



Monthly Benefits Update - Commentary

December 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for December 2022. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 20 January 2023.¹

Key points

- 2 The number of people receiving a main benefit at the end of December 2022 increased by almost 7,500 people (up 2.2 percent) compared with November, to 353,900 people. This increase was in line with typical seasonal trends.
- 3 Increases in Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH) drove the overall increase. JS increased by 3,900 people (up 2.3 percent) to around 170,000 people. JSSH increased by almost 2,000 people (up 45.8 percent) to around 6,200 people.
- 4 The 2.2 percent month-on-month increase in main benefit numbers was below the usual three to four percent range seen at this time of year. This was due to smaller than usual increases in Jobseeker Support – Work Ready (JS – WR) and JSSH.
- 5 The number of main benefit grants (19,900) were higher than the number of exits (12,300). This was a result of an increase in grants and a decrease in exits, including exits into work, between November and December 2022. This was in line with what we usually see each year.
- 6 The number of Special Needs Grants (SNGs) granted increased in December. SNGs for food typically make up over 80 percent of all SNGs and tend to drive their overall trends. SNGs granted for food during December were higher than during November, from around 106,400 to 119,400 grants (up 12.2 percent). This was in line with main benefit numbers and seasonal trends, as households are more likely to come under financial pressure over the holiday period.
- 7 SNGs for medical costs almost doubled between November and December 2022. This was driven by MSD's change in dental treatment policy, which allowed more people to access essential dental care (see para 32 for more details).

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/>

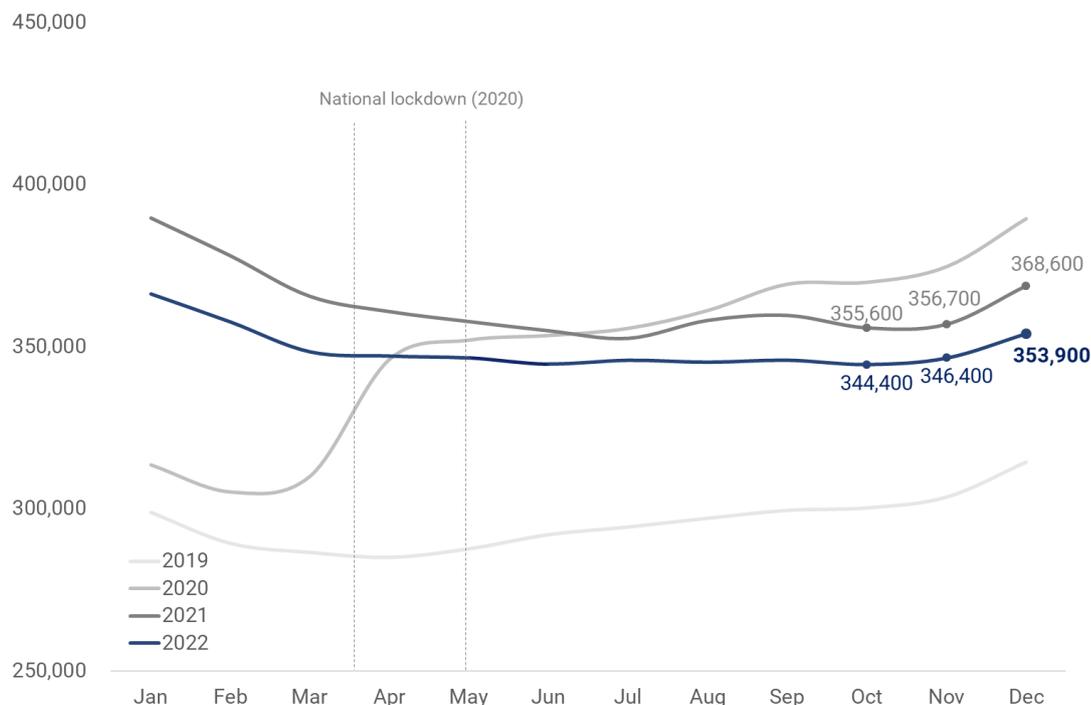


Main benefits

Main benefit numbers increased in December like every year, but this increase was smaller compared to previous ones

