



Monthly Benefits Update - Commentary

February 2023

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for February 2023. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 10 March 2023.¹

Key points

- 2 The number of people receiving a main benefit in February 2023 decreased, in line with seasonal trends, since January 2023 (down 1.3 percent) to around 349,600. Year-on-year decreases in main benefit numbers are slowing.
- 3 Decreases in Jobseeker Support – Work Ready (JS – WR) and Jobseeker Support Student Hardship (JSSH) drove the overall decrease in main benefit numbers.
 - JS – WR decreased by over 1,100 people (down 1.1 percent) to around 98,600.
 - JSSH decreased by nearly 3,200 people (down 50.0 percent) to around 3,200, as people return to study.
- 4 The number of main benefit exits (around 16,100) was higher than the number of grants (around 14,200). There was a decrease in grants and an increase in exits, including exits into work, between January 2023 and February 2023. This is due to people finding employment, and students entering or returning to full-time study – mostly reflecting the decreases in JS – WR and JSSH.
- 5 The number of Special Needs Grants (SNGs) decreased in February, due to there being fewer days in the month, and was in line with seasonal trends.
- 6 The full impact from Cyclone Gabrielle and the Auckland Flooding has not been seen in main benefit numbers covered by this update². People in affected regions have been receiving Civil Defence Payments³, which are not included in this report. We expect to see some income support trends impacted by operational changes made in regions affected.

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

² Civil Defence Payments figures for the March 2023 quarter will be published on 20 April 2023 in the Benefit Fact Sheets (<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>).

³ People in affected regions are eligible for Civil Defence Payments for food, bedding, clothing, accommodation and loss of income (<https://www.workandincome.govt.nz/products/a-z-benefits/civil-defence-payment.html>)



Main benefits

Seasonal decreases continued in February, while ongoing yearly reductions slowed down

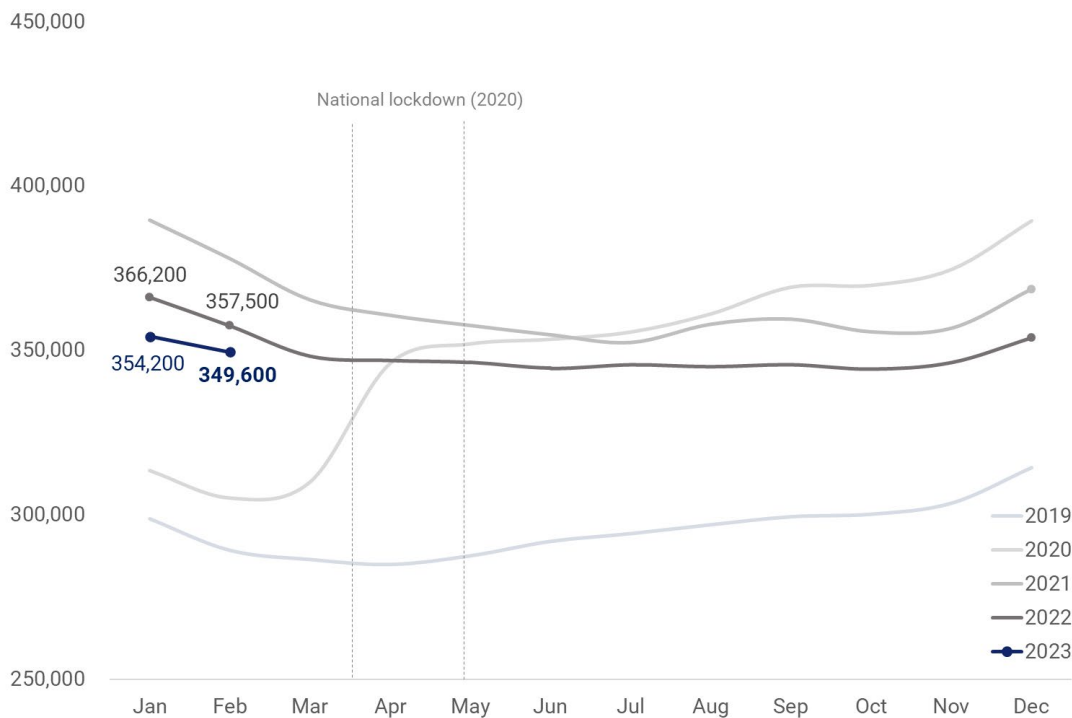
- 7 The number of people on a main benefit decreased since January 2023 by around 4,700 (1.3 percent) to 349,600.
- 8 After increases each December, we usually see the number of people receiving a main benefit dropping through to April. This is due to more people finding employment as hiring picks up after the holiday period, and as more students enter or return to full-time study as institutions re-open after the summer break.
- 9 There were nearly 8,000 fewer people receiving a main benefit in February 2023, compared with February 2022. This was down 2.2 percent year-on-year, compared to 3.3 percent year-on-year in January. There has been a slowing year-on-year decrease in main benefit recipients which could partly reflect the remaining number of people that have stayed on benefit for longer. Longer-term duration clients often have more barriers to employment (such as health issues) and may require more support to exit a benefit into work. The slowing decreasing trend, particularly seen in Jobseeker Support – Work Ready (JS – WR), may also reflect early signs of slowing economic activity including decreasing online job ads⁴ and decreased business confidence⁵.

