MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

What happened to people who left the benefit system

DURING THE YEAR ENDED JUNE 2020

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Disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), which is carefully managed by Stats NZ. For more information about the IDI please visit: www.stats.govt.nz/integrated-data/

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes and is not related to the data's ability to support Inland Revenue's core operational requirements.

Reliances and limitations

In undertaking this analysis, we have relied upon the accuracy of information contained in the IDI and described in Appendix 1: History, data, and methodology. We have used the information without independent verification. It has been reviewed where possible for reasonableness and consistency including with prior reports.

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An overview of this analysis

Overview

This report continues a series which examines what happened to people who exited the benefit system. It considers why they exited off a main benefit including where they went, such as into work, enrolled into a tertiary course or began an apprenticeship or some other industry training; their earnings; and how sustainable their exits were.

It presents an in-depth descriptive analysis to support the main monitoring report,[1] and delves deeper into the outcomes of different groups of the population. This technical report also provides information about how the analysis was done in Appendix 1: History, data, and methodology.

Purpose of this analysis

The purpose of this report is to look back and follow what happened to people when they left the benefit system. It provides a descriptive analysis of who was supported by a main benefit; who left the benefit system; and where they went such as beginning work, enrolling in a tertiary course or a type of industry training once they exited off a main benefit. To understand what has happened to people leaving the benefit system across time, we analysed peoples exits in different years (ie from different cohorts).

To further understand how sustainable people's exits are, we follow them for at least 12-months after their exit. For people who left in earlier cohorts we follow their outcomes for longer.

Our analysis also considers people's incomes after they have exited off a main benefit, whether that is straight into employment, to tertiary education or to industry training.

Understanding these trends helps the Ministry of Social Development - Te Manatū Whakahiato ora (MSD) better understand whether and how outcomes have changed over time, for those leaving the system. This is important as MSD aims to support people into long-term sustainable outcomes for themselves and their whānau.

Understanding what people do once they exit a main benefit and how that can influence how long they stay out of the benefit system, can help MSD shape its work.

[1] The monitoring report for *'What happened to people who left the benefit system in the year ended June 2020'* provides a high level summary for the outcomes of people who left the benefit system.

Scope of this report

This report gives further information to support the findings in the main monitoring report. It allows us to delve deeper into differences across different groups of the population by breaking down this analysis by:

- Demographics: age, gender, ethnicity
- Situation: region, type of benefit, benefit history and education level
- Where people exited into such as the industry they were employed into or began training in; the type of course they enrolled into at a tertiary institute.

This report focuses on what happened to the 110,151 people who left the benefit system in the year ended June 2020. We then followed them for 12-months after they exited a main benefit up to June 2021. To understand how things have changed over time and to follow people's outcomes over a longer time period, we also looked at previous cohorts.

Cohorts are defined by the period in which they exited the benefit system:

- **2015/2016:** Exited the benefit system between 1 July 2015 and 30 June 2016
- **2017/2018**: Exited the benefit system between 1 July 2017 and 30 June 2018
- **2018/2019:** Exited the benefit system between 1 July 2018 and 30 June 2019
- **2019/2020:** Exited the benefit system between 1 July 2019 and 30 June 2020

Changes over time could be due to the differences in the characteristics of the cohorts as well as external factors such as the labour market and economic environment, policy changes or changes to the operational environment. As this is a descriptive analysis of trends and patterns further work would be needed to understand why outcomes differ across groups and how MSD could respond to those.

The welfare system

The welfare system provides financial support to help people with low incomes or not in paid employment and to support people to find or retain employment. The subset of income-tested main benefits that we consider throughout this report and the average number of people receiving those benefits each month in the year ended June 2020, are summarised in the table below[2]:

[2] The numbers reported within this analysis differ from official MSD benefit statistics due to the difference in counting rules.

Table 1: Average number of people supported by a main benefit each month in the year ended June 2020 - by each main benefit category included in this report

Benefit	Code	Average number of people each month
Jobseeker Support – Work Ready, and Youth Payment	JS-WR/YP	104,100
Jobseeker Support – Health Condition or Disability	JS-HCD	68,400
Emergency Benefit	EB	2,800
Sole Parent Support and Emergency Maintenance Allowance, and Young Parent Payment	SPS/YPP	65,500
Supported Living Payment – Carer	SLP - Carers	9,100
Supported Living Payment – Health Condition or Disability	SLP - HCD	84,400

The number of people receiving the Youth Payment (YP) and Young Parent Payment (YPP) were relatively small, and the number of people leaving these benefits were too small to meaningfully analyse. Therefore, we have combined people on YP with those who are on the Jobseeker Support – Work Ready (JS-WR) and combined those on YPP with those who are on Sole Parent Support (SPS).

The main benefits are summarised in further detail in Table 6 in Appendix 1: History, data, and methodology. Note that people on a main benefit but who are aged 65 years or older are excluded from this analysis.

Approach

This analysis was completed using the Integrated Data Infrastructure (IDI) which gives us access to information about peoples' lives once they have left the benefit system. For example, we can understand what courses people began through the Ministry of Education's enrolment information. More information on the data used can be found in Appendix 1: History, data, and methodology.

We worked in the IDI to trace people over a 12-month period to understand how sustainable peoples exits were. For people who had exited in earlier years, tracing their outcomes over a greater period allows us to understand people's long-term outcomes. This approach was selected to maintain consistency with previous analysis.

A person could leave the benefit system for multiple reasons. To simplify this analysis a person is only assigned one exit reason. Table 8 in Appendix 1: History, data, and methodology defines and prioritises the exit reasons used throughout this analysis.

To examine how earnings have changed over time for people who left the benefit system, an earning threshold of $1,600 per month was set (indexed to December 2021 dollars). This amount was chosen as it is the equivalent to a person working 20 hours per week at minimum wage.

The main population that we focus on for this report are the people who exited a main benefit during the year 1 July 2019 to 30 June 2020 (2019/2020) and were off a main benefit for at least one calendar month after their exit. Some people may have exited a benefit, re-entered and then exited again within 2019/2020 – in this case we only count them on their first exit within the cohort of 2019/2020.

The key reliances and limitations to our methodology are outlined below with further details in Appendix 1: History, data, and methodology.

Altering our approach to understand the effect of COVID-19

This year's reporting focuses on people who stopped receiving a benefit in the year ended June 2020 and follows them for 12-months after their exit. Because of this timing, this report covers the time prior to and just after New Zealand's first national Alert Level 3 and 4 lockdown that occurred between 23 March 2020 and 13 May 2020. These restrictions would have impacted people's ability to exit off benefit and into employment as only essential services were operational. The uncertainty around COVID-19 also likely impacted people's ability to exit off a main benefit.

Official MSD statistics show that at the same time there was a rapid increase in the number of people on a benefit (from approximately 310,000 clients in March 2020 to 346,000 clients in April 2020). To understand the impact of the first COVID-19 alert level restrictions, additional cohorts of interest were defined and are discussed in a later section.

Reliances, limitations and things to note

Using calendar-months

A calendar-month approach has been used to be consistent between the data tables used in the IDI, specifically Inland Revenue's Employer Monthly schedule where earning information is extracted. Some limitations of this approach are:

- **A person must have been off benefit for at least a full calendar month before being included in the subject population.** Depending on when a person leaves a benefit this could exclude people who are off benefit for periods up to almost two months, while including others who have been off benefit for just one full month.
- **We use earnings exceeding $1,600 a month (inflated to December 2021) as our threshold for sustained employment.** We only have earnings

data for calendar months and do not have work hours. Thus, a person who works one week a month earning an annual salary of $60,000 would have the same monthly earnings as someone working a full four weeks on annual salary of $15,000.

- **Generally self-employed earnings are not accounted for.** Most self-employed earnings declarations in the data relate to years ending 31 March, which we could not reliably allocate across months and which may not be available until a long period after the financial year end. This means that some of those deemed to not be earning or to be earning less than $1,600 per month may, in fact, have earnings from self-employment exceeding $1,600 per month. However, the proportion of the study population reporting self-employed earnings is small (less than 3% in previous reports), so this is unlikely to materially impact our broad findings.
- **There is a need to be cautious in drawing conclusions from the comparative analyses in this report.** We have performed comparative analyses between various groups throughout this report. However, we have not controlled for any multivariate factors between any two groups.
- **Differences in exit likelihoods between the cohorts could partly be due to differences in the characteristics and histories of the cohorts.** No attempt has been made to control for these differences and, for this reason, it is not possible to come to any firm conclusions about the causes of differences in exit likelihoods and other outcomes between the cohorts.
- **Due to the way we've defined and prioritised exit reasons, some people who are designated as having left benefit for reasons other than employment may also have earnings over $1,600 per month.** For example, someone may have left for tertiary education and also have income above $1,600 per month – they would be classified as leaving for tertiary education rather than employment. It is also possible that some of the people assigned to other earning categories for less than $1,600 per month may in fact have substantial earnings, for example they may have significant self-employed earnings, as described above.

Differences between official MSD benefit statistics and research numbers used in this analysis

The exit numbers used in this report are research numbers developed specifically for this reporting. The exit numbers within this report are lower than official counts of main benefit cancels for a number of reasons including:

- This report only counts a person the first time they exit off a main benefit during that cohort year, whereas official statistics count each time a person exits within a year as multiple exits.
- As described above, to draw on different IDI data sources, this analysis requires a person to be off a main benefit for at least a full calendar month before being counted as an exit. Official cancellation statistics do not have this requirement.

- Some people transfer between main benefit types and this can sometimes involve cancelling the initial main benefit they transferred from. These are counted in official cancellation statistics but are excluded from our exit definition.
- Cancels from Jobseeker Support - Student Hardship are also excluded from this analysis exit definition and subsequent analysis as this benefit type is a temporary support between planned periods of study. However, they are counted in official cancel statistics.

Understanding the impact of COVID-19

To get an initial understanding of how COVID-19 may have affected people's outcomes once they exited from the benefit system, we investigated the outcomes for people who exited off a main benefit in the three-months to June 2020 and compared them to exits over the same period in earlier years when restrictions were not in place. This encompasses New Zealand's first Alert Level 3 and 4 restrictions and the rapid increase in people entering the benefit system during this time. Given the period covered within this analysis we can only see part of the impact of COVID-19. The longer-term impact of COVID-19 on outcomes will be visible in future reports.

Comparison cohorts were defined as follows:

- **June 2018 quarter**: Exited the benefit system in the three months from April 2018 to June 2018
- **June 2019 quarter**: Exited the benefit system in the three months from April 2019 to June 2019
- **June 2020 quarter**: Exited the benefit system in the three months from April 2020 to June 2020

New Zealand's Alert Level restrictions were not the only COVID-19 restrictions impacting employment in New Zealand at that time. For example, prior to the national COVID-19 Alert Levels 3 and 4, lockdown restrictions in China limited our forestry exports and stopped tourist and students from arriving from China. This impacted the Tourism, International Education and the Agriculture, Forestry and Fishing industries. Additionally, by mid-March tourists were required to self-isolate for 14 days further impacting New Zealand's tourism sector before our own lockdown restrictions began[3].

The first national COVID-19 Alert Level 3 and 4 restrictions resulted in an influx of people entering the benefit system, and fewer people exiting off a main benefit

Official MSD statistics show that there was a rapid increase in the number of people supported by a main benefit during Alert Level 3 and 4 restrictions, (from approximately 310,000 clients in March 2020 to 346,000 clients in April 2020). Much

[3] For further information about the initial effect of COVID-19 on New Zealand's economy, the government's income support policy response, and how those factors affected demand for benefit payments please see the Benefit System Update August 2020 at https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-august-2020.pdf

of this increase was in Jobseeker Support – Work Ready (JS-WR)[4], which increased from approximately 152,000 clients in March 2020 to 184,000 clients in April 2020[5].

At the same time, 6.2 percent or 1,700 fewer people exited a main benefit in the quarter ended June 2020 compared to the same period in the previous year. For people supported by a main benefit in the quarter ending June 2019 the likelihood of exiting off benefits in the following year was 29.8 percent, this decreased down to 24.4 percent by the June 2020 quarter.

Part of this decrease is likely due to the Alert Level restrictions New Zealand was under during the June 2020 quarter which left little opportunity for people to exit into some form of education/training or employment. These destinations usually account for over half of people's exits from the benefit system. At this time there was great uncertainty about what the impact of COVID-19 would be on the broader economy.

