



Monthly Benefits Update - Commentary

January 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for January 2022. This document is published alongside the update on the Ministry of Social Development (MSD) website on Friday, 11 February 2022.¹

Key points

- 2 In line with normal trends for this time of year, there were around 2,000 fewer people receiving a main benefit as at the end of January 2022 (366,200) compared to the previous month (down 0.5 percent).
- 3 Fewer people were receiving a main benefit in January 2022 compared to the same time last year (down 23,400 people, or 6.0 percent year-on-year). However, the number of people receiving main benefits has not yet decreased to pre-COVID-19 levels (eg. in 2019).
- 4 Most main benefits decreased in January 2022. Of note, the number of people receiving Emergency Benefit (EB) decreased by around 500 (down 20.4 percent), in line with seasonal trends. The number of people receiving Jobseeker Support (JS) also decreased by around 1,000 people (down 0.5 percent).
- 5 While JS usually begins decreasing on a weekly basis from mid to late-January, overall monthly numbers can remain higher until February. The overall decrease at the end of January may reflect the continued strength of the economy and labour market, and MSD's sustained focus on supporting people into work.
- 6 In January 2022, there was a decrease in grants and an increase in exits, driven by changes in the number of people receiving JS or EB. The work exit rate also increased in January, remaining higher than the same period in 2019.

Main benefits

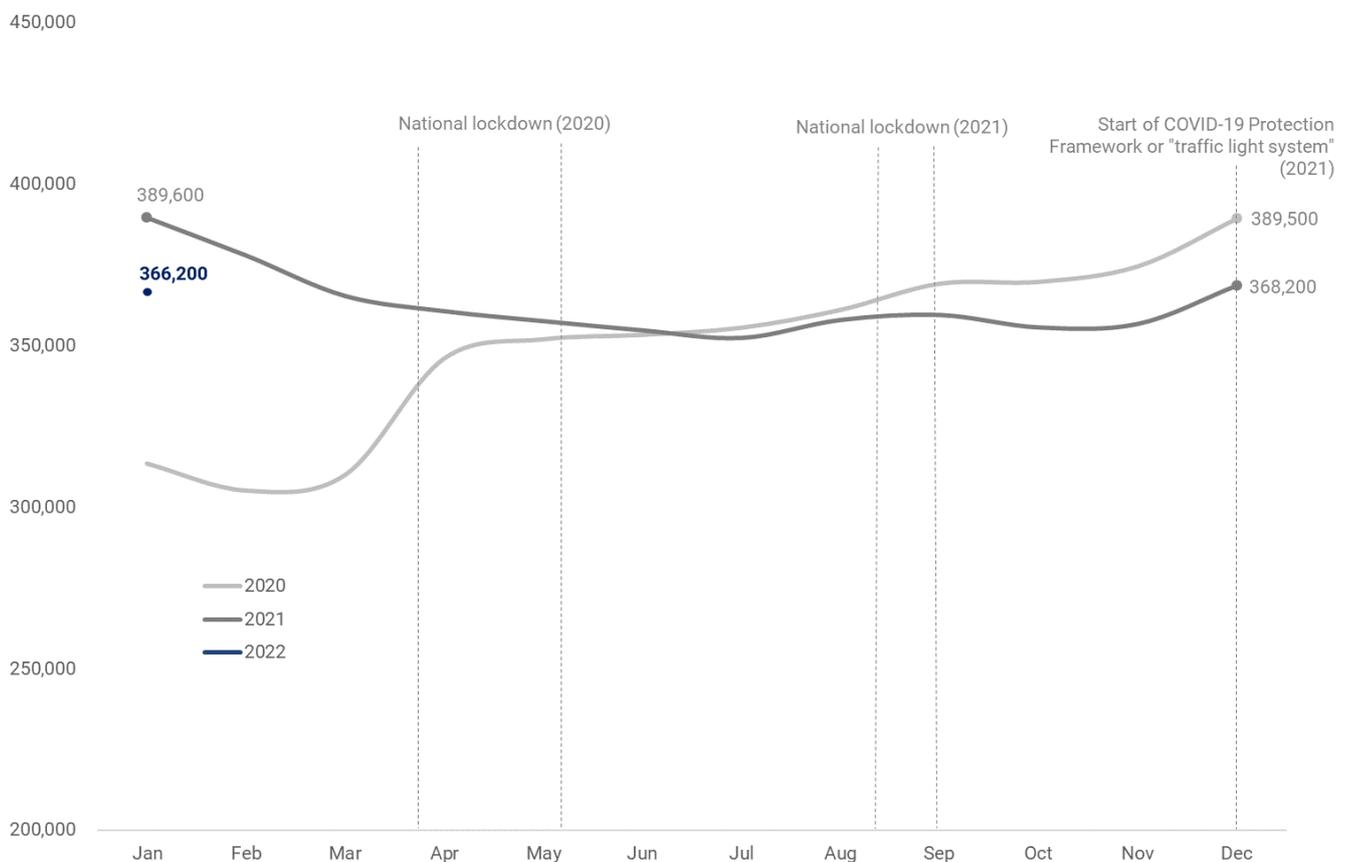
There was a decrease in main benefit numbers in January, associated with usual seasonal trends

