



Monthly Benefits Update - Commentary

May 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for May 2022. The commentary focuses on month-on-month comparisons and for greater context it also makes year-on-year comparisons. It was published on the Ministry of Social Development's (MSD) website on Friday 17 June 2022¹.

Key points

- 2 The number of people receiving a main benefit stayed relatively similar compared to April (down 0.2 percent, to around 346,400). There has been a decreasing trend since January 2022 that levelled off in May, in line with seasonal trends.
- 3 Between April and May, there was a decrease of around 1,500 people receiving Jobseeker Support – Health Condition or Disability (JS – HCD), which was partially offset by an increase of 1,100 people receiving Supported Living Payment (SLP). These month-on-month changes were both largely driven by the resumption of Work Capacity Medical Certificate reassessments².
- 4 Since the resumption of these reassessments at the end of January 2022, the number of people receiving JS – HCD has decreased by 8,300 (down 10.2 percent). Further decreases as a result of reassessments are forecast to continue until February 2023, a year after the process resumed.
- 5 More people continued to exit than enter benefit, however, the difference reduced throughout May. Following reassessments, we have seen more people leave the benefit system or transfer to another depending on their circumstances.
- 6 The number of Special Needs Grants (SNGs) increased slightly by 3.0 percent, mostly reflecting a higher number of working days in May. There were around 20 percent more working days in May compared to April.

Main benefits

Main benefit numbers stayed relatively similar overall, reflecting usual trends for this time of the year

- 7 There were around 600 fewer people receiving a main benefit at the end of May 2022 (346,400), compared with the previous month (down 0.2 percent). This

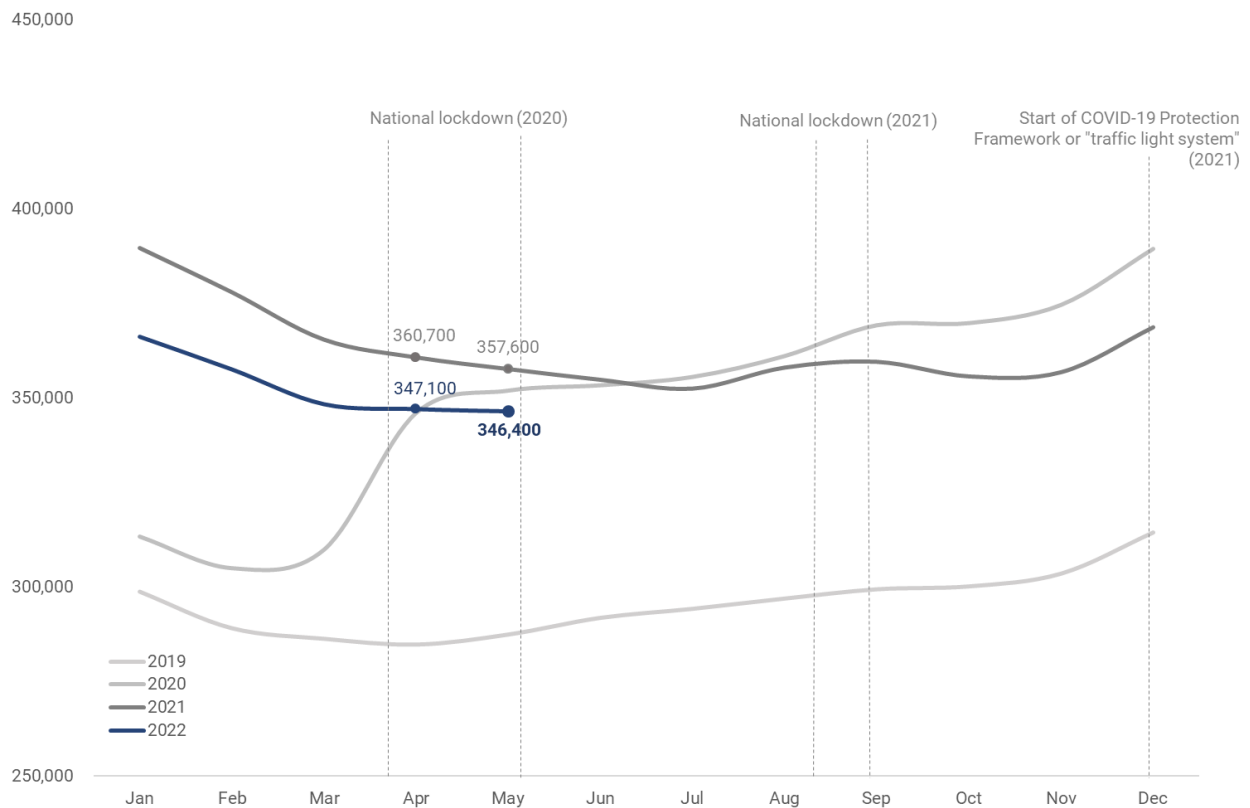
¹ For the full set of data and supporting information, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/>

