

Monthly Benefits Update - Commentary

September 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for September 2022. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 14 October 2022.¹

Key points

- 2 The number of people receiving a main benefit remained similar between August and September 2022, increasing by around 600 people (up 0.2 percent, to around 345,800 people). Main benefit numbers have remained relatively flat through the September quarter, similar to what we have seen in previous years.
- 3 Month-on-month changes were driven by increases in the number of people receiving Jobseeker Support – Health Condition or Disability (JS – HCD) and Supported Living Payment – Health Condition or Disability (SLP – HCD), which were partially offset by a decrease in Jobseeker Support – Work Ready (JS – WR) recipients.
- 4 Changes in JS – HCD and SLP – HCD recipients are linked to the resumption of the Work Capacity Medical Certificate (WCMC) review process, which resumed at the end of January 2022 (see para 18). However, these changes are beginning to stabilise and return to what we would normally see prior to the WCMC review process being suspended in 2020 due to the pandemic. Most current JS – HCD recipients would have received a request to renew their medical certificates by the end of August 2022.
- 5 The decrease in JS – WR contrasted with the usual increases seen between August and September in previous years, which may reflect MSD's sustained focus on supporting people into employment, and the current tight labour market.
- 6 Through the September 2022 quarter, the work exit rate followed a similar trend to the September 2019 quarter and fell to 2.1 between August and September 2022.
- 7 There was a decrease across all types of hardship assistance in September 2022. The number of Special Needs Grants (SNGs) decreased by around 3.0 percent, driven by a decrease in SNGs for food. The decrease in hardship assistance for people not receiving a main benefit may be partially due to this group's receipt of the second instalment of the Cost of Living Payment.

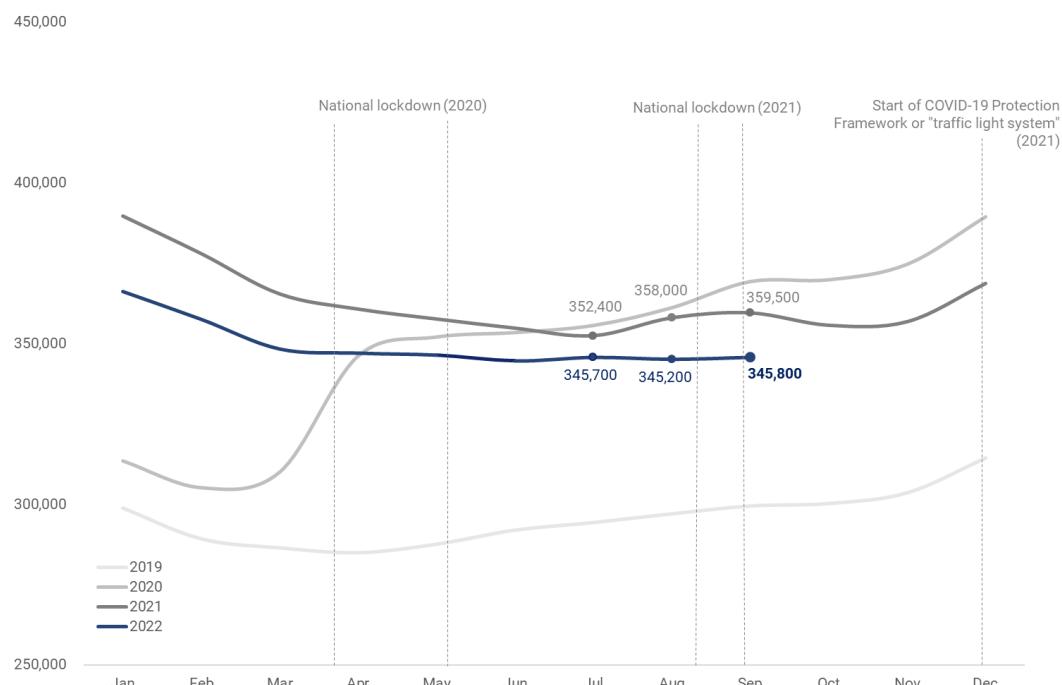
¹ For the full set of data and supporting information, please see: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/monthly-reporting/

Main benefits

Main benefit numbers remained similar between August and September, increasing by 0.2 percent

- 8 There were around 600 more people (up 0.2 percent) receiving a main benefit at the end of September 2022 (nearly 345,800). This continued the relatively flat trend we have seen through the September quarter, similar to what we have seen in previous years prior to the pandemic.
- 9 Until August 2022, year-on-year reductions in main benefit numbers had been slowing since the beginning of 2022 (see Figure 1). This could reflect:
 - The increasing 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.
 - The record-high numbers of work exits in 2021, which drove overall decreases in main benefit numbers into July, due to a wide range of factors.² Many who came onto benefit over 2020 had no previous benefit history and were able to find work more easily than those who had been on benefit longer-term.

