

How analysis of the benefit and public housing systems informs wider strategic work within the Ministry

We track and forecast service demand and outcomes to help improve decision making - in a range of ways



We do this to better understand...

- how clients are moving through the benefit and public housing systems
- underlying factors and trends that are affecting clients' movement (both positively and negatively).



...by identifying what's likely to happen in the future*...

- projecting how current clients are likely to move through the system under current settings.

* under current policy settings, and based on what's happened in the past



and using these insights to inform policy choices and strategy

- identifying which clients we should be focusing on (and why)
- understanding the effectiveness of current supports in terms of employment and housing gains to clients, and (in future forecasts) wider social wellbeing
- quantifying the likely impact of different policy options and interventions for our clients.

These insights also inform wider work



Identifying which populations require additional focus

For example:

- young Māori jobseekers who are work ready
- JS-HCD clients who are willing and able to work
- clients who exit benefits for education and training.



Priority areas for strategic investment

Such as the Ministry's Employment and Social Outcomes Investment Strategy.



Providing an evidence base for Government reviews and priorities

Such as:

- Welfare Reform
- Government Inquiry into Mental Health and Addiction
- Investing in housing.

Jobseekers are still experiencing barriers to work – despite improving national employment

Current clients are expected to spend another 10.6 years on benefit



1 year Down 1 year from 11.6 years in 2012 and 2013.
Reduction mainly driven by more sole parent clients exiting the benefit system.

Exit rates for jobseekers are lower than expected

- Demand for low skilled labour in the regions is not being readily absorbed by jobseekers in those regions
- This is unlikely to shift any time soon - MBIE's Short-Term Employment Forecast predicts that employment growth over the next few years is likely to be concentrated towards highly skilled jobs.

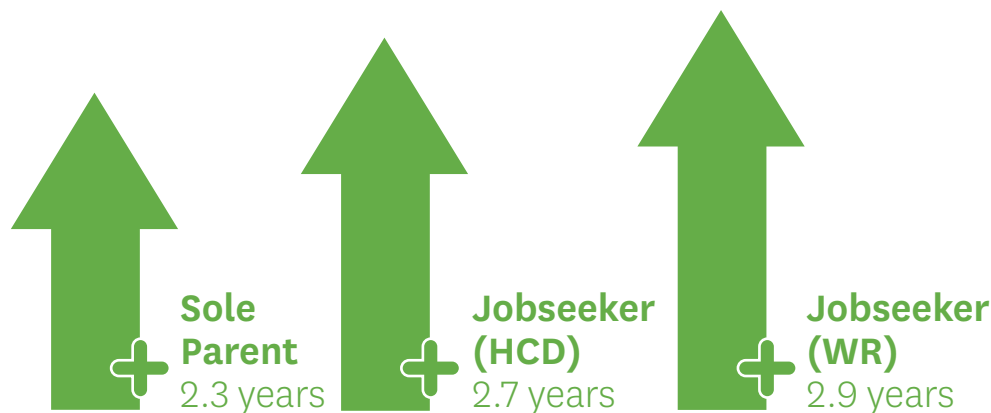
We need to do more to fill jobs with demand for low-skilled workers, and encourage clients to move between regions.

Moving on and off benefit adds 2 to 3 years to your expected time on benefit



+2 to 3 years

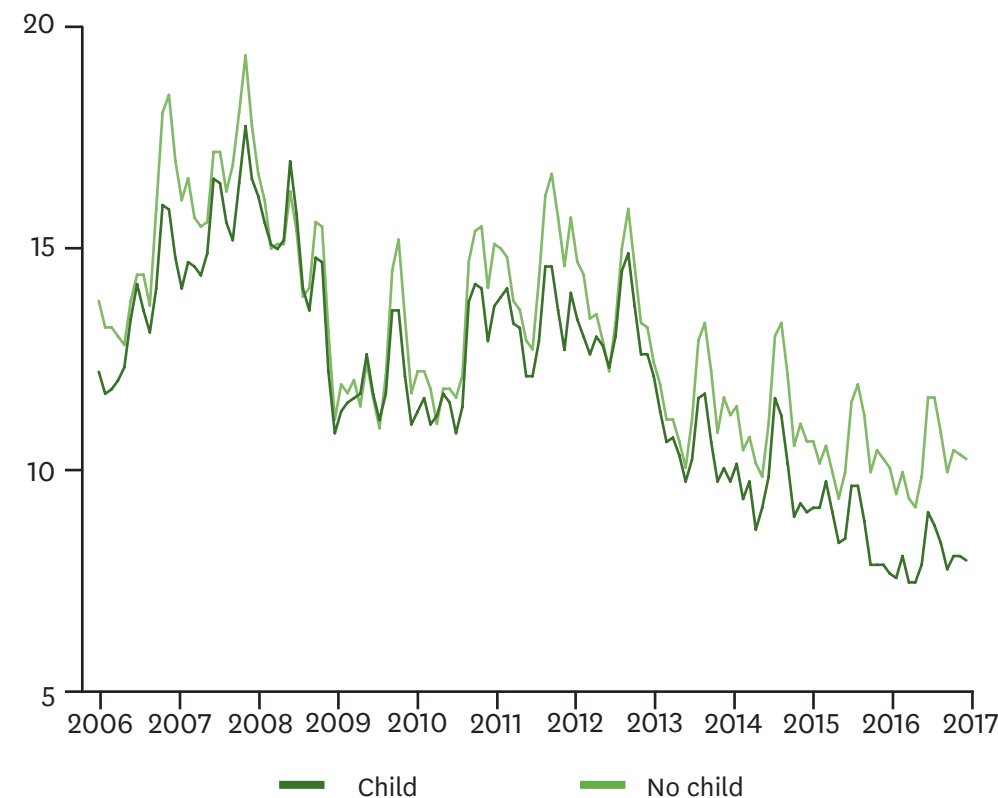
People who cycle on and off benefits are expected to spend more time on benefits than those who do not. This particularly affects temporary and seasonal workers, as well as those who are displaced through redundancy or by technology.