During this time, people who entered the benefit system were generally younger, highly educated and more likely to be NZ European

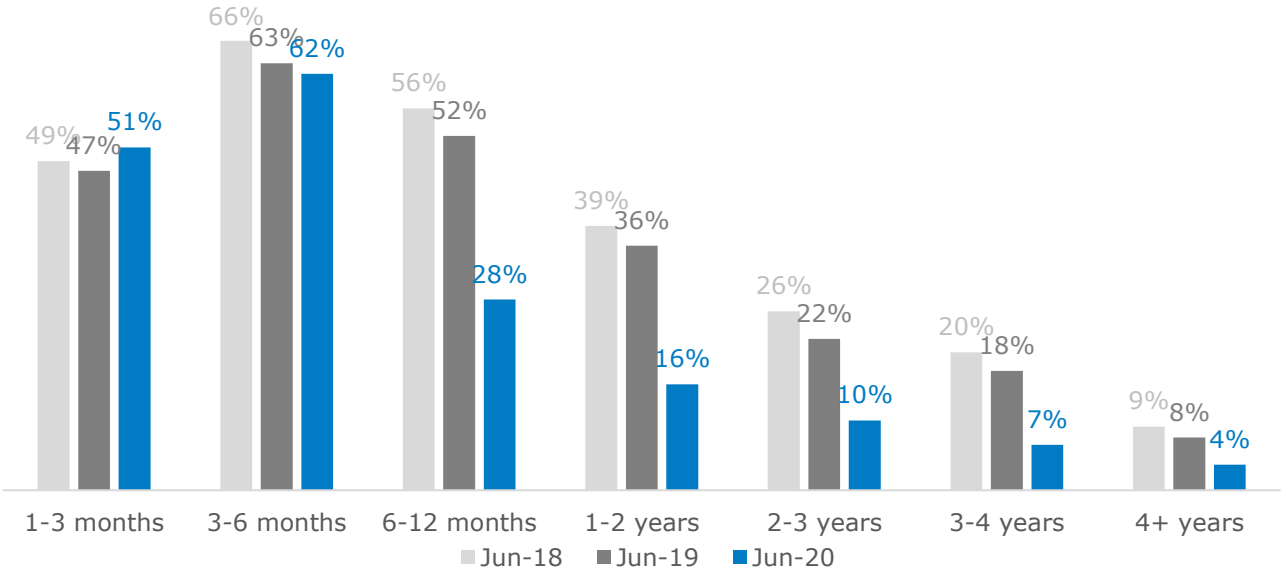
People who entered the benefit system during Alert Level 3 and 4 restrictions on average tended to have higher levels of education, be younger and were more likely to be NZ European[6] compared to previous years. This changed the characteristics profile of people supported by a main benefit. For example, in the 9-months to March 2020, which only included the first week of the national lockdown, 41.7 percent of clients were aged under 35; this rose to 44.3 percent by the June 2020 quarter. In the 9-months to March 2020, 6.8 percent of clients had achieved at least NZQF[7] (New Zealand Qualification Framework) level 7 (the equivalent of a Bachelor's Degree or Graduate Diploma); this rose to 8.2 percent by the June 2020 quarter.

[4] The Jobseeker Support Work – Ready benefit is a weekly payment that supports clients while they look for or are in training for work. This is the largest main benefit category and has the greatest work obligations compared to other benefit groups. For details on all main benefits included within this report please see Table 6 in Appendix 1: History, data, and methodology.
[5] Futher statistics on monthly benefit numbers can be found on Monthly Reporting Archive - Ministry of Social Development (msd.govt.nz)
[6] For more on the composition of people who entered the benefit system during the March lockdown see https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2020/topic-briefs/topic-brief-jobseeker-support-work-ready-grants-to-end-april-2020.pdf
[7] The NZQF is divided into 10 levels. Levels 1 to 3 align with NCEA certificates, levels 4 to 6 – certificates and diplomas, level 7 – Bachelor's Degrees, Graduate Diplomas and Certificates, level 8 – Postgraduate Diplomas and Certificates plus Bachelor Honours Degrees, level 9 – Masters Degrees, and level 10 – Doctoral Degrees. For more details on NZQF levels please see: https://www.nzqa.govt.nz/qualifications-standards/understanding-nzqf/#heading2-2

Many who subsequently left the benefit system in the June 2020 quarter had been supported by a main benefit for less than 6 months

In the June 2020 quarter approximately 1 in 4 (23.0 percent) people supported by a main benefit had been so for less than 6 months, which is an increase from 15.7 percent in the June 2019 quarter. Those who had been supported by a main benefit for less than 6 months had around a 57 percent chance of leaving the benefit system in both the quarter ended June 2019 and June 2020. However, those who had been supported by a main benefit for more than 6 months were much less likely to exit. In the June 2019 quarter, people who had been supported by a main benefit for 6 months or more had a 23.4 percent likelihood of leaving the benefit system over the next year. This dropped down significantly to 11.1 percent by the June 2020 quarter (see Figure 1). Because of this, many who had been supported by a main benefit for longer struggled to exit changing the profile of those who did exit.

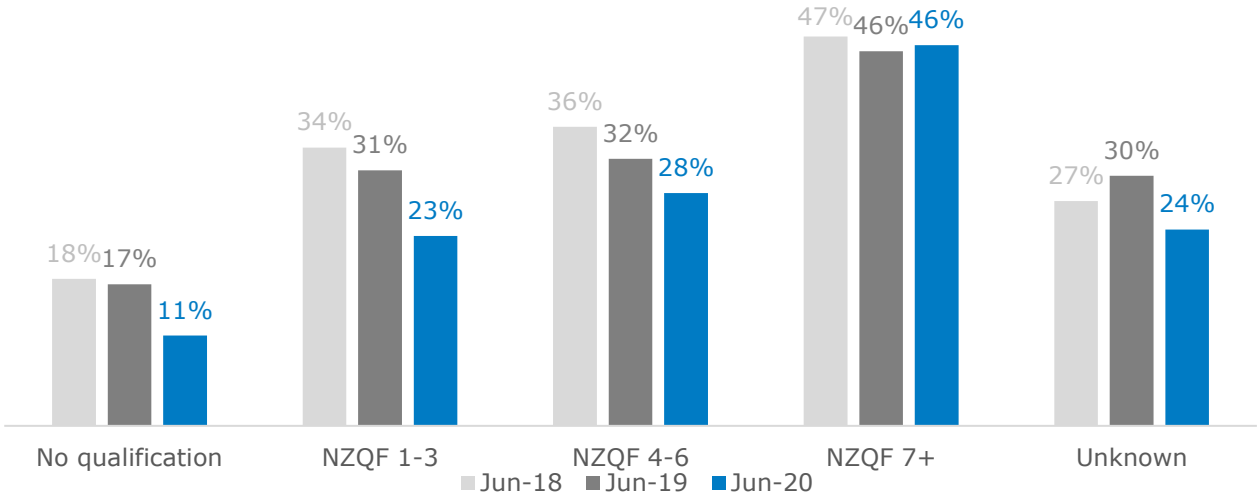
Figure 1: Likelihood of exiting off a main benefit at each June quarter - by the time spent supported on a main benefit



As a result, people who exited in the June 2020 quarter mirrored those who had entered during Alert Level 3 and 4

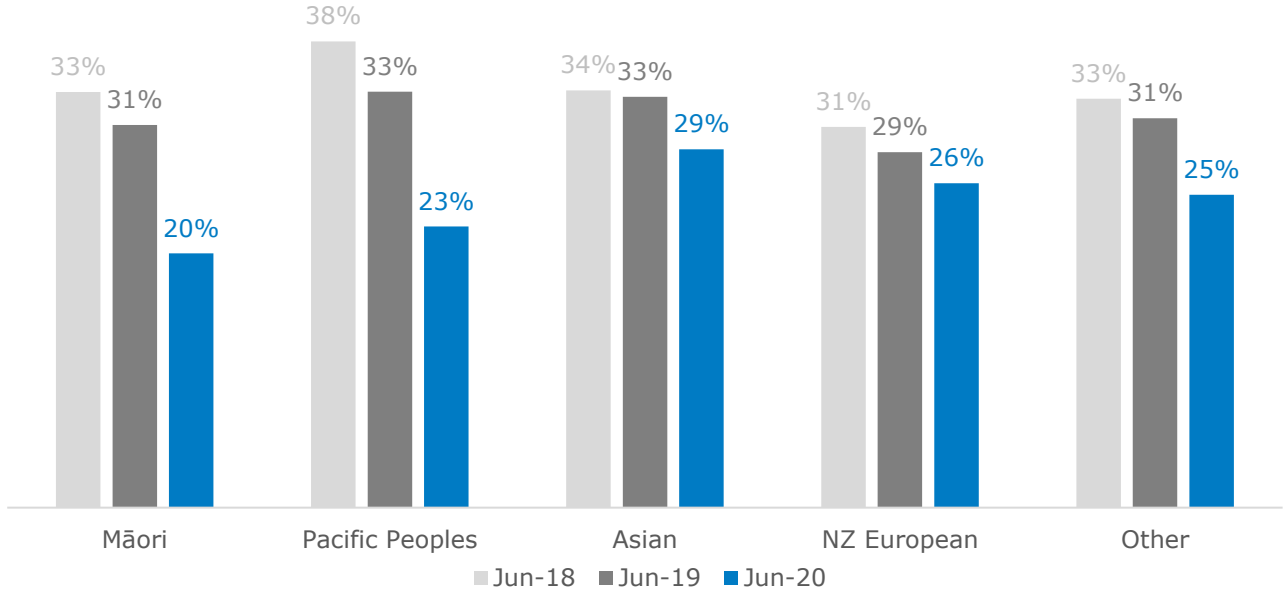
Historically, people who have less than NZQF 7 (e.g., a Bachelor's degree) were less likely to exit off a main benefit than those with NZQF 7 or above. This difference has widened. For example, in the June 2018 quarter the likelihood of exiting off a main benefit was 33.8 percent for people with NZQF 1–3 (the equivalent of NCEA Levels 1–3) which dropped down to 23.1 percent in the June 2020 quarter. In the June 2018 quarter the likelihood of exiting off a main benefit was 47.3 percent for people with NZQ 7+ which decreased only slightly to 46.2 percent in the June 2020 quarter (see Figure 2).

Figure 2: Likelihood of exiting off a main benefit at each June quarter - by highest education level



As shown in Figure 3, the likelihood of exiting off a main benefit reduced for all ethnicities[8] between the June 2019 and June 2020 quarters. However, Māori and Pacific People clients had a much lower likelihood of exiting a main benefit compared to a year ago. In the June 2019 quarter exits rates for Māori, Pacific Peoples and NZ European clients were 30.8 percent, 33.5 percent and 28.6 percent respectively; this dropped down to 20.5 percent, 22.6 percent and 26.1 percent respectively in the June 2020 quarter.

Figure 3: Likelihood of exiting off a main benefit at each June quarter - by ethnicity



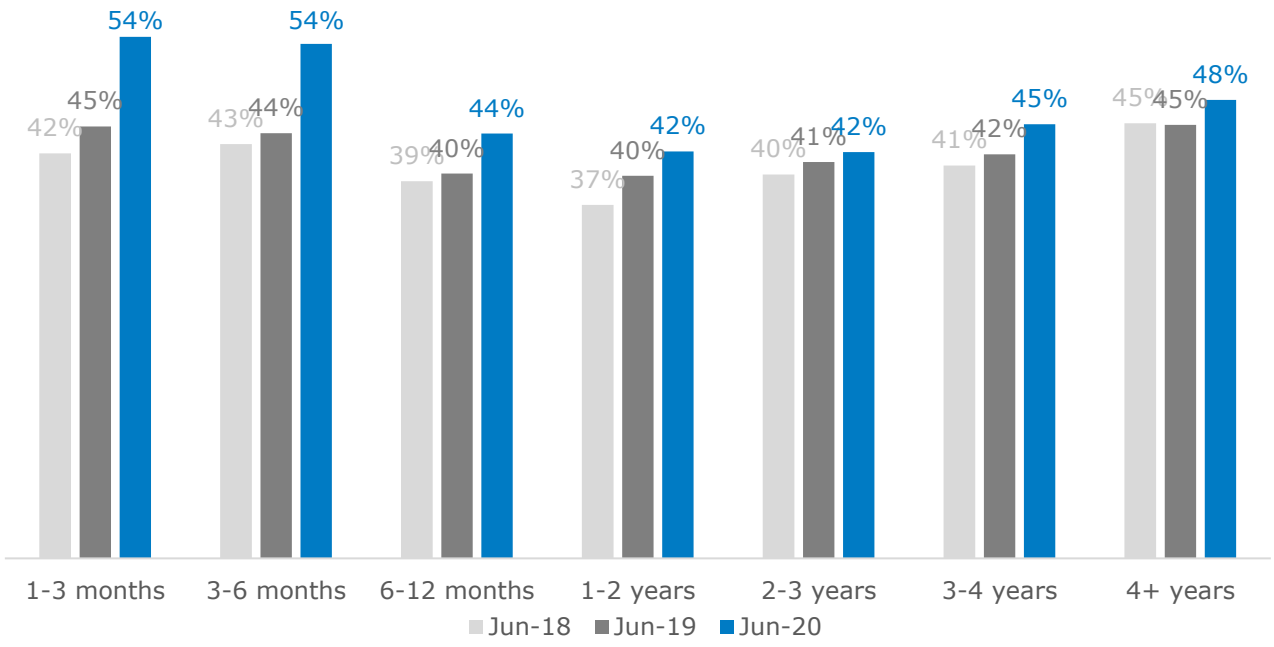
[8] 'Total ethnicity' has been used throughout this report. This means that when a person has more than one ethnicity they are counted once within each ethnicity group (eg, a person may be counted as both NZ European and Māori). For more details, please see Appendix 1: History, data, and methodology.

