



Monthly Benefits Update - Commentary

July 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for July 2022. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 12 August 2022.¹

Key points

- 2 The number of people receiving a main benefit increased in July 2022 by around 1,100 people (up 0.3 percent, to around 345,700 people).
- 3 This increase was driven by nearly 600 more people receiving Jobseeker Support – Work Ready (JS – WR), and nearly 600 more people receiving Supported Living Payment – Health Condition or Disability (SLP – HCD).
- 4 The number of people receiving JS – WR usually increases throughout winter as seasonal work (eg. horticulture and primary processing) in some regions becomes less available and hiring slows down.
- 5 The Work Capacity Medical Certificate reassessment process resumed at the end of January 2022. This process has led to decreases in Jobseeker Support – Health Condition or Disability (JS – HCD) and increases in SLP – HCD numbers. This trend continued in July, although decreases in JS – HCD have started to slow.
- 6 The number of grants increased and the number of exits decreased in July 2022. The higher number of grants than exits reflected the increase in main benefit numbers this month. The work exit rate also decreased in July and was comparable to 2019 levels. We usually see a decrease in work exits in July.
- 7 In July 2022, the number of Special Needs Grants increased by around 15.5 percent. This larger than usual increase may have been driven in part by the number of COVID-19 cases and associated demand for welfare support.

Main benefits

Main benefit numbers increased in July 2022

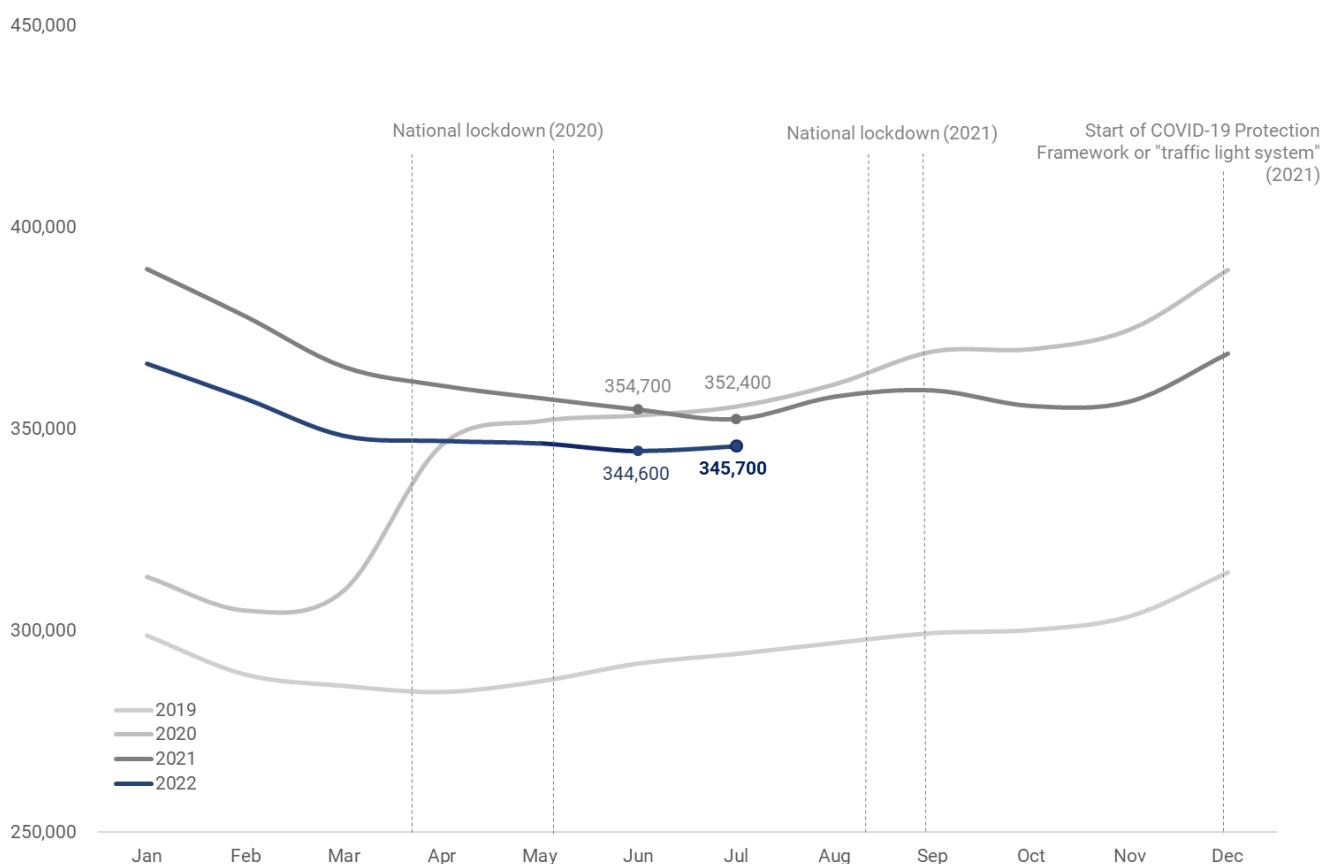
- 8 Compared with June 2022, there were around 1,100 more people (up 0.3 percent) receiving a main benefit at the end of July 2022 (345,700). This is in line with what we normally see at this time of year.

