



Monthly Benefits Update - Commentary

January 2023

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for January 2023. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 10 February 2023.¹

Key points

- 2 The number of people receiving a main benefit at the end of January 2023 remained similar to December 2022, increasing by around 300 people (up 0.1 percent) to 354,200.
- 3 Increases in Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH) drove the overall increase since December 2022. JS increased by over 600 people (up 0.4 percent) to around 170,700 people. JSSH increased by over 100 people (up 2.0 percent) to around 6,300.
- 4 The number of main benefit grants (14,900) was higher than the number of exits (13,500). There was a decrease in grants and an increase in exits, including exits into work, between December 2022 and January 2023. This was in line with what we usually see each year.
- 5 The number of Special Needs Grants (SNGs) granted increased by nearly 1,600 (up 1.1 percent) in January 2023, driven by an increase in SNGs for food.
- 6 We saw a slight decrease in the SNGs for medical costs in January 2023. These SNGs almost doubled between November and December 2022, driven by MSD's change in dental treatment policy which allowed more people to access essential dental care (see para 33 for more details). We tend to see noticeable changes when a policy is first implemented, in this case a large uptake of that support, which then levels off as it becomes standard practice.

Main benefits

The number of people receiving a main benefit was similar to December

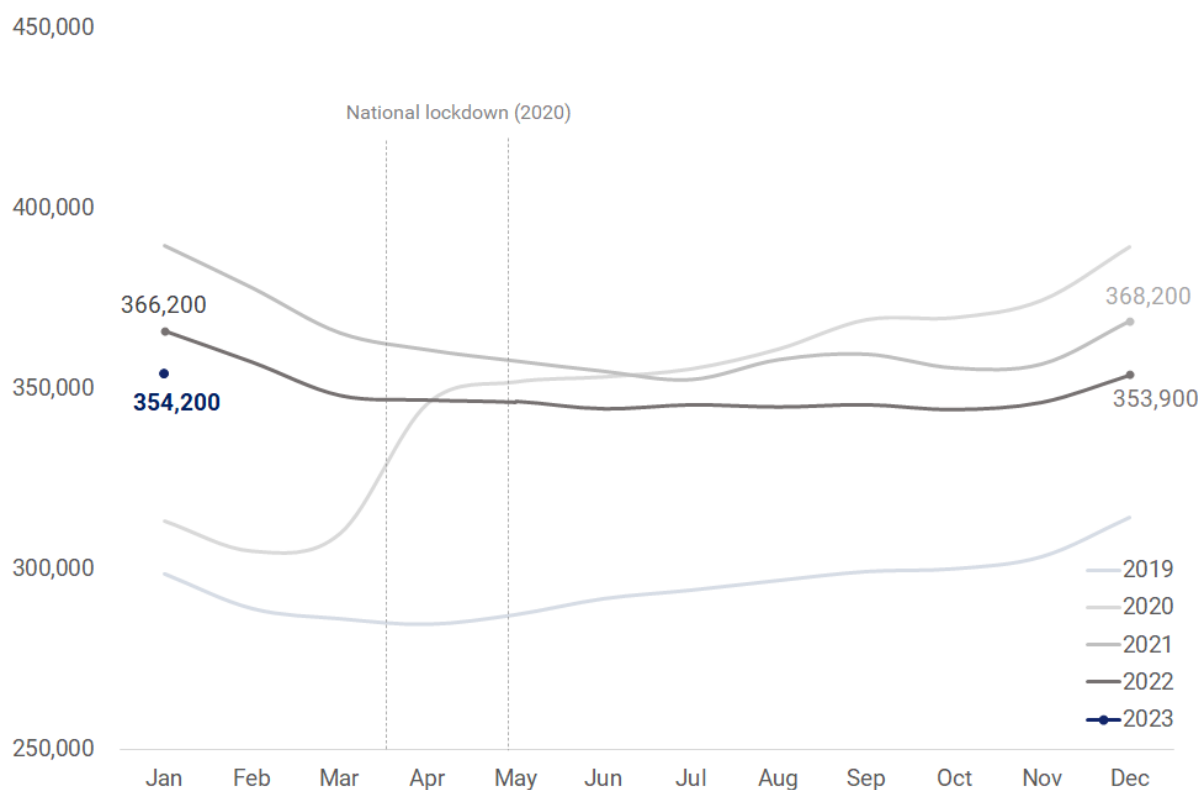
- 7 The number of people receiving a main benefit remained relatively flat between December 2022 and January 2023, slightly increasing by over 300 people (up 0.1 percent) to 354,200.

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/>



- 8 Main benefit numbers have decreased slightly between December and January in previous years. Between 2017 and 2021, the decrease between December and January has ranged from 0.3 to 0.5 percent, with the exception of January 2021, when there were 100 more recipients (up less than 0.1 percent).
- 9 Main benefit numbers are below what they were in January 2022 with 11,900 fewer people receiving a main benefit (down 3.3 percent). There has been a slowing year-on-year decrease in main benefit numbers which 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 are lower than January 2022²



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

- 10 There were relatively small month-on-month increases in people receiving Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH).
- 11 The number of people receiving JS increased by around 600 people (up 0.4 percent). This was driven by around 900 more people (up 0.9 percent) receiving Jobseeker Support – Work Ready (JS – WR), and partially offset by a seasonal decrease in the number of people receiving Jobseeker Support – Health Condition or Disability (JS – HCD).