Figure 1: Main benefit numbers have remained flat through the September quarter



² This includes MSD's sustained focus on supporting people into employment, and the current tight labour market. 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

- 10 There were over 13,700 fewer people receiving a main benefit when compared to September 2021 (down 3.8 percent). More people may have required support in September 2021 as the Auckland, Northland and Waikato regions, which make up around half of the working age population were in regions transitioning between Alert Levels 3 and 4.³

Overall, benefit numbers remained in line with the latest forecasts

- 11 In September 2022, month-average⁴ benefit numbers were close to forecast (see Figure 2 in the Monthly Benefits Update A3). The variance in the month-average numbers widened from around 100 fewer people than forecast in August 2022 to being around 2,200 (0.6 percent) more people than forecast in September 2022 at the Budget Economic and Fiscal Update (BEFU 22).
- 12 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 offset by the number of people on Supported Living Payment (SLP) and Sole Parent Support (SPS) being higher than forecast.⁵

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

- 13 Overall, we still expect that working-age benefit numbers will decrease over the remainder of this year. This excludes the usual seasonal increases such as the increase in the number of students receiving Jobseeker Support Student Hardship from around mid-October each year, as semesters come to an end.
- 14 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.
- 15 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 see benefit numbers increasing from early-2023.
- 16 Historically, what has driven benefit numbers to rise after sustained decreases has often been an increase in the number of people coming on to benefit, rather than fewer people leaving it.

³ For more information, see: <https://covid19.govt.nz/about-our-covid-19-response/history-of-the-covid-19-alert-system/#alert-levels>

⁴ 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).

⁵ 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.

There were small month-on-month changes in specific benefit types

- 17 While the number of people receiving a main benefit remained similar between August and September 2022, there were month-on-month increases in the number of people receiving JS – Health Condition or Disability (JS – HCD) and SLP – Health Condition or Disability (SLP – HCD). This partly reflects the ongoing WCMC review process that resumed in January 2022.
- 18 The resumption of Work Capacity Medical Certificate (WCMC) reviews⁶ resulted in sustained decreases in JS – HCD and larger than usual increases in the number of SLP – HCD recipients for most of the year. Some JS – HCD recipients will have transferred to SLP – HCD if they met eligibility requirements. However, numbers are starting to stabilise and this ongoing review process will have a smaller impact from September onwards. This is because most people that had been receiving this benefit since the pandemic would have received a request to renew their medical certificates by the end of August 2022.
- 19 In September 2022, the number of people receiving JS – HCD increased by over 900 people (up 1.3 percent), largely reflecting a return to usual trends seen before the review process was suspended in 2020-2021. We also saw an increase of around 400 people (up 0.4 percent) receiving SLP.
- 20 These increases were partially offset by a decrease in JS – WR recipients, with nearly 900 fewer people (down 0.9 percent) receiving this benefit in September 2022. This was in contrast to the increase we have usually seen around this time in previous years and may reflect a wide range of factors such as MSD's sustained focus on supporting people into employment, and the current tight labour market.

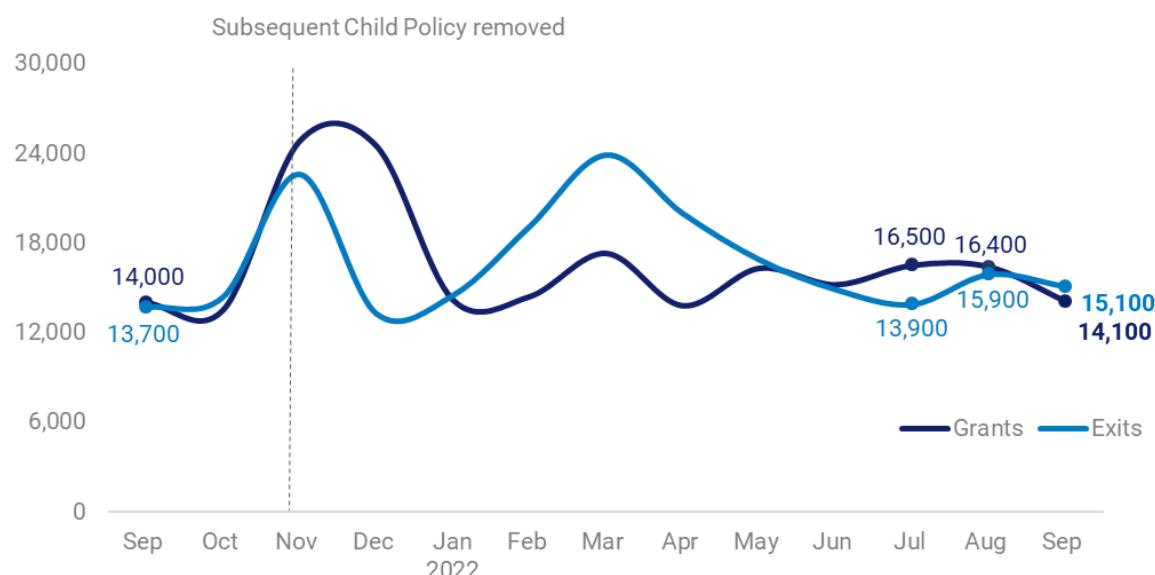
Grants, exits, and exits into work

The difference between grants and cancels narrowed through the September quarter, and remained close in September

- 21 Between August and September 2022, the number of main benefit grants and exits decreased by around 2,300 (down 13.8 percent) and 900 (down 5.4 percent), respectively (see Figure 2, overleaf).