- 7 There were around 2,000 fewer people receiving a main benefit as at the end of January 2022 (366,200) compared to the previous month (down 0.5 percent).
- 8 Since November 2021, there has been a gradual return to pre-COVID-19 trends, and this continued in January 2022.

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 We usually see decreases in the number of people receiving main benefits at this time of year (see para. 15-18 for more information).
- 10 As shown in Figure 1, in January 2022, there were around 23,400 fewer people receiving a main benefit than in January 2021 (down 6.0 percent year-on-year, compared to 5.5 percent year-on-year in December). However, the number of people receiving main benefits has not yet decreased to pre-COVID-19 levels (eg. in 2019).

Figure 1: Main benefit numbers decreased in January, in line with seasonal trends²



Benefit numbers were in line with updated forecasts

- 11 In January 2022, month-average³ benefit numbers were relatively close to forecast (see Figure 2 in the Monthly Benefits Update A3).

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.

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).



- 12 There were around 358,700 people receiving a benefit in January 2022, which is about 1,700 people (0.5 percent) above the number forecast in the Half Year Economic and Fiscal update (HYEFU)⁴ in December 2021.
- 13 Going forward, month-average benefit numbers are forecast to decline through to 2023. However, there is always a level of uncertainty with these forecasts, which is heightened by the COVID-19 pandemic. For example, New Zealand is currently at the Red setting of the COVID-19 Protection Framework, which is a higher setting than in Treasury's HYEFU 21 assumptions.

The number of people receiving JS, EB, and JSSH started decreasing from mid to late January

- 14 Decreases in main benefit numbers in January 2022 were driven by Jobseeker Support (JS) and Emergency Benefit (EB).
- 15 The number of people receiving JS decreased by around 1,000 (down 0.5 percent). Decreases in JS are usually apparent from mid- to late-January in weekly data⁵, as more seasonal work becomes available and hiring picks up, after slowing over the holiday period.
- 16 However, month-end numbers for JS do not usually decrease until February. The decrease in January may reflect the economy and labour market continuing to be stronger than expected, making it easier for people to find work. The Ministry of Social Development (MSD) has also been maintaining a strong focus on supporting people into work.
- 17 The number of people receiving EB decreased by around 500 (down 20.4 percent) in January 2022, in line with trends in previous years. Seasonal workers unable to find work and those who need support through employer shutdowns make up most of the increase in EB in December and early January. Numbers tend to decrease in mid- to late-January as more people exit into employment.
- 18 There was only a small change in Jobseeker Support Student Hardship (JSSH) in January (a decrease of around 100 people, or down 0.8 percent). The number of students receiving JSSH usually peaks around mid-January, before decreasing as education institutions open for the year. This is expected to continue decreasing in February as students return to their studies.

