



Monthly Benefits Update - Commentary

May 2023

Purpose

1. The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for May 2023. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 16 June 2023¹.

Key points

2. The number of people receiving a main benefit in May 2023 increased by over 2,600 recipients (0.8 percent) since April to around 347,900. This was broadly in line with pre-COVID-19 trends.
3. The increase was largely due to Jobseeker Support – Work Ready (JS – WR) numbers, which increased by around 1,200 people (1.2 percent). This is in line with usual trends for this time of the year as we enter the winter months, likely reflecting the reduction of seasonal work available.
4. The number of main benefit exits (around 15,100) was lower than the number of grants (around 17,400). Increases in grants were driven by more JS – WR grants.
5. The number of Special Needs Grants (SNGs) increased in May, compared to April. This is likely due to the greater number of processing days in May. It may also reflect ongoing hardship and recovery following the severe weather events earlier in the year.

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/>



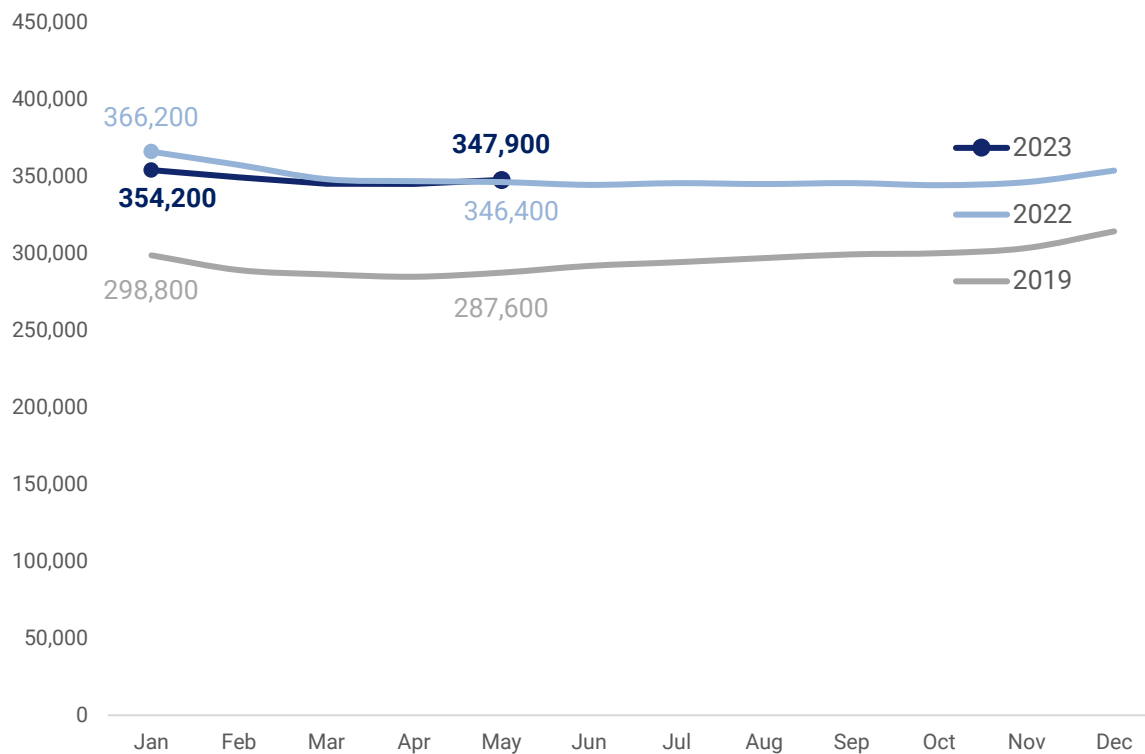
Main benefits

May was the first month since July 2021 that main benefit numbers increased year-on-year

6. The number of people receiving a main benefit increased by around 2,600 (0.8 percent) since April 2023, to nearly 347,900. This was largely due to Jobseeker Support – Work Ready (JS – WR) numbers, which increased by around 1,200 people (1.2 percent). This is in line with usual trends for this time of the year as we enter the winter months, likely reflecting the reduction of seasonal work available.
7. The number of people receiving a main benefit in May increased by 1,400 (0.4 percent) from May 2022. This is the first time that benefit numbers have increased year-on-year since July 2021. Year-on-year decreases in benefit numbers peaked in January 2022 (6.0 percent), before gradually slowing to April 2023 (0.5 percent).
8. Increases in main benefit numbers may reflect early signs of slowing economic activity. Particularly Jobseeker Support (JS), which was up around 1,900 recipients from April 2023 (1.2 percent).
9. Year-on-year decreases in main benefit recipients have been slowing prior to May 2023. This could partly reflect the remaining number of people that have stayed on benefit for longer after COVID-19. Longer-term clients often have more barriers to employment (such as health issues), and may require more support to exit a benefit into work.



