



Monthly Benefits Update - Commentary

July 2023

Purpose

The purpose of this commentary is to highlight key points and insights from the Monthly Benefits Update for July 2023. It was published as part of our monthly reporting on the Ministry of Social Development's (MSD) website on Friday, 11 August 2023. Additional insights have been included for further context.

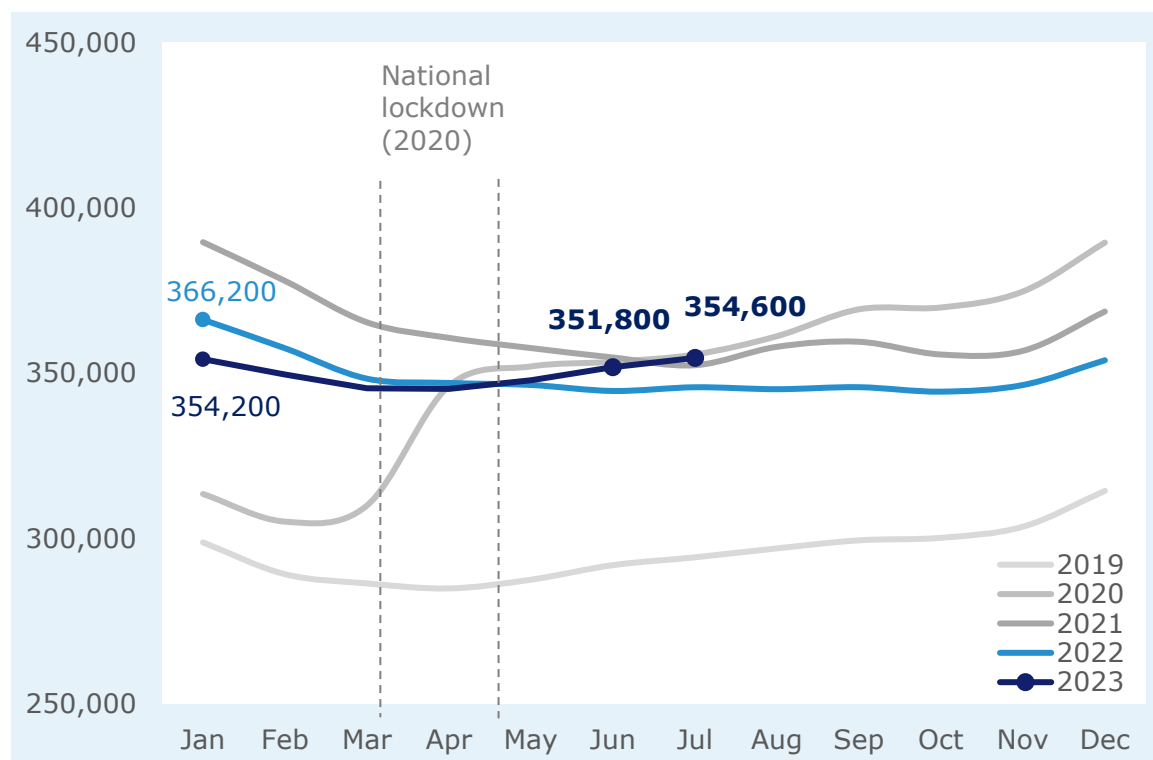
Key points

- 1 The number of people receiving a main benefit in July 2023 increased by around 2,900 since June 2023 to around 354,600, in line with expectations.
- 2 Jobseeker Support (JS) rose by around 2,700 in July 2023, and this drove the overall increase in main benefit numbers, which may be related to the weakening economy beginning to impact the labour market.
 - Jobseeker Support – Work Ready (JS – WR) increased by nearly 1,800 people. Most of this increase was because of people who have come from outside of the benefit system.
 - Jobseeker Support – Health Condition or Disability (JS – HCD) increased by nearly 900. This increase was mostly due to people who have come from outside the benefit system, and also existing clients transferring from JS – WR to JS – HCD.
- 3 The gap between all main benefit grants and exits has been widening since May 2023, with the number of grants being higher than the number of exits.
- 4 The work exit rate for main benefits in July 2023 was relatively low compared with July months in prior years. In recent months, we have seen a reduced demand for labour, as indicated by the decline in online job advertisements in the June 2023 quarter.¹
- 5 Special Needs Grants (SNGs) increased slightly from June 2023 to July 2023, which is considered typical for this time of year.

¹ For trends in labour market conditions, see: www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/jobs-online

Main benefits

Figure 1: Main benefit numbers were slightly higher than in July 2022²



The number of people receiving a main benefit increased by around 2,900 since June 2023 to around 354,600 in July 2023, in line with expectations (see Figure 1)

- 6 The increase in benefit numbers from June 2023 was largely driven by Jobseeker Support (JS), which increased by around 2,700 people (1.5 percent).
- 7 The increase in JS consisted of around 1,800 (1.8 percent) more people on Jobseeker Support – Work Ready (JS – WR), and around 900 (1.2 per cent) more people on Jobseeker Support – Health Condition or Disability (JS – HCD).
- 8 The monthly increase in JS – WR was primarily made up of people who have come from outside of the benefit system, which may reflect reductions in economic activity that impact the labour market.