Exit rates for clients without children are outpacing those for clients with children

- While some of the difference is explained by shifting clients with older children from the former DPB to the JS-WR, the gap is continuing to widen over time
- This correlates with changes in benefit policy that increased income for clients with children (through increased payments and abatement rates)

Jobseeker exit rates for clients with children vs without children



Why is this important?



Where you live matters - especially for those with low incomes.

Where jobseekers are not benefiting from jobs within their regions, we need to better understand the drivers behind this, and support clients to take up sustainable employment within their communities.

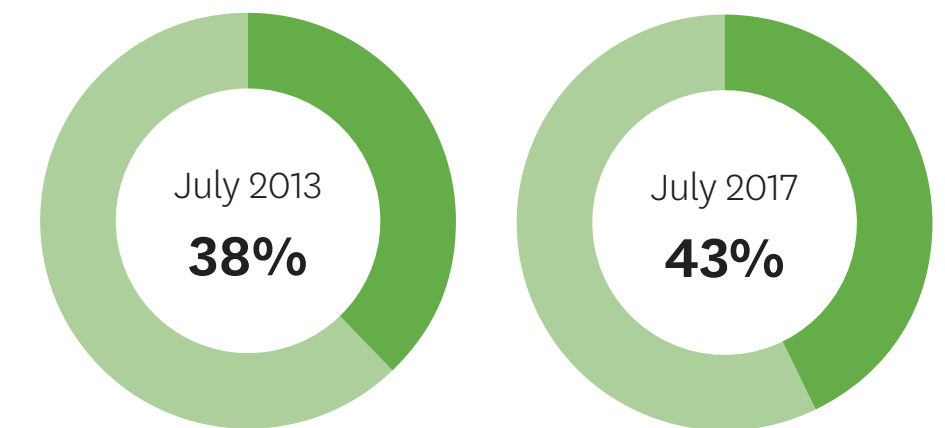
The average age of Jobseekers with health conditions is increasing, reducing exit rates for this group



less likely

Older clients are less likely to exit benefits into employment. We anticipate exit rates to slow as this client group ages.

Proportion of JS-HCD clients over 50 years old



This informs the Ministry's Employment and Social Outcomes Investment Strategy

Priority areas of focus:



Improving the sustainability of employment outcomes.



Enhancing our regional focus to better support regional employment growth opportunities.

We can look at service demand and outcomes for particular groups of people, such as Māori

Māori are over-represented in the benefit system and are expected to spend more time receiving a benefit than other ethnicities



They represent about 15% of the general population and about 35% of main benefit clients.

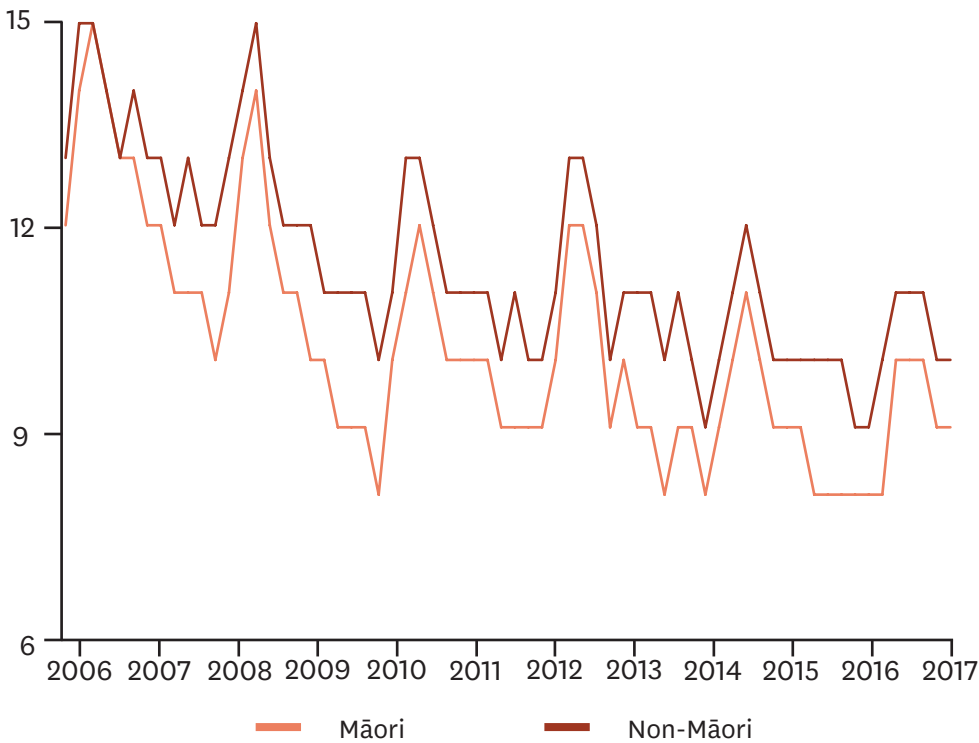
This is up from 30% in the period before the Global Financial Crisis.