This finding is in line with trends seen during the Global Financial Crisis (GFC) where NZ Europeans made up most of the increase in Jobseeker Support (or the equivalent of the Unemployment Benefit before July 2013) and then accounted for most of the decrease in the benefit system as the economy recovered[9].

More people sustained their employment[10] compared to last year; people who were supported by a main benefit for less than 6 months showed the greatest improvement

Historically, people who were briefly supported by a main benefit before exiting into employment, sustained their employment for longer. This continued to be the case for people exiting in the June 2020 quarter, with more people sustaining their employment. For people who had been supported by a main benefit for 1-3 months before exiting into employment in the June 2020 quarter, 54.3 percent had sustained their employment 12-months later; comparatively, 45.0 percent of those who exited in the June 2019 quarter had done the same (see Figure 4).

Figure 4: Percentage of people who exited into employment each June quarter and who sustained their employment for at least a year by maintaining earnings of at least $1,600 each month – by time spent on benefit prior to exit



[9] This is explained in the Benefit System Update August 2020 report found here: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-august-2020.pdf

[10] Sustained employment is defined as remaining off benefit and remaining in employment by maintaining earnings over $1,600 each month in the first 12-months after exiting into employment. $1,600 per month is equivalent to receiving the Minimum Wage and working at least 20 hours a week.

Employment sustainability may have been higher for people due to the industries they exited into

This may be in part due to the change in industries people tended to exit into. A higher proportion of people who exited into employment in the June 2020 quarter exited into industries that historically sustain employment. For example, Health Care and Social Assistance, made up 8.5 percent of employment exits for the June 2020 quarter compared to 7.6 percent in the June 2019 quarter; Professional and Technical Services made up 4.8 percent of employment exits in the June 2020 quarter compared to 3.4 percent of exits in the June 2019 quarter.

There was also an increase in people exiting off a main benefit into the Construction industry. In the June 2020 quarter 11.2 percent of people who exited into employment entered the Construction industry compared to 9.0 percent in the June 2019 quarter. In the previous June quarters approximately 36 percent of people had sustained their employment 12-months after entering the Construction industry, but this increased to 52.5 percent for people who exited in the quarter ending June 2020. The large number of building projects underway nationally may have improved sustainability in the Construction industry.

It's unclear how much of the improvement in employment sustainability after exit is due to the characteristics of the June 2020 cohort, the industries they went into or the stronger than expected economic recovery between June 2020 and June 2021.

Economic conditions improved in 2021

While Alert Level 3 restrictions in the latter half of 2020 did not result in further influxes into the benefit population to the same extent, we continued to see growth in benefit numbers.

Across 2021, economic conditions led to an overall tight labour market with employers looking to fill labour and skill shortages. At the same time the number of people on a main benefit steadily declined. MSD continued to support people into employment and in the year ended June 2021 113,400 people left the benefit system where MSD had recorded the reason as employment[11]. This was the highest number recorded in the last 20 years. The number of people supported by a main benefit has not yet returned to pre-COVID-19 levels.

The sections below break down trends and highlight differences between sub-groups who exited the benefit system.

[11] For more information on trends in the benefit system following the first national COVID-19 Alert Level 4 restrictions to June 2021 please see Benefit System Update - 2021 - Ministry of Social Development (msd.govt.nz)

Overall findings

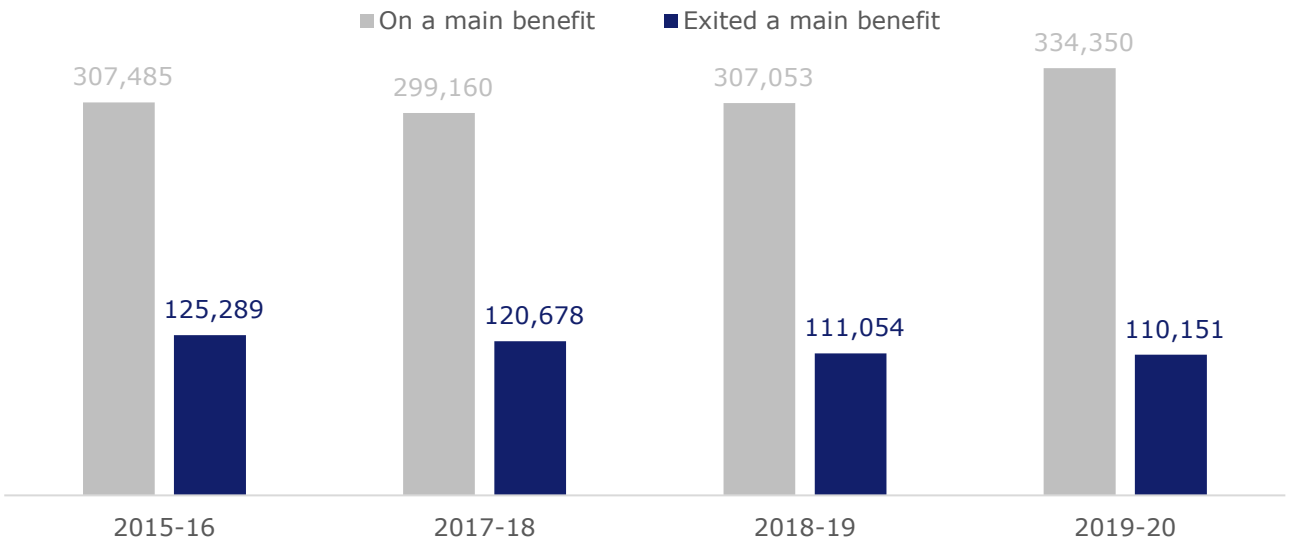
Despite the uncertainty of COVID-19, the number of people leaving a main benefit was similar to the previous year; but a greater proportion of people exited to employment

The number of people on a main benefit increased while the likelihood of exiting decreased

Between the year ended June 2019 and June 2020, the number of people supported by a main benefit grew by 27,300 people (8.9 percent) to 334,350 people. This was likely driven by the influx of people into the benefit system during Alert Level 3 and 4 restrictions.

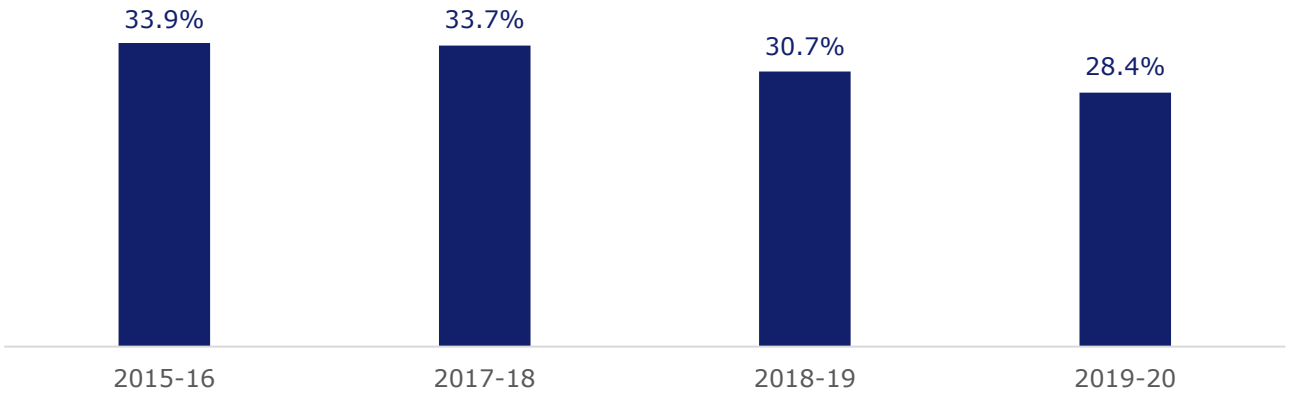
There was also a slight decrease in the number of people leaving the benefit system. In the year ended June 2020, 110,151 people exited off a main benefit; 903 fewer (down 0.8 percent) compared to the year ending June 2019 (Figure 5). Again, this was likely driven by fewer people leaving the benefit system during Alert Level 3 and 4 restrictions. In the 9-months to March 2020, slightly more people left the benefit system compared to the same period in the previous year. However, this was offset by approximately 1,650 fewer people leaving the benefit system in the June 2020 quarter compared the June 2019 quarter.

Figure 5: Number of people who were on a main benefit and exited a main benefit each year



As a result, the likelihood[12] of exiting off a main benefit decreased. In the year ended June 2019 the likelihood of exiting of a main benefit was 30.7 percent which decreased down to 28.4 percent in the year ended June 2020. This continues a long-term downward trend.

Figure 6: Average likelihood of exiting a main benefit



As with previous years, the number of people who exited into employment was the highest exit reason category (Figure 7). The reasons for exiting off a main benefit, are defined in Table 8 within Appendix 1: History, data, and methodology.

[12] The likelihood of exiting a main benefit over a 12-month period is defined below, where:

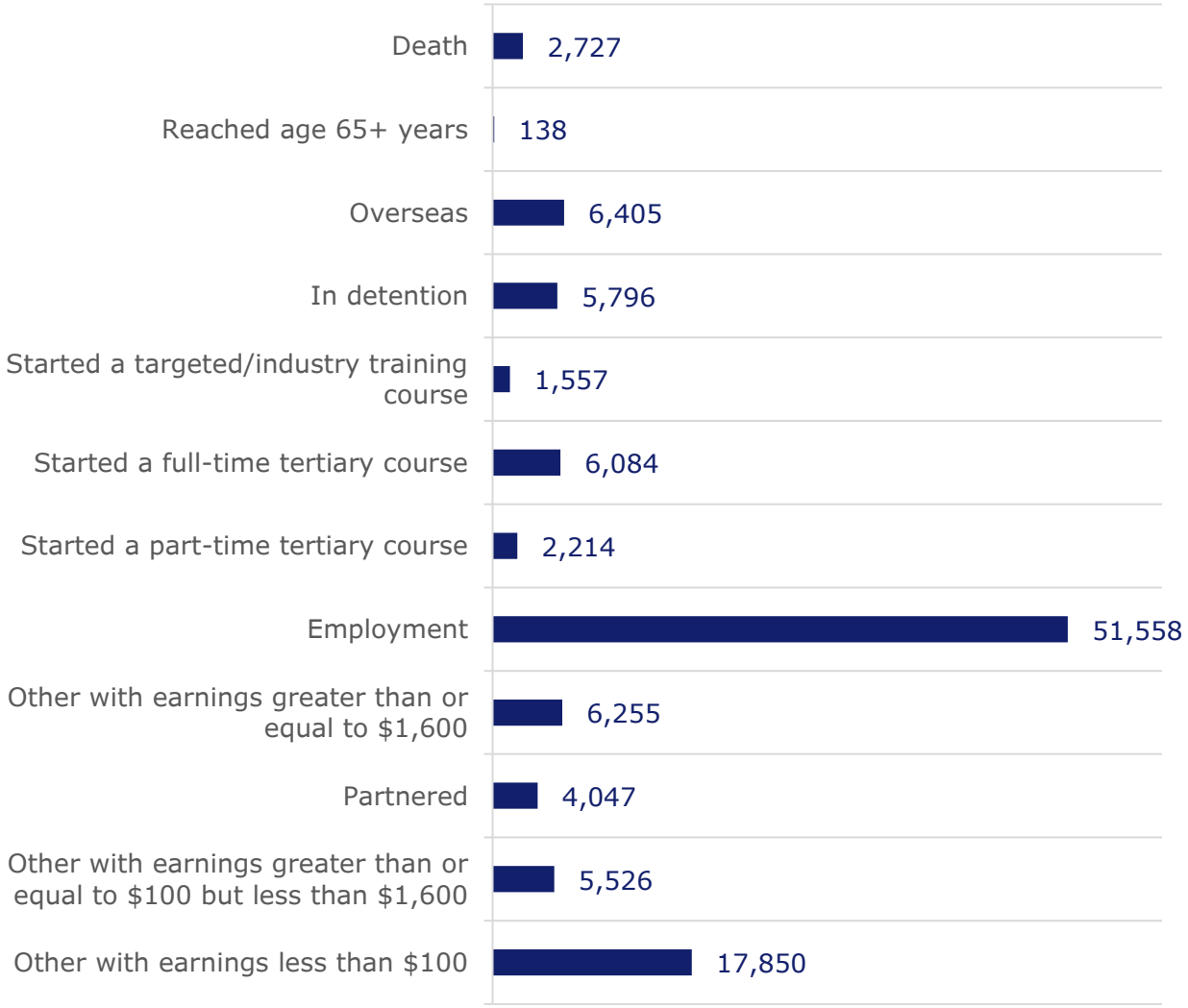
a: The average number of people exiting off a main benefit each month over that 12-month period

b: The average number of people receiving a main benefit each month over that 12-month period

$$1-\left(1-\left(\frac{a}{b}\right)\right)^{12}$$

Figure 7: Number of people who exited off a main benefit in the year ending June 2020 by their reason for exit

Please note that the exit reasons below are ordered by priority. For example, 'Started a full-time tertiary course' is above 'Employment' as a person who started a full-time tertiary course and began employment after their exit would be counted as 'Started a full-time tertiary course' only.