- 8 The number of people receiving a main benefit decreased between January and March 2022 before remaining relatively flat until November (see Figure 1).
- 9 Main benefit numbers then increased by almost 7,500 (up 2.2 percent) from November to December 2022 to 353,900 people. This increase was in line with seasonal trends that we usually see at this time of year (see para 14, 17 and 18 for further details).
- 10 While main benefit numbers increased in December, this month-on-month increase was smaller compared to previous years. Between 2017 and 2021, the increase between November and December has ranged from three to four percent.
- 11 There were almost 14,300 fewer people receiving a main benefit when compared to December 2021 (down 3.9 percent). Although year-on-year decreases have slowed from the peak in January 2022, main benefit numbers remained below 2021 levels. This slowing could partially reflect the number of benefit recipients that have remained on benefit for longer, 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 increased in December, in line with seasonal trends²



² Main benefit numbers increased in early 2020 when New Zealand entered its first national lockdown between 27 March and 15 May 2020. There was also an increase in main benefit numbers during a subsequent national lockdown between 17 August and 7 September 2021.



Increases in Jobseeker Support and Jobseeker Support Student Hardship drove overall increases, in line with seasonal trends

- 12 Most main benefit numbers increased in December 2022, but the overall increase was driven by increases in Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH).
- 13 The number of people receiving JS increased by almost 3,900 people (up 2.3 percent). This was driven by around 3,100 (up 3.3 percent) more people receiving Jobseeker Support – Work Ready (JS – WR).
- 14 The number of people on JS – WR usually begins to increase towards the end of the year as seasonal workers (e.g. in viticulture) reach the end of their contracts, and hiring slows down over the holiday period. However, from 2017 to 2021, month-on-month increases between November and December for JS – WR ranged from 4.5 percent to 6.0 percent, which was higher than the increase seen this year.
- 15 JS – WR recipients aged 20–24-years-old increased by around 1,000 (up 6.1 percent) people. This was in line with seasonal trends seen each year. This increase in younger clients may reflect young people completing their education and getting support as they prepare to enter the workforce. As 20–24-year-olds are the largest age group within JS – WR clients, they also tend to drive overall changes in this benefit.
- 16 There were nearly 800 more people (up 1.1 percent) receiving Jobseeker Support – Health Condition or Disability (JS – HCD) compared to November 2022. Most people who were receiving JS – HCD during the pandemic have now completed their Work Capacity Medical Certificates (WCMC) review³. We expect to see gradual increases in JS – HCD recipients from now on, which follows trends usually seen prior to the pandemic.
- 17 The number of JSSH recipients increased by almost 2,000 to around 6,200 at the end of December. JSSH numbers usually increase from October each year as the academic year comes to an end. This number tends to peak in December, before decreasing from late February as the academic year commences. However, JSSH numbers for December 2022 were lower than the same month in previous years (see para 20–23 for more details).
- 18 In line with seasonal trends, the number of Sole Parent Support (SPS) clients increased by just over 600 people (up 0.8 percent). This could be due to the fixed term or casual nature of work that Sole Parent Support clients are more likely to work in, such as the education sector which does not cover leave over the holiday period.

³ From the end of January 2022, MSD resumed the Work Capacity Medical Certificate process to assess JS – HCD recipients based on case-by-case recommendations by their health professional. This resulted in some people exiting the benefit system or transferring to another benefit to better reflect their circumstances. This was reflected in the decrease in JS – HCD clients throughout the first half of 2022. For more information, see: www.workandincome.govt.nz/providers/health-and-disability-practitioners/medical-certificates.html

However, the increase in JSSH was smaller compared to previous years

- 19 From 2016 to 2021, the number of JSSH recipients peaked between around 8,000 and 10,000 each December. At the end of December 2022, there were around 6,200 JSSH recipients.
- 20 Over the longer-term, the number of JSSH recipients have, in general, declined in line with the decline in Student Allowance (SA) recipients. This is because eligibility for SA is generally a requirement for JSSH.⁴
- 21 In addition, the current tight labour market may have contributed to a more recent decrease in the number of JSSH and SA recipients. The increase in young people (aged 15–24) in employment may mean that fewer students need support or are eligible for JSSH.
- 22 Excluding JSSH recipients, the number of people receiving a main benefit increased by around 5,500 (up 1.6 percent) between November and December 2022.

