



Monthly Benefits Update - Commentary

March 2022

Purpose

- 1 The purpose of this commentary is to highlight key points from the *Monthly Benefits Update* for March 2022. It was published on the Ministry of Social Development's (MSD) website on Friday 15 April 2022.¹

Key points

- 2 The number of people receiving a main benefit continued to decrease in March 2022 (down 2.6 percent, to around 348,300). There has been a decreasing trend throughout the March quarter, which aligns with what we normally see each year.
- 3 Most of the decrease was due to: 5,700 fewer people receiving Jobseeker Support, with more people exiting into work; and 4,300 fewer people receiving Jobseeker Support Student Hardship (JSSH), with students resuming their studies.
- 4 More people continued to exit a main benefit for work in March (up 11.1 percent, to around 11,900). This contributed to the second highest number of work exits in a quarter since records began, second to the unprecedented March 2021 quarter.
- 5 There were 137,900 Special Needs Grants (SNGs) for food provided in March 2022 (up 31.3 percent). This was the largest increase since the COVID-19 outbreak in August 2021, reflecting the peak in Omicron cases and associated demand for welfare support towards the end of the quarter. Prior to this increase, the number of SNGs had been decreasing in January and February.

Main benefits

Seasonal decreases occurred throughout most of the March quarter, while ongoing yearly reductions slowed down

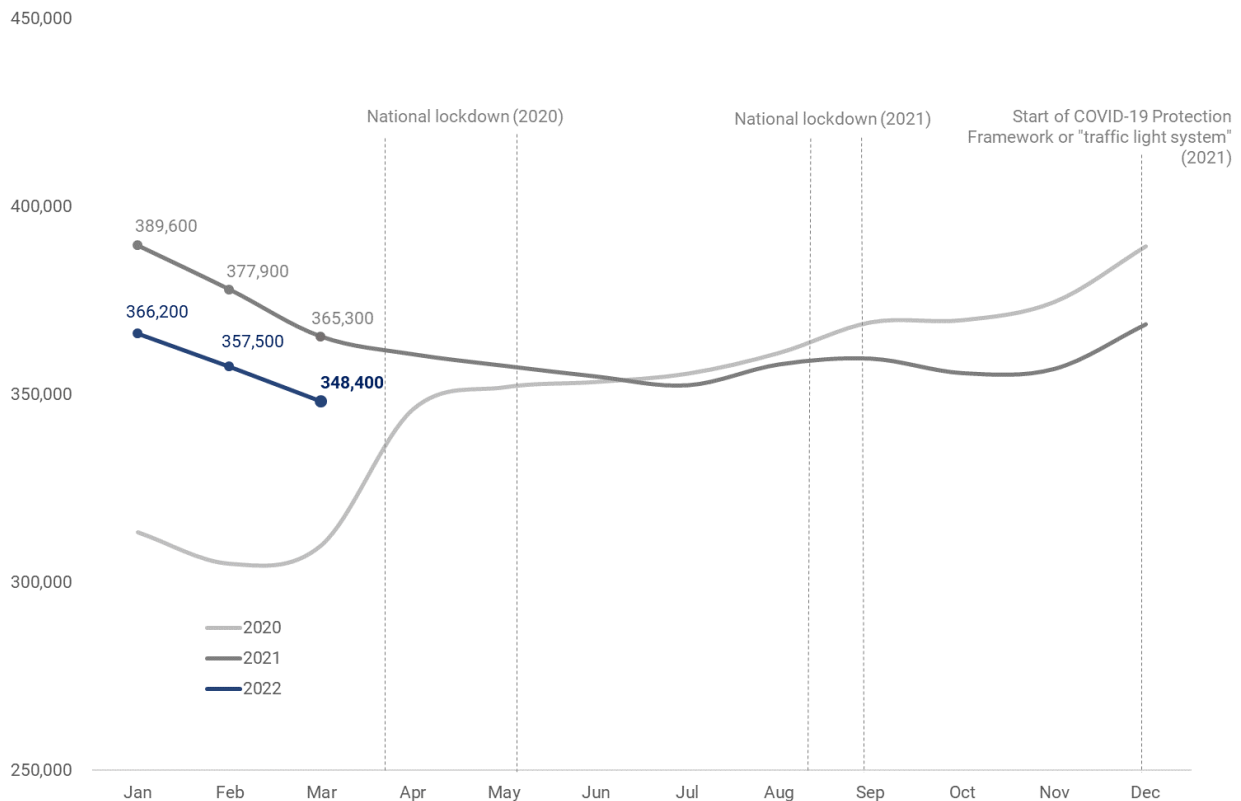
- 6 There were around 9,200 fewer people receiving a main benefit at the end of March 2022 (348,300), compared with the previous month (down 2.6 percent). The decreasing trend seen throughout the March quarter indicates a return to historic trends prior to the COVID-19 pandemic.
- 7 After increases each December, we usually see the number of people receiving a main benefit dropping throughout the first quarter of each year, through to April.