² For more information on changes to the Work Capacity Medical Certificate process, see: <https://www.workandincome.govt.nz/about-work-and-income/news/2022/changes-to-the-work-capacity-medical-certificate-process.html>

decrease is in line with usual trends for this time of the year, prior to the beginning of the pandemic in 2020.

- 8 There were around 11,200 fewer people receiving a main benefit in May 2022 than in April 2021 (down 3.1 percent year-on-year, compared to a 3.8 percent year-on-year reduction the previous month). Year-on-year reductions have been slowing down since the beginning of the year (see Figure 1 below). This suggests a return to usual trends seen prior to 2020. It may also reflect the ongoing uncertainty associated with changing economic conditions or potential COVID-19 outbreaks.
- 9 In recent years, we have seen an increasing trend in main benefit numbers from around May, as we enter the winter months. This year, if there is a second Omicron wave, this could also impact benefit numbers.

Figure 1: The number of main benefit recipients in May went below 2020 levels for the first time this year



In BEFU 2022, main benefit recipient numbers are forecast to decrease until around mid-2023

- 10 In May 2022, the month-average³ number of people on benefit continued to be relatively close to forecast (see Figure 2 in the Monthly Benefits Update A3).

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).



- 11 There were around 346,700 people receiving a benefit in May 2022, which is about 1,200 people (0.3 percent) above the number forecast in the Budget Economic and Fiscal Update (BEFU) for May 2022. BEFU 22 was published on 19 May on MSD's website.⁴
- 12 BEFU 22 forecasts the number of people receiving a main benefit to decrease to around 331,200 by May 2023. From around mid-2023, The Treasury is forecasting a period of low economic and employment growth, which is expected to increase the number of people receiving a main benefit.

Month-on-month changes in the number of JS – HCD and SLP recipients continued to be driven by medical certificate reassessments

- 13 Main benefit numbers stayed broadly similar overall. However, there were month-on-month changes in Jobseeker Support (JS), specifically Jobseeker Support Health Condition or Disability (JS – HCD), and Supported Living Payment – Health Condition or Disability (SLP – HCD).
- 14 The number of people receiving JS decreased by around 1,700 (down 0.9 percent), to 173,700. This was driven by a decrease of around 1,500 JS – HCD recipients (down 2.1 percent), to 72,700.
- 15 The decreasing number of JS – HCD recipients largely reflects people exiting the benefit system or transferring to another benefit, following the resumption of Work Capacity Medical Certificates in January 2022. This is a process to assess eligibility for JS – HCD recipients based on case-by-case recommendations by their health professional.
- 16 The decrease in JS – HCD recipients was partially offset by an increase of around 1,100 more SLP – HCD recipients, a larger increase than usual for SLP. Around 70 percent of SLP – HCD grants had received JS – HCD previously, which is higher proportion than what we usually see around this time of the year.