Employment continues to be the most common reason a person leaves a main benefit

While the number of people exiting off a main benefit decreased across a range of destinations, the number of people who exited into employment increased by 0.5 percent between the year ended June 2019 and the year ended June 2020. This resulted in people exiting into employment making up a greater share of all exits which continues a longer-term trend. In the year ended June 2020, exits into employment made up 52.5 percent of all exits (Table 2). 'Employment' is defined as people who left the benefit system for the reason of employment, plus people who left the benefit for the reason of 'other' and earned at least $1,600 per month.

Table 2: The proportion of people exiting off a main benefit within each year, by exit reason

	Proportion of exits				Difference
Exit reason	2015/16	2017/18	2018/19	2019/20	2015/16 to 2019/20
Death	2.0%	2.1%	2.4%	2.5%	25%
Reached age 65+ years	0.1%	0.1%	0.1%	0.1%	-10%
Overseas	6.8%	6.6%	7.0%	5.8%	-15%
In detention	3.7%	4.2%	4.8%	5.3%	44%
Started a targeted/industry training course	1.6%	1.7%	1.5%	1.4%	-12%
Started a full-time tertiary course	7.0%	6.4%	6.2%	5.5%	-21%
Started a part-time tertiary course	2.0%	1.8%	1.7%	2.0%	2%
Employment	45.0%	46.4%	46.2%	46.8%	4%
Other with earnings greater than or equal to $1,600	4.5%	4.6%	5.0%	5.7%	26%
Partnered	4.8%	4.3%	4.1%	3.7%	-23%
Other with earnings greater than or equal to $100 but less than $1,600	6.2%	6.0%	5.5%	5.0%	-19%
Other with earnings less than $100	16.3%	15.8%	15.5%	16.2%	-1%

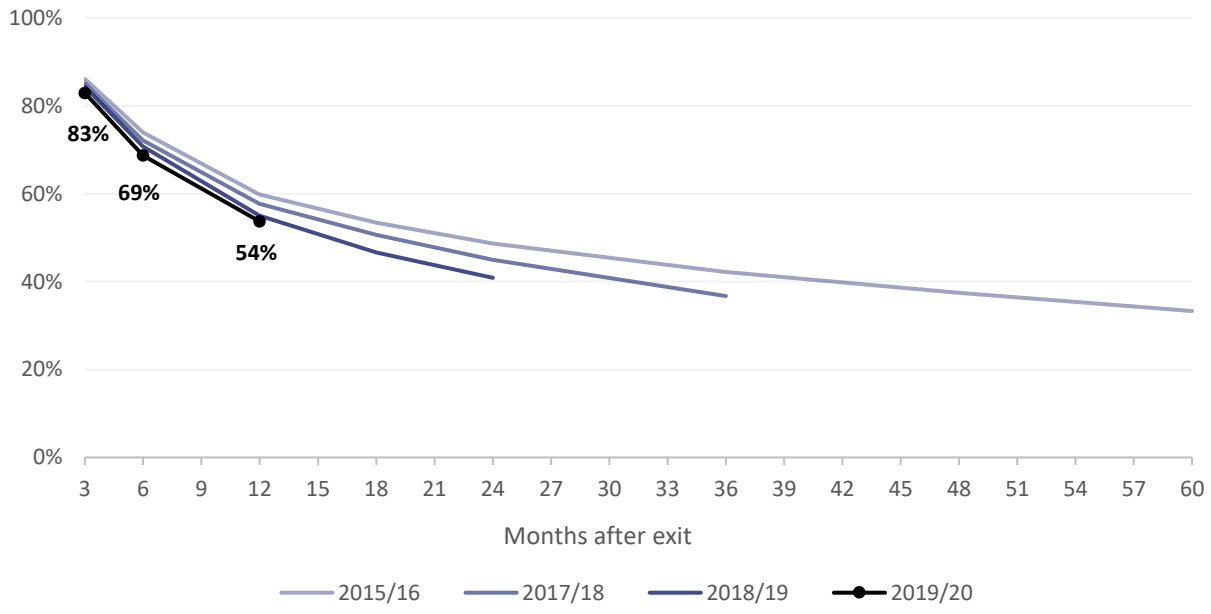
Notably fewer people exited off a main benefit to start a full-time tertiary course. In the year ended June 2020, 6,900 people left a main benefit to begin a full-time tertiary course which is 840 (12.2 percent) fewer than the year ended June 2019. However, this was countered slightly with an increase in the number of people leaving a main benefit to begin a part-time tertiary course. There were 280 more people (up 14.2 percent) beginning a part-time tertiary course in the year ending June 2020 compared to the previous year.

Overall fewer people remained off-benefit after a year

Overall 53.7 percent of people who left a main benefit in the year ended June 2020 remained off a main benefit for at least year, which is a decrease from the previous year where 55.0 percent remained off a main benefit after a year. Fewer people remained off benefit after a year across all exit reasons except for exits into tertiary education.

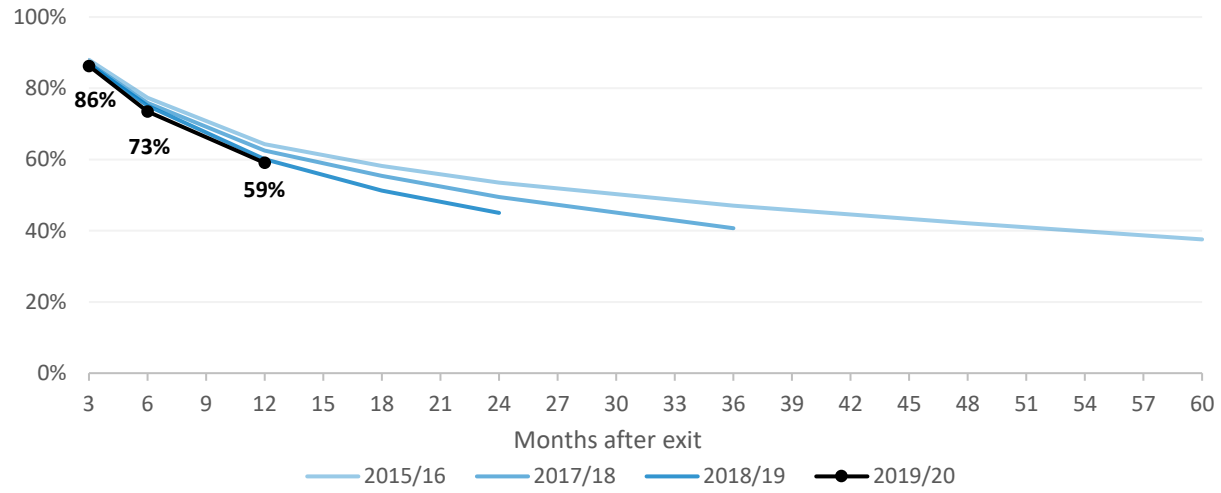
All exits

Figure 8: The proportion of people who remained off benefit after exiting - labelling the proportion of people who exited in the year ended June 2020



Exits to employment

Figure 9: The proportion of people who remained off benefit after exiting into employment - labelling the proportion of people who exited in the year ended June 2020

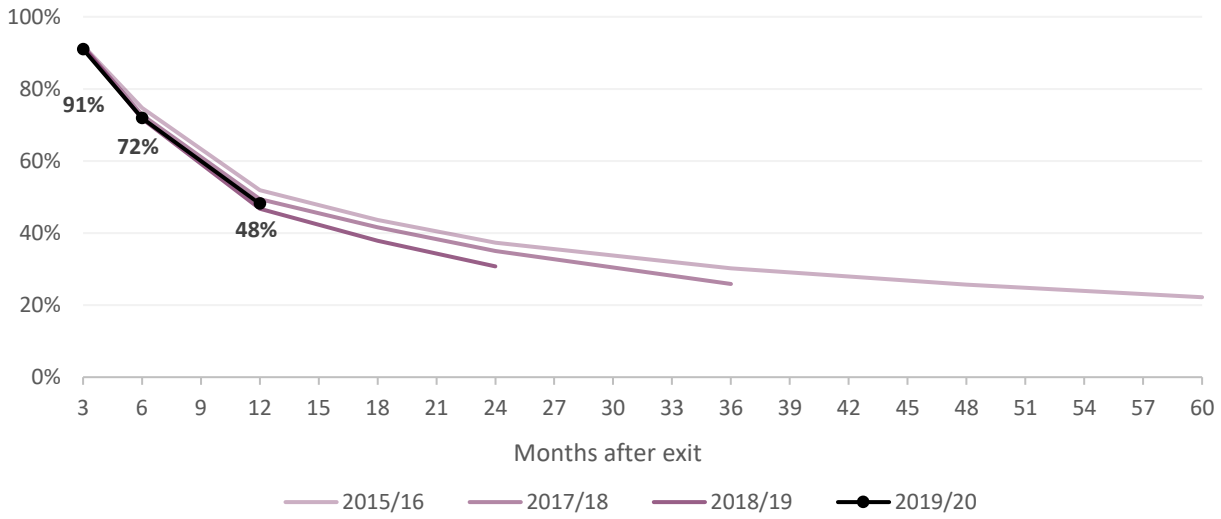


For those who exit into employment in the year ended June 2020, 59 percent remained off benefit for a year, which is similar to the June 2019 cohort.

People who left the benefit system at the beginning of the 2019/2020 cohort (ie around July 2019) had been off a main benefit for less than a year before the lockdown in early 2020 began. The subsequent restrictions during the lockdown may have reduced people's ability to remain off-benefit.

Exits to tertiary education

Figure 10: The proportion of people who remained off benefit after exiting into a tertiary education course - labelling the proportion of people who exited in the year ended June 2020

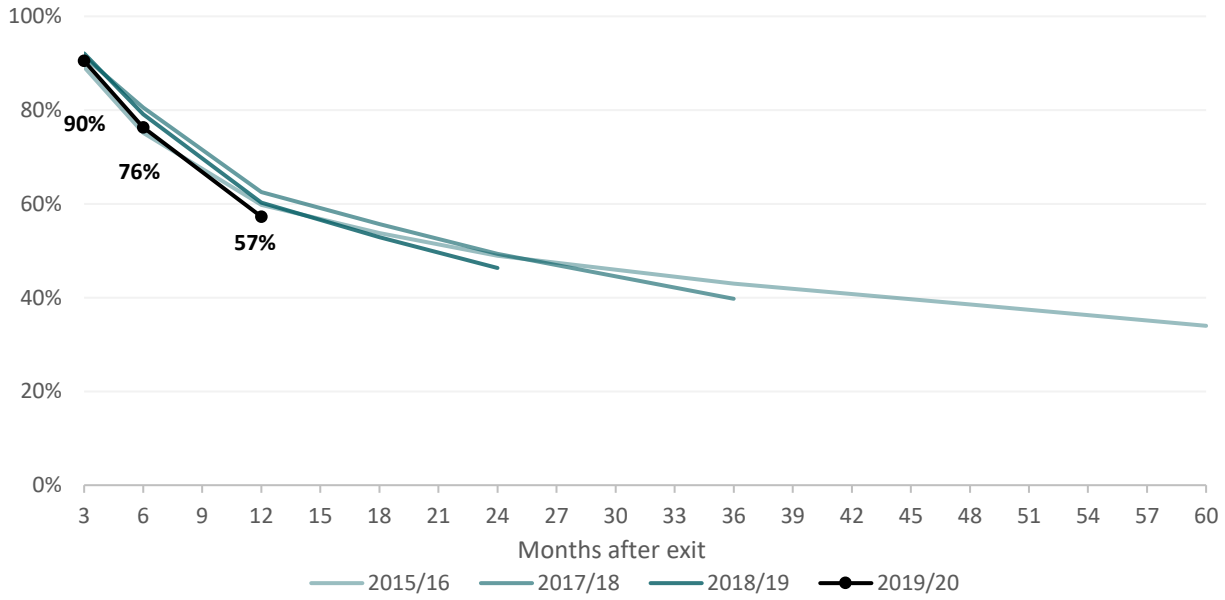


However, the proportion of people who remained off a benefit after starting a tertiary qualification is higher than for people who exited in the year ended June 2019.