This tells us two things:

- non-Māori have been able to exit the benefit system in greater numbers than Māori, particularly in regions with a high Māori population and lower employment
- no significant gains have yet been made in addressing the reasons why Māori are over-represented in the benefit system

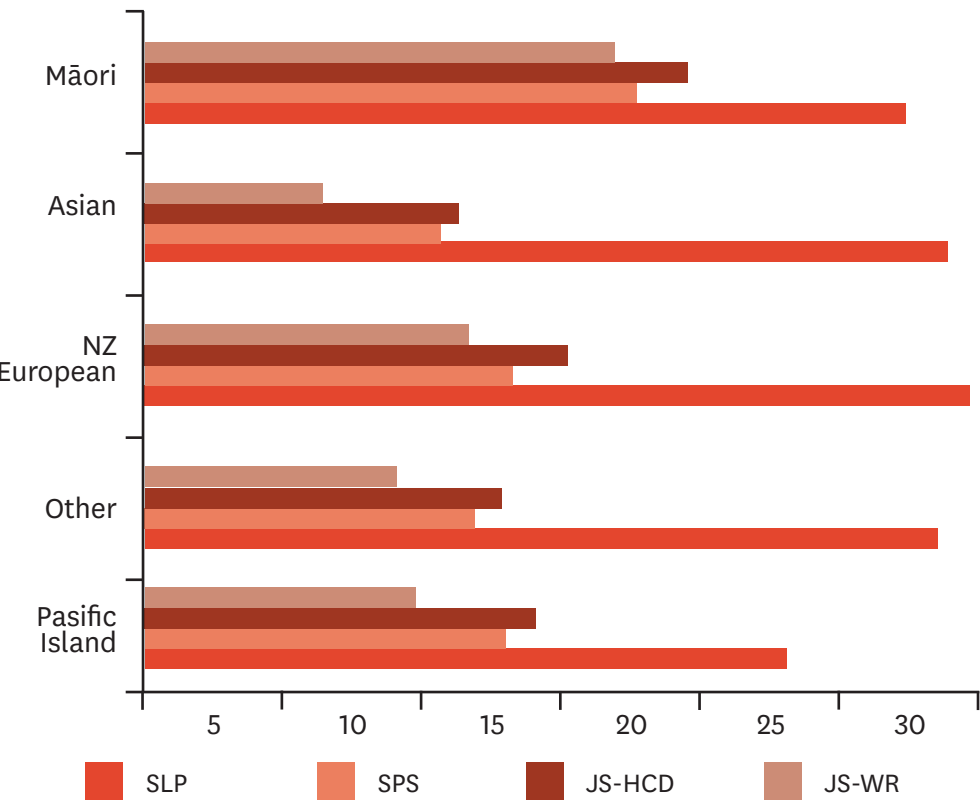
Māori clients are not exiting benefits at the same rate as non-Māori clients

JS-WR exit rates of Māori vs non-Māori



Māori clients are expected to remain on benefits for longer than non-Māori clients, in all categories except SLP

Average predicted future years on main benefit - by ethnicity (20-29 year-olds)



Why is this important?



