The change of status from 'expired' to 'current' increased the official number²⁴ of people on a benefit as these people now received payments for JS Work-Ready.

In July 2020 there was some growth in the number of people on JS Health Condition or Disability, likely related to the medical certificate deferrals. As medical certificates are not currently required, there are less frequent reviews and clients are therefore more likely to stay on JS Health Condition or Disability, rather than transferring to other benefits as they might under normal circumstances. In particular, in June and July 2020 there were fewer people transferring from JS Health Condition or Disability to Supported Living Payment (SLP) as well as fewer people moving off benefit completely. However, it is difficult to quantify how much of the decrease in people

²⁴ Note that official counts of people reported by MSD only include people who are currently being paid a benefit and do not include people who are suspended or expired.

moving off benefit completely is because of the deferral to medical certificate reviews versus the lack of availability of jobs in a weak labour market.

Compared to the impact that the weak labour market is having on demand for main benefit payments, we think the operational changes are having a relatively lower impact overall.

We have not seen the full impact of the recession to main benefits yet

As coverage of the Wage Subsidy Extension and CIRP come to an end, we expect further growth in the number of people on a main benefit. Until the end of 2020, many of the policies to prevent job loss will still be in place and we are not likely to have seen the full effects of the global recession on New Zealand's economy yet. Going forward, the employment rate is likely to be the key indicator of what is going on in the labour market from among the official labour market statistics.

There are high-level characteristics of people who are likely to require benefit assistance in a recession that are consistent with what we saw during the GFC. Trends in the types of people we expect to come onto benefit as the labour market deteriorates are:

- A large number of people who are NZ European because they make up around 70 percent of the NZ population.
- However, as a proportion of their population, Māori are expected to be over-represented in the benefit system following COVID-19, and are more likely to have worse outcomes such as staying on benefit for longer due to having a higher prevalence of risk factors, such as deprivation, previous benefit receipt, and lower educational outcomes.
- In volume terms, most of the growth is expected to be in Auckland as it makes up the largest share of NZ's economy. Some regions that are more susceptible to closed borders impacting their main sectors, such as tourism in Queenstown, are also more vulnerable than in past recessions.
- Younger people (aged 18-34 years) have been more severely impacted by the economic shock and come onto benefit at a much greater rate, though all age groups have experienced significant increases. This likely reflects younger people's position in the labour market where they generally have lower skill levels, more casual jobs, and a reduced ability/time to have built up savings to rely on.
- There may also be a group of older people choosing to take early retirement in a weak labour market environment, which may result in a slight increase in the number of people on SLP. However, this is not likely to happen immediately because one of the criteria for SLP is that the client cannot work 15 hours or more per week, so they are likely to only come onto SLP after their health conditions have deteriorated significantly.

Accommodation Supplement growth has been driven by people who are not on a main benefit

Supplementary assistance such as the Accommodation Supplement (AS) is available to support people both on a main benefit and not on a main benefit (but who earn income below a certain threshold). Demand for AS is generally driven by changes in the number of people on a main benefit, particularly JS, as most people who apply for a main benefit will also be eligible for AS.

However, since around mid-June 2020, people not on a main benefit (non-beneficiaries) have driven the growth in the number of people receiving AS. This is likely related to the introduction of CIRP and people coming onto this payment also qualifying for the AS (the CIRP is not considered a main benefit).

Interestingly, the average payment rate of AS for people who are not on a main benefit has been falling since mid-June 2020.

Usually, the average payment of AS to clients who are not on a main benefit is higher (compared to people on a main benefit) and increases over time, as they will generally be working and may have committed to higher housing costs.