Exits to industry/targeted training

Of those that exited into industry/targeted training in the year ended June 2020, 57.3 percent had remained off a main benefit after a year compared to 60.3 percent from the previous year.

Figure 11: The proportion of people who remained off benefit after exiting into targeted/industry training - labelling the proportion of people who exited in the year ended June 2020



Defining employment and sustained employment throughout the report

Throughout this report, we measure exits to employment by including all exits from a main benefit where a person has earnings of at least $1,600 per month (ie The exit reasons 'Employment' and 'Other with income equal to or greater than $1,600' shown in Figure 7).

We then look at the proportion of people within this group who maintained employment earnings of at least $1,600 each month for the first year after they exited into employment. This is referred to as sustained employment, maintained employment, or sustained employment earnings throughout this report. If a person changes jobs but still maintained income over $1,600 each month then they were still counted as sustaining their employment.

However, more people had sustained their employment compared to the previous year

In the year ended June 2019, approximately 56,900 people (51.2 percent of exits), exited a main benefit and into employment (as defined above). In the year ended June 2020, this had increased to 57,800 people (52.5 percent of all exits). Of those who exited into employment 43.1 percent sustained their employment compared to 41.6 percent the previous year. This has continued a long-term trend with more people sustaining their employment after leaving the benefit system.

Figure 12: The proportion of people who maintained earnings over $1,600 (sustained their employment) after exiting into employment - labelling the proportion of people who exited in the year ended June 2020

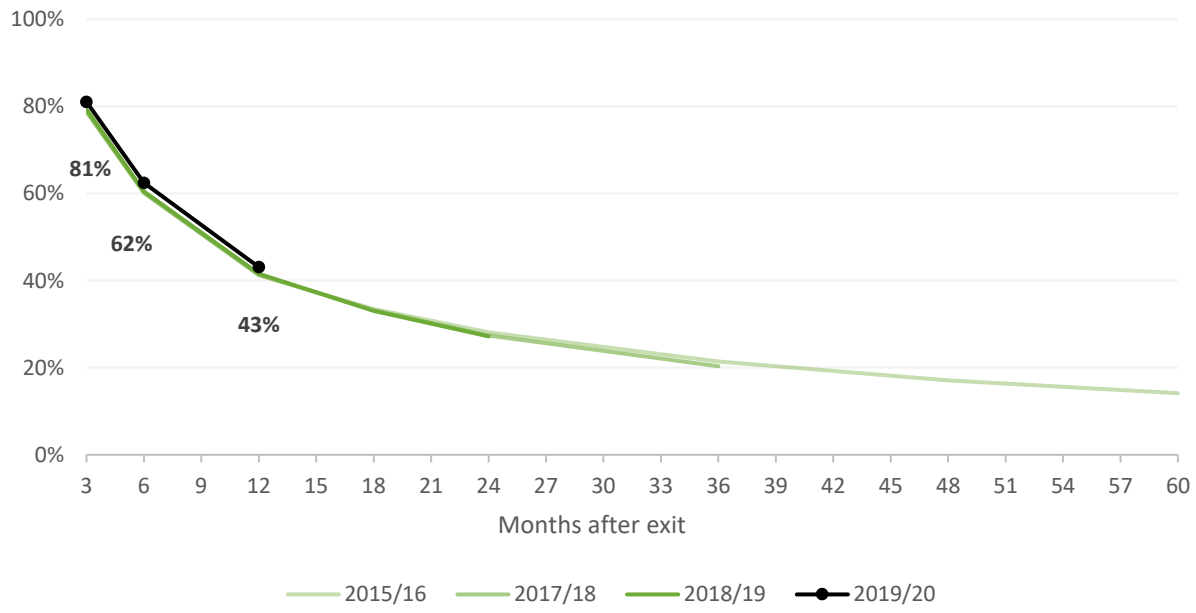


Figure 9 showed that for those who exited into employment in the year ended June 2020, 59 percent remained off benefit for a year, which is similar to the June 2019 cohort.

However, for those who exited into employment in the year ended June 2020, 43.1 percent were able to sustain their employment (i.e., remained off benefit *and* maintained earnings over $1,600 per month). This is an increase compared to people who exited in the year ended June 2019, where 41.6 percent of people had sustained their employment after a year (Figure 12).

This suggests that people who do not sustain their employment are more likely to return to a main benefit than they were in the past.

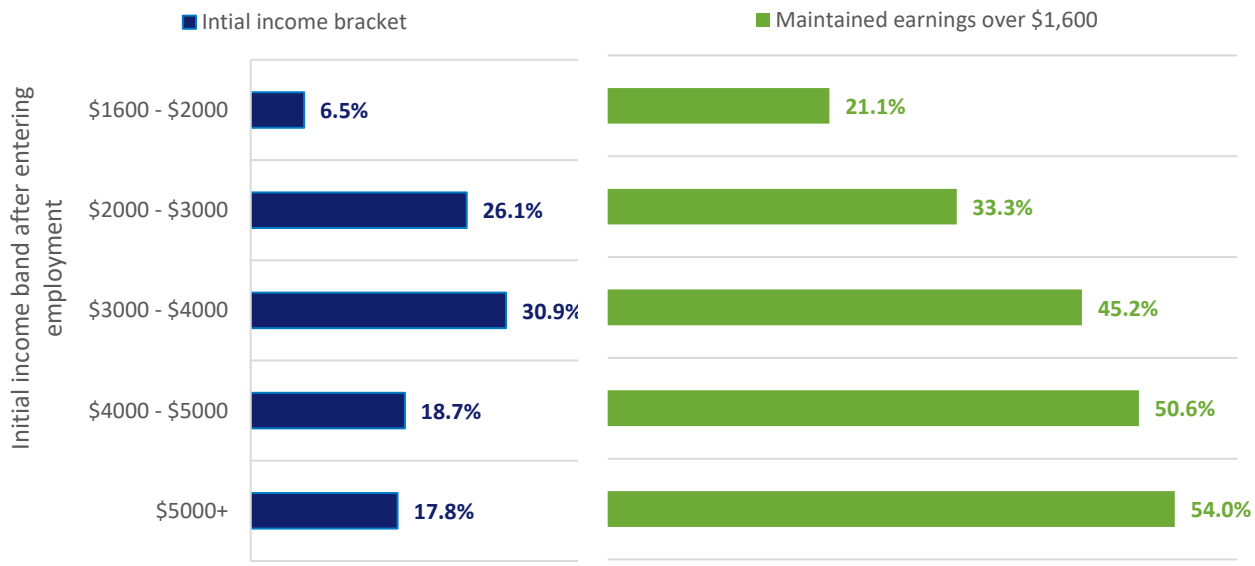
People with higher incomes when they began employment were more likely to sustain their employment

For people who exited into employment, a higher proportion were able to sustain their employment if their incomes were higher when they first began their job. However, this effect reduces after reaching the equivalent of working full-time at minimum wage ($3,200 per month). Therefore, on average, people who entered into full-time work (or part-time with a higher wage) were better able to sustain their employment. Earning more than this threshold still correlated with improved employment sustainability but the effect was reduced.

Figure 13: Initial incomes for people who exited into employment

Left: Percent of people within each income bracket when they first exited into employment in the year ended June 2020

Right: The proportion of people that sustained their employment for at least a year based on their initial income when they first exited into employment

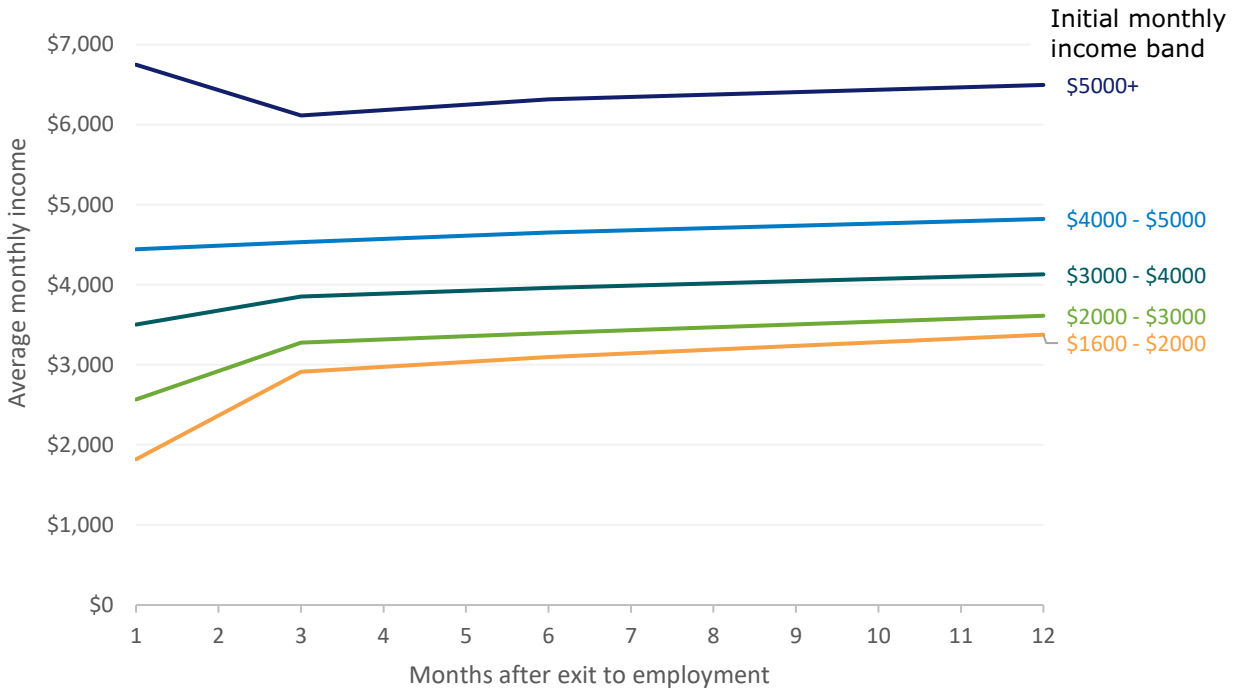


For those who sustained their employment, their incomes grew regardless of what their starting income was

On average people who entered into employment with a relatively low starting income had the greatest growth in their income. This could be due to many factors including people working more hours or changing roles over that first year after their exit.

Figure 14: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year by initial income at exit

Please note the kink at 3 months is largely due to the timing of people's pay periods after exiting a main benefit. From 3 months onwards, income growth settles into a consistent trajectory.



Differences across demographic groups

Some groups of people, on average, have a higher likelihood of leaving a main benefit and exiting into employment. However, these same groups do not always sustain their exits.

