



Monthly Benefits Update - Commentary

December 2021

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for December 2021. This document is published alongside the update on the Ministry of Social Development website on Friday, 21 January 2022.¹

Key points

- 2 Overall, there was a return to seasonal trends in December 2021, which normally see main benefit numbers increase throughout the end of the year. There were around 11,400 more people receiving a main benefit as at the end of December 2021 (368,200) compared to the previous month (up 3.2 percent).
- 3 Although the number of people receiving a main benefit remains higher than pre-COVID-19 levels (eg. in 2019), increases were lower than in December 2020 (when they increased by around 14,800, or 4.0 percent month-on-month).
- 4 Benefit numbers were close (0.4 percent lower) to updated forecasts released with the Half Year Economic and Fiscal Update (HYEFU) 2021, on 15 December.
- 5 Most main benefits increased in December, in particular Jobseeker Support which increased by around 6,000 people (up 3.3 percent), and Jobseeker Support Student Hardship (JSSH), which increased by around 3,400 people (up 65.5 percent). These trends reflect hiring slowing down towards the end of the year, seasonal workers reaching the end of their contracts (eg. in viticulture), and the end of the semester for students.
- 6 In December 2021, the number of people that were granted a benefit was higher than the number of people who exited, which resulted in more people receiving a main benefit overall. The work exit rate also decreased. However, it remained in line with December 2020 and higher than in 2019, despite the high levels of uncertainty surrounding Auckland's shift from higher levels of restrictions and the shift to the COVID-19 Protection Framework in 2021.
- 7 The number of Special Needs Grants (SNGs), particularly for food, increased in December, in line with main benefit numbers and seasonal trends. Households tend to come under more financial pressure over the holiday period.

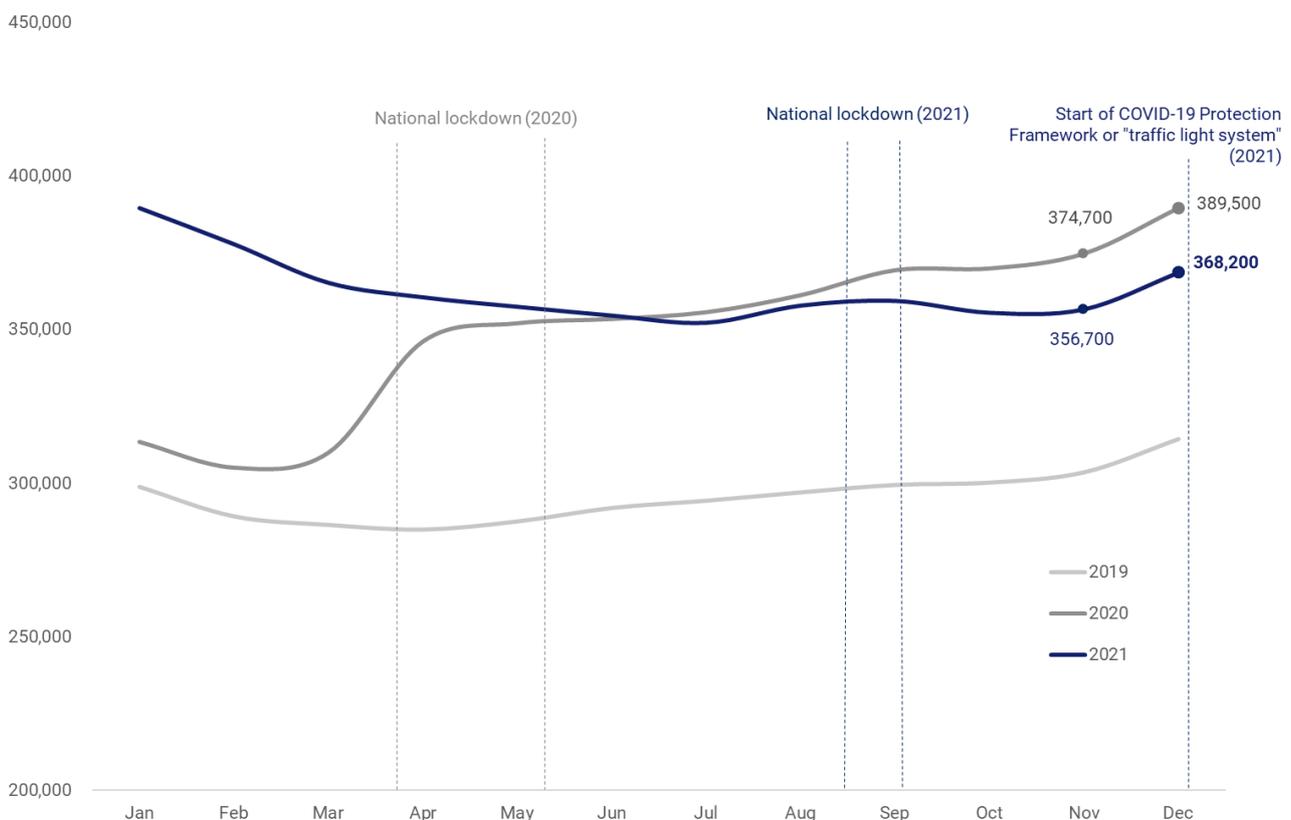
¹ For the full set of data and supporting information, including a detailed description of the metrics used in this update, please go to: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/>