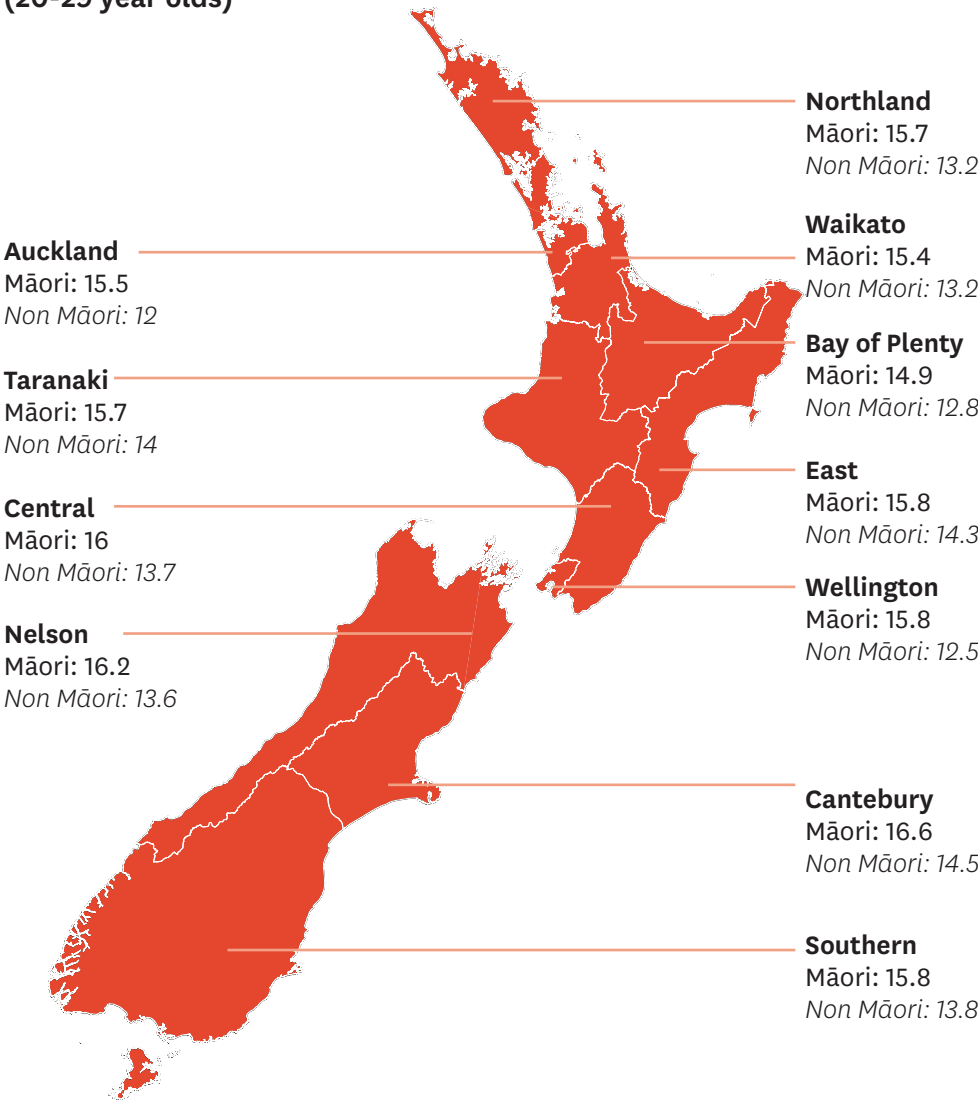
While there are many programmes and services that are successful in achieving positive outcomes for Māori clients, the outcomes gap between Māori and non-Māori is worsening.

While regional mix, mainstream educational attainment and levels of deprivation are significant factors behind Māori spending more time on benefits, they do not explain all the difference.

We can and must do better to support Māori clients.

Māori clients are expected to remain on benefit for longer than non-Māori clients, across most of the country

Regional predicted future years on benefit for Māori and non-Māori (20-29 year olds)



This informs the Ministry's Employment and Social Outcomes Investment Strategy

Priority areas of focus:



Embedding approaches that are more effective for Māori into all services.

Understanding demand and outcomes in the public housing system is critical to designing changes

On average, we expect current tenants to spend another 13.4 years in public housing



2.9%

This is down slightly from last year (13.8 years).

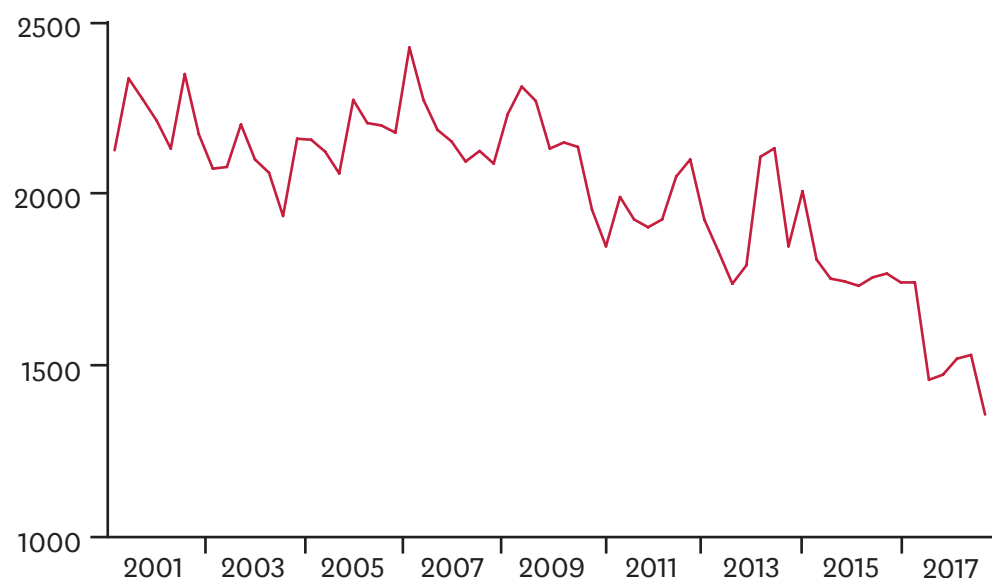
We expect this to increase as demand for public housing grows (eg through increased placements of homeless people) – slowing exit rates are likely to increase the total time people spend in housing.