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



- 8 There were around 17,600 fewer people receiving a main benefit in March 2022 than in March 2021 (down 4.8 percent year-on-year, compared to 5.4 percent year-on-year decrease in February). Year-on-year reductions have been slowing down throughout the March quarter (see Figure 1 below) and may reflect the ongoing uncertainty associated with the current Omicron outbreak.

Figure 1: Main benefit numbers saw monthly decreases year-on-year throughout the March quarter, but at a slowing rate²



The next benefit forecast update will be released in May, taking into account recent global events

- 9 In March 2022, month-average³ benefit numbers continued to be relatively close to forecast (see Figure 2 in the Monthly Benefits Update A3).
- 10 There were around 349,000 people receiving a benefit in March 2022, which is about 1,100 people (0.3 percent) above the number forecast in the Half Year Economic and Fiscal update (HYEFU)⁴ in December 2021.

² Note that due to the large numbers shown in this graph the y axis has been shortened and begins at 250,000 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).

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>



- 11 The next Budget Economic and Fiscal Update (BEFU) will be released on 19 May 2022.
- 12 Benefit forecasts in BEFU 22 will be updated to reflect factors like the current outbreak of the COVID-19 Omicron variant, the impact of shifting to a higher traffic light setting, and the effects of the conflict in Ukraine.

As expected, JS and JSSH decreased throughout the March quarter

- 13 As we usually see this time of the year, decreases in main benefit numbers in March 2022 were driven by Jobseeker Support (JS) and Jobseeker Support Student Hardship (JSSH).
- 14 The number of people receiving JS decreased by around 5,700 people (down 3.1 percent), to 177,600. More specifically, the number of Jobseeker Support – Work Ready (JS – WR) recipients decreased by around 2,600 (down 2.5 percent), to 100,900. We would normally expect this decreasing seasonal trend to continue through to April, as hiring tends to remain strong after the December holiday break.
- 15 The number of people receiving Jobseeker Support – Health Condition or Disability (JS – HCD) also decreased, by around 3,100 people. From 31 January 2022, MSD resumed the Work Capacity Medical Certificates process to assess people receiving JS – HCD on a case-by-case basis as recommended by their health professional. Upon reassessment, current recipients may be moved to other benefits such as JS – WR if they are ready to look for work, or Supported Living Payment (SLP) if their circumstances have not improved and they meet eligibility requirements.
- 16 In relation to this, the number of people receiving SLP increased by around 1,200 people, a larger increase than is usually seen around this time of the year. This reflects a higher number of JS – HCD recipients being transferred onto SLP following medical certificate reassessments.
- 17 The number of people receiving JSSH decreased by around 4,300 people, with fewer than 100 people remaining on this benefit. The number of JSSH recipients decreases from around mid-January each year, as students resume their studies, falling to low numbers throughout most of the year until around September, ahead of the end of the semester (see Figure 12 in the Monthly Benefits Update A3).