Main benefits

The number of people receiving a main benefit increased in December, but continues to remain below 2020 levels

- 8 As shown in Figure 1, the number of people receiving a main benefit decreased from January 2021. This decrease continued through to the winter months, in contrast to usual seasonal trends. From June to August each year, demand for income assistance usually grows as fewer people are able to find work due to some industries slowing down.
- 9 Main benefit numbers fell below 2020 levels for the first time in July, and despite increases associated with the August 2021 shift to higher Alert Levels, remained lower than 2020 levels through to the end of 2021.
- 10 Main benefit numbers began increasing in November, and this continued in December. There were around 11,400 more people receiving a main benefit as at the end of December 2021 (368,200) compared to the previous month (up 3.2 percent). These increases in main benefit numbers were in line with seasonal trends (see para. 15-19 for more information).

Figure 1: Main benefit numbers increased in December, in line with seasonal trends²



² Note that due to the large numbers shown in this graph the y axis has been shortened and begins at 200,000 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.



- 11 In December 2021 there were around 21,300 fewer people receiving a main benefit than in December 2020. As shown in Figure 1, the larger increase in main benefit numbers in December 2020 (up around 14,800, or 4.0 percent month-on-month) means that the gap between this month and the same time last year continued to grow (down 5.5 percent year-on-year, compared to 4.8 percent year-on-year in November).

Benefit numbers were in line with updated forecasts

- 12 On 15 December, the most recent benefit forecasts were released as a part of the Half Year Economic and Fiscal Update (HYEFU) 2021.³ The month-average⁴ number of people expected on a working-age benefit was revised down at HYEFU 21. This was mostly because the economy was stronger than expected throughout 2021, making it easier for people to find work, and the Ministry of Social Development (MSD) has been maintaining a strong focus on supporting people into work.
- 13 The month-average number of people receiving a benefit in December 2021 (around 355,500) was relatively close to the forecast (around 1,400 people fewer, or 0.4 percent under forecast).
- 14 Going forward, month-average main benefit numbers are forecast to increase in February 2021, before declining through to 2023. However, there is always a level of uncertainty with these forecasts, which is heightened by the COVID-19 pandemic. For example, the level of community transmission of COVID-19, or emerging variants such as Omicron, may have an impact on the economy and labour market, and subsequently benefit numbers.

There were increases in most main benefits, in line with seasonal trends

- 15 Most main benefit numbers increased in December 2021, in particular Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH).
- 16 The number of people receiving JS increased by around 6,000 people (up 3.3 percent), in line with seasonal trends. The number of people on JS usually begins to increase towards the end of the year as hiring can slow down and seasonal workers (eg. in viticulture) reach the end of their contracts.
- 17 Most of the increase in JS was in Jobseeker Support – Work Ready (JS – WR), which increased by around 4,800 people (up 4.7 percent). The pattern of increases in JS – WR across regions was in line with trends seen pre-COVID-19 (eg. in 2019). Most of the increase was in large urban centres (eg. Auckland⁵) and regions with a high dependency on seasonal work (eg. Bay of Plenty).

³ For the Half Year Economic and Fiscal Update 2021 see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/hyefu/december-2021.html>

⁴ Benefits included in the forecast are: Jobseeker Support (JS – WR and JS – HCD), 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).