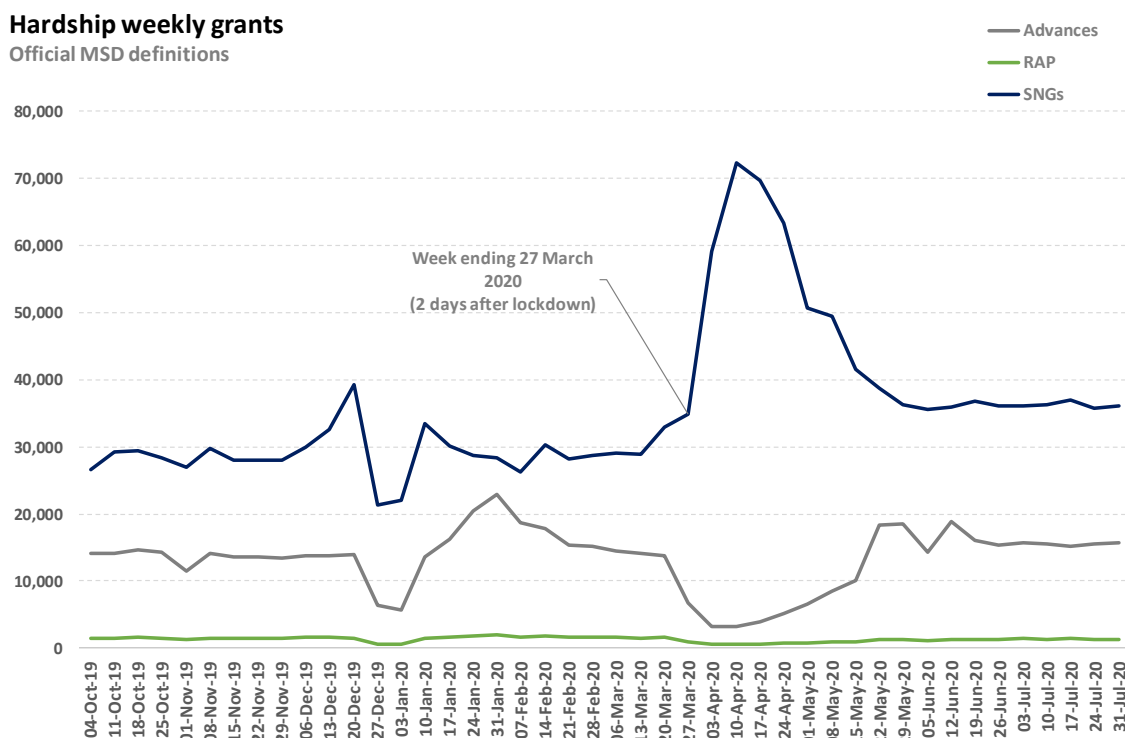
However, a large proportion of people on CIRP who are also getting AS are boarding, and have lower housing costs which is contributing to the falling trend for non-beneficiary average payment rate of AS. Many people who are losing their jobs from COVID-19 and going onto the CIRP may be more inclined to commit to a boarding arrangement for housing, as they tend to be younger and may be more flexible with their living arrangements.

Hardship grants increased during the lockdown

There are several factors that can impact the number of one-off hardship grants made by MSD, including changes in material and financial hardship as well as changes in public awareness, acceptance and the accessibility of hardship assistance.

Immediately prior to the lockdown period, around 30,000 Special Needs Grants (SNGs) were made weekly by MSD. This increased significantly in late March 2020 and early April 2020, peaking at around 72,000 grants for the week ending 10 April 2020. The number of SNGs made has since declined gradually, remaining elevated but closer to pre-lockdown levels. This is shown below in Figure 7.

Figure 7 – The number of weekly hardship grants increased in late March and early April 2020 as New Zealand went into alert level 4 lockdown and responded with an increase to SNG food limits.



The lockdown period presented some additional challenges to low-income people and families, many of whom were already struggling to meet essential living costs prior to COVID-19²⁵. Low-income people and families were adversely affected by movement restrictions reducing access to lower cost food sources (e.g. friends and family, school and community food providers) and bulk purchases of food due to fears of supply chain disruptions reducing food availability. The increase in hardship grants partly reflects the increased food insecurity clients may have faced over lockdown, despite an increased investment in NGO providers to distribute food parcels.

On the other hand, the number of Advances saw a diverging trend from SNGs in the early stages of the lockdown. This is likely due to access issues during the level 4 lockdown for many reasons for which an Advance is granted, such as dentures, glasses, hearing aids and car repairs.

Increased access to extra support online meant that MSD could meet high demand

As part of MSD's immediate response to the unprecedented demand presented by COVID-19, it temporarily increased each food grant limit category by \$400 in a 26-week period, and enabled people to access two food grants per week (instead of one per week that people are able to access under normal circumstances). Additionally, people were able to access more food grants online or over the phone during the lockdown while MSD service centres were shut. Typically, some people may have been referred to a case manager if they were over their food grant dollar limit, but during the lockdown those barriers were removed.

This change was made from 1 April 2020 (during alert level 4) to:

- Ensure that those who had an immediate and essential need for food were able to access financial assistance without delay
- Divert some clients away from contact centres and the frontline to MyMSD for food grants, freeing up MSD staff to manage the unprecedented demand for financial assistance as a result of COVID-19.

The impact of increasing the amount people could access through MyMSD for food assistance is likely to have led to the pronounced growth in the SNGs that were accessed during lockdown (compared to if that change had not occurred).

The people we are seeing accessing hardship grants are more likely to be Māori, whereas NZ Europeans are more likely to require main benefit assistance. This may be because most of the demand for hardship grants is from people who were already on the benefit system and who are less likely to have experienced an income shock, as they were not in employment when lockdown was introduced.

Growth in hardship grants since April 2020 has mainly been driven by a higher number of grants per person, and only slightly due to more people on benefit. We do not expect to see an increase in hardship grants immediately after any significant rises in the number of people on main benefits, as those people may only need hardship assistance in the slightly longer-term.

