



Monthly Benefits Update - Commentary

August 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for August 2022. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 16 September 2022.¹

Key points

- 2 The number of people receiving a main benefit remained similar between July and August 2022, decreasing by nearly 600 people (down 0.2 percent, to around 345,200 people). Prior to 2020, we usually saw the number of people remain steady or slightly increase each August.
- 3 The most notable month-on-month changes in specific benefit types were nearly 1,300 fewer people on Jobseeker Support, which was offset by around 600 more people receiving Supported Living Payment (SLP)
- 4 The decrease in JS was driven by nearly 800 fewer people receiving Jobseeker Support – Work Ready (JS – WR), which may reflect MSD's sustained focus on supporting people into employment, and the tight labour market.
- 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 August.
- 6 The number of grants remained stable, and the number of exits increased between July and August 2022. The difference between grants and exits (around 500) has narrowed compared to July. The work exit rate increased between July and August and was comparable to 2019 levels.
- 7 In August 2022, the number of Special Needs Grants (SNGs) increased by around 3.8 percent, driven by SNGs for food. This was a smaller than usual increase for overall SNGs. This small increase could be a flow on effect from the larger than usual increase seen in July, which coincided with an increase of COVID-19 cases in the community.

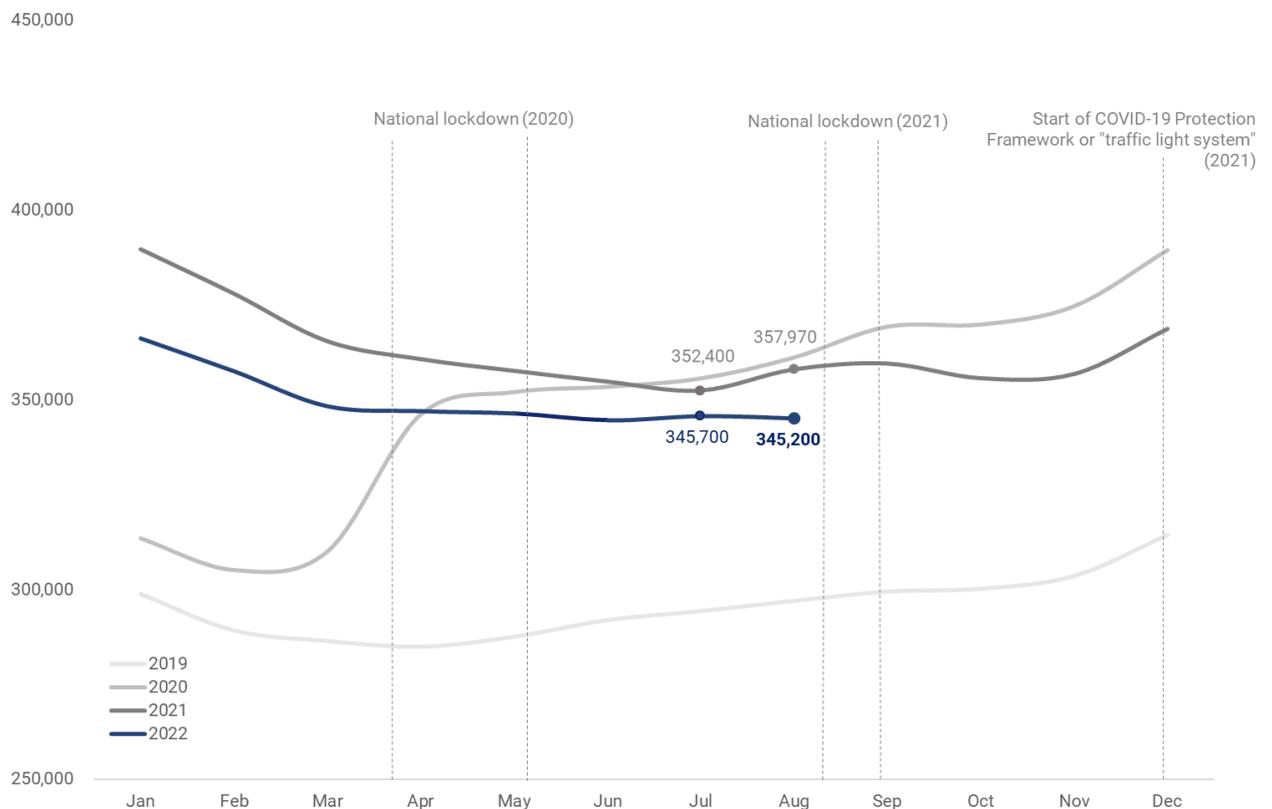
¹ For the full set of data and supporting information, please see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/