Exits from public housing are slowing

This is due to a combination of:

- flat incomes for public housing tenants (a tenant's income determines the rent they pay)
- an aging tenant population (tenants over 50 tend to stay in public housing longer than under 50s)
- different levels of support between IRR/IRRS and Accommodation Supplement (and exposure to market rents) create a disincentive to leave public housing
- tight rental markets (insufficient supply and increasing rent levels) in many parts of the country are a significant barrier.

Exit rates for public housing



Increasing supply will help, but will require a coordinated approach to unblock the system in the medium term

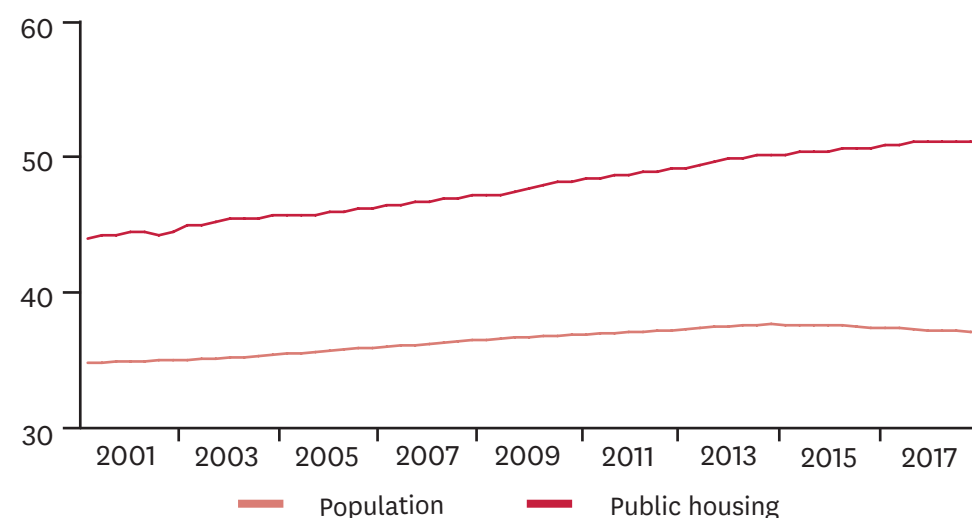
Falling public housing exits contribute to longer time to house for clients on the register, and growth in the public housing register.

Increasing the supply of public houses (as agreed through Budget 2018) will help to address this in the medium term, but takes time.

While it is too early to draw firm conclusions, exits associated with a tenancy review have to date had a relatively low rate of re-entry to public housing and relatively few are in receipt of accommodation supplement. (Tenancy reviews are currently on hold until June 2018).

The Benefit System Performance Report suggests a number of measures the Government could consider to alleviate the consequences of a slowing system. One of these suggestions is to provide greater supports to those close to sustaining or are able to sustain a tenancy in the private market.

Median age of primary householder



The cost of public housing to government is very sensitive to growth in rental prices

Rental growth has three key impacts:

- IRRS increases directly as market prices increase
- growth in rents above incomes means proportion of rent paid by tenants falls (IRRS grows faster than rental growth)
- higher level of IRRS means tenants are further from the market => decreased exits and increased durations.

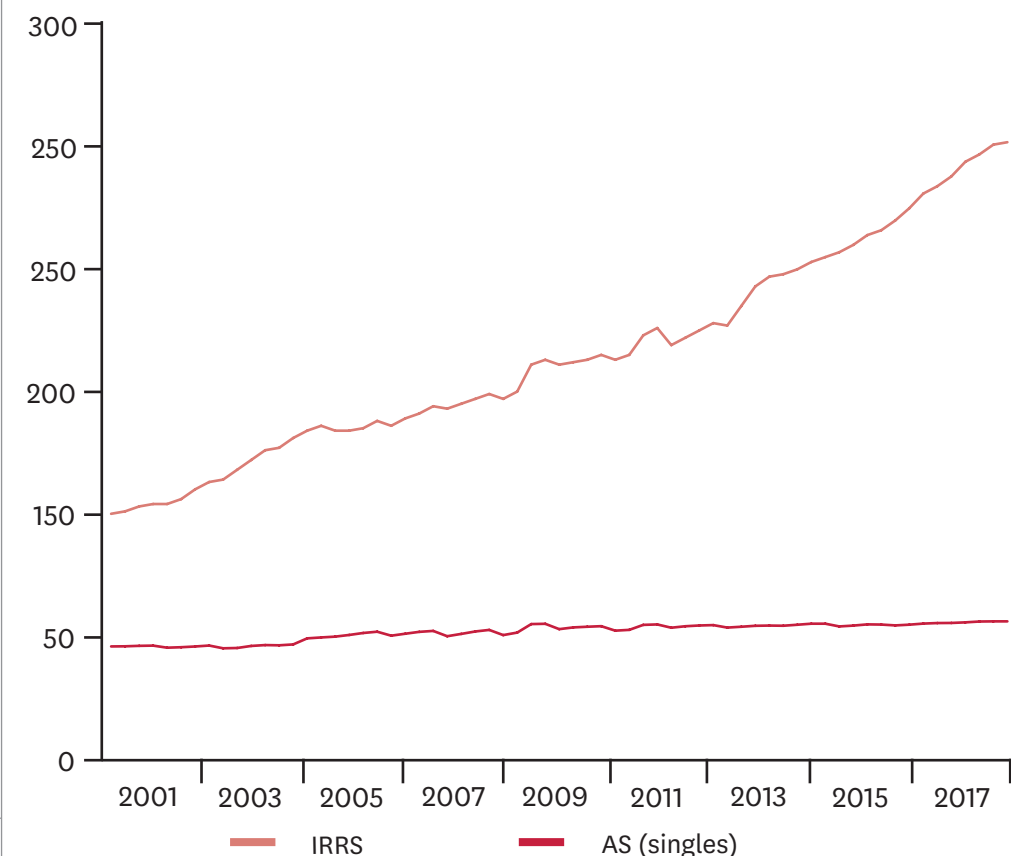
If rental growth per year is 1% higher than what is already built into Budget forecasting, costs to government grow by 20% and the number of exits falls by 6% over 20 years.