Grants, exits, and exits into work

There was a decrease in grants and an increase in exits in January 2022

- 19 As shown in Figure 2 (overleaf), there was a large month-on-month decrease in grants (down around 10,200, or 41.9 percent), and a smaller increase in exits (up around 1,300, or 9.6 percent) in January 2022.

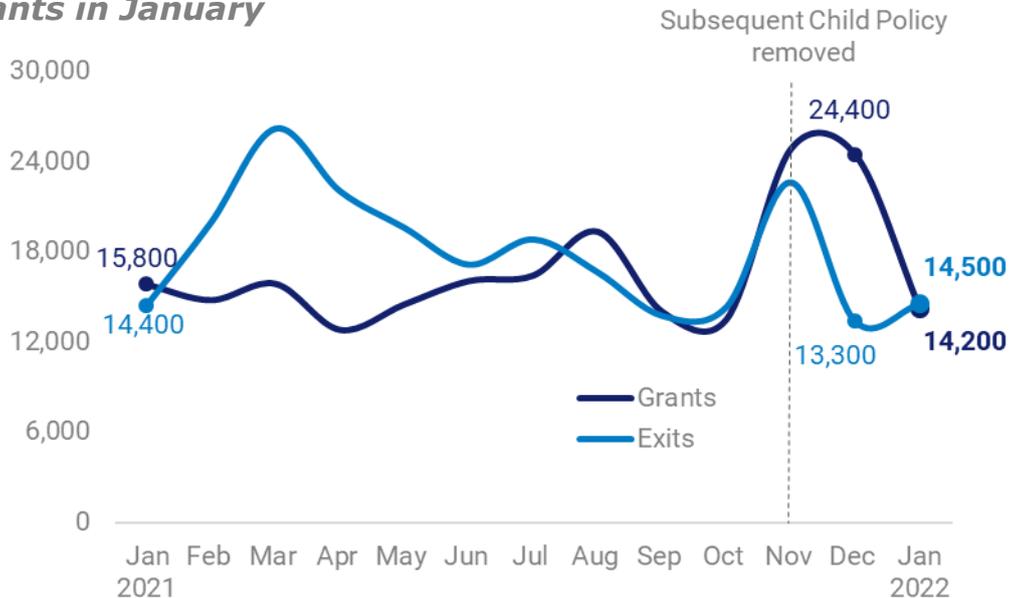
⁴ For the Half Year Economic and Fiscal Update 2021 see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/hyefu/december-2021.html>

⁵ For weekly reporting see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/weekly-reporting/>



20 This overall pattern reflects seasonal decreases in the number of people receiving JS, EB, and JSSH benefits described previously.

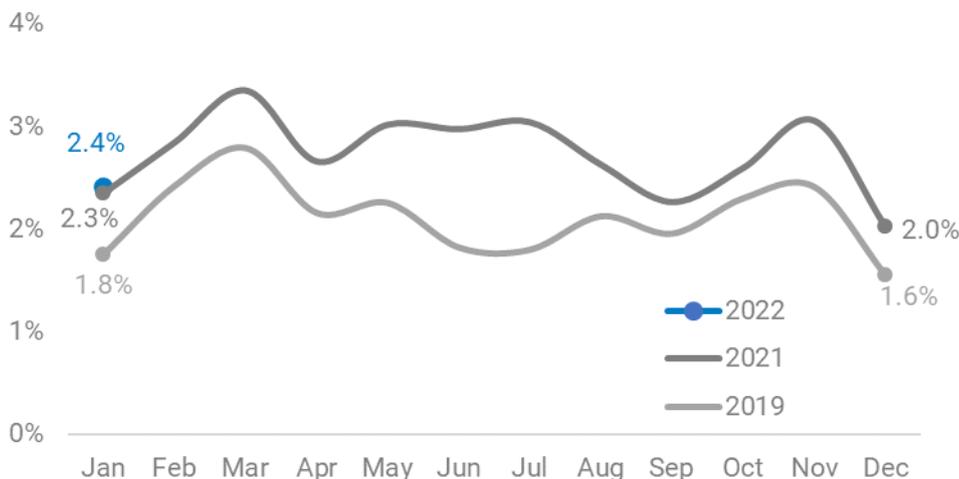
Figure 2: In line with seasonal trends, there was a large decrease in grants in January



The work exit rate increased in January 2022, and remained higher than in the same period in 2019

21 In January 2022, the number of people exiting benefits into work increased by around 1,600 (up 22.6 percent) from December 2021. The work exit rate⁶ also increased to 2.4 percent, up 0.4 percentage points from December 2021 (see Figure 3).