Figure 1: Main benefit numbers were higher than in May 2022²



Overall benefit numbers in May were close to forecast at Budget Economic and Fiscal Update (BEFU 2023). However, there were offsetting variances within the benefit groups

10. There were around 347,200 people receiving a main benefit in May, which is around 200 more people than forecast at BEFU 2023³.
11. The forecast variance in May was mainly due to Sole Parent Support (SPS) being higher than expected. The number of people receiving SPS and Supported Living Payment (SLP) was around 800 and 100 people higher than forecast at BEFU 2023, respectively⁴.
12. The increase was offset by around 600 fewer people receiving overall Jobseeker Support (JS) than forecast at BEFU 2023.
13. However, there were around 2,000 (two percent) fewer people receiving JS – WR than forecast while there were around 1,400 (two percent) more people receiving a Jobseeker Support – Health Condition or Disability (JS – HCD) than forecast.

² Main benefit numbers increased in early 2020 when New Zealand entered its first national lockdown between 25 March and 13 May 2020. There was also an increase in main benefit numbers during a subsequent national lockdown between 17 August and 7 September 2021.

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).

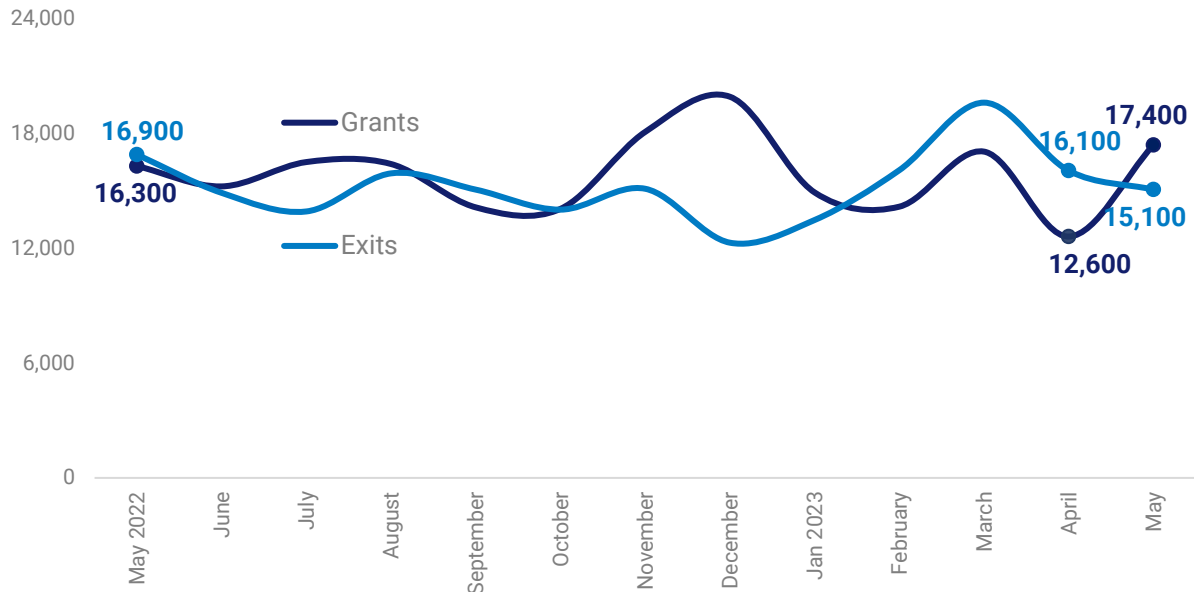
⁴ For more information on the latest benefit forecast, see: <https://msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/befu/budget-economic-and-fiscal-update-2023.html>.



Benefit grants and exits

The rate of people exiting benefit is continuing to slow while more people are coming on benefit

Figure 2: The number of main benefit exits in May 2023 was lower than the number of grants