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.

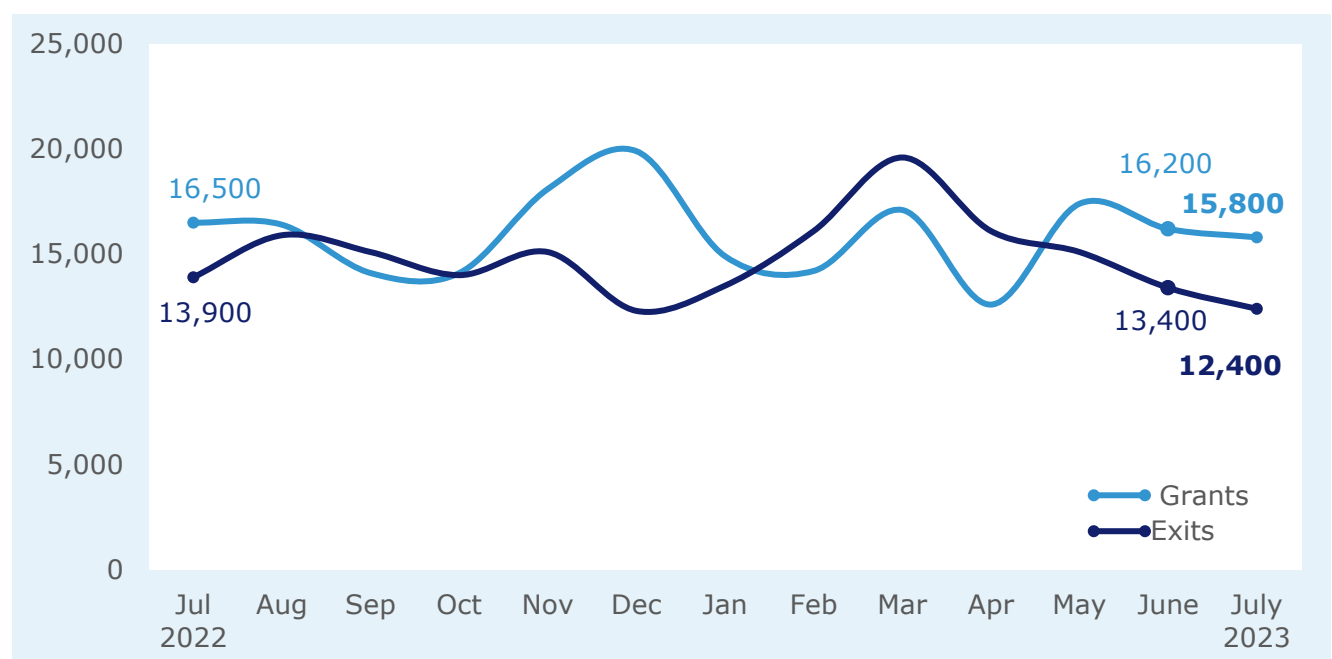


- 9 The increase in JS – HCD was comprised of a relatively even split between people who have come from outside the benefit system, and existing clients transferring from JS – WR to JS – HCD.
- 10 There were around 11,900 JS grants, compared to around 9,200 JS exits during July 2023. The higher numbers of JS grants compared to JS exits in July may also support the idea that reductions in economic activity may be flowing into the labour market

The gap between all main benefit grants and exits has been widening since May 2023, with the number of grants being higher than the number of exits

- 11 Main benefit grants being higher than exits is a trend which began emerging in May 2023.
- 12 Since then, this gap has continued to widen, primarily due to the number of grants consistently remaining higher than exits (see Figure 2). This pattern closely resembles one which was observed between 2017 and 2019.

Figure 2: There were more main benefit grants than exits in July 2023



- 13 The number of both grants and exits decreased in July compared to June. However, the decrease in exits (around 1,000, or 7.6 percent), was