¹ For the full set of data and supporting information, please see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/



- 9 During winter, demand for income assistance usually grows as fewer people can find work due to hiring and some seasonal industries slowing down. However, as the country moves into spring and economic activity picks up, main benefit numbers tend to decrease.
- 10 Year-on-year reductions in main benefit numbers have been slowing since the beginning of the year (see Figure 1). There were around 6,700 fewer people receiving a main benefit in July 2022 than in July 2021 (down 1.9 percent year-on-year, compared to 2.9 percent year-on-year in June).

Figure 1: Year-on-year decreases continued in July, but at a slower rate²



- 11 The slowing year-on year-reductions are partly because in 2021 we saw record-high numbers of work exits, which drove overall decreases in main benefit numbers through winter and into July. This was likely due to several factors including MSD's sustained focus on supporting people into work and a tight labour market.³

² Due to the large numbers shown in this graph the y axis has been shortened and begins at 250,000 rather than 0. The line graphs included in this report have been "smoothed", which is a feature of Excel that smooths out sharp angles. Caution should be exercised when drawing conclusions other than the ones highlighted in the supporting commentary.

³ Operational processes, including the resumption of the 52-week application process, were also contributing to a high number of exits. For more information about 52-week reapplication, see: www.workandincome.govt.nz/on-a-benefit/re-apply/index.html



- 12 The high number of work exits through 2021 was also partially due to the characteristics of those who came onto benefit over 2020. Many of the people who came on benefit during 2020 had no previous benefit history and were able to find work more easily than those who had been on benefit longer-term.
- 13 In line with this, the number of people on JS – WR with a short-term duration (less than one year) reduced through 2021 and has stayed at around 2019 levels through to June 2022. The number of people who are between one- and two-years continuous duration, has also reduced.⁴
- 14 However, we have seen increases in the number of benefit recipients with longer durations. People with a longer benefit duration often have more barriers to employment (such as health issues) than those with a shorter duration, and may require more time and support to exit a benefit into work. The slowing year-on-year reductions may reflect this changing composition of people receiving benefits.

Overall, benefit numbers remained in line with the latest forecasts

- 15 In July 2022, month-average⁵ benefit numbers were close to forecast (see Figure 2 in the Monthly Benefits Update A3). There were around 345,900 people receiving a benefit in July 2022, which is about 1,100 people (0.3 percent) fewer than forecast in the Budget Economic and Fiscal Update (BEFU 22).
- 16 However, there were offsets within main benefit numbers. The number of people on Jobseeker Support (JS) was lower than forecast at BEFU 22, which was mostly offset by the number of people on Supported Living Payment (SLP) and Sole Parent Support (SPS) being higher than forecast.⁶

Main benefit numbers are expected to decrease through 2022, but may increase earlier in 2023 than expected

- 17 We still expect that working-age benefit numbers will decrease over the remainder of this year overall (excluding usual seasonal trends) and remain close to forecast.
- 18 At BEFU 2022 we forecast that benefit numbers would increase from around mid-2023. Treasury forecast a period of low economic and employment growth from around this time, which may lead to more people accessing income support, particularly JS – WR.
- 19 However, since BEFU 22, inflation has been higher than forecast by Treasury and interest rates are rising faster than expected.

⁴ For more information see MSD. (2022). *Benefit System Update:2021* at www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-2021.html

⁵ Benefits included in the forecast are: Jobseeker Support (Jobseeker Support – Work Ready and Jobseeker Support – Health Condition or Disability), Sole Parent Support, and Supported Living Payment, for all ages. Please note that this differs from MSD’s official reporting definition of working-age main benefits (aged 18–64).

⁶ Jobseeker Support was around 6,200 people lower than forecast at BEFU 22. Sole Parent Support and Supported Living Payment were around 2,000 people higher and 3,100 people higher than forecast at BEFU 22, respectively.



- 20 It is possible that economic conditions could soften sooner and the turning point for benefit numbers increasing could begin around early-2023.
- 21 Historically, when the trend in benefit numbers switches from a falling to rising trend, this is often caused by an increase in people coming on to benefit, rather than by fewer people leaving benefit.