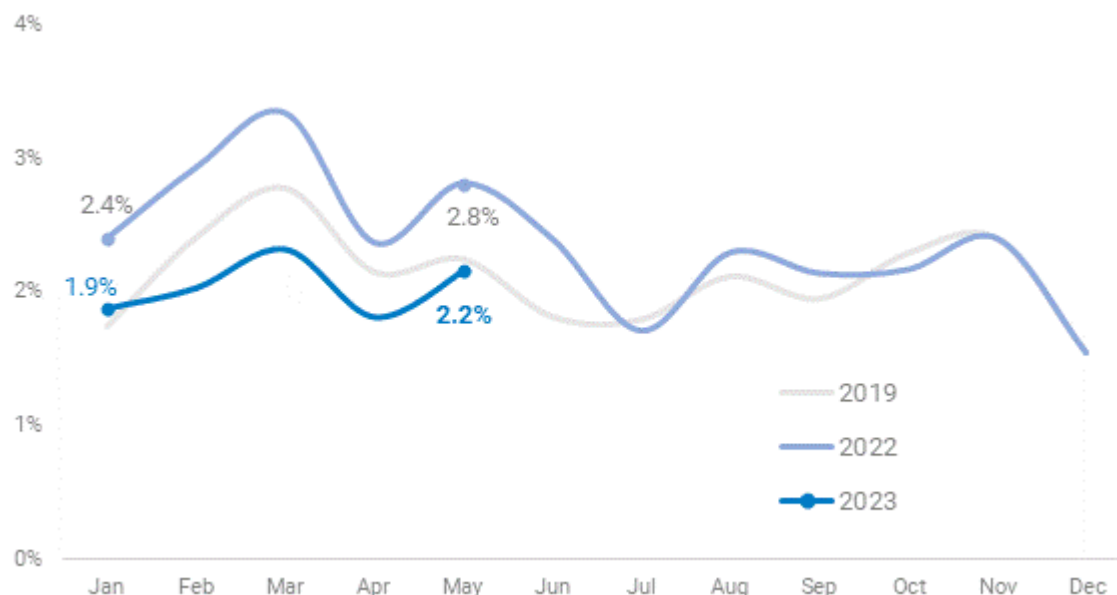


14. Main benefit grants increased by around 4,800 (38.0 percent) compared to April 2023. The majority of the increase in benefit grants was due to JS – WR, which increased by around 2,800 (38.6 percent) in May 2023. Compared to May 2022, the number of grants was around 1,100 higher (6.8 percent), .
15. There was a decrease in main benefit exits of around 1,000 (6.1 percent) compared to April 2023. There were also around 1,800 fewer exits (10.8 percent), when compared to May 2022.
16. The increase in grants during May – around 17,400 compared to around 12,600 in April 2023 – can be partially attributed to April having six fewer processing days than May. The number of processing days usually does not affect the number of exits as much as grants.
17. The number of exits from benefits tends to decline over the winter period. This is a normal seasonal effect driven by a reduction in seasonal work available over this period.

Exits into work

18. Of all main benefit exits in May 2023, around 7,500 (49.5 percent) were exits into work.
19. Exits into work increased by around 1,200 (19.0 percent) in May 2023 compared to April 2023. However, there was a decrease of around 2,300 (23.6 percent) compared to May 2022.
20. As shown in Figure 4, the work exit rate (2.2 percent) increased in May 2023 from April 2023.

Figure 4: The May 2023 work exit rate was closer to pre-COVID trends (i.e. 2019)



21. Following the initial effect of COVID-19, many people who had close ties to the labour market required benefit support. As the economy improved, people returned to employment and work exits increased. Those remaining on benefit may not have been as close to the labour market, and the work exit rate reduced after the initial rapid recovery.
22. Longer-term duration clients often have more barriers to employment (such as health issues) and may require additional support to exit a benefit into work.
23. While the work exit rate is now closer to pre-COVID trends (i.e. 2019), when looking at how many exits were due to people finding work as a proportion of total exits, it is slightly higher than pre-COVID levels (i.e. 49.5 percent in May 2023, compared to 45.3 percent in May 2019).



Hardship Assistance

The number of SNGs increased in May, partially reflecting ongoing hardship and recovery following severe weather events

24. The number of Special Needs Grants (SNGs) in May was around 146,900, which was around 19,100 higher than in April 2023 (up 14.9 percent).
25. Likewise, the number of SNGs was higher compared to May 2022, by around 31,300 (27.1 percent)⁵.
26. SNGs for food made up 74.3 percent of all SNGs granted in May and tend to drive the overall trend in SNGs. SNGs for food increased by around 9,800 grants (up 9.9 percent) compared with April 2023, to around 109,100 grants in May 2023.
27. The higher-than-typical number of SNGs this month may partially reflect ongoing hardship and recovery following the severe weather events earlier this year. However, the increase in SNGs from April to May is likely due to there being more processing days in May, due to having more public holidays in April.
28. The Winter Energy Payment⁶, an extra payment to help with the cost of heating over winter months, started on 1 May and will end on 1 October.

Upcoming releases

29. The Monthly Housing Update for May 2023 will be published on 16 June 2023
30. The next Monthly Benefits Update for June 2023 will be published on 14 July 2023.
31. The quarterly Benefit Fact Sheets for the March 2023 quarter will be published on 20 July.

⁵ Note that starting March 2023 Housing Support Products (HSP) have been included in the total SNG count. This addition will impact comparisons made with months before March 2023, as well as year-on-year comparisons between months from March 2023 onwards. For more info on HSP changes, see: <https://www.workandincome.govt.nz/about-work-and-income/news/2023/housing-support-changes-march.html>

⁶ For more information, see: <https://www.workandincome.govt.nz/products/a-z-benefits/winter-energy-payment.html>