Main benefits

Main benefit numbers were similar between July and August

- 8 There were around 600 fewer people (down 0.2 percent) receiving a main benefit at the end of August 2022 (345,700). Prior to 2020, benefit numbers usually remained steady or increased slightly each August.
- 9 Compared to July, there was a larger year-on-year decrease in August. There were around 12,800 fewer people receiving a main benefit when compared to August 2021 (down 3.6 percent year-on-year, compared to 1.9 percent year-on-year decrease in July). This largely reflects more people receiving a main benefit last year as we went into a national lockdown (Alert Level 4) in mid-August 2021.
- 10 This contrasts with the longer-term trend, where year-on-year reductions in main benefit numbers have been slowing since the beginning of the year (see Figure 1). This could reflect the number of benefit recipients with longer durations, who often have more barriers to employment (such as health issues) and may require more time and support to exit a benefit into work.

Figure 1: Main benefit numbers have remained flat through the winter months



- 11 Year-on-year reductions may also reflect the record-high numbers of work exits in 2021, which drove overall decreases in main benefit numbers into July, likely

due to several factors including MSD's sustained focus on supporting people into work and a tight labour market.²

The high number of work exits through 2021 partially reflected the characteristics of those who came onto benefit over 2020. Many had no previous benefit history and were able to find work more easily than those who had been on benefit longer-term.

Overall, benefit numbers remained in line with the latest forecasts

- 12 In August 2022, month-average³ benefit numbers were very close to forecast (see Figure 2 in the Monthly Benefits Update A3). There were around 345,900 people receiving a benefit in August 2022, which is about 100 (or 0.03 percent) fewer people than forecast in the Budget Economic and Fiscal Update (BEFU 22).
- 13 However, there were offsets within main benefit numbers. While the number of people on Jobseeker Support (JS) was lower than forecast at BEFU 22, this was mostly offset by the number of people on Supported Living Payment (SLP) and Sole Parent Support (SPS) being higher than forecast.⁴

Main benefit numbers are expected to decrease through 2022, but may increase earlier in 2023 than forecast at BEFU 22

- 14 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.
- 15 At BEFU 2022, we forecast that benefit numbers would increase from around mid-2023. The 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.
- 16 However, since BEFU 22, inflation has been higher than forecast by The Treasury and interest rates are rising faster than expected. It is possible that economic conditions could soften sooner and the turning point for benefit numbers increasing could begin around early-2023.
- 17 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.

² 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

³ 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).

⁴ 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.

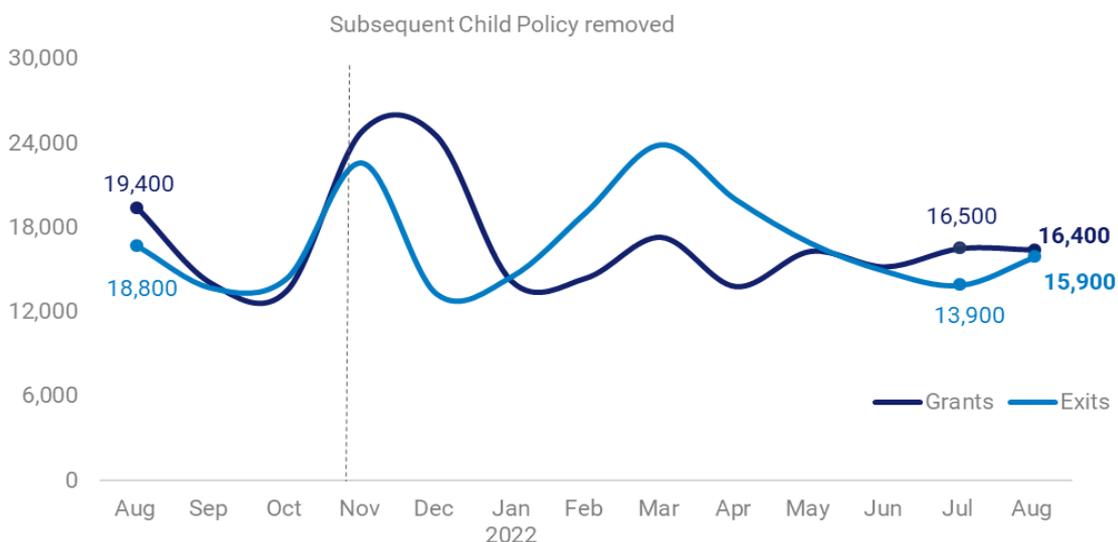
Grants, exits, and exits into work

The difference between grants and exits narrowed, after diverging in July

18 As shown in Figure 2 (below), the number of benefit grants remained similar (down around 100, or 0.6 percent), while main benefit exits increased (up nearly 2,000, or 34.4 percent) in August 2022, compared with July.