Grants, exits, and exits into work

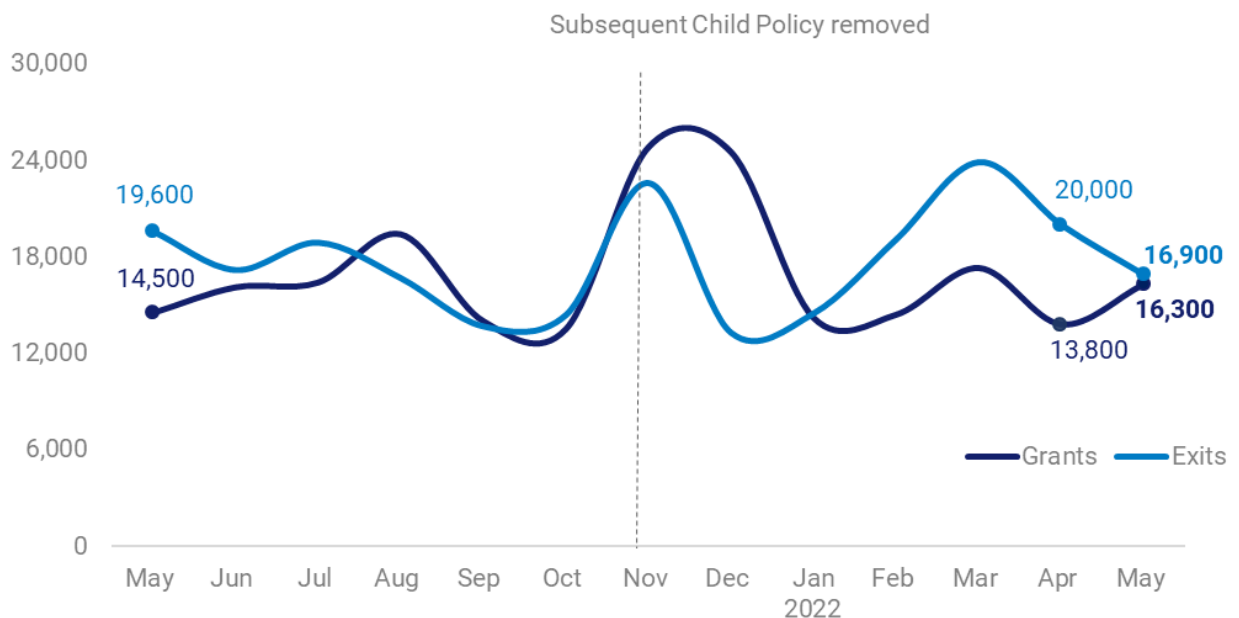
More people exited than entered benefit throughout May, however, the difference is closing

- 17 As shown in Figure 2 (overleaf), there were around 2,500 more main benefit grants (up 18.4 percent), and around 3,100 fewer main benefit exits (down 15.5 percent), compared with April. The number of exits remained higher than the number of grants overall.

⁴ For the Budget Economic and Fiscal Update 2022 see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/befu/budget-economic-and-fiscal-update-2022.html>

- 18 The difference between the number of grants and exits has been reducing since April, with around 600 more exits than grants in May compared with 6,200 in April. We usually see the number of exits decreasing leading into the winter months.
- 19 Despite the decrease in the number of exits, around 57.8 percent of exits in May were due to people obtaining work (41.3 percent in April), reflected in an increase in the work exit rate.
- 20 Around 16.7 percent of exits were due to people transferring to another benefit (11.4 percent in April). Continued growth in the proportion of exits due to people transferring to another benefit also reflects the resumption of medical certificate reassessments.

