



Monthly Benefits Update - Commentary

March 2023

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for March 2023. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 14 April 2023.¹

Key points

- 2 The number of people receiving a main benefit in March 2023 decreased in line with seasonal trends, down 1.2 percent since February 2023 to around 345,400. Year-on-year decreases have slowed to the lowest point since working-age benefit numbers began falling on an annual basis in July 2021.
- 3 Decreases in Jobseeker Support – Work Ready (JS – WR) and Jobseeker Support Student Hardship (JSSH) drove the overall decrease in main benefit numbers in March 2023.
 - JS – WR decreased by nearly 1,700 people (down 1.7 percent) to around 96,900 people.
 - JSSH decreased by over 3,100 people (down 98.2 percent) to around 60 as people return to study.
- 4 The number of main benefit exits (19,600) was higher than the number of grants (17,100). There was an increase in grants and in exits, including exits into work, from February 2023 to March 2023. The increase in exits was due to people finding employment and students entering or returning to full-time study – mostly reflecting the decreases in JS – WR and JSSH. However, the work exit rate for March 2023, at 2.3 percent, was lower than what we normally see at this time of year, down 1.0 percentage points when compared to March 2022.
- 5 Special Needs Grants (SNGs) increased by around 26,400 (up 21.0 percent) from February 2023, mostly consisting of an increase in SNGs for food and the introduction of Housing Support Products.²
- 6 We have seen small but noticeable impacts from Cyclone Gabrielle and the Auckland flooding. Work exit rates in affected areas were lower than what we usually see at this time of year. MSD has been supporting people in affected areas

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 For more information, see: <https://www.workandincome.govt.nz/about-work-and-income/news/2023/housing-support-changes-march.html>



through Civil Defence Payments,³ however these payments are due to cease for the whole country on 15 April. After that time, other existing services such as hardship payments, employment support, financial assistance, and accommodation costs will continue to provide support to those affected, moving from response phase into recovery.

Main benefits

Seasonal decreases continued in March, while ongoing yearly reductions have slowed down

- 7 The number of people on a main benefit decreased since February 2023 by around 4,200 (1.2 percent) to 345,400.
- 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 2,900 fewer people receiving a main benefit in March 2023 compared with March 2022. This was down 0.8 percent year-on-year, compared to 2.2 percent year-on-year in February. This is the lowest year-on-year reduction since benefit numbers started falling in July 2021.
- 10 There has been a slowing year-on-year decrease in main benefit recipients since October 2022, 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, such as decreasing online job ads⁴ and low business confidence.⁵

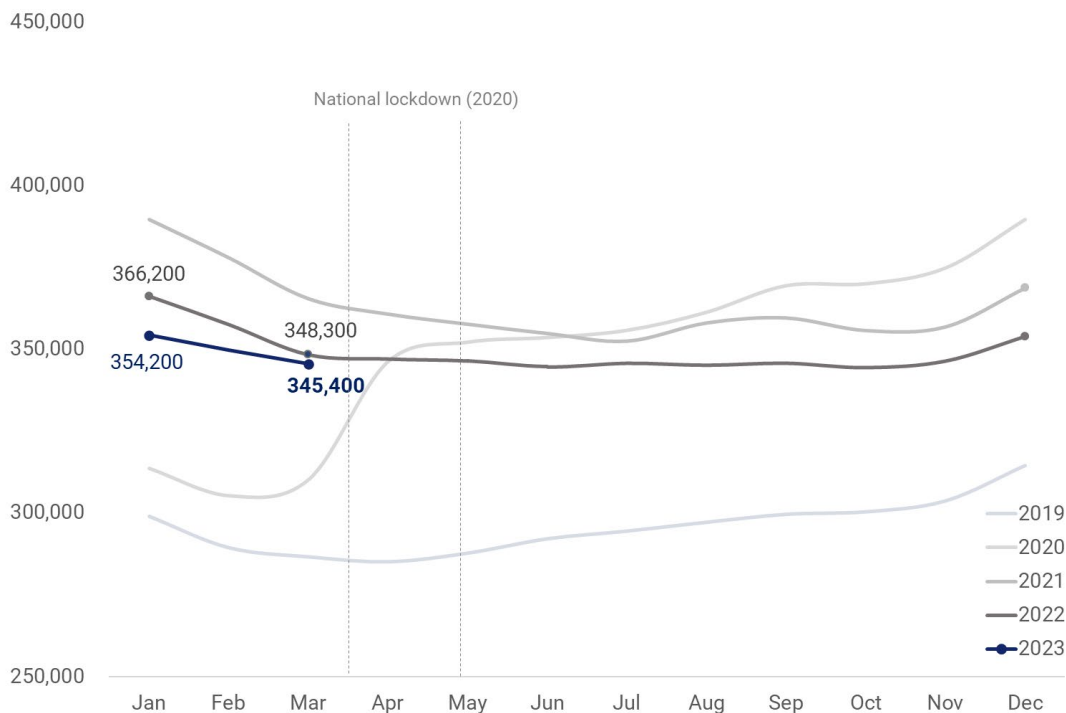
³ Civil Defence Payments figures for the March 2023 quarter will be published on 20 April 2023 in the Benefit Fact Sheets: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