Grants, exits, and exits into work

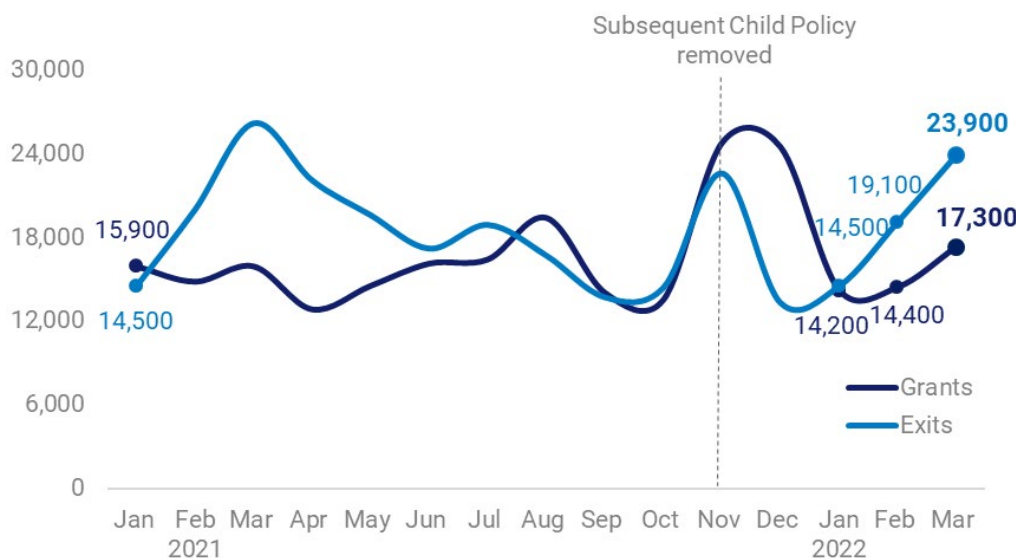
The number of people exiting a main benefit increased over the March quarter at a similar rate to 2021

- 18 As is usual this time of the year, there were more people exiting than entering benefit over the March quarter (see Figure 2, overleaf). However, the number of those entering also increased month-on-month, which differs from what we usually see.



- 19 Over the March 2022 quarter, the number of main benefit grants increased slightly in February (up 1.6 percent), followed by a larger increase in March (up 19.9 percent). This is different to what we saw at the same time in 2021, when grants remained relatively stable over the quarter (down 6.7 percent in February and up 7.3 percent in March), or in previous years.
- 20 The increase in March 2022 was driven by both entries of people with no previous benefit history (around 26 percent of the total grants), which likely reflects the ongoing uncertainty around COVID-19; and by those transferred from another benefit (around 22 percent). More people have been re-assessed and transferred to a more suitable benefit since the reintroduction of the medical certificate review process earlier in the year (see paragraphs 14-15).

Figure 2: More people exited throughout the March quarter, while the number of those entering benefit also increased



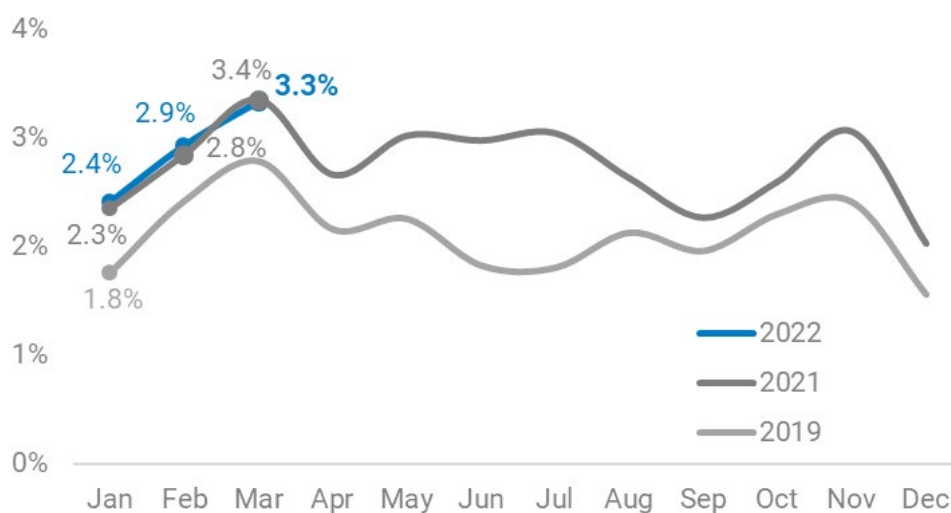
Over the March 2022 quarter, the work exit rate stayed in line with 2021