19 Of all exits from main benefits, 16.1 percent were due to people transferring to another benefit (down from 18.2 percent in July). We may continue to see transfers to another benefit slow down, as most people may have their medical certificate review completed by September 2022.

Figure 2: Grants and exits were very similar in August



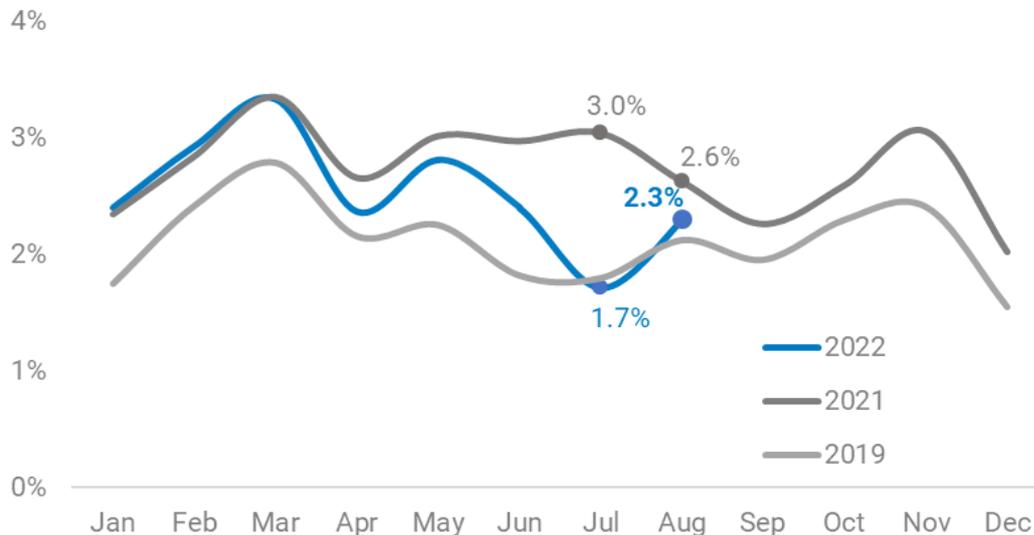
The work exit rate in August continued to be close to the 2019 trend

20 As shown in Figure 3 (overleaf), the work exit rate⁵ has been slowing since April. However, there were around 2,000 more exits into work (up 34.4 percent) when compared to July.

21 At 2.3 percent, the work exit rate in August continued to follow a similar trend to 2019 (2.1 percent) and was lower than in 2021 (2.6 percent).

⁵ 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.

Figure 3: The overall work exit rate continued to follow 2019 trends



SNGs increased in August, but at a slower rate than usual

- 22 The number of Special Needs Grants (SNGs) increased in August 2022 by around 4,700 (up 3.8 percent from July 2022), to nearly 128,400. The increase in SNGs was driven by nearly 3,100 more SNGs for food (up 2.6 percent).
- 23 The increase in SNGs was lower than what we have seen each August prior to the pandemic. However, this may be a flow on effect from having a higher than usual increase in July, which coincided with increases in the number of COVID-19 cases in the community.
- 24 The overall amount of hardship assistance provided to non-beneficiaries has been reasonably stable since April (around 29,800 grants on average per month), and the increase in grants associated with the November change in income limits has been sustained through to August.⁶
- 25 The Government started paying the Cost of Living Payment from 1 August. The \$350 payment will be split into three monthly instalments.⁷ These payments may have resulted in fewer hardship grants for non-beneficiaries.

⁶ The Government made permanent changes to income limits for hardship assistance from 1 July 2022. However, these were not expected to have as large an impact as the November 2021 temporary changes. For more information, see: www.workandincome.govt.nz/about-work-and-income/news/2022/changes-announced-in-budget-2022.html

⁷ For more information see: www.ird.govt.nz/cost-of-living-payment



Upcoming benefit system impacts

26 The COVID-19 Short-Term Absence Payment (STAP) will end soon. 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.

Other releases⁸

27 The report, *What happened to people who left the benefit system* examines employment and other outcomes for people in the year ended June 2020 – for example if they entered education, employment, or training.⁹

⁸For other releases and regular reporting, see the MSD statistics page: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/index.html

⁹ For the full report see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/benefit-system/what-happened-to-people-who-left-the-benefit-system.html>