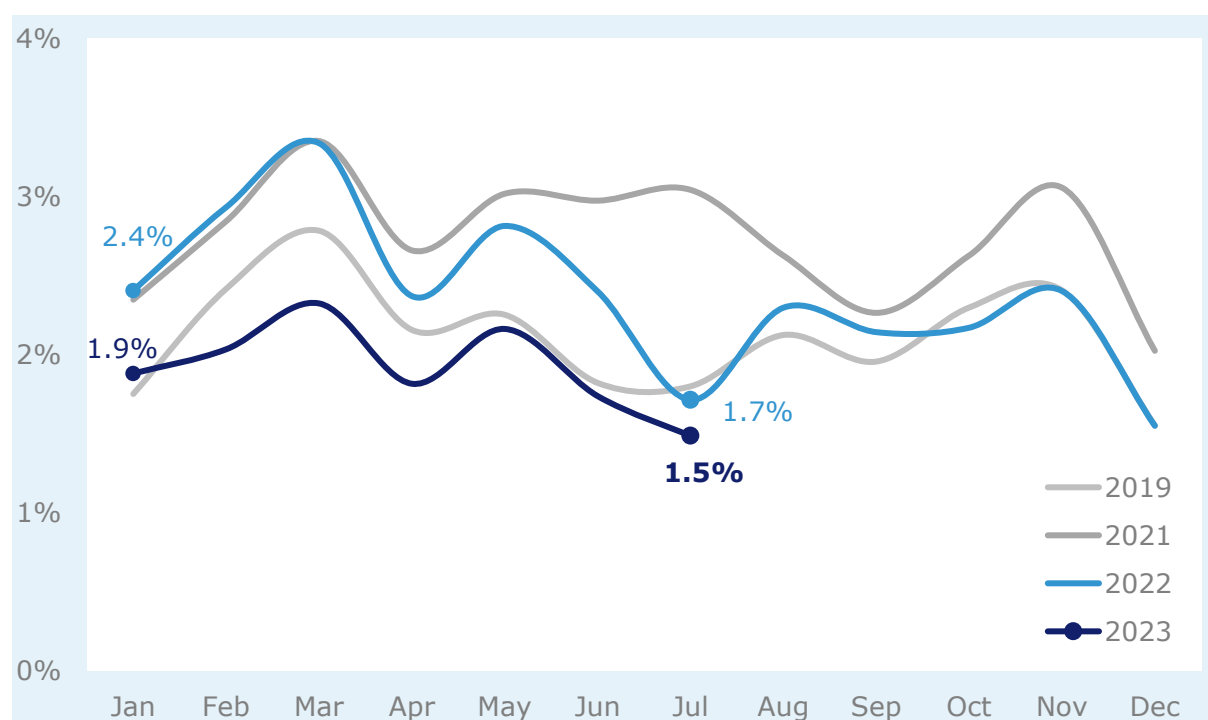
larger than the decrease in grants (around 400, or 2.6 percent), and this was in line with the overall increase in main benefit numbers this month.

- 14 In July 2023, the number of main benefit grants (around 15,800), was higher than the number of main benefit exits (around 12,400).

The work exit rate for main benefits in July 2023 was relatively low compared with July months in prior years

- 15 The low rate of exits into work (1.5 percent) from main benefits may reflect a reduced demand for labour in recent months, as indicated by the decline in online job advertisements in the June 2023 quarter (down 8.8 percent compared to the previous quarter).³
- 16 There were around 5,200 exits into work from main benefits in July, which was around 800 fewer people exiting than the previous month. While exits into work have fallen between June and July in prior years, the fall between June 2023 and July 2023 was bigger than usual.

Figure 3: The work exit rate from main benefits was low compared with July months in prior years



³ For more information, see: www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/jobs-online/#jobs-online-monthly-data-release



Benefit numbers in June were close to the Budget Economic and Fiscal Update 2023 (BEFU) forecast⁴

- 17 There were around 353,900 people receiving a main benefit in July, which is around 300 (0.1 percent) more people than forecast at BEFU 2023⁵.
- 18 The variance above forecast in July 2023 was mainly driven by JS – HCD, which had around 2,800 (3.93 percent) more people than forecast, and SPS and SLP, which had around 1,200 (1.7 percent) and 400 (0.4 percent) more people than forecast, respectively.
- 19 This variance above forecast was mostly offset by JS – WR, which had around 4,200 (4.2 percent) less people than forecast.

Hardship Assistance

Special Needs Grants (SNGs) increased slightly from June 2023 to July 2023, which is typical for this time of year

- 20 The 4.8 percent increase in SNGs from June 2023 to July 2023 was largely consistent with July months in past years, except for 2019 (22.5 percent) and 2022 (15.5 percent), which were higher than usual.
- 21 There were around 143,600 SNGs in July 2023, which was almost 6,600 higher (4.8 percent) than in June 2023.
- 22 SNGs for food made up 77.5 percent of all SNGs granted in July 2023, which is consistent with past trends. SNGs for food increased by around 8,000 (7.8 percent) compared with June 2023, to nearly 111,300 grants in July 2023.

Upcoming benefit system impacts

- 23 From 1 July 2023, people receiving main benefits that are liable for child support payments can include this payment as an essential cost in their assessment for Temporary Additional Support (TAS) or for a Special Benefit (SpB). As an essential cost, child support payments are not treated as income when determining whether someone meets the income thresholds of hardship that qualify people for TAS and SpB.

Upcoming releases

- 24 The next Monthly Benefits Update - Commentary for August 2023 will be published on 15 September 2023.

⁴ For the Budget Economic and Fiscal Update 2023 see: [Benefit Forecasts for the Economic and Fiscal Update 2023 - Ministry of Social Development \(msd.govt.nz\)](#)

⁵ Please note that numbers used in forecasting differ from MSD's official reporting of working age benefits.