Growth in value of IRRS increases the gap between public and private housing

The benefit tenants receive from subsidised rents (IRR/IRRS) is (on the whole) significantly greater than the benefit received by people who get the Accommodation Supplement (AS) - creating pressure on public housing places.

The Families Package effective 1 April 2018 has somewhat reduced the difference between AS and IRRS, though this effect is temporary as IRRS growth is likely to outpace AS.

Value of weekly housing support



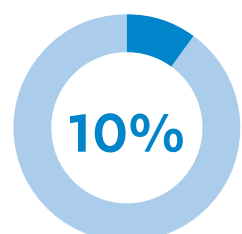
Insights regarding public housing feed into wider Government strategy

- Benefits to support public housing (IRRS and AS) will potentially be considered by the Welfare Expert Advisory Group as part of Welfare overhaul.
- Analysis of how clients move through public housing will inform development of the New Zealand Housing Strategy.
- Analysis of demand for public housing, will support the Ministerial Group on the Construction Workforce.
- Understanding the drivers behind the slowing housing system informs public decisions on housing across the continuum.

The modelling can reveal important insights

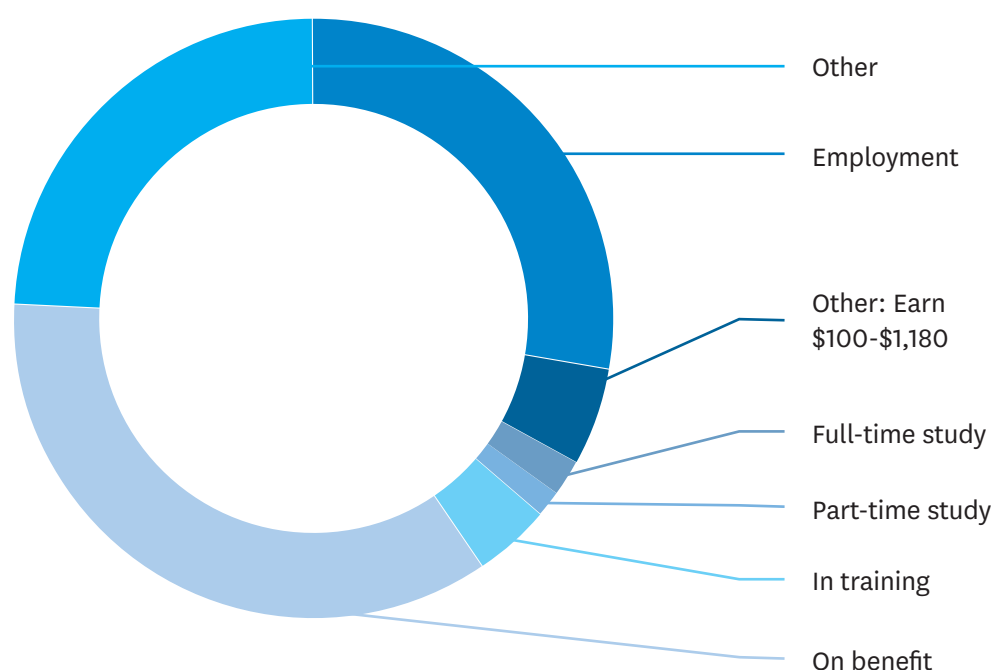
– for example, leaving a benefit to undertake education currently has limited impact

We tracked people for 18 months after they stopped receiving a main benefit (2013/14)

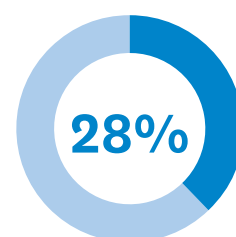


10% of people who exited benefits did so to go into study or training.

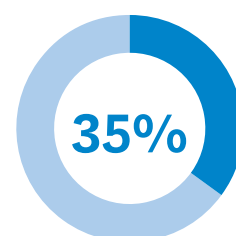
Main activity in 18 month period after stopping receiving a main benefit due to study or training (2013/14)



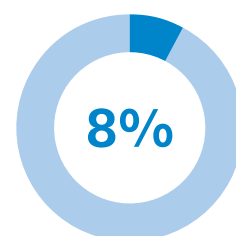
Of this 10% who exit for study or training...



Only 28% were in employment after 18 months, compared with 60% of people who exited to go to employment.