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

- 23 Overall, month average benefit numbers⁵ have been lower than forecast with around 345,400 people receiving a main benefit in December 2022. This was around 3,400 (1.0 percent) fewer people than forecast at the Half Year Economic and Fiscal Update (HYEFU) 2022⁶.
- 24 There were 3,200 (1.8 percent) fewer people receiving JS than forecast at HYEFU 2022. There were also 600 (0.8 percent) fewer people receiving SPS than forecast, whereas there were 300 (0.3 percent) more people receiving Supported Living Payment than forecast in December 2022.

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

- 25 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.
- 26 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.

⁴ For more information on SA recipient trends please see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink/new-student-allowance/1-number-and-amounts-paid-out-for-student-allowance-and-accommodation-benefit-payments.html

⁵ 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).

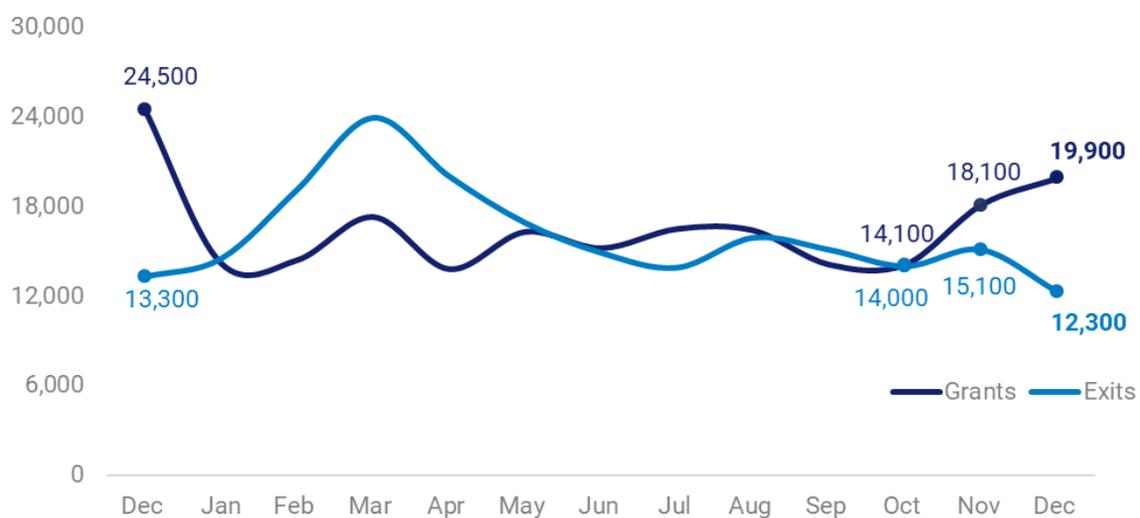
⁶ For more information on the latest benefit forecast, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/hyefu/december-2022.html>

Grants, exits, and exits into work

A higher number of grants than exits resulted in more people receiving a main benefit overall, in line with seasonal trends

27 There was an increase in the number of main benefit grants and a decrease in the number of exits from November to December 2022 (see Figure 2). The number of grants (19,900) was higher than the number of exits (12,300), in line with what we usually see in December each year.