⁵ Regional council areas were used for the number of people receiving benefits or hardship in this commentary.



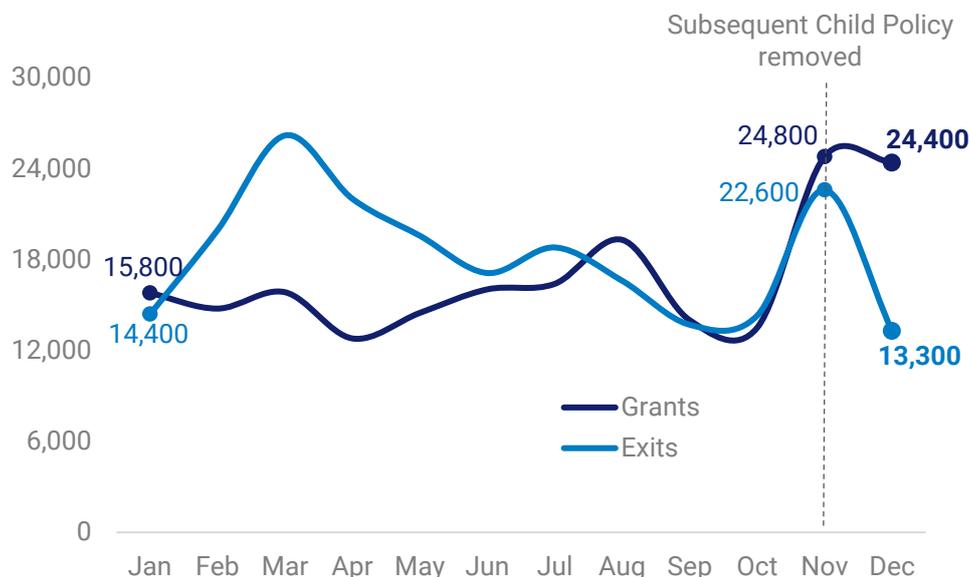
- 18 In December 2021, JSSH also increased by around 3,400 people (up 65.5 percent). We generally see increases in JSSH from October each year as students' semesters come to an end, with numbers usually peaking around mid-January.
- 19 In line with seasonal trends, there was also an increase in the number of people receiving Sole Parent Support (SPS) by around 1000 people (up 1.4 percent). Family breakdowns over the holiday period may be a contributing factor to this. Sole parents are also more likely to be in fixed term or casual work, eg. within the education sector, which may not cover the holiday period.

Grants, exits, and exits into work

A higher number of grants than exits resulted in more people receiving a main benefit overall

- 20 As shown in Figure 2, there was a small month-on-month decrease in grants (down around 400, or 1.4 percent), and a larger decrease in cancels (down around 9,300, or 41.2 percent) in December.
- 21 However, excluding the grants and cancels associated with the removal of the Subsequent Child Policy in November⁶, there would have been a month-on-month increase in grants and a smaller decrease in exits in December. This reflects the seasonal increases in main benefits, particularly JS – WR and JSSH, described previously.

Figure 2: In line with seasonal trends, there was a higher number of grants than cancels in December