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.



- 12 Decreases in JS are usually apparent from mid- to late-January as more seasonal work becomes available and hiring picks up, after slowing over the holiday period. However, month-end numbers for JS do not usually decrease until February.
- 13 There was a small change in the number of JSSH recipients which increased by around 100 people (up 2.0 percent) to around 6,300 at the end of January. JSSH numbers usually increase from October each year as the academic year comes to an end. This number tends to peak around December or January, before decreasing from late February as the academic year commences. However, JSSH numbers for January 2023 were lower than the same month in previous years (see para 15–18 for more details).
- 14 These increases in JS and JSSH were partially offset by seasonal decreases in Sole Parent Support (SPS) and other main benefits, in particular the Emergency Benefit (EB) which decreased by nearly 200 recipients (down 9.3 percent). 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 or return to work after the holiday period.

The increase in JSSH was smaller compared to previous years

- 15 From 2016 to 2021, the number of JSSH recipients peaked between around 8,000 and 10,000 each December. At the end of January 2023, there were around 6,300 JSSH recipients.
- 16 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.³
- 17 In addition, the current tight labour market may be associated 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.

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

- 18 Overall, average monthly benefit numbers⁴ have been lower than forecast with around 348,400 people receiving a main benefit in January 2023, which is around 1,500 fewer people than forecast at the Half Year Economic and Fiscal Update (HYEFU) 2022⁵.

³ 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

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 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>

- 19 There were around 1,500 (0.9 percent) fewer people receiving JS than forecast at HYEFU 2022. There were also around 600 (0.8 percent) fewer people receiving SPS than forecast, whereas there were around 500 (0.5 percent) more people receiving Supported Living Payment than forecast in December 2022.

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

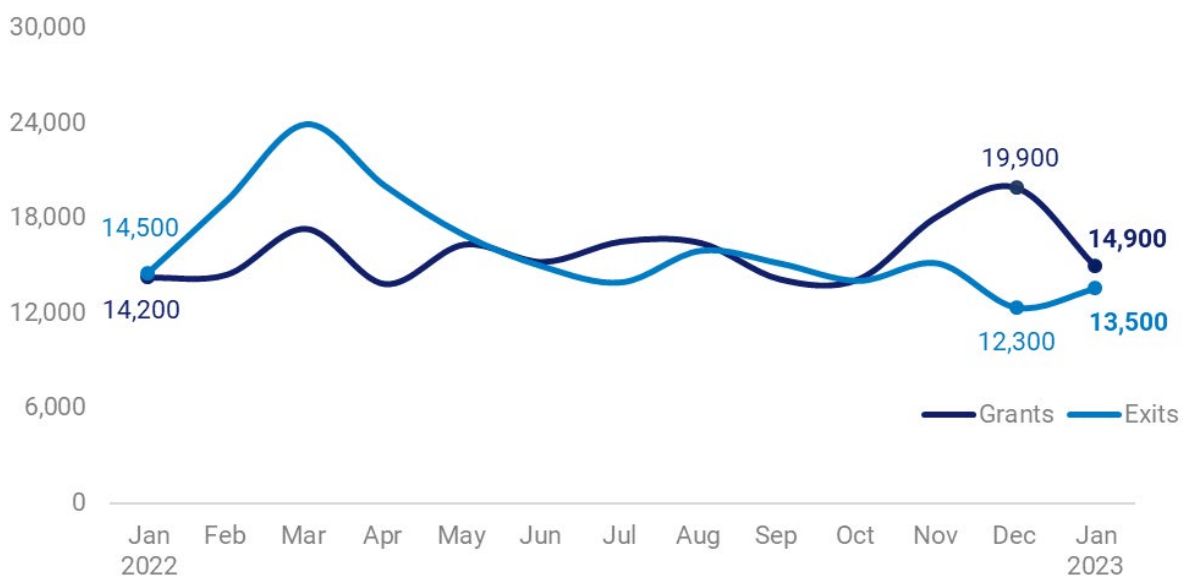
- 20 At the Half Year Economic and Fiscal Update (HYEFU) 2022 we forecast that the number of people receiving a main benefit will increase from around mid-2023, reaching 387,200 people in January 2025 before starting to decrease. The number of people receiving JS is forecast to follow a similar trend, reaching 205,100 people by January 2025.
- 21 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.

Grants, exits, and exits into work

The difference between grants and cancels narrowed in January

- 22 There was a decrease in the number of main benefit grants and an increase in the number of exits from December 2022 to January 2023 (see Figure 2). The number of grants (14,900) remained higher than the number of exits (13,500). We usually see the number of grants decrease while cancels increase from around mid-January each year, as more people start finding work.

