

Monthly Benefits Update - Commentary

November 2021

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for November 2021. This document has been published alongside the update on MSD's website on Friday, 10 December 2021.

Key points

- 2 While there was a small (0.3 percent) increase in monthly main benefit numbers throughout November¹, the number of people receiving a main benefit (around 356,700) remained lower than a year ago. The number of people receiving a main benefit in November was down 4.8 percent year-on-year, compared to 3.8 percent in October.
- 3 The overall increase in main benefits reflects a large seasonal increase in the number of people receiving Jobseeker Support Student Hardship (JSSH), which we normally see at the end of the semester (up around 3,600).
- 4 In contrast, there was a large decrease in Jobseeker Support (JS) in the last month, mostly due to the removal of the Subsequent Child Policy. This policy removal resulted in a one-off change in numbers, with around 5,700 people transferring from JS to Sole Parent Support (SPS).
- 5 Transfers between JS and SPS associated with the removal of the policy contributed to the sharp increase in the number of grants and exits in November.
- 6 Sustained rates of exits into work also contributed to the decrease in JS recipients this month. The overall number of people exiting benefits into work (not affected by the policy removal) increased in November and remained higher than the same time in 2019.
- 7 More people who are not receiving a main benefit accessed hardship assistance this month, reflecting temporary income thresholds changes which mean that more people may have been eligible for this type of assistance.

Main benefits

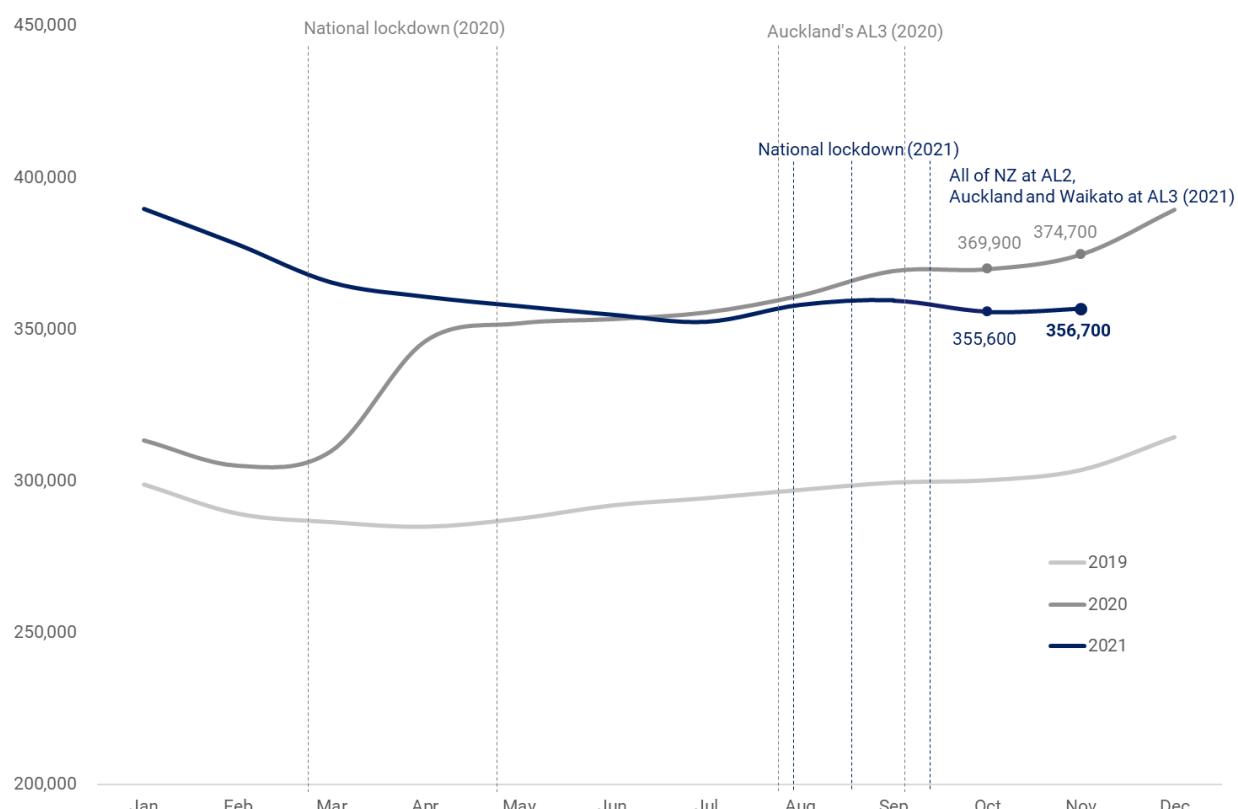
There was a small increase in main benefit numbers in November, associated with normal seasonal trends

- 8 There were around 1,100 more people receiving a main benefit as at the end of November 2021 (356,700), compared to the previous month (up 0.3 percent).