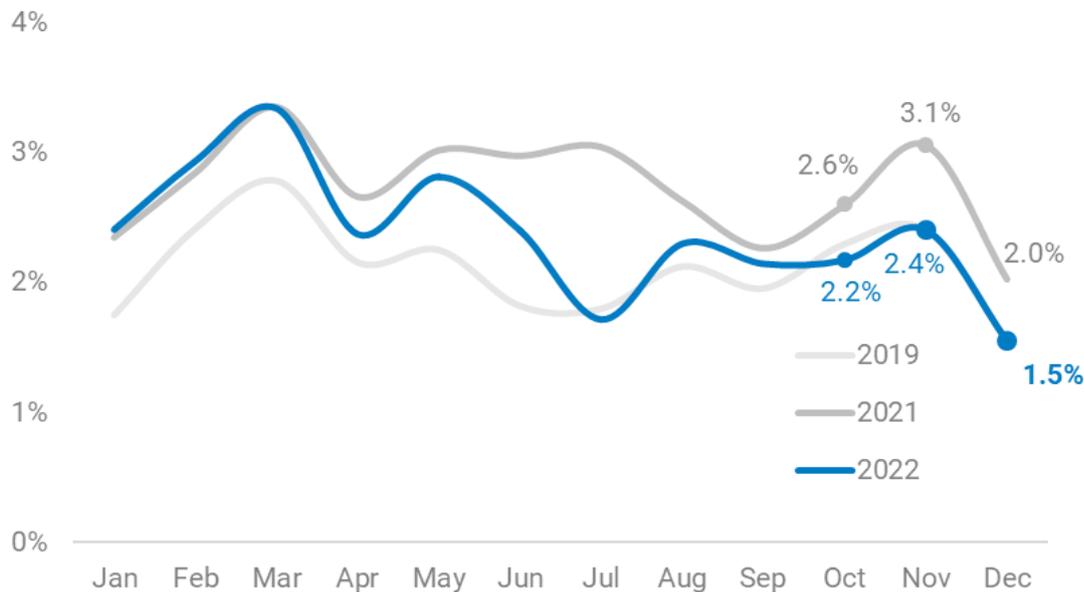
Figure 2: Main benefit grants were higher than exits over the December quarter



The work exit rate continued to follow pre-COVID trends

- 28 There were nearly 5,400 exits into work in December 2022. This was a decrease of around 2,900 (or 35.1 percent) when compared to the previous month.
- 29 As shown in Figure 3, the work exit rate (1.5 percent) decreased month-on-month as is usual at the end of each year, and stayed close to the 2019 trend throughout the December 2022 quarter.

Figure 3: The overall work exit rate was similar to December 2019



Hardship Assistance

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

- 30 The number of Special Needs Grants (SNGs) increased by around 16,900 (up 13.3 percent) between November and December 2022, to around 144,100. This was expected as households are more likely to come under financial pressure over the holiday period.
- 31 SNGs for food typically make up over 80 percent of all SNGs granted, and tend to drive their overall trends. SNGs for food increased by around 13,000 grants (up 12.2 percent) to around 119,400 grants for December 2022.
- 32 SNGs for medical costs almost doubled, to around 7,800 grants during December 2022. This was driven by MSD increasing the support available for dental treatment, allowing more people to receive needed dental care.⁷ We tend to see a noticeable change in trends when a policy is first implemented, in this case a large uptake of that support, which then levels off as it becomes standard practice.

Upcoming benefit system impacts

- 33 If typical seasonal trends occur, we will see benefit numbers begin to decrease in February as work exits increase and fewer people receive JS – WR. The number of people receiving JSSH will also fall as the academic year resumes. This will affect

⁷ MSD made the following changes to dental – SNGs, which came into effect from 1 December 2022:

- increasing the maximum available from \$300 to \$1,000 within a 52-week period
- making it available for all MSD clients and low-income people
- allowing it to be used for any immediate and essential treatment.



students who return to their studies and may affect JS – WR and SPS recipients who return to work in the education sector.

Upcoming releases⁸

- 34 Trends in emergency housing will be reported in the *December Monthly Housing Update* in January.
- 35 The *December Quarter Benefit Fact Sheets* will be published on 19 January 2023.
- 36 The next *Monthly Benefits Update - Commentary* for January 2022 will be published on 10 February 2023.

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