Figure 2: Grants continued to be higher than exits in January

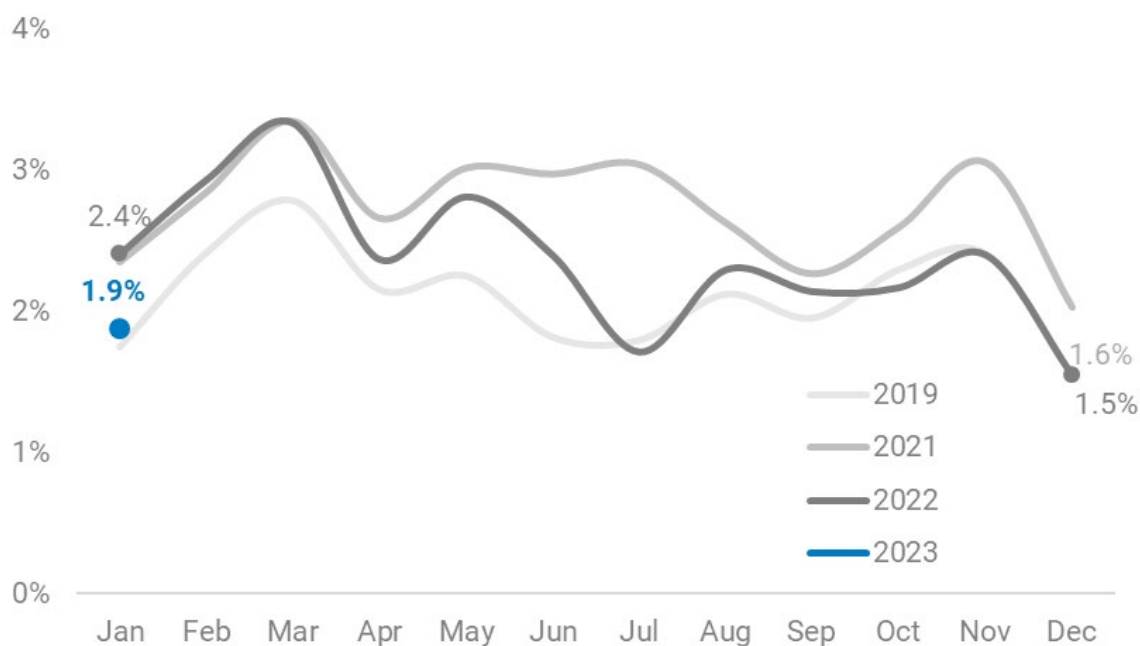




The work exit rate continued to follow pre-COVID trends

- 23 There were over 6,600 exits into work in January 2023. This was an increase of nearly 1,300 (up 24.0 percent) when compared to the previous month, as hiring picks up from late January.
- 24 As shown in Figure 3, the work exit rate (1.9 percent) increased in January 2023 and is close to the 2019 trend (as it was throughout the December 2022 quarter).

Figure 3: The overall work exit rate in January 2023 was similar to 2019



Hardship Assistance

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

- 25 The number of Special Needs Grants (SNGs) increased by nearly 1,600 people (up 1.1 percent) between December 2022 and January 2023, to around 145,700.
- 26 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 over 5,300 grants (up 4.5 percent) to around 124,700 grants in January 2023.
- 27 There were decreases in most other SNG types in January 2023, particularly Emergency Housing SNGs (down around 1,200 or 14.1 percent). There has been a declining trend in EH SNGs post COVID-19. Also, during the holiday period many grants made in December covers stays in Emergency Housing during the first half of January.



28 In January 2023, the number of SNGs for medical costs decreased by 1,200 (down 15.4 percent) to nearly 6,600 grants. We saw the number of SNGs for medical cost nearly double in December 2022, driven by MSD increasing the support available for dental treatment, allowing more people to receive needed dental care.⁶ We tend to see noticeable changes 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

- 29 Auckland declared a state of emergency on 27 January 2023 in response to the floodings, resulting in increased demand for MSD assistance⁷:
- Civil Defence Payments⁸ were activated for people impacted by the flooding in Auckland and, on a much smaller scale, Waitomo.
 - MSD activated an Auckland Flood hotline for affected people to call.
 - Additional staff were deployed to MSD centres to handle increasing demand for food, bedding, and accommodation.

Upcoming releases⁹

- 30 Trends in emergency housing will be reported in the *January Monthly Housing Update*.
- 31 The next *Monthly Benefits Update - Commentary* for February 2023 will be published on 10 March 2023.

⁶ 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.

⁷ For the types of assistance available for those affected by the Auckland floods from MSD, please see: <https://www.workandincome.govt.nz/eligibility/emergencies/auckland-floods-january-2023.html>

⁸ Civil Defence Payments figures will be published on 20 April 2023 in the March 2023 quarterly Benefit Fact Sheets. For our latest quarterly Benefit Fact Sheets, please see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

⁹ 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