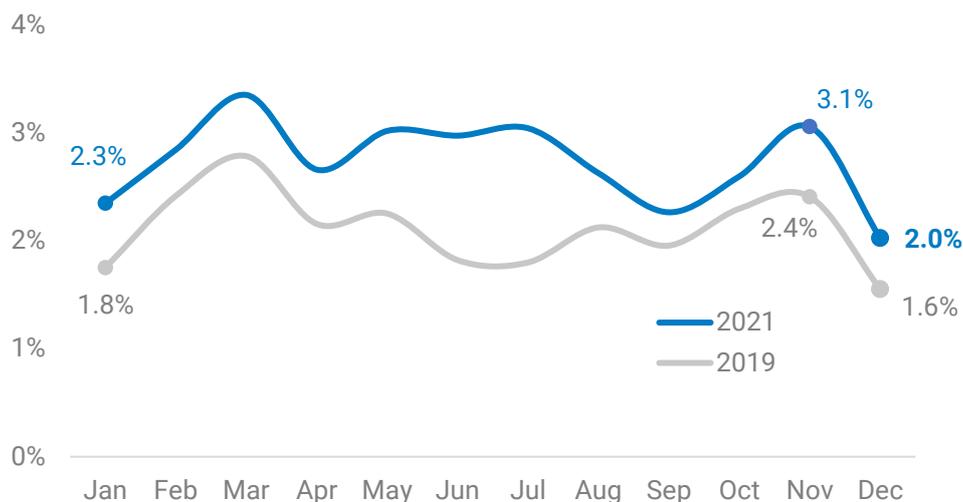


⁶ In November there were around 5,700 transfers between JS and SPS associated with the removal of the Subsequent Child Policy, which resulted in a sharp increase in the number of grants and exits. This is because people who move from one benefit to another must have their original benefit cancelled, before they can be granted a new one. For more information on this policy change, please see: <https://www.workandincome.govt.nz/about-work-and-income/news/2021/subsequent-child-policy-removal.html>

The work exit rate decreased in December, in line with seasonal trends, but remained higher than in the same period in 2019

22 In December 2021, the number of people exiting benefits into work decreased by around 3,700 from the previous month. The proportion of people leaving a main benefit to go into employment in December, or the work exit rate⁷, also decreased to 2.0 percent, down 1.1 percentage points (see Figure 3).

Figure 3: The overall work exit rate decreased in December



23 Work exits patterns in December were in line with trends we normally see at this time of year. This was despite the high levels of uncertainty surrounding Auckland's shift from higher levels of restrictions, and the shift to the COVID-19 Protection Framework⁸ (or 'traffic light' settings).

24 The work exit rate in December 2021 was in line with the rate in December 2020 (1.9 percent) and remained higher than the same period in 2019 (1.6 percent).

25 The work exit rate for both JS – WR and SPS decreased but remained in line with pre-COVID-19 levels. The lower number of exits, including exits into work, contributed to changes in these benefits this month.

Hardship Assistance

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

26 The number of Special Needs Grants (SNGs) increased between November and December 2021 by around 13,400 (up 10.6 percent).

⁷ In this report, 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 on main benefit as at the end of the previous month. Note that the work exit rate is not affected by the Subsequent Child Policy removal.

⁸ New Zealand moved from the Alert Level system to the new Framework on Thursday 2 December at 11.59pm.



- 27 This month-on-month increase was expected given households tend to come under more financial pressure over the holiday period, and there was also an increase in the number of people receiving main benefits. This type of assistance is available for both people receiving main benefits and very low-income working families, subject to an income and asset test.
- 28 SNGs for food continue to make up the majority of SNGs.
- 29 The number of SNGs this month was down 14.5 percent when compared to December 2020, but remains 5.1 percent higher than in 2019, in line with the higher number of people receiving a main benefit.

Upcoming benefit system impacts

- 30 There is ongoing uncertainty around the size of any potential impact of the vaccine mandates for some sectors⁹, as well as the new COVID-19 Protection Framework (or 'traffic light' settings). How well New Zealand manages emerging COVID-19 variants such as Omicron, including preventing or reducing the spread in the community, will also have implications for the benefit system.

Upcoming releases¹⁰

- 31 Trends in emergency housing will be reported in the *December Monthly Housing Update* in January.
- 32 The *December Quarter Benefit Fact Sheets* will be published on 20 January 2022.¹¹

Changes to reporting

- 33 MSD is transforming the way we report on ethnicity data from 'Prioritised Ethnicity' to 'Total Response' ethnicity, which is consistent with best practice and Statistics New Zealand standards. This is the second Monthly Benefits Update to use Total Response ethnicity. The *December Quarter Benefit Fact Sheets* will be the first quarterly report to use Total Response ethnicity and will include data for the last five years.¹²

⁹ For more information see: <https://covid19.govt.nz/covid-19-vaccines/vaccinations-and-work/mandatory-vaccinations-for-workers/>

¹⁰ For these releases and other regular reporting see the MSD statistics page: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/index.html>

¹¹ Some data provided by MSD is the exact count as at the end of a week, month, or quarter, while other data is a sum of administrative actions during a period. Data that is summed over a reporting period includes grants and cancels, and hardship grants. Caution should be exercised when comparing data between weekly, monthly, and quarterly data releases.

¹² For more information see: <https://www.msd.govt.nz/about-msd-and-our-work/tools/how-we-report-ethnicity.html>