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/>

- 9 Growth in benefit numbers at this time in the year is generally expected, and reflects seasonal increases in Jobseeker Support Student Hardship (JSSH).
- 10 The number of people receiving a main benefit remained 1.2 percent higher than before the August 2021 lockdown (352,400 as at the end of July).
- 11 Despite recent growth, the number of people receiving a main benefit this month remained lower than the same time last year. The gap between this month and the same time last year also continued to grow, with around 17,900 fewer people receiving a main benefit than in November 2020 (down 4.8 percent year-on-year, compared to 3.8 percent year-on-year in October).
- 12 Seasonal growth in main benefit numbers this month was also smaller than usual (see para 15-16 for more information). This may have been due to on-going disruptions in trends associated with the August 2021 shift to higher Alert Levels, as well as MSD's efforts to support people to gain or remain in employment.

Figure 1: Main benefit numbers increased in November, and the difference from the same time last year has continued to increase²



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.

- 13 Month-average³ benefit numbers continue to be below forecast (see Figure 2 in the *Monthly Benefits Update A3*).
- 14 There were around 352,100 people receiving a benefit in November 2021, which is about 34,300 (8.9 percent) fewer people than forecast in the Budget Economic and Fiscal Update (BEFU) 2021.
- 15 We are currently revising our forecasts for the Half Year Economic and Fiscal update (HYEFU) 2021 and these will be released on 15 December 2021.

Increases in the number of people receiving JSSH were partially offset by decreases in other main benefits

- 16 The number of people receiving JSSH increased by around 3,600 people in November 2021, following an increase of around 1,300 people in October. We generally see increases in this benefit from October each year as student's semesters come to an end, with numbers usually peaking around mid-January.
- 17 The increase in JSSH was partially offset by decreases in the number of people receiving Jobseeker Support – Work Ready (JS – WR). JS – WR numbers returned to pre-August 2021 lockdown levels in all regions⁴ in November. We normally see decreases in JS - WR this time of the year, as some seasonal work becomes available in the lead up to December (see para 23-26 for more information on work exits).
- 18 However, most of the decrease in Jobseeker Support in the last month was the result of the removal of the Subsequent Child Policy.

The Subsequent Child Policy removal resulted in a one-off shift of people from Jobseeker Support benefits to Sole Parent Support

- 19 On 8 November 2021 the removal of the Subsequent Child Policy⁵ came into effect. This resulted in a one-off compositional impact on numbers, rather than an effect on the overall number of people receiving a main benefit.
- 20 Around 5,700 people transferred from Jobseeker Support (JS) benefits to Sole Parent Support (SPS). Most of the transfers were from JS – WR (4,300), rather than JS – HCD (health condition or disability; 1,400).

³ Expenditure forecasts are determined by the number of people during the month, rather than as at month-end. They will differ slightly from the official benefit counts in the remainder of this update, which are as at month-end.

⁴ Regional council areas were used for the number of people receiving benefits or hardship in this commentary, however this data is unavailable for grants and cancels data, where Work and Income regions have been used.

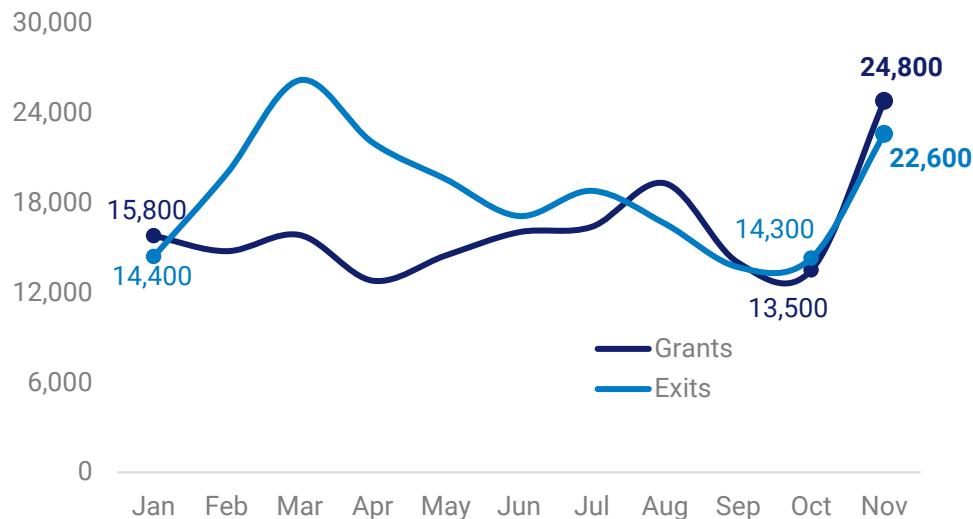
⁵ For more information on this policy change, please see: <https://www.workandincome.govt.nz/about-work-and-income/news/2021/subsequent-child-policy-removal.html>

Grants, exits, and exits into work

The number of grants and exits increased in November because of the Subsequent Child Policy removal

- 21 Transfers between JS and SPS associated with the removal of the Subsequent Child Policy resulted in a sharp increase in the number of grants and exits in November (See Figure 2, overleaf).
- 22 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.
- 23 Between October and November 2021, the number of grants increased by 11,300 (up 84.0 percent), and the number of exits increased by 8,300 (57.7 percent).