- 21 The work exit rate⁵ for all main benefits continued to follow a similar trend to 2021, increasing to 3.3 percent in March 2022 (see Figure 3, overleaf) and remaining above pre-COVID levels.
- 22 The number of people exiting benefit into work during the March 2022 quarter was the second highest since records began, after the record number of people who left benefit for work during the March 2021 quarter. Although the work exit rate was similar, there were around 1,400 fewer people exiting into work in the March 2022 quarter than at the equivalent time in 2021.

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.

- 23 We usually see the work exit rate peaking around March each year and decreasing over the following June quarter, as hiring tends to slow down once seasonal work becomes less available in autumn and winter.
- 24 This year, the usual decrease in work exits after each March quarter may be exacerbated by recent changes in the overall economic landscape. These include rising interest rates and higher inflation, which may put pressure on the labour market.

Figure 3: The overall work exit rate followed the increasing trend we usually see each March quarter, matching that of 2021



Hardship assistance

There was a large increase in the number of SNGs provided in March, reflecting the impact of COVID-19

- 25 After decreases earlier in the quarter, the number of SNGs rose by 36,200 from February to March 2022 (up 28.5 percent), totalling 163,300. This coincided with the national-level peak in COVID-19 cases in mid-March, and the resulting increase in demand for welfare assistance from those self-isolating.
- 26 This increase was driven by 32,900 more SNGs for food than in the previous month (up 31.3 percent). This was the largest increase since the COVID-19 outbreak in August 2021. SNGs for food made up 84.4 percent of all SNGs in March.
- 27 Most other types of SNGs also increased, including Emergency Housing SNGs (EH SNGs) which continued to increase at a similar rate to the previous month, by around 1,400 (up 12.4 percent) in March. The increase in EH SNGs was in line with what we usually see this time of the year⁶.

⁶ 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>



28 Demand from non-beneficiaries (those not receiving a main benefit) for hardship assistance⁷ grew more in the March 2022 quarter than in previous March quarters. Particularly from February to March 2022, when hardship assistance for this group increased by 45.1 percent. This continued to reflect the temporary lift of income thresholds to enable more New Zealanders to receive this type of support, which ends on 30 June 2022⁸.

Upcoming benefit system changes

- 29 On 1 April, main benefit payment rates increased in line with The Annual General Adjustment (AGA). This is a yearly increase to most of MSD's financial support to keep up with increases in the net average wage, or the cost of goods and services (CPI).
- 30 Additionally, several changes to income support payments previously announced as part of the Government's Budget 2021 were implemented on the same day⁹.
- 31 The yearly Winter Energy Payment (WEP)¹⁰ will start on 1 May 2022 and end on 1 October 2022. The WEP is a non-taxable benefit paid on top of a 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.

Other releases¹¹

- 32 The quarterly *Benefit Fact Sheets* for the March 2022 quarter will be published on Thursday 21 April¹².
- 33 Trends in Emergency Housing will be reported in the March *Monthly Housing Update*, published in April.
- 34 The *StudyLink Statistics* on student data for the March 2022 quarter will be published in May¹³.

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 Income thresholds temporarily lifted to enable more New Zealanders to receive hardship assistance have been further extended. For more information, see: <https://www.beehive.govt.nz/release/government-further-extends-hardship-assistance-low-income-workers>

⁹ Government delivers income increases for over 1.4 million New Zealanders: <https://www.beehive.govt.nz/release/government-delivers-income-increases-over-14-million-new-zealanders>

¹⁰ For more information on the Winter Energy Payment, see: <https://www.workandincome.govt.nz/products/a-z-benefits/winter-energy-payment.html>

¹¹ 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>

¹² For more information on the Benefit Fact Sheets, see: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html>

¹³ Student data: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/studylink/index.html>