⁴ For more information on Jobs Online, see: <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/jobs-online/>

⁵For more information on the NZIER Quarterly Survey of Business opinion see: <https://www.nzier.org.nz/publications/qsbo-shows-business-sentiment-and-activity-taking-a-turn-for-the-worse>



Figure 1: Main benefit numbers were lower than January 2023⁶



The decrease in main benefit numbers was driven by decreases in Jobseeker Support Student Hardship and Jobseeker Support – Work Ready

- 10 The decrease in main benefit recipients since January 2023 was largely driven by Jobseeker Support Student Hardship (JSSH). JSSH tends to increase and decrease at the same times each year, due to the nature of students coming onto benefit and leaving as they return to study.
- 11 The number of JSSH recipients decreased by around 3,200 (down 50.0 percent) to around 3,200 at the end of February. We usually see the largest decreases in JSSH in the last week of February and the first week of March, as students resume their studies at tertiary education institutions, with numbers dropping to fewer than 500 students from around March to September.
- 12 This decrease in JSSH was smaller than the same time last year as fewer students took up JSSH in December 2022 than in previous years. Excluding these seasonal decreases in JSSH, the number of people receiving a main benefit decreased since January 2023 (down around 1,500 or 0.4 percent) to around 346,400.
- 13 The number of people receiving JS – WR decreased since January 2023 by over 1,100 people (down 1.1 percent). We normally expect this decreasing seasonal trend to continue through to April, as hiring remains strong after the end of year break.

⁶ Main benefit numbers increased in early 2020 when New Zealand entered its first national lockdown between 25 March and 13 May 2020. There was also an increase in main benefit numbers during a subsequent national lockdown between 17 August and 7 September 2021.



- 14 Emergency Benefit (EB) decreased by nearly 500 recipients (down 25.2 percent). This follows an increase in EB in December as some seasonal workers were unable to find work and needed support over the holiday period.

Overall, benefit numbers in December were lower than forecast at HYEFU 2022

- 15 Overall, month average benefit numbers⁷ have been lower than forecast with around 346,500 people receiving a main benefit in February 2023. This was less than 100 (less than 0.1 percent) fewer people than forecast at the Half Year Economic and Fiscal Update (HYEFU) 2022⁸.
- 16 The forecast variance in month average numbers has been narrowing in recent months.
- 17 The forecast variance in February was made up of largely offsetting influences within the main benefit numbers. The number of people receiving Jobseeker Support and the Supported Living Payment was around 100 people higher and 500 people higher than forecast at HYEFU 2022, respectively. This was offset by around 600 fewer people receiving Sole Parent Support than forecast at HYEFU 2022.