⁴ For more information on Jobs Online, see: [Jobs Online | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](https://www.mbie.govt.nz)

⁵ For more information on business confidence see the Quarterly Survey of Business Opinion: [NZIER's QSBO shows signs of capacity pressures easing in the New Zealand economy - Quarterly Survey of Business Opinion, April 2023](https://www.nzier.govt.nz/quarterly-survey-of-business-opinion)



Figure 1: Main benefit numbers are lower than March 2022⁶



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

- 11 The decrease in main benefit recipients since February 2023 was largely driven by Jobseeker Support Student Hardship (JSSH). Each year, we see strong decreases in JSSH through February and March as students return to study or training.
- 12 The number of JSSH recipients decreased by around 3,100 (down 98.2 percent) to around 60 at the end of March. Since the majority of recipients that came onto JSSH in late 2022 have now returned to training or study, changes in this benefit going forward will be minor. 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.
- 13 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 February 2023 (down around 1,100 or 0.3 percent) to around 345,400.
- 14 The number of people receiving JS–WR decreased since February 2023 by nearly 1,700 people (down 1.7 percent). We normally expect this decreasing seasonal

⁶ Main benefit numbers increased in early 2020 when New Zealand was in 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.



trend to continue through to April, as hiring remains strong after the end of year break.

Overall, benefit numbers in March were higher than forecast at HYEFU 2022

- 15 Overall, month average benefit numbers⁷ have been higher than forecast for March 2023 with around 346,100 people receiving a main benefit in March 2023. This was around 4,200 (1.2 percent) more people than forecast at the Half Year Economic and Fiscal Update (HYEFU) 2022⁸.
- 16 The forecast variance in March was largely made up of more people receiving Jobseeker Support, which was 3,200 (1.91 percent) higher than forecast at HYEFU 2022. The remaining variance was made up of 300 more people receiving Sole Parent Support and 700 more people receiving Supported Living Payment than forecast at HYEFU 2022.
- 17 The forecast variance in month average numbers has been narrowing in recent months, and main benefit numbers are now slightly higher than forecast.
- 18 Excluding the usual seasonal patterns, benefit numbers have been rising since January 2023. We expect this trend to flow through to headline figures in the coming months as indicated in the HYEFU 2022 forecast.