Ongoing global and domestic uncertainty

There is a high level of uncertainty surrounding how the pandemic will play out globally and domestically, which will also affect the economic outlook and any subsequent

²⁵ <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/the-impacts-of-covid-19-on-one-off-hardship-assistance.pdf>

policy or operational actions. This flows into uncertainty about how demand for benefit payments will be affected. The benefit number forecasts will be released on MSD's COVID-19 Reporting page when the PREFU 2020 is published on 16 September 2020.

Appendix 1

Summary of MSD related policy and operational changes that affected benefit demand

Table 1 – Summary of MSD related policy and operational initiatives in response to COVID-19 that affected benefit demand

Initiative	Description	Time period
Wage Subsidy ²⁶ (WS)	A 12-week subsidy to support employers and their staff to maintain an employment connection and ensure income for affected employees during the initial impact of COVID-19	Available to apply for from 15 March to 15 June 2020
Wage Subsidy Extension ²⁷ (WS-X)	<p>A WS-X is to support employers, including sole traders, who are still significantly impacted by COVID-19 after the 12-week Wage Subsidy ends. It is also available to those who haven't received the Wage Subsidy previously.</p> <p>Employers will need to have experienced a minimum of a 40% drop in revenue for a 30-day period in the 40 days before applying (starting no earlier than 10 May 2020), when compared to a similar period last year.</p> <p>The WS-X provides an 8-week lump sum to employers at the same weekly rate as the Wage Subsidy</p>	Applications are open for a 12-week period from 10 June to 1 September 2020
COVID-19 Income Relief Payment ²⁸ (CIRP)	The COVID-19 Income Relief Payment provides up to 12 weeks of financial support to people who have lost their job or business due to the impacts of COVID-19	Available to apply for from 8 June to 13 November 2020
Granting benefits without medical certificates	Emergency Benefit could be granted in place of Jobseeker Support (health condition and injury) and Supported Living Payments without an initial medical certificate to ensure clients could access income support and to reduce pressure on the health sector	20 April to 14 June 2020

²⁶ <https://www.beehive.govt.nz/sites/default/files/2020-03/Wage%20subsidy%20scheme%20factsheet.pdf>

²⁷ <https://www.beehive.govt.nz/release/targeted-extension-wage-subsidy-scheme>

²⁸ <https://www.beehive.govt.nz/sites/default/files/2020-05/COVID%20Income%20Relief%20Payment%20fact%20sheet%20FINAL.pdf>

Granting Disability Allowance without medical certificates	Disability Allowance could be granted, and new costs added, without an initial medical verification.	20 April to 14 June 2020
Childcare Assistance suspended	MSD suspended all childcare related assistance payments as there was no legal authority to continue paying them when childcare services were not being provided	Under alert level 4 The interim process started on 6 April 2020 and returned to BAU from 28 April 2020
52-week Reapplications	52-week reapplications due between 30 March and 30 March 2021 for Jobseeker Support and Sole Parent Support have been cleared.	Suspended from 30 March 2020 to 30 March 2021
Temporary removal of the requirement to provide subsequent work capacity medical certificates	Medical reviews for Jobseeker Support and Supported Living Payment clients due between 30 March 2020 and 30 September 2020 were extended out.	Suspended from 30 March to 31 July 2021
Deferral of annual reviews	Annual reviews have been extended out, and MSD is working through when to restart these processes. This includes reviews of client circumstances, income (due-paid assessments), Disability Allowance medical eligibility, housing and life certificates.	30 March 2020 to TBC
Temporary Additional Support (TAS) reapplications deferred	TAS reapplications due between 30 March 2020 and 30 September 2020 were extended by six months.	30 March 2020 to TBC
Food grant changes for Special Needs Grants (SNGs)	Peoples' food grant limits were temporarily increased by \$400 in a 26-week period. People could also access two grants per week, instead of the usual one per week. Access was enabled via MyMSD so that people could get financial assistance without delay.	From 1 April to 10 August 2020
Stand-down removal	Initial income stand-down periods for people coming onto a main benefit (including Youth payments) have been removed.	From 23 March 2020 to 24 July 2021.

<p>\$25 increase to main benefits</p>	<p>Main benefits increased on 1 April 2020 in-line with Wage Growth (indexation) and then by an additional \$25 per week.</p>	<p>From 1 April 2020 (permanent change)</p>
<p>Doubling the Winter Energy Payment (WEP)</p>	<p>To support people receiving a main benefit or New Zealand Superannuation, the payment rate of the WEP was doubled temporarily for 2020. The rates for 2020 are \$40.91 per week for single people and \$63.64 per week for couples or people with dependants.</p>	<p>May to October 2020 (temporary change)</p>
<p>In-work tax credit changes</p>	<p>On 1 July 2020 the rule that sole parents must work 20 hours per week to receive the in-work tax credit was removed.</p>	<p>From 1 July 2020</p>