Main benefit numbers are expected to begin increasing from around mid-2023

- 18 At the Half Year Economic and Fiscal Update (HYEFU) 2022 we forecast that the number of people receiving a main benefit will increase from around mid-2023, reaching 387,200 people in January 2025 before starting to decrease. The number of people receiving JS is forecast to follow a similar trend, reaching 205,100 people by January 2025.
- 19 Historically, what has driven benefit numbers to rise after sustained decreases has often been an increase in the number of people coming onto benefit, rather than fewer people leaving benefit.
- 20 We are currently updating our forecasts for the Budget Economic and Fiscal Update 2023. These will be published on Thursday 18 May.

Grants, exits, and exits into work

The rate of people exiting benefit is starting to slow, partially reflecting softening in the economy

- 21 There was a decrease in main benefit grants (down around 700, or 5.0 percent), and a larger increase in main benefit exits (up around 2,600 or 19.3 percent) in February 2023. The number of main benefits exits (16,100) was higher than the number of grants (14,200).

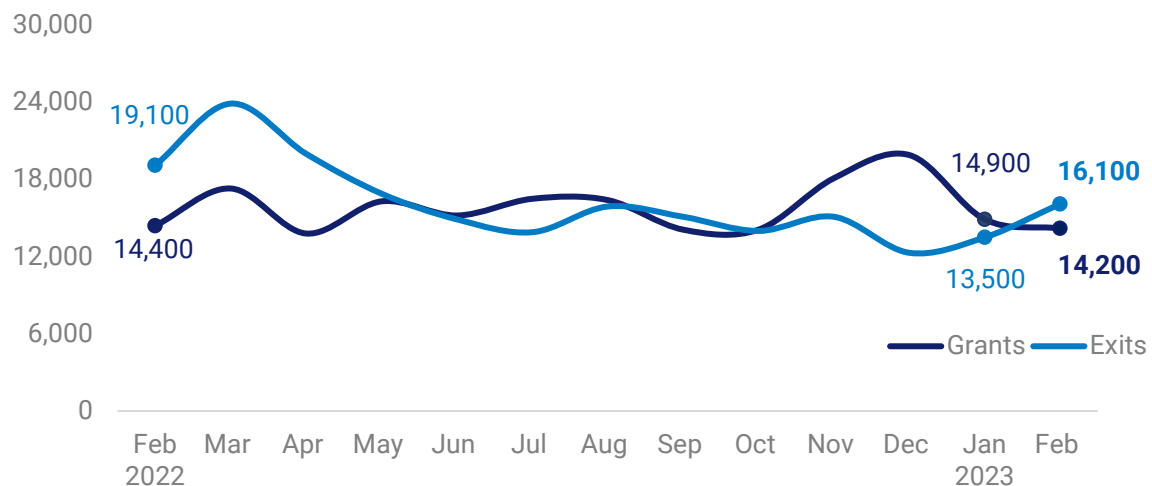
⁷ Benefits included in the forecast are Jobseeker Support (Jobseeker Support – Work Ready and Jobseeker Support – Health Condition or Disability), Sole Parent Support, and Supported Living Payment, for all ages. Please note that this differs from MSD's official reporting definition of working-age main benefits (aged 18–64).

⁸ For more information on the latest benefit forecast, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/hyefu/december-2022.html>



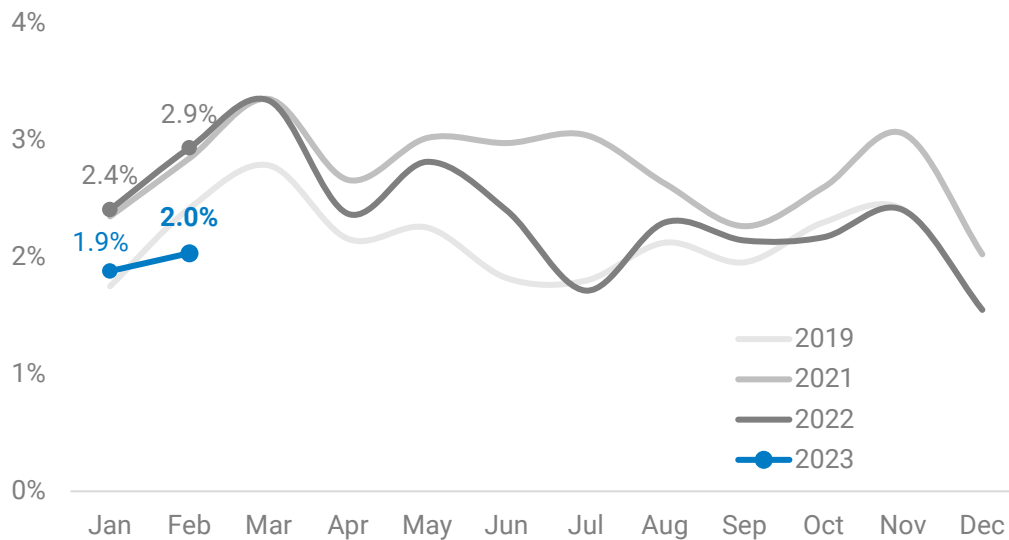
- 22 Most of the increase in total exits was due to more people finding employment (21.1 percent), or more students entering or returning to full-time study (69.7 percent).