⁶ This is a process to assess eligibility for JS – HCD recipients based on case-by-case recommendations by their health professional. Some recipients may exit this benefit because of this process or transfer to other benefits which better reflect their current circumstances. The appropriate time between each medical review is determined by the person's health practitioner, rather than at a set review period. For more information see: www.workandincome.govt.nz/providers/health-and-disability-practitioners/medical-certificates.html#null

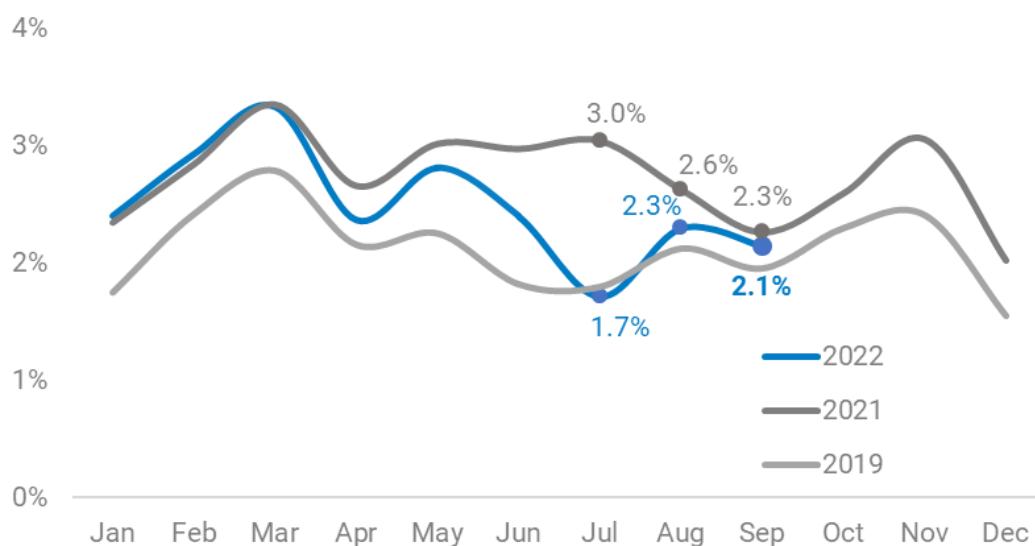
Figure 2: Grants and exits remained similar in September



The work exit rate remained close to the 2019 trend through the September quarter

- 22 Around 7,400 (49.1 percent) of the exits in September 2022 were due to obtaining work, indicating a return to pre-pandemic levels.
- 23 The work exit rate through the September 2022 quarter has followed a similar trend to the September 2019 quarter. The work exit rate (2.1 percent) was slightly higher than 2019 (2.0 percent) and slightly lower than 2021 (2.3 percent).

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



Hardship assistance

The level of hardship assistance grants decreased in September

- 24 The number of Special Needs Grants (SNGs) decreased in September 2022 by around 3,800 (down 3.0 percent from August 2022), to around 124,600. The decrease in SNGs partly reflects 1,900 fewer SNGs for food (down 1.8 percent).
- 25 The number of hardship grants has decreased by around 2,000 (down 6.6 percent) for people not receiving a main benefit. This may partially reflect lower demand for this assistance from people that received the second instalment of the Cost of Living Payment in September.⁷
- 26 Although slightly increasing during the winter months, the overall amount of hardship assistance provided to people not receiving a main benefit has been reasonably stable since April (around 29,600 grants on average per month), and the increase in grants associated with the November change in income limits has been sustained through to September.⁸

Upcoming benefit system impacts

- 27 The Winter Energy Payment (WEP)⁹, which starts on 1 May each year, finished on 1 October. This means that people will stop receiving an extra amount on top of their benefit payment. There is usually a temporary increase in demand for SNGs after the WEP ends while people adjust back to their regular weekly benefit income levels.
- 28 The third and final instalment of the Cost of Living Payment was paid on 3 October 2022 and may result in fewer hardship grants next month for people not receiving a main benefit.

Other releases¹⁰

- 29 The quarterly Benefit Fact Sheets for the September 2022 quarter will be published on MSD's website on Thursday, 20 October.
- 30 The StudyLink Statistics on student data for the June 2022 quarter was published on Friday 23 September¹¹.

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

⁸ 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

⁹ The Winter Energy Payment is a non-taxable benefit paid with the client's main benefit, New Zealand Superannuation or Veteran's Pension, to support eligible clients to meet their household heating costs during the winter period.

¹⁰ For other releases and regular reporting, see the MSD statistics page: www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/index.html

¹¹ StudyLink Statistics: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink/index.html>