Figure 3: The overall work exit rate increased in January 2022, and remained higher than pre-COVID-19 levels



⁶ 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.



- 22 The increase in the work exit rate in January 2022 was in line with increases we normally see at this time of year. This was despite the high levels of uncertainty surrounding the shift to the Red setting of the COVID-19 Protection Framework.

Hardship Assistance

There was no substantial change in the number of SNGs between December 2021 and January 2022

- 23 Between December 2021 and January 2022 there was no substantial change in the overall number of SNGs (down 300, or 0.2 percent). While there was a decrease from January 2021 (down around 11,600, or 7.6 percent), numbers continued to remain higher than pre-COVID-19 levels (up 9,700, or 7.4 percent from January 2020).
- 24 There were decreases in most SNG types in January 2022, particularly Emergency Housing SNGs (down around 2,800 or 21.4 percent). This was due to the holiday period, with many grants made in December covering stays in Emergency Housing during the first half of January.⁷
- 25 These decreases were partially offset by an increase in SNGs for food (up around 4,800, or 4.1 percent). However, the number of SNGs for food are variable, with small movements expected from month to month. The increase in grants from December to January is in line with these expected variations.
- 26 The increase in SNGs for food may partially reflect the additional support being provided by MSD to people who are self-isolating due to COVID-19⁸, and this trend should be monitored going forward.
- 27 The amount of hardship assistance provided to people not receiving a main benefit also continued to be higher than usual. This likely reflects changes to income thresholds from 1 November 2021 through to 28 February 2022, to enable more New Zealanders to receive this support.⁹

Upcoming benefit system impacts

- 28 From 31 January 2022, MSD is restarting subsequent medical certificates and introducing changes to the Work Capacity Medical Certificate process. This process may begin to have an impact on numbers from March.¹⁰

⁷ 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>

⁸ 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>

⁹ Income thresholds for SNGs, Recoverable Assistance Payments, and Advance Payments were temporarily increased to enable more New Zealanders to receive this support. For more information see: <https://www.beehive.govt.nz/release/government-extends-hardship-assistance-low-income-workers>

¹⁰ For more information on this process, see: <https://msd.govt.nz/about-msd-and-our-work/newsroom/budget/2021/factsheets/improving-work-capacity-medical-certificates.html>



- 29 There is ongoing uncertainty around the size of any potential impact of vaccine mandates for some sectors¹¹, the Red setting of the COVID-19 Protection Framework, and the spread of Omicron in the community. While it is currently uncertain how these factors will influence the benefit system, we will monitor trends to understand the impact over time.
- 30 As more people in the community are required to self-isolate due to COVID-19, we may see a corresponding increase in the number of hardship grants, as MSD provides additional support to those who are self-isolating.

Upcoming releases¹²

- 31 Trends in emergency housing will be reported in the *January Monthly Housing Update* in February.
- 32 Stats NZ has released labour market statistics for the December 2021 quarter, and the Labour Market Statistics Snapshots were published on the Ministry of Business, Innovation and Employment's website on 8 February 2022.¹³
- 33 The latest *Benefit System Update* report will be published on 18 February 2022. 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.

¹¹ For more information see: <https://covid19.govt.nz/covid-19-vaccines/vaccinations-and-work/mandatory-vaccinations-for-workers/>

¹² For MSD 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>

¹³ For the Labour Market Statistics Snapshots see: <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/labour-market-statistics-snapshot/>