Main benefit numbers are expected to begin increasing in the coming months

- 19 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. We are beginning to see signs of this upcoming turning point though lower work exit rates and lower year-on-year decreases in main benefits. As part of HYEFU 2022, we expected benefit numbers to begin increasing and we may see this trend change, where benefit numbers start increasing, slightly before mid-2023.
- 20 Historically, what has driven benefit numbers to rise after a period of sustained decreases has often been an increase in the number of people coming onto benefit, rather than fewer people leaving benefit.
- 21 We are currently updating our forecasts for the Budget Economic and Fiscal Update 2023. These will be published on Thursday, 18 May.

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>

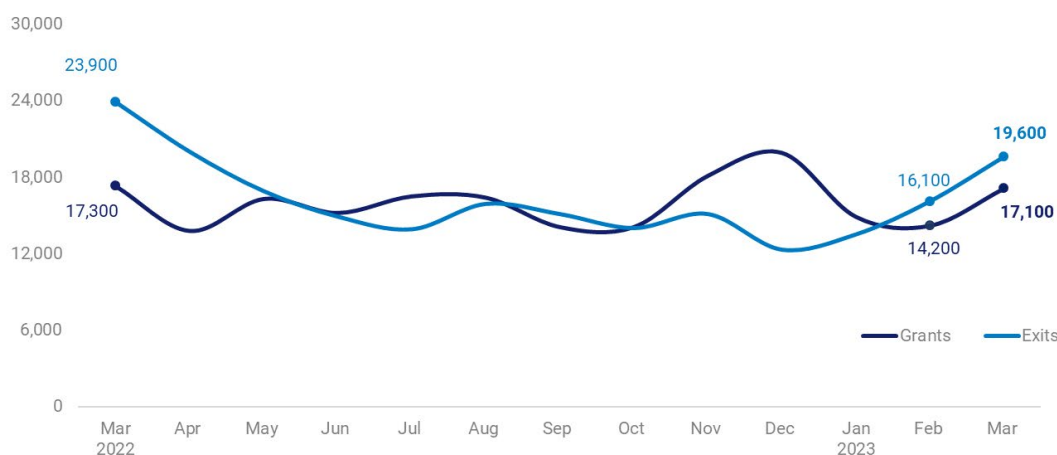


Grants, exits, and exits into work

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

- 22 There was an increase in main benefit grants (up around 2,900, or 20.3 percent), and a larger increase in main benefit exits (up around 3,500 or 21.9 percent) in March 2023. The number of main benefits exits (19,600) was higher than the number of grants (17,100).
- 23 Most of the increase in exits was due to more people finding employment (26.1 percent), or more students entering or returning to full-time study (22.0 percent).
- 24 We have seen impacts from Cyclone Gabrielle in Northland, Auckland, Waikato and Hawke's Bay. These regions have seen higher or similar level of grants than at the same time last year (March 2022), with all regions having fewer JS – WR cancels into work.

Figure 2: There was an increase in people exiting benefit in March, as is usual at this time of the year