35% were back on a main benefit at 18 months.



Only 8% had study or training as their primary activity after 18 months.

This raises questions about the quality of study or training courses for the majority of these clients.



We need to better understand what sort of education and training opportunities are more likely to support clients into employment – and why other education and training programmes are not.

Why is this important?



With an increasingly dynamic labour market, where people move more regularly in and out of the workforce or into other fields of employment, our support needs to be increasingly focused on helping reskilling and upskilling clients.

This informs the Ministry's Employment and Social Outcomes Investment Strategy

Priority area of focus:

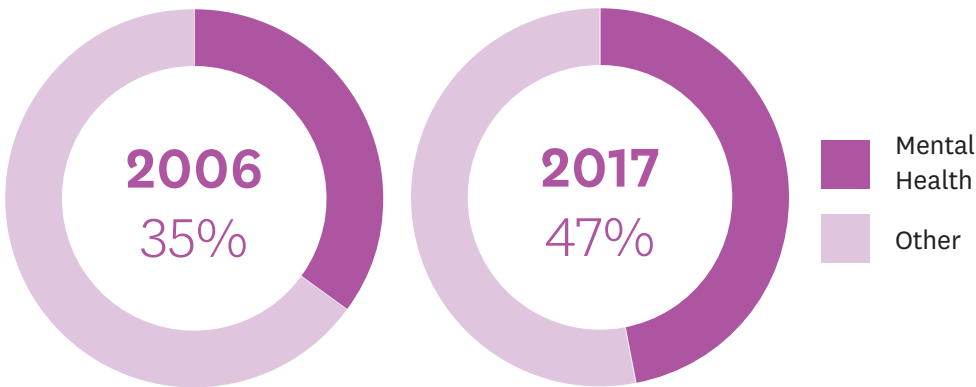


Better aligning education and training towards sustainable employment.

Another insight is that there may be significantly more potential to support more disabled people into sustainable employment

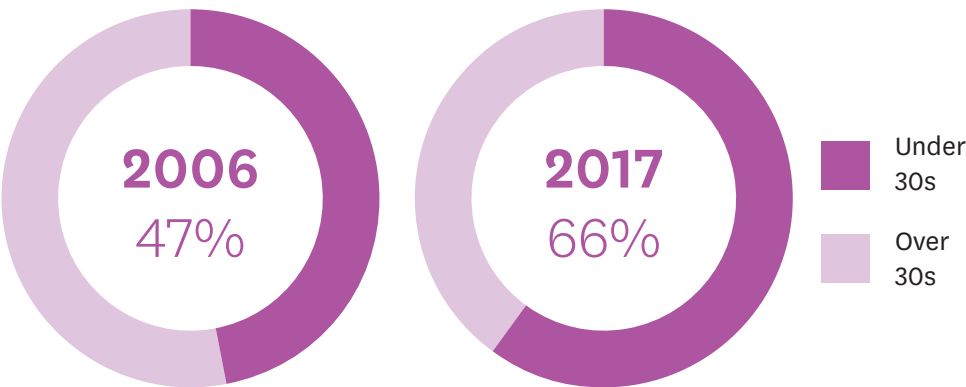
The number of jobseekers with mental health issues has grown over the past decade...

Prevalence of mental health among JS-HCD

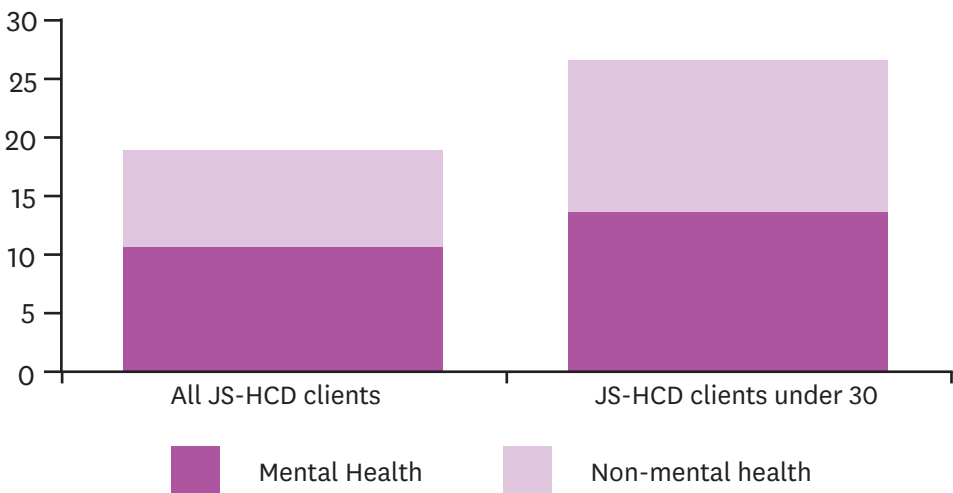


...particularly for under 30s...

Prevalence of mental health among JS_HCD among under 30s



Future years on main benefit (2017)



...and we know that people with mental health find it harder to move into employment



lower

Clients with a psychological condition have a lower rate of exit than other JS-HCD clients. Those aged under 40 exited benefit at the rate of 5.2% per month compared to 6.3% per month for people with other health conditions.