Figure 2: More people exited benefit in February, as is usual at this time of the year.



- 23 There were over 7,200 exits into work in February 2023. This was an increase of over 500 (up 8.3 percent) compared to January 2023, as hiring picks up from late January.
- 24 As shown in Figure 3, the work exit rate (2.0 percent) increased in February 2023. However, this increase was smaller than what we have seen in previous years. This could partly reflect the number of remaining people that have stayed on benefit for longer. Longer-term duration clients often have more barriers to employment (such as health issues) and may require more support to exit a benefit into work. The slowing decreasing trend may also reflect early signs of slowing economic activity compared to this time last year, when the economy was stronger.
- 25 East Coast and Auckland experienced significant decreases in work exits (down 61.7 and 39.0 percent respectively) compared to February 2022, which may reflect the impact of recent weather events in these areas.

Figure 3: The relatively lower work exit rate for main beneficiaries partially reflects softening in the economy



Hardship Assistance

The number of SNGs decreased in February due to fewer days in the month and was in line with seasonal trends

- 26 Take up of Special Needs Grants (SNGs) was not significantly affected by impacts from Cyclone Gabrielle⁹. However, some demand for SNGs may have been met through Civil Defence Payments stood up in response to the Cyclone¹⁰.
- 27 The number of SNGs in February was around 125,300, which was over 20,400 lower than in January 2023 (down 14.0 percent).
- 28 SNGs for food made up 81.4 percent of all SNGs granted and tend to drive the overall trend in SNGs. SNGs for food decreased by over 22,700 grants (down 18.2 percent) to around 102,000 grants in February 2023.
- 29 The decrease in SNGs per month in February was largely due to there being fewer days in February compared to January. In February there is also less demand for food SNGs than in the first two weeks of January, when there is still likely to be higher than normal demand following the holiday period.
- 30 However, there was an increase in Emergency Housing SNGs, which increased by over 700 (up 10.3 percent), slightly offsetting the large decrease seen in food SNGs. The increase was in line with what we usually see this time of the year¹¹.

⁹ People in affected regions are eligible for Civil Defence Payments for food, bedding, clothing, accommodation and loss of income (<https://www.workandincome.govt.nz/products/a-z-benefits/civil-defence-payment.html>)

¹⁰ Civil Defence Payments figures are not reported on in the Monthly Benefit Update. Civil Defence Payments figures for the March 2023 quarter will be published on 20 April 2023 in the Benefit Fact Sheets: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

¹¹ For more information on trends in Emergency Housing, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/monthly-housing-reporting.html>



Upcoming benefit system impacts

- 31 We expect to see further income support trends be impacted by operational changes made in regions affected by Cyclone Gabrielle. Reviews and obligations have been paused from Monday 20 February until Sunday 19 March in Northland, East Coast, and some Waikato districts so that clients continue to be supported.

Upcoming releases

- 32 Trends in emergency housing will be reported in the *February Monthly Housing Update* which will be published on Friday 10 March.
- 33 The next *Monthly Benefits Update - Commentary* for March 2023 will be published on 14 April 2023.
- 34 The StudyLink Statistics on student data for the year 2022 will be published during the week beginning 20 March.