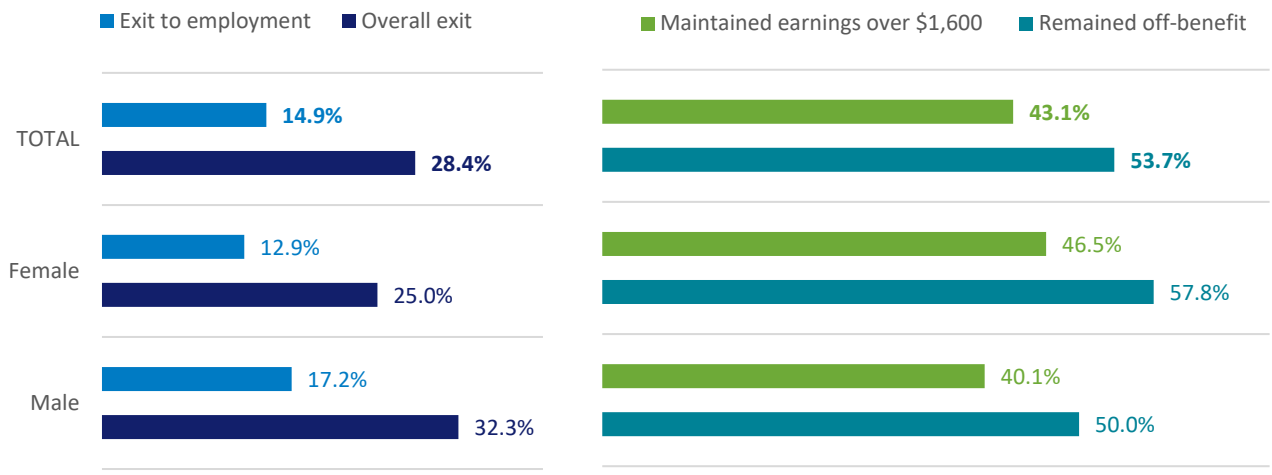
Gender[13]

Women were less likely to exit off a main benefit and exit into employment but were more likely to sustain their exits

Figure 15: Exits off a main benefit in the year ended June 2020 – by gender

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



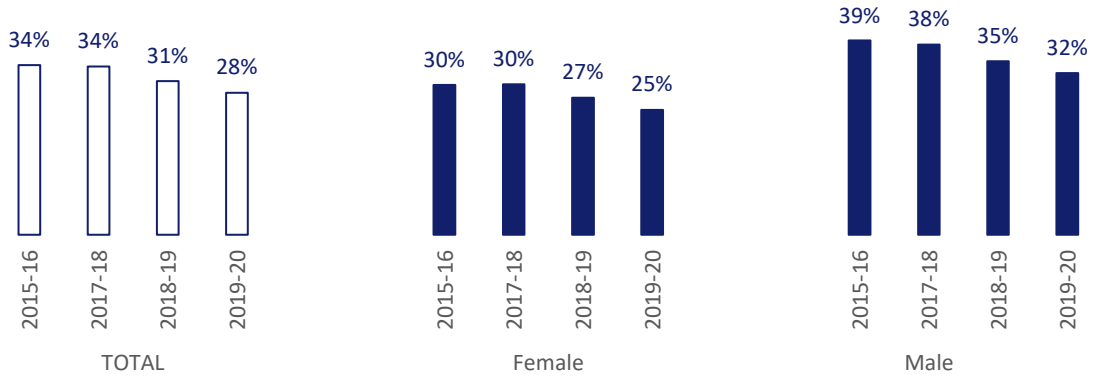
Men were more likely to exit off a main benefit or exit into employment. However, for women that do exit, they tend to remain off benefit and sustain their employment for longer. This pattern has remained consistent over time (see Figure 16 and Figure 17).

[13] The IDI currently uses sex and gender interchangeably to derive this variable. Until recently most IDI datasets have not contained gender diverse data. As more datasets include expressions of gender diversity, they will be able to be included within this analysis.

Some of the difference may be due to the types of benefit men and women are supported by and where they exit to

Figure 16: Exits from a main benefit over time - by gender

The likelihood of exiting off a main benefit



The proportion of people who remained off a main benefit for at least a year after their exit

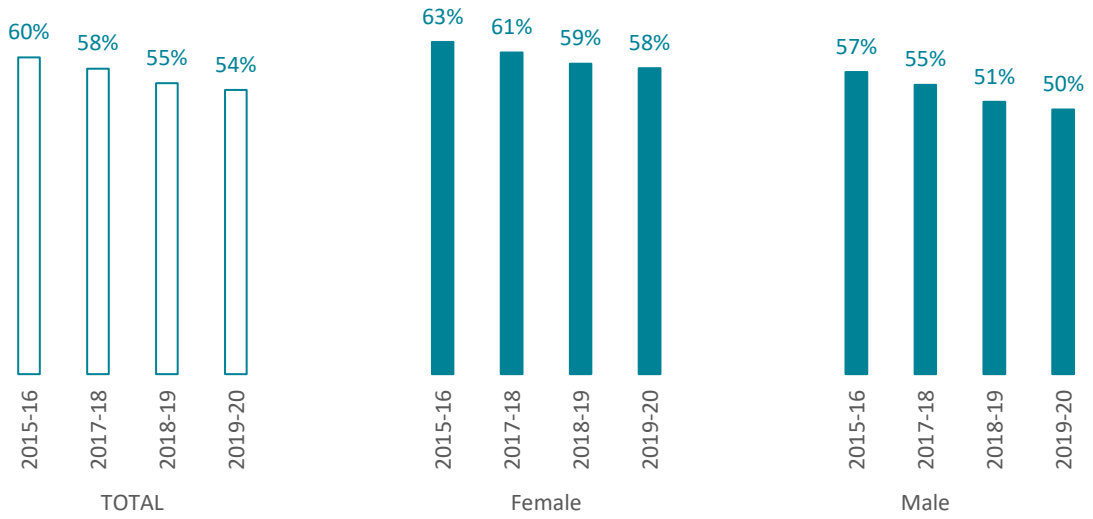
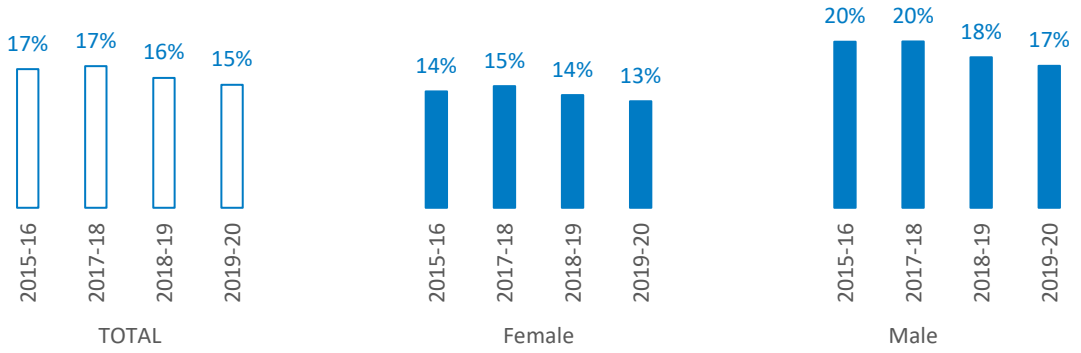
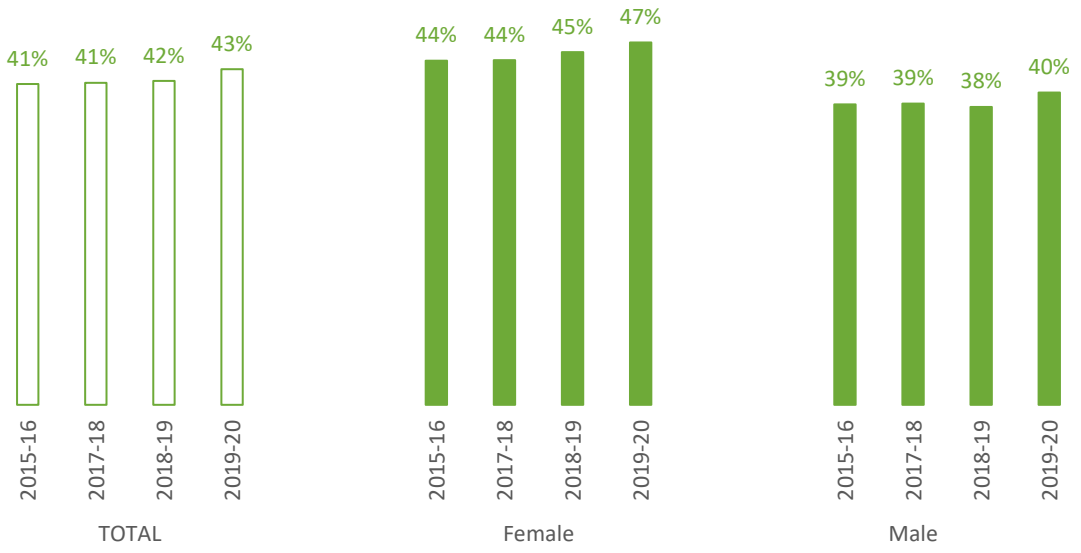


Figure 17: Exits into employment from a main benefit over time – by gender

The likelihood of exiting off a main benefit into employment



The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment



Some of the difference in the likelihood of leaving a main benefit or exiting into employment between men and women may be linked to the type of benefit they are supported by. For example, men make up over half of Jobseeker Support – Work Ready (JS-WR) clients who are required to look for suitable full-time work. However, women make up over 90 percent of Sole Parent Support (SPS) clients. SPS clients do not have a full-time work requirement, and generally have greater barriers to work such as finding suitable childcare.

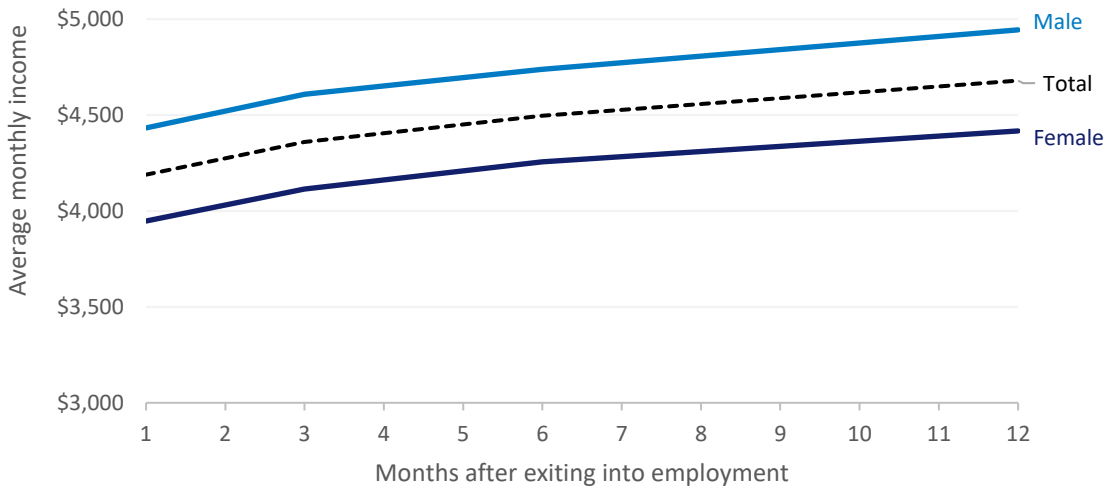
However, for the women who do leave the benefit system or exit into employment, a higher proportion remained off benefit and sustained their employment compared to men. Some of the difference between the sustainability of employment between men and women may be due to the industries they tend to enter. According to the

Household Labour Force Survey[14] for the June 2020 quarter, women made up 81.7 percent people working in the 'Health Care and Social Assistance Industry' and 52.5 percent of the 'Public Administration and Safety' industry. These industries had some of the highest rates of employment sustainability with 62.0 percent and 63.0 percent of people, who exited in the year ended June 2020, sustaining their exits in the 'Health Care and Social Assistance' and 'Public Administration and Safety' industries respectively.

Once in employment, men earned on average 12 percent more than women in their first year in employment

For people who were able to sustain their employment for a year, men earned on average around 12 percent more than women over that first year. Again, some of the difference may be linked to the differences in benefit types men and women are supported by and the requirements within each benefit type. Women may be in more part-time roles as they work around their childcare responsibilities.