The number of JS – WR and SLP recipients increased in July

- 22 The increase in main benefit numbers this month was driven by increases in JS – WR (up nearly 600 people) and Supported Living Payment – Health Condition or Disability (SLP – HCD; up nearly 600 people).
- 23 JS – WR numbers usually increase throughout winter as seasonal work becomes less available and hiring slows down. In July, there were larger increases in the number of JS – WR recipients in Bay of Plenty, Southern, and the East Coast,⁷ which may reflect the reduced number of jobs associated with horticulture (e.g. kiwifruit) and primary processing (e.g. meat processing) at this time.
- 24 The resumption of Work Capacity medical certificate reassessments⁸ at the end of January 2022 has resulted in large decreases in JS – HCD. This continued in July (down nearly 100 people), although decreases have started to slow. The decreases in JS – HCD recipients also continued to be offset by larger than usual increases in the number of SLP – HCD recipients. Some JS – HCD recipients will have transferred to SLP – HCD if they met eligibility requirements.
- 25 The resumption of these reassessments was assumed to reduce JS – HCD numbers over 12 months. However, it is likely that most JS – HCD recipients (who had their medical certificate process deferred) will have completed a Work Capacity medical review by August/September 2022.
- 26 The number of people receiving Jobseeker Support Student Hardship (JSSH) more than halved last month (down over 100 people or 63.9 percent). We usually see numbers increase slightly in June of each year, in line with the mid-semester break, before falling again and staying low through July to September.

Grants, exits, and exits into work

There were more people entering than exiting benefit in July

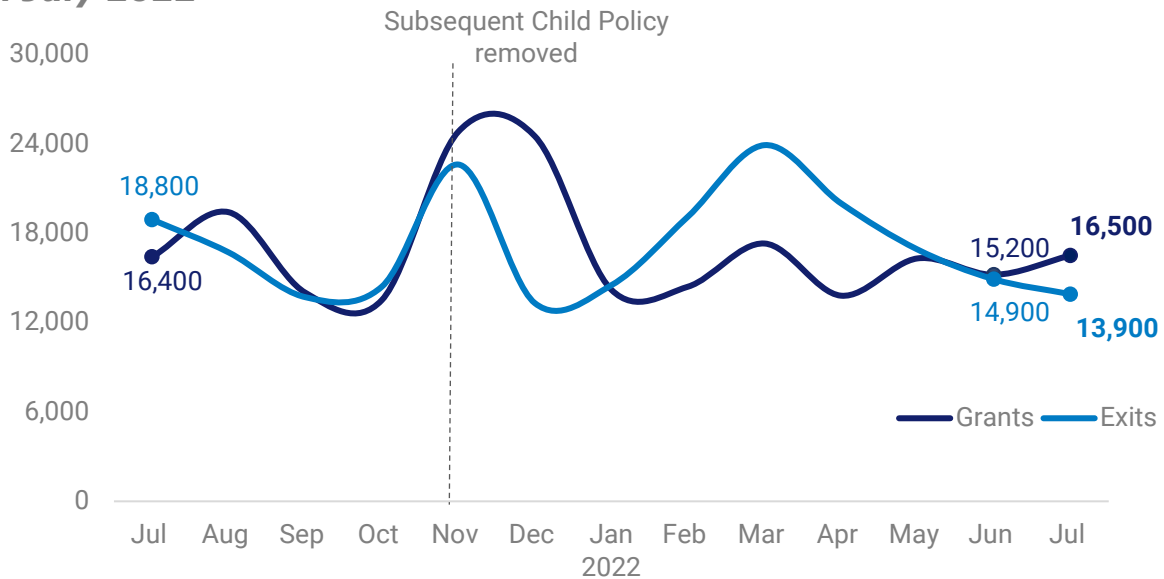
- 27 As shown in Figure 2 (overleaf), there were more main benefit grants (up nearly 1,300, or 8.3 percent), and a fewer main benefit exits (down nearly 1,000, or 6.5 percent) in July 2022, compared with June. The number of grants was also higher than the number of exits, in line with the overall increase in main benefit numbers this month.

⁷ Work and Income regions.

⁸ This is a process to assess eligibility for JS – HCD recipients based on case-by-case recommendations by their health professional. Some recipients may exit this benefit because of this process or transfer to other benefits which better reflect their current circumstances. The appropriate time between each medical review is determined by the person's health practitioner, rather than at a set review period. For more information see: www.workandincome.govt.nz/providers/health-and-disability-practitioners/medical-certificates.html#null



