



Monthly Benefits Update - Commentary

February 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for February 2022. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 11 March 2022.¹

Key points

- 2 The number of people receiving a main benefit continued to decrease in February 2022 (down 2.4 percent, to around 357,500). This aligns with what we normally see each year.
- 3 Almost all main benefits saw a decrease in February. As is usual this time of the year, most of this decrease was due to: 4,100 fewer people receiving Jobseeker Support Student Hardship (JSSH), as tertiary education institutions open for the year; and 2,600 fewer people on Jobseeker Support – Work Ready (JS – WR), as hiring picks up early in the year (see paragraphs 12-14 for more information).
- 4 There continued to be more people exiting than entering benefit in February, due to more people finding employment, and more students entering or returning to full-time study – mostly reflecting the decreases in JSSH and JS – WR. The work exit rate increased in line with 2021, and remained above 2019 levels (i.e. pre-pandemic).
- 5 As we usually see each February, the number of Special Needs Grants (SNGs), including for food, decreased month-on-month. This was despite the move to phase 3 of the Red setting², which may reflect that local community providers are providing a large share of the support to those directly affected by COVID-19³.

Main benefits

Seasonal decreases in benefit numbers continued in February, while ongoing yearly reductions slowed down

- 6 There were around 8,600 fewer people receiving a main benefit at the end of February 2022 (357,500), compared with the previous month (down 2.4 percent).

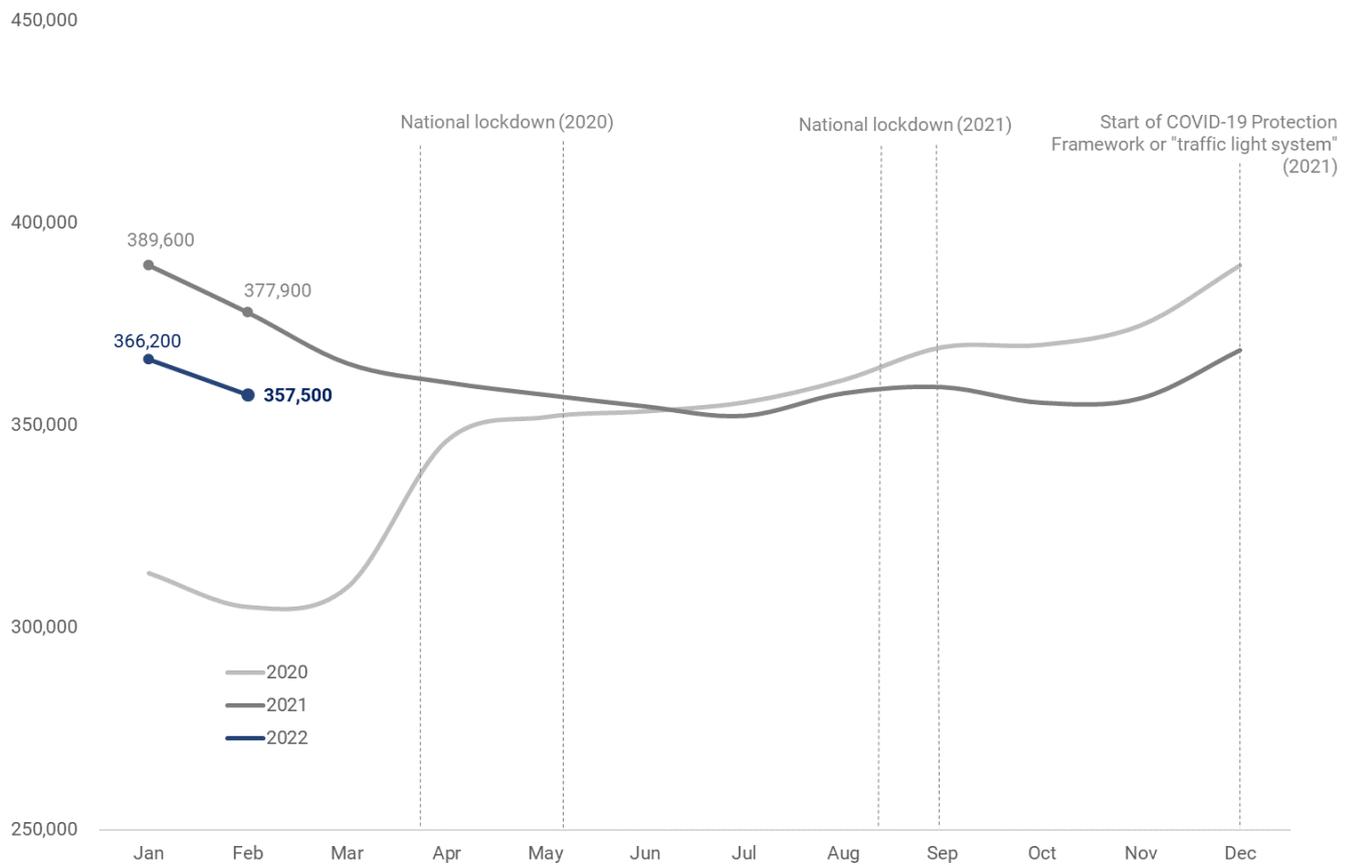
¹ For the full set of data and supporting information, please go to: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/>