Figure 18: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year by gender



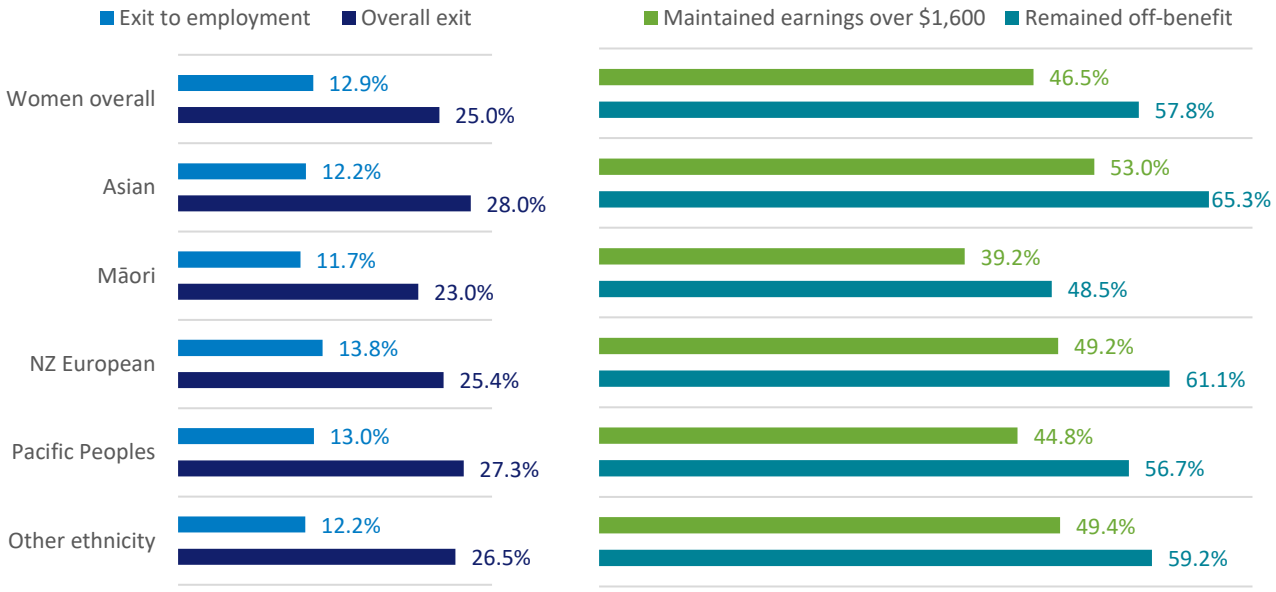
[14] The Household Labour Force Survey (HLFS) surveys approximately 15,000 households every three months to gain an official measure of employemnt and a better understanding of New Zealands economy.

Māori wāhine are the least likely to exit and remain off a main benefit

Figure 19: Exits off a main benefit in the year ended June 2020 – by total ethnicity for women only

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



When compared to women of other ethnicities Māori wāhine are the least likely to leave a main benefit or exit into employment. While fewer Māori wāhine remain off benefit or sustain their employment after a year compared to other women, their rates of sustainability are at a similar for men overall. In the year ended June 2020, 48.5 percent of Māori wāhine had remained off a main benefit for a year after their exit compared to 50.0 percent of men. For exits into employment, 39.2 percent of Māori wāhine had sustained their employment after a year compared to 40.1 percent of men overall (see Figure 15).

Across all other ethnicities a greater proportion of women remained off benefit or sustained their employment after a year compared to men overall.

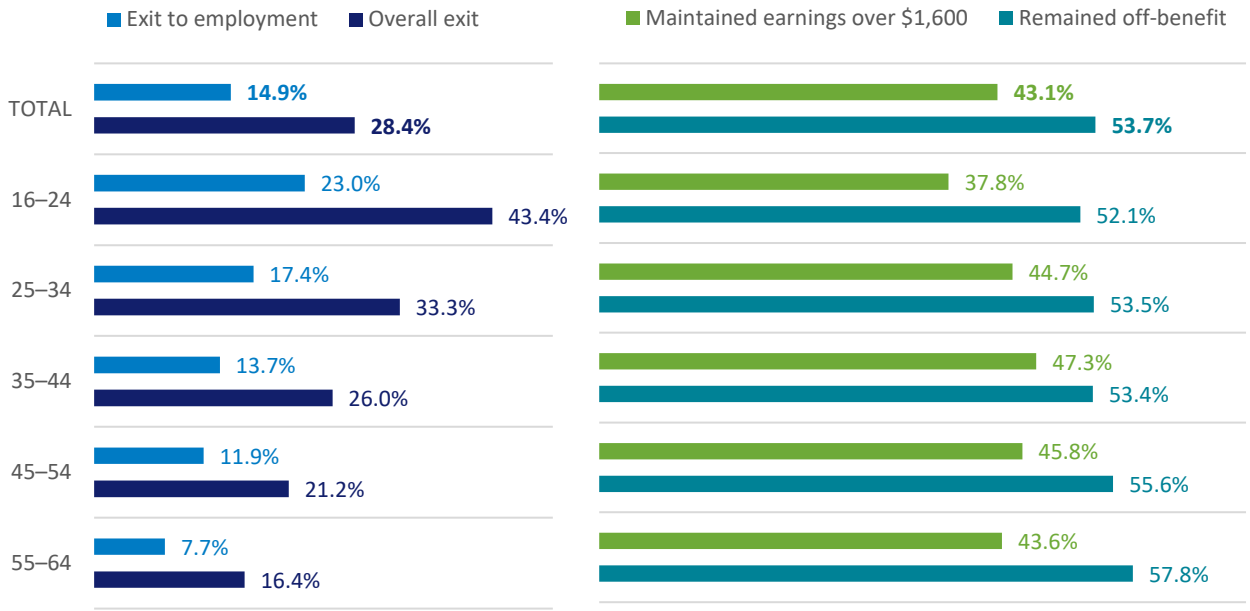
Age

Younger people were more likely to exit off a main benefit and exit into employment but were less likely to sustain their exits compared to older people; this is consistent with previous years

Figure 20: Exits off a main benefit in the year ended June 2020 – by age at exit

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.

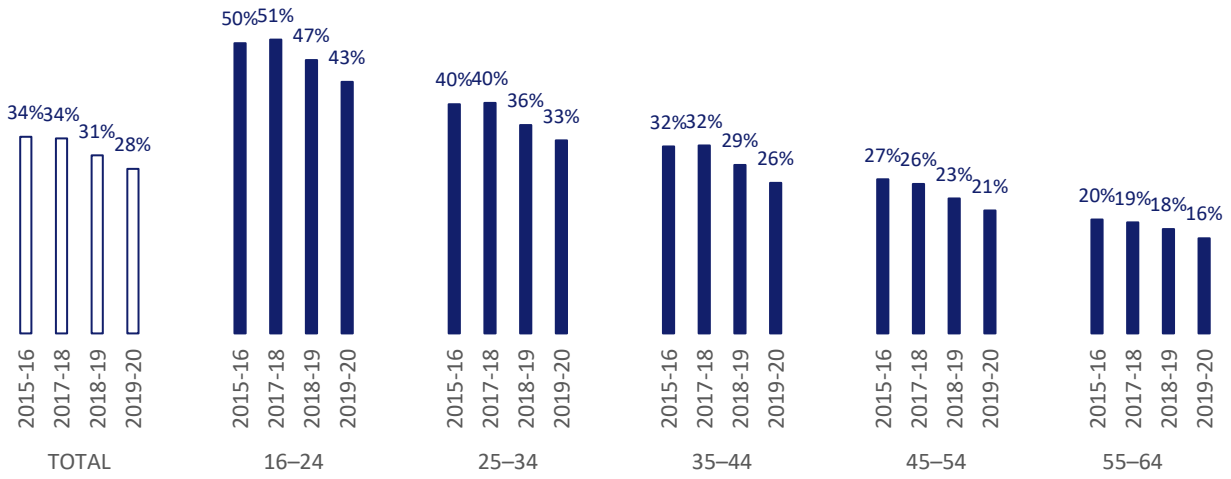


Younger people had a higher likelihood of leaving a main benefit for any reason, including exiting into employment (Figure 20), which is in-line with previous years.

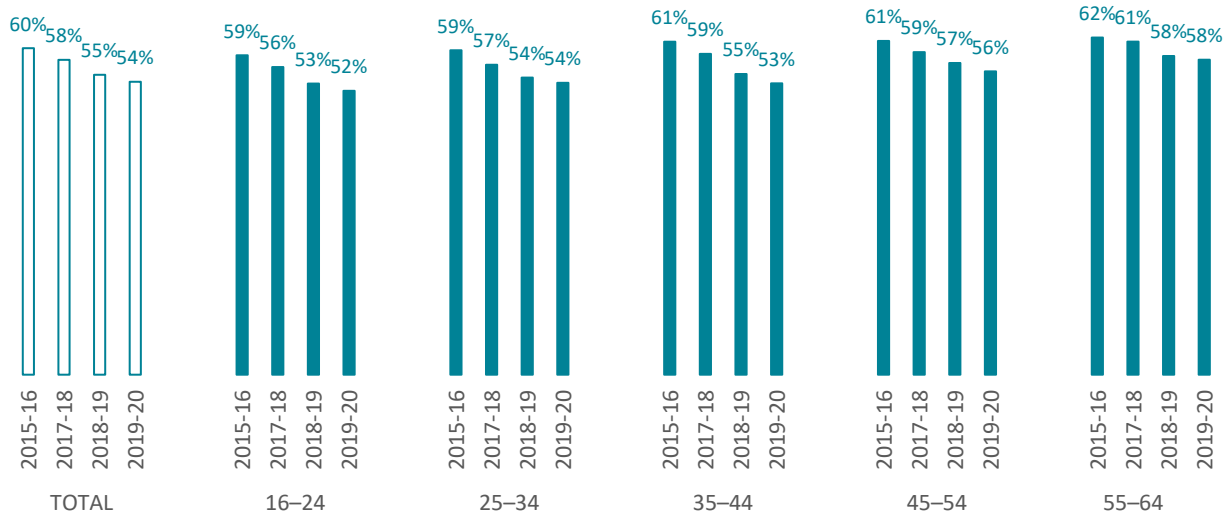
While the likelihood of leaving a main benefit decreased slightly across all age groups younger people still had the greatest likelihood of exiting (Figure 21). On average, 1 in 20 people supported by a main benefit were aged 16-24 (17.7 percent) but they made up almost 1 in 3 exits (29.9 percent) in the year ending June 2020. The likelihood of exiting off a main benefit for 16–24-year-olds was 43.4 percent compared to 28.4 percent for people overall. When it comes to remaining off benefit, this improves with age.

Figure 21: Exits from a main benefit over time - by age at exit

The likelihood of exiting off a main benefit



The proportion of people who remained off a main benefit for at least a year after their exit



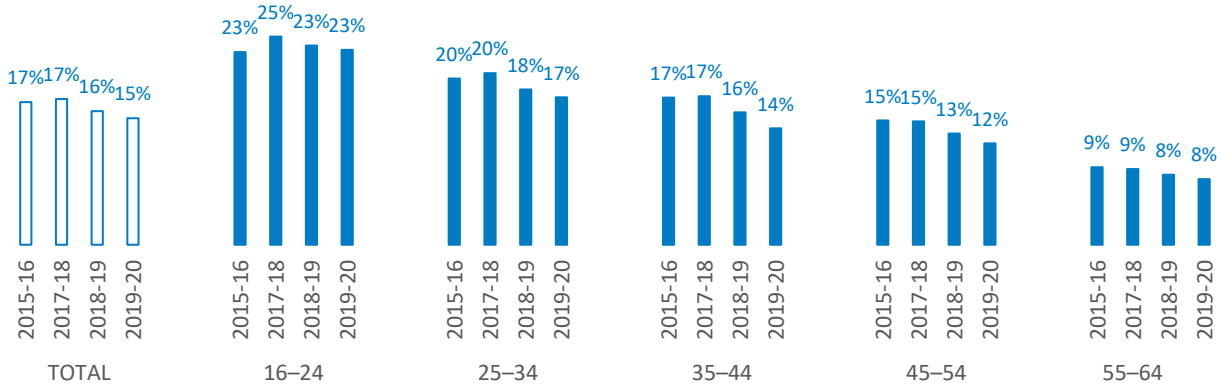
The same pattern was found for people leaving the benefit system to enter employment (Figure 22). Generally, young people tend to be the ones who come onto a benefit when economic conditions weaken and then subsequently drive the exits when conditions improve. Young people also tend to be in less secure employment compared to older people so are less likely to sustain their employment.