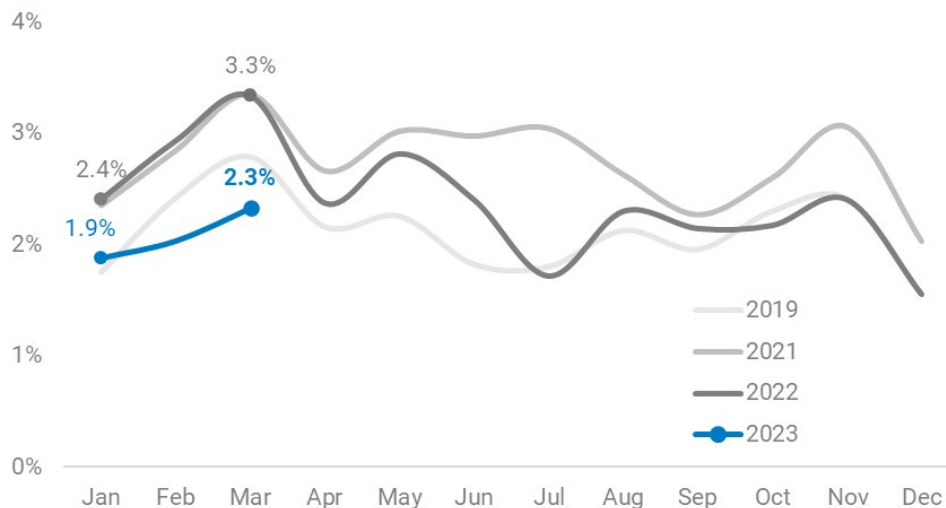


The work exit rate increased compared with February 2023

- 25 There were over 8,100 exits into work in March 2023. This was an increase of over 900 (up 12.7 percent) when compared with February 2023, as hiring picks up from late January.
- 26 As shown in Figure 3, the work exit rate (2.3 percent) increased in March 2023. This is lower than the 2019 trend, which could reflect the fact that the labour market is currently tighter than what it was in March 2019.



Figure 3: Work exit rate has slowed to below pre-COVID levels over the last two months.



Hardship Assistance

The number of SNGs increased in March, in line with seasonal trends

- 27 Demand for Special Needs Grants (SNGs) has been increasing since late February across regions affected by Cyclone Gabrielle, particularly in Auckland. The increase has been comparatively lower in Hawke's Bay and Gisborne, likely reflecting Civil Defence Payments still being available in these regions, reducing the demand for SNG payments. Most other regions have seen similar increases to last year, when SNGs increased across the country around mid-March reflecting COVID-19 cases peaking at the time.
- 28 SNGs for food made up 78.2 percent of all SNGs granted and tend to drive the overall trend in SNGs. SNGs for food increased by nearly 16,600 grants (up 16.3 percent) to around 118,600 grants in March 2023.
- 29 The increase in SNGs per month in March was largely due to there being more days in March compared to February. Additionally, the introduction of the Housing Support Products, which started on 13 March, increased the overall number of SNGs.
- 30 From 13 March, housing-related hardship assistance previously available as Benefit Advances and Recoverable Assistance Payments was made available under the new Housing Support Products. This had a one-off compositional impact in hardship data for the week ending 17 March, with Benefit Advances decreasing by around 1,800 and Special Needs Grants increasing by a similar number due to this operational change.



- 31 However, on average over the year, we have seen increases in hardship through higher total dollar amounts granted for food. Although the number of food grants was lower than seen in March 2022 (during the Omicron outbreak), the number of food grants was higher than in both March 2021 and March 2020. This is likely due to the increasing cost of living over the last one and a half years.

Upcoming benefit system impacts

- 32 On 1 April, main benefit payment rates increased in line with The Annual General Adjustment (AGA). This is a yearly increase to most of MSD's financial support to keep up with increases in the net average wage, or the cost of goods and services (CPI). The Winter Energy Payment, an extra payment to help with the cost of heating over winter months, will start on 1 May and ends on 1 October. We expect to see further income support trends be impacted by operational changes made in regions affected by Cyclone Gabrielle during the ongoing recovery.

Upcoming releases

- 33 Trends in emergency housing will be reported in the *March Monthly Housing Update*, which will be published on Friday 14 April⁹.
- 34 The quarterly *Benefit Fact Sheets* for the March 2023 quarter will be published on Thursday 20 April.
- 35 The next *Monthly Benefits Update - Commentary* for April 2023 will be published on Friday, 12 May 2023.
- 36 The next *Budget Economic and Fiscal Update (BEFU)* will be released on Thursday, 18 May 2023¹⁰.

⁹ For more information on housing trends, see [Monthly Housing Reporting - Ministry of Social Development \(msd.govt.nz\)](https://www.msd.govt.nz/news-releases/2023/04/monthly-housing-reporting)

¹⁰ For the latest benefit forecasts, see [Statistics - Ministry of Social Development \(msd.govt.nz\)](https://www.msd.govt.nz/news-releases/2023/04/budget-economic-and-fiscal-update)