² For more information on the Government's response to Omicron, please see: <https://covid19.govt.nz/prepare-and-stay-safe/about-covid-19/our-response-to-omicron/#about-phase-3>

³ Government Provides Stability for Whānau Self Isolating: <https://www.beehive.govt.nz/release/government-provides-stability-wh%C4%81nau-self-isolating>

- 7 After increases each December, we usually see the number of people receiving a main benefit dropping throughout the first quarter of each year, through to April.
- 8 There were around 20,400 fewer people receiving a main benefit in February 2022 than in February 2021 (down 5.4 percent year-on-year, compared to 6.0 percent year-on-year in January). The reduction in the year-on-year difference in February may reflect the ongoing uncertainty associated with the current COVID-19 community outbreak.

Figure 1: Main benefit numbers continued to decrease year-on-year in February, but at a slower rate than in recent months⁴



⁴ Note that due to the large numbers shown in this graph the y axis has been shortened and begins at 250,000 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.



Benefit numbers remained in line with the latest forecasts

- 9 In February 2022, month-average⁵ benefit numbers continued to be relatively close to forecast (see Figure 2 in the Monthly Benefits Update A3).
- 10 There were around 355,000 people receiving a benefit in February 2022, which is about 3,300 people (0.9 percent) above the number forecast in the Half Year Economic and Fiscal update (HYEFU)⁶ in December 2021.
- 11 Month-average benefit numbers are forecast to continue to decline through to 2023. However, there is always a level of uncertainty associated with any forecast as the assumptions they are built on can become outdated, and unforeseen circumstances can arise. In this case, the current outbreak of the COVID-19 Omicron variant and the impact of shifting to a higher traffic light setting was not part of the underlying forecast assumptions included in Treasury's HYEFU 21 outlook.

JSSH and JS recipients continued to decrease through February

- 12 As typically expected this time of the year, decreases in main benefit numbers in February 2022 were driven by Jobseeker Support Student Hardship (JSSH) and Jobseeker Support (JS).
- 13 The number of people receiving JSSH almost halved, having decreased by around 4,100 people (from 8,500 to 4,400). 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, with numbers dropping to fewer than 500 students from around March to September.
- 14 The number of people receiving JS decreased by around 3,600 people (down 2.0 percent), to 183,300. More specifically, the number of Jobseeker Support – Work Ready (JS – WR) recipients decreased by around 2,600 (down 2.5 percent), to 103,400. We would normally expect this decreasing seasonal trend to continue through to April, as hiring tends to remain strong after the Christmas break.

Grants, exits, and exits into work

There were more people exiting than entering benefit in February

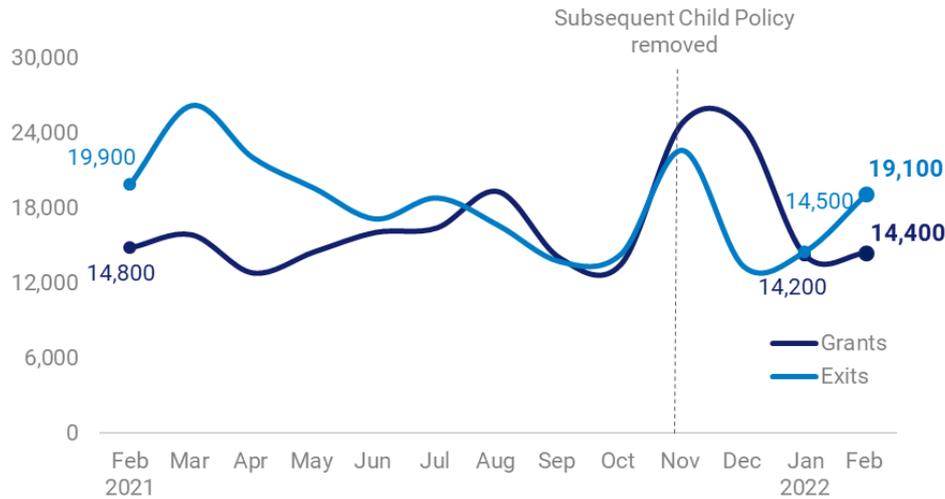
- 15 As shown in Figure 2 (overleaf), there was a small increase in main benefit grants (up around 200, or 1.6 percent), and a larger increase in main benefit exits (up around 4,600, or 31.3 percent) in February 2022.
- 16 The majority of the increase in exits was due to more people finding employment (41.4 percent), or more students entering or returning to full-time study (34.5 percent).