2.6 more

These clients are expected to spend 2.6 more years on benefit than other HCD clients.

This suggests we could strengthen the focus on supporting young people with mental health issues back into work.

The majority of SLP clients are unlikely to work in the future without further support...

SLP clients are made up of:



- clients with a permanent disability or other impairment that generally restricts their capacity to work



- carers for people with high needs – including clients mentioned above.

...though some may want to participate in sustainable employment



likely

With over 100,000 SLP clients (including partners and carers), it is highly likely that some would be willing and able to work part-time.

A recent trial by the Ministry showed that with the right support and services, young SLP clients who want to work can enter work. Encouraging and supporting more SLP clients into meaningful and sustainable employment, as best practice, would likely boost SLP clients' social and economic wellbeing.

Why is this important?



Protracted unemployment is detrimental to overall health and leads to deterioration in wellbeing, supporting the case for early intervention. Improving how we support people with long-term health needs will improve outcomes for clients, and make it easier for them to lead fulfilling lives – including in employment.

This informs the Ministry's Employment and Social Outcomes Investment Strategy

Priority area of focus:



Increasing effectiveness of employment support for people with health conditions or disabilities.

We are beginning to see how recent changes to the benefit and public housing systems have played out for clients

There have been several significant changes to the benefit and public housing systems in recent years...

The Child Material Hardship Package, introduced in April 2016:



More

- increased benefit payments for clients with children



More

- increased the amount of money clients could earn before their benefit was abated



More

- increased work obligations for parents with children aged 3-4 years.

The \$3k to Work Package:



- provided a cash incentive for people to relocate to another region for employment.

Tenancy reviews were introduced:



- proximity to market rent meant these tenants did not generally receive IRRS.

...and we have begun to see the implications of these changes for clients

The Child Material Hardship Package:



- We noted an increase in exit rates for sole parent support clients with children aged 3-4 years. Exit rates for these clients increased from between 6 to 7% per quarter for the three years to June 2016 to around 8% the following year.



- We also noted a drop in monthly exit rates for work ready jobseekers with children from an average of 7.3% in 2015/16 to 6.8% in 2016/17 - correlated with increased earnings before full abatement..

The \$3k to Work Package:



- Clients who took up the grant were much more likely to be off benefits after a year (68%), than otherwise similar clients (48%)

Note: Factors other than the CMHP may influence these results.

Tenancy reviews:



- Of the 25% of tenancy reviews that resulted in an exit 2016/17:
 - the majority of sustained exits were tenants already paying market rent (or very close to it)
 - 89% of tenants were not receiving further accommodation support after 12 months
 - including accommodation supplement) – compared to 61% of all other exits from public housing
 - 10% received the accommodation supplement – compared to 35% of all other exits from public housing

Why is this important?



Our modelling is able to track how changes in the benefit and public housing systems correlate with changes in client behaviour. This can support you and your colleagues to better understand how policy decisions play out in the benefit and public housing systems and, as our modelling progresses, how these changes influence clients' social wellbeing.

We keep learning more about the intergenerational aspects of the benefit system, and we're starting to identify them in public housing

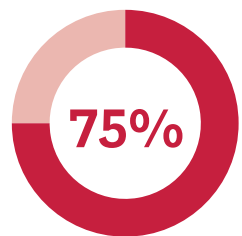
We know that there are intergenerational aspects to the benefit system...

Previous analysis of the benefit system identified intergenerational aspects of the benefit system, including:



More likely

children of clients are significantly more likely to become clients themselves



around 75% of clients had a parent who received benefits during their childhood.

Note that many of the variables we consider as predictors of long-term benefit dependency are correlated. For example, poor outcomes such as low educational attainment and high prevalence of certain health conditions tend to be positively correlated.

...and our latest modelling identifies some intergenerational aspects in public housing

Our modelling found that, for new tenants aged 18-24, those who lived in public housing between 14-17 years of age are (compared to those who did not):



More likely

three times more likely to live in public housing as an adult (30% of new tenants compared to 11% of population)



More likely

more likely to be receiving sole parent support (55% compared to 45%).



2 years

predicted to spend an extra two years in public housing.

This has become more prevalent over the past five years.

...and we can see this increasing over time

Percentage of housing entries aged between 18 and 25 who were in a social house between 14 and 17



Why is this important?



Understanding the intergenerational aspects of the benefit and public housing systems provides an opportunity to consider how we can better invest in relevant populations – with the aim of reducing intergenerational impacts in future.

Taking it to the next level – better understanding social wellbeing



Moving from first generation analysis...

Where we are now

Our current analysis considers the impacts of the benefit and public housing systems on people's income and accommodation needs.

This means...

We measure impacts in terms of:

- expected future years on benefit / in public housing
- employment / public housing outcomes.



...to a framework that looks at wider impacts (social wellbeing)

Where we are going

We are widening our modelling to look at other impacts of the benefit and public housing systems on clients' wellbeing ie beyond just their income and accommodation needs.

This means:

We will be able to measure a wider suite of impacts of the benefit and public housing systems on clients', such as:

- education, justice and health outcomes
- wider social and community outcomes (such as connectedness).