Figure 2: The difference between the number of people exiting and entering benefit is closing

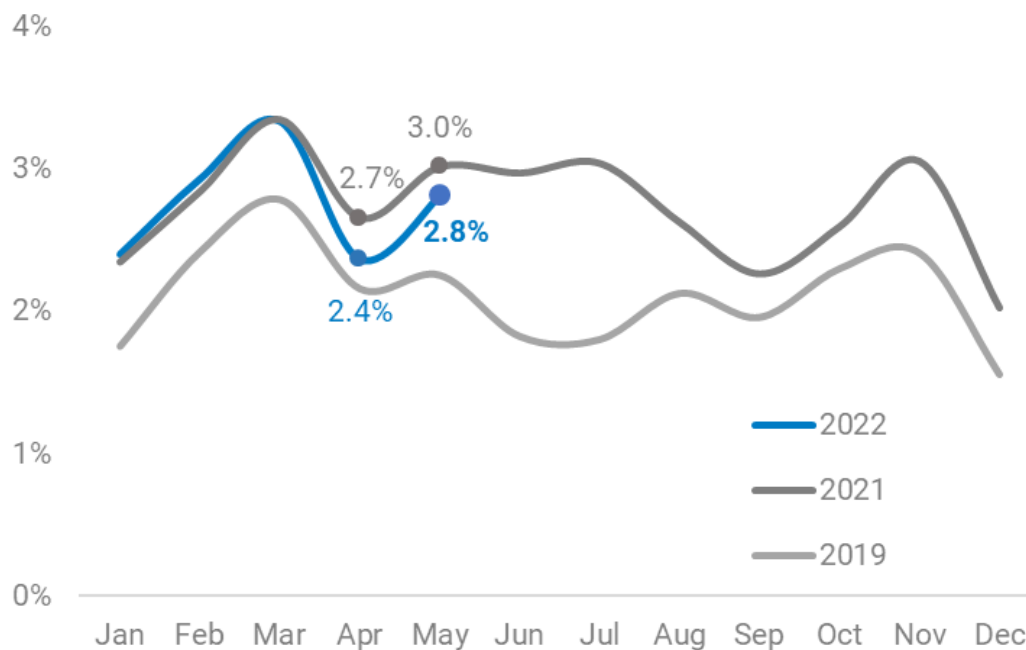


The work exit rate remained high in May

- 21 After a dip in April, the work exit rate⁵ increased to 2.8 percent in May 2022 (see Figure 3, overleaf). This was lower than what we saw at the same time in 2021 (3.0 percent), but higher than in 2019 (2.3 percent).
- 22 We usually see the work exit rate decreasing once seasonal work becomes less available in autumn and winter and hiring tends to slow down.

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 work exit rate in May was closer to 2021 than pre-pandemic trends



Hardship assistance

The number of SNGs provided followed a similar trend seen in 2021

- 23 The number of Special Needs Grants (SNGs) slightly increased by 3,400 in May (up 3.0 percent), to a total of 115,600, following a similar trend to that seen pre-pandemic.
- 24 The increase in SNGs was mainly driven by 29.1 percent increase in medical and associated costs, mostly from more grants for emergency dental treatment⁶, and an 8.1 percent increase in Emergency Housing SNGs. There were 300 more SNGs for food than in the previous month (up only 0.3 percent).
- 25 There was an increase of 11.2 percent in the overall level of hardship assistance, driven by an increase in benefit advances. There were around 20 percent more processing days in May compared to April due to several public holidays landing. We usually see hardship assistance, in particular benefit advances, decrease in April before returning to normal levels in May due to the difference in the number of working days available each month.

⁶ As announced at Budget 2022, dental grant payments will be increased from 1 December 2022. For more information on current dental treatment cover, see: <https://www.workandincome.govt.nz/eligibility/health-and-disability/dental-treatment.html>



- 26 The level of hardship assistance⁷ provided to non-beneficiaries (those not receiving a main benefit) increased by 9.3 percent when compared to April. A permanent lift of income thresholds has continued to enable more New Zealanders to receive this type of support.

Other releases⁸

- 27 Trends in Emergency Housing will be reported in the May *Monthly Housing Update*, published in June⁹.

⁷ 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>

⁸ 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>

⁹ 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>