Figure 2: The number of grants and exits spiked in November because of the Subsequent Child Policy removal



- 24 Excluding the grants and cancels associated with the removal of the Subsequent Child Policy (approximately 5,700), the number of grants and exits would still have increased in November compared to October.
- 25 The higher number of grants relative to exits in November reflects the increase in JSSH recipients and the increase in main benefit numbers overall.

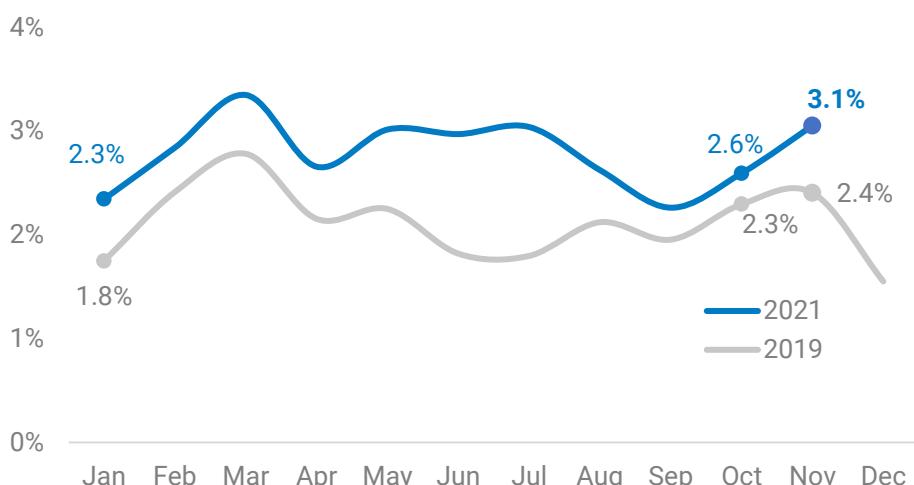
The work exit rate increased in November, and remained higher than in the same period in 2019

- 26 There was an increase of around 1,500 work exits from the previous month. The proportion of people leaving a main benefit to go into employment in November, or the work exit rate⁶, increased to 3.1 percent, up 0.5 percentage points (see Figure 3, overleaf).

⁶ 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.

- 27 The gap between the work exit rate for November and the same time 2019 (pre-COVID-19) has also increased.

Figure 3: In November 2021, the overall work exit rate increased and continued to remain higher than pre-COVID-19 levels



- 28 The work exit rate for both JS – WR and Sole Parent Support (SPS) also increased and remained in line with pre-COVID levels. The higher number of exits, including exits into work, contributed to changes in these benefits this month.

Hardship Assistance

More people not receiving a main benefit are being supported through hardship assistance

- 29 The number of Special Needs Grants (SNGs) increased by around 6,100 (up 5.0 percent) in November 2021, with SNGs for food making up most of this increase, consistent with typical trends.
- 30 The number of SNG grants are variable, with small movements expected from month to month. The small increase in grants from October to November is in line with these expected variations.
- 31 Income thresholds for SNGs, Recoverable Assistance Payments and Advance Payments⁷ were temporarily increased from 01 November to enable more New Zealanders to receive this support, as part of the response to the extended COVID-19 Alert Level restrictions.⁸

⁷ Recoverable assistance payments are hardship assistance that needs to be paid back, while Benefit Advances are advances of up to 6 weeks of a person's benefit, and are also recoverable.

⁸ For more information see: <https://www.beehive.govt.nz/release/government-extends-hardship-assistance-low-income-workers>

- 32 In line with this change, the number of SNGs received by people not receiving a main benefit increased in November to around 18,600 (up 4,700 or 34.3 percent).
- 33 The number of Recoverable Assistance Payments (RAPs) also increased for this group to around 6,100 (up 2,400 or 63.0 percent).
- 34 The increase in RAPs may also be partially driven by increased availability of items and services that RAPs are usually granted for (eg. car repairs and glasses) because of the Alert Level restrictions for Auckland partially lifting in November.

Upcoming benefit system impacts

- 35 If typical seasonal trends occur, we will see benefit numbers rise in December. JS – WR numbers usually increase as hiring slows down towards the end of the year, many seasonal workers reach the end of their contracts, and young people enter the system as the academic year ends. JSSH numbers are also likely to continue increasing until around mid-January.
- 36 There is 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). New Zealand moved from the Alert Level system to the new Framework on Thursday 2 December at 11.59pm.

Upcoming releases¹⁰

- 37 Trends in emergency housing will be reported in the *November Monthly Housing Update* in December.
- 38 *Wage Subsidy Scheme employee information* is published weekly on the MSD Weekly Reporting page.
- 39 Quarterly student data will also be published in the *Student Support Update* at the end of December.

Changes to reporting

- 40 Note that MSD is transforming the way we report on ethnicity data from ‘Prioritised Ethnicity’ to ‘Total Response’ ethnicity, which is consistent with Statistics New Zealand standards. This is the first Monthly Benefits Update to use Total Response ethnicity.¹¹

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