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 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>



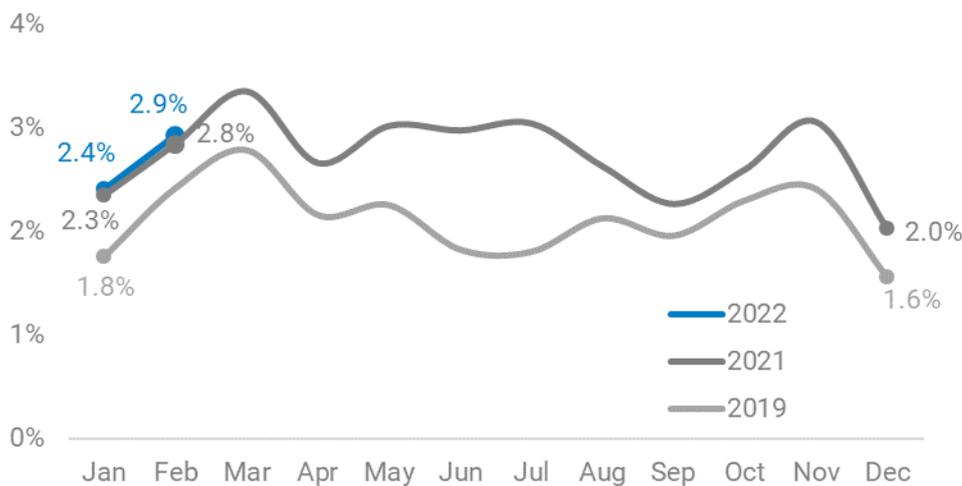
Figure 2: There was an increase in people exiting benefit in February, as is usual at this time of the year



The work exit rate mirrored that of 2021, remaining above pre-COVID levels

17 The work exit rate⁷ for all main benefits followed a similar trend to 2021, increasing to 2.9 percent in February 2022. This was up 0.5 percentage points from January 2022 (see Figure 3 below).

Figure 3: The overall work exit rate increased in February, and remained higher than pre-COVID-19 levels



⁷ 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.



- 18 The number of people exiting into work has so far in 2022 been lower than in the first two months of the March 2021 quarter, when a larger number of people were receiving a benefit and an unprecedented proportion exited benefit into employment. Historically, however, February 2022 was amongst the highest February work exit rates recorded.

Hardship Assistance

There was a decrease in the overall number of SNGs in February, following usual trends

- 19 The number of SNGs decreased by 13,300 from January to February 2022 (down 9.5 percent). There is usually a decrease in February each year, after demand for SNGs drops following increases in grants during the holiday period.
- 20 There were 16,100 fewer SNGs for food (down 13.3 percent), which made up around 82.6 percent of all SNGs in February. However, there were small increases in most other types of SNGs, in particular Emergency Housing SNGs (EH SNGs), which increased by 1,300 (up 12.1 percent), partially offsetting the large decrease seen in food SNGs. The increase in EH SNGs was in line with what we usually see this time of the year⁸.
- 21 This decrease contrasts with the sharp rise in COVID-19 cases in the community, particularly since the end of February, which has not translated into a corresponding increase in demand for SNGs. However, this may reflect an increase in the wraparound support that local community providers are providing on the ground to those with welfare needs⁹.
- 22 On the other hand, we have seen the number of non-beneficiaries (those not receiving a main benefit) accessing hardship assistance¹⁰ grow by 13.4 percent in February 2022. This likely reflects the temporary lift of income thresholds to enable more New Zealanders to receive this type of support. This change was initially from 1 November 2021 through to 28 February 2022, but has been extended to 30 June¹¹.

Upcoming benefit system impacts

- 23 In response to the rapid increase in daily COVID-19 cases, the country moved to phase 2, and subsequently phase 3 of the Red setting on 15 and 25 February,

⁸ For more information on trends in Emergency Housing, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/monthly-housing-reporting.html>

⁹ The Ministry of Social Development is leading the coordination of the welfare approach for people required to self-isolate, working closely with key agencies across the health, housing education, economic and other sectors, and with iwi/Māori. For more information see: <https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2021/covid-19/2021/supporting-people-with-covid-19-isolating-at-home.html>

¹⁰ Hardship assistance includes: SNGs, Recoverable Assistance Payments, and Advance Payments. For more information, see: <https://www.workandincome.govt.nz/about-work-and-income/news/2021/more-new-zealanders-to-get-hardship-support.html>

¹¹ Income thresholds temporarily lifted to enable more New Zealanders to receive hardship assistance have been further extended. For more information, see: <https://www.beehive.govt.nz/release/government-further-extends-hardship-assistance-low-income-workers>



respectively. To make it easier for people to access a benefit in a timely manner during the current peak, some of MSD's processing standards (such as the need to provide a medical certificate to be granted a benefit) have been extended or put on hold until further notice.

- 24 Additionally, the COVID-19 Leave Support Scheme and the Short-Term Absence Payment¹² will continue to be available to employers, to help them pay staff while isolating because of COVID-19.

Other releases¹³

- 25 Trends in Emergency Housing will be reported in the *February Monthly Housing Update*, published in March.
- 26 The latest *Benefit System Update* report was published on 28 February 2022¹⁴. This report examines longer term trends in the benefit system, including the impact of COVID-19, along with the broader influence of the economy and labour market.

¹² For more information on the COVID-19 Leave Support Scheme and Short-Term Absence Payment, see: <https://workandincome.govt.nz/covid-19/leave-support-scheme/index.html>

¹³ For other releases and regular reporting, see the MSD statistics page: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/index.html>

¹⁴ Benefit System Update 2021 (MSD) - <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-2021.html>