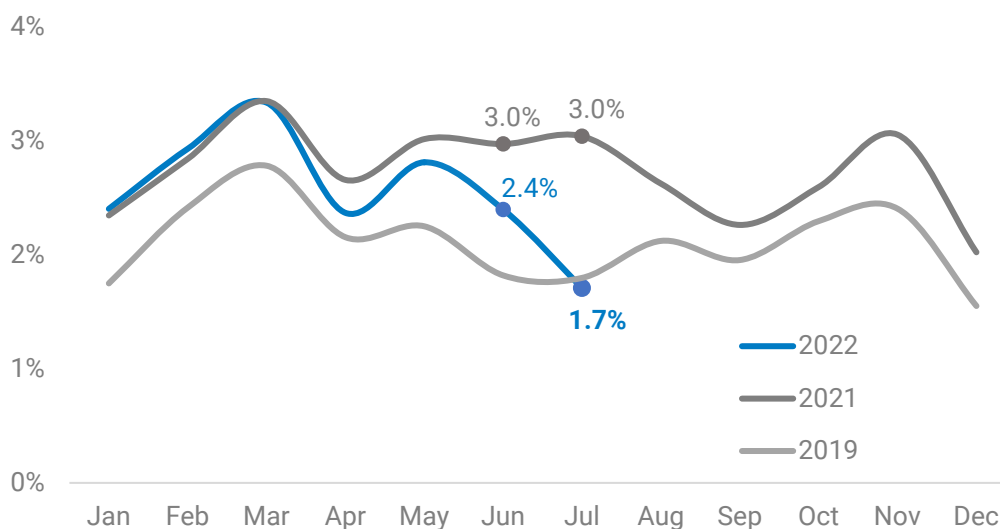
Figure 2: There was an increase in grants and a decrease in exits in July 2022



The work exit rate decreased in July

- 28 As shown in Figure 3, the work exit rate⁹ has been slowing since April, and fell below 2021 levels through the June 2022 quarter. This trend continued in July.
- 29 The work exit rate for all main benefits decreased to 1.7 percent in July, down 0.7 percentage points from June.
- 30 In line with the decreasing work exit rate, the number of exits into work decreased between June and July to around 5,900.

Figure 3: The overall work exit rate decreased in July 2022, and was in line with 2019 levels



⁹ The work exit rate has been calculated as the proportion of people leaving benefit due to having obtained work over the month, in relation to the total number of people receiving a main benefit as at the end of the previous month.



- 31 We usually see the work exit rate decreasing leading into the winter months, as seasonal work becomes less available and hiring tends to slow down. The falling work exit rate from April 2022 may also reflect the changing composition of benefit recipients described previously, as well as economic uncertainty.

The number of SNGs increased in July

- 32 The number of Special Needs Grants (SNGs) increased in July 2022 by nearly 16,600 (up 15.5 percent from June 2022), to around 123,600. The increase in SNGs was driven by around 16,600 more SNGs for food (up 19.6 percent).
- 33 We usually see an increase in the number of SNGs between June and July. However, the larger than usual increase this month may partially reflect increases in the number of COVID-19 cases in the community, and increased demand for welfare assistance from those self-isolating.
- 34 We also saw an increase in SNGs in March 2022, associated with the increased demand for welfare assistance from those self-isolating at this time. However, the number of COVID-19 cases and the number of SNGs was lower in July compared to March (nearly 36,700 fewer grants than in March 2022).
- 35 The Government made temporary increases to income limits for some hardship assistance from 1 November 2021, so that more people, including those working on a low income, would be eligible for grants to meet one-off immediate and/or essential needs. From 1 July, as part of Budget 2022, the Government made permanent increases to some income limits.¹⁰
- 36 The overall level of hardship assistance provided to those not receiving a main benefit increased between June and July 2022 (up 7.5 percent). However, the overall amount of hardship assistance has been reasonably stable since April (around 29,600 grants on average), and the increase in grants associated with the November change in income limits has largely been sustained through to July.

Upcoming benefit system impacts

- 37 As part of Budget 2022, the Government announced a Cost of Living Payment to help with rising inflation. The \$350 payment will be split into three monthly payments starting 1 August.¹¹ This may result in lower numbers of hardship grants for non-beneficiaries.
- 38 The COVID-19 Short-Term Absence Payment (STAP) will end soon.¹² This is because Rapid Antigen Tests have become more widely available and people have been able to get quick results. Only PCR tests taken on or before 22 August 2022 will be accepted for people applying for STAP, up until 15 October 2022.

¹⁰ For more information, see: www.workandincome.govt.nz/about-work-and-income/news/2022/changes-announced-in-budget-2022.html

¹¹ For more information see: www.ird.govt.nz/cost-of-living-payment

¹² For more information see: www.workandincome.govt.nz/covid-19/short-term-absence-payment/



Other releases¹³

- 39 Trends in Emergency Housing will be reported in the *July Monthly Housing Update*, published in August.
- 40 The Working paper: *Total incomes of MSD main benefit clients as at April 2022*¹⁴ was published in July.

¹³ For other releases and regular reporting, see the MSD statistics page: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/index.html

¹⁴ For the full report see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/working-papers/working-paper-total-incomes-of-msd-main-benefit-clients-as-at-april-2022.html