However, when comparing sustained employment over time, younger people showed the greatest improvement

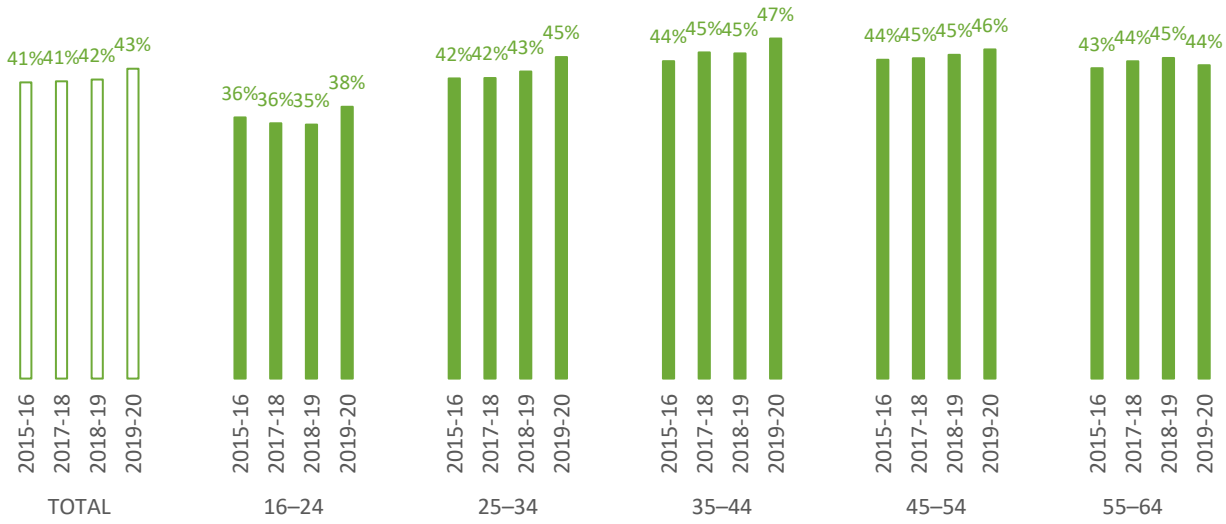
On average more people sustained their employment after exiting into employment with 55–64 -year-olds being the only exception (Figure 22). Young people aged 16-24 years old had the greatest improvement in employment sustainability with 37.8 percent sustaining their employment after exiting into employment in the year ended June 2020. This is an increase from 35.3 percent of 16–24-year-olds sustaining their employment for those who exited in the year ended June 2019.

Figure 22: Exits into employment from a main benefit over time – by age at exit

The likelihood of exiting off a main benefit into employment



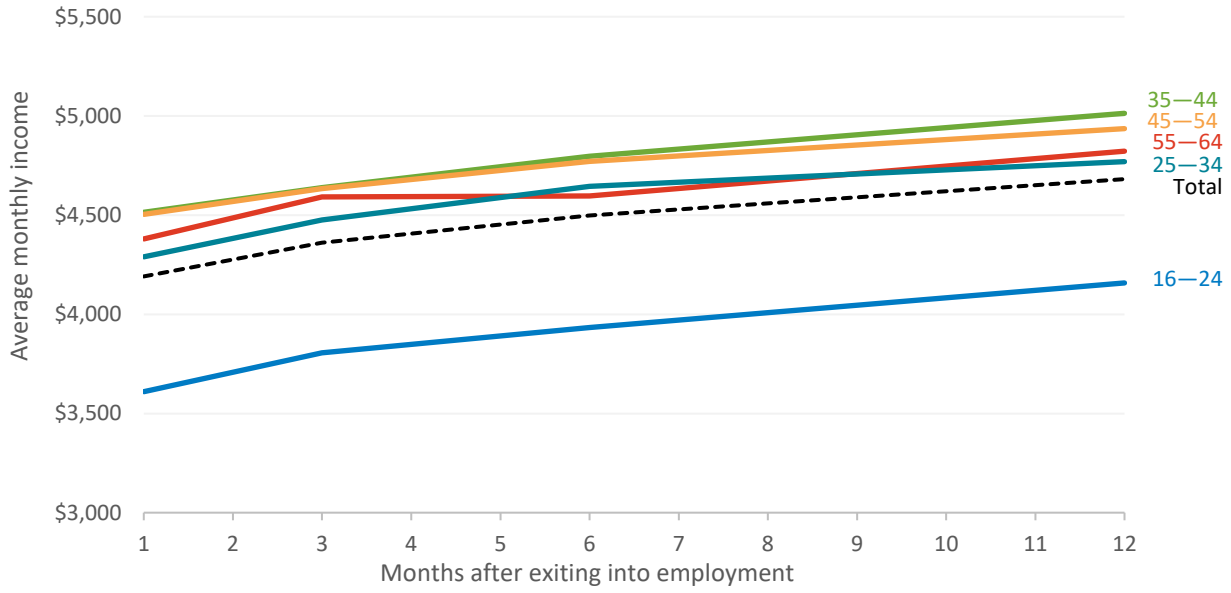
The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment



Younger people earned less once in employment

For younger people who had maintained their employment for at least a year, they tended to have earned less than their older counter parts. This could be due to a number of factors such as the type of industries they entered into, the number of hours they worked, and the work experience they had which all influence pay.

Figure 23: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year - by age at exit



Ethnicity[15]

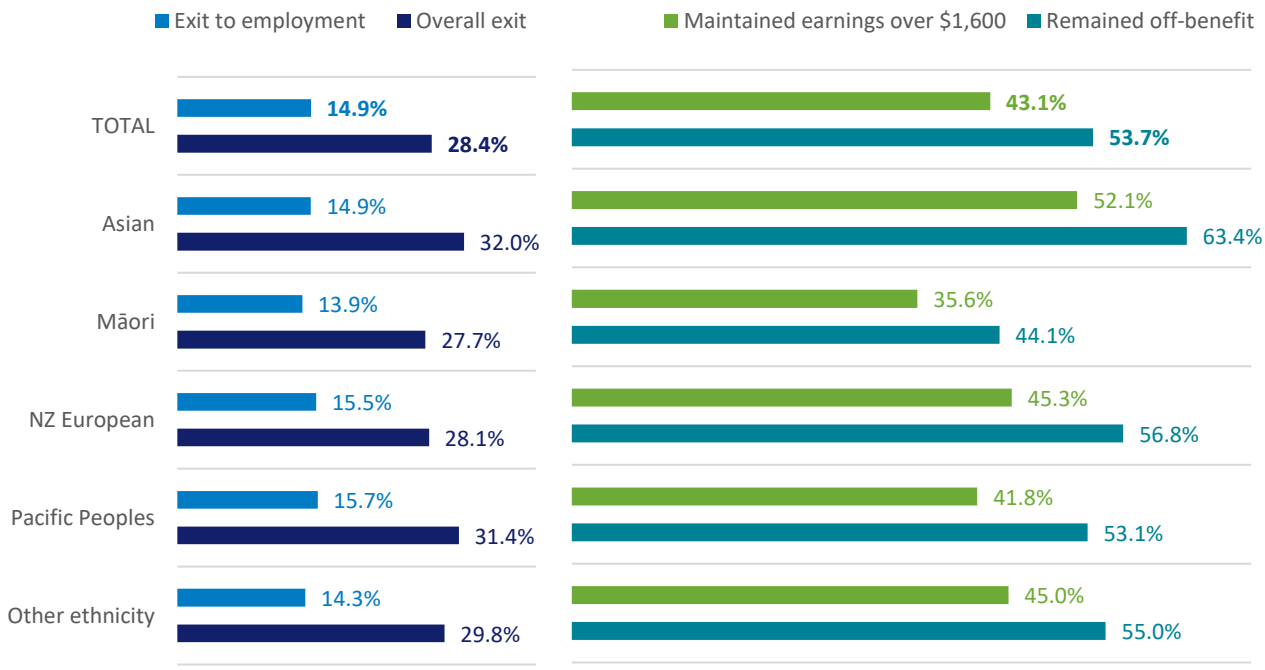
Māori and NZ European clients were equally likely to exit a main benefit, but a higher proportion of NZ European clients remained off benefit after a year

As shown in Figure 24, the likelihood of exiting off a main benefit was similar for Māori (27.7 percent) and NZ European (28.1 percent) clients in the year ended June 2020. Historically Māori had a higher likelihood of exiting off a main benefit compared to NZ European clients (see Figure 25). The drop in Māori leaving the benefit system in the June 2020 quarter resulted in a lower likelihood for Māori leaving the benefit system over the full year.

Figure 24: Exits off a main benefit in the year ended June 2020 – by total ethnicity

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



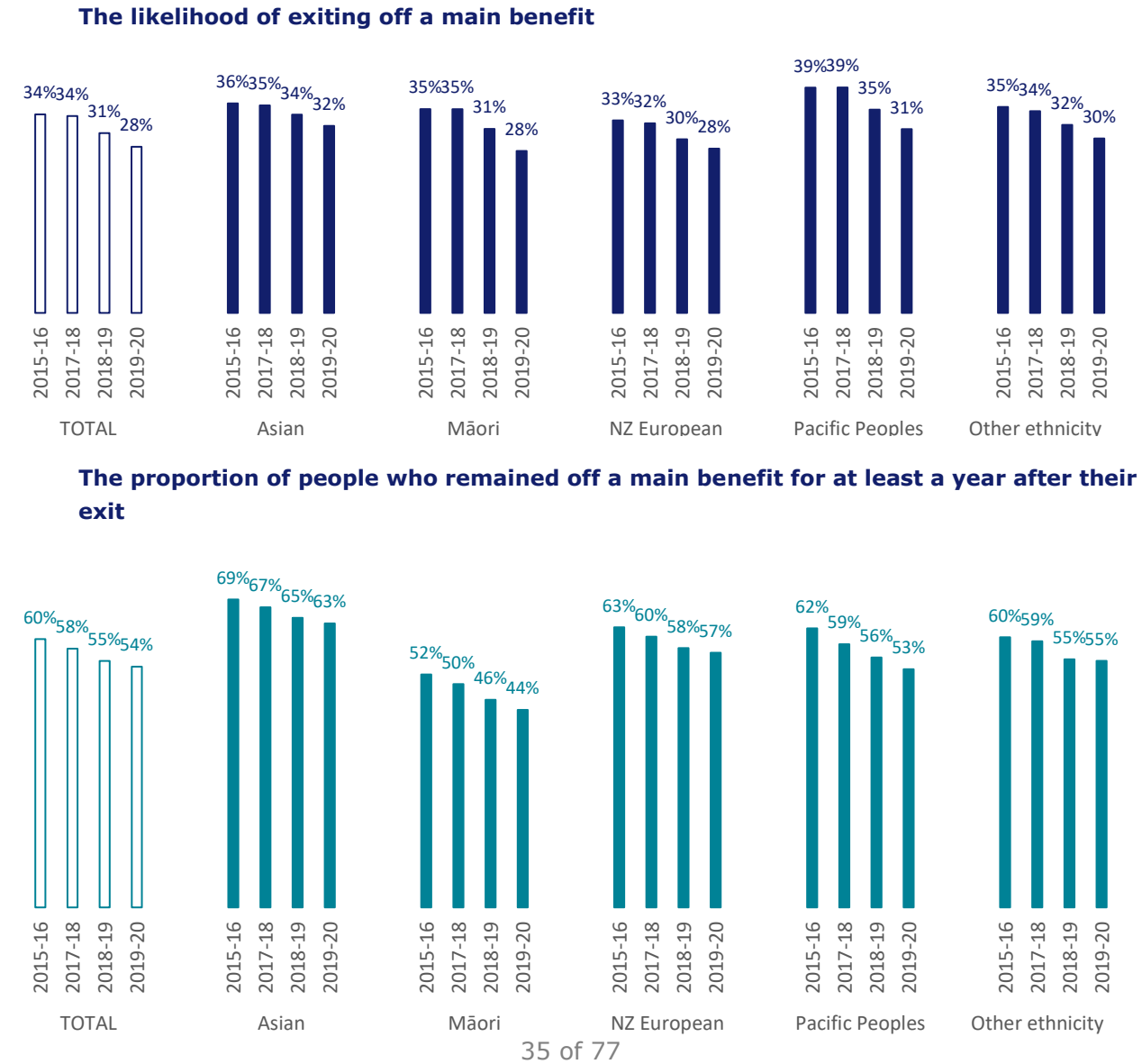
[15] 'Total response' ethnicity is used throughout this report. This means that when a person has more than one ethnicity they are counted once within each ethnicity group (eg a person who identifies as both Māori and NZ European will be included in both ethnicities). See Appendix 1 for more details.

The likelihood of exiting off a main benefit has decreased most notably for Māori and Pacific Peoples

While the likelihood of leaving a main benefit has decreased for all ethnicities, it decreased more so for Māori and Pacific Peoples (see Figure 25). Historically, Māori have, on average, had a higher likelihood of exiting off a main benefit compared to the overall benefit population. In the year ended June 2020, the likelihood of exiting off a main benefit for Māori decreased to 27.7 percent from 31.5 percent in the year ended June 2019, ie a 3.8 percentage point drop compared to a 2.3 percentage point drop for all ethnicities.

The likelihood of leaving a main benefit decreased from 34.7 percent in the year ended June 2019 to 31.4 percent in the year ended June 2020 for Pacific People. Yet they still had the second highest likelihood of leaving a main benefit across all ethnicities.

Figure 25: Exits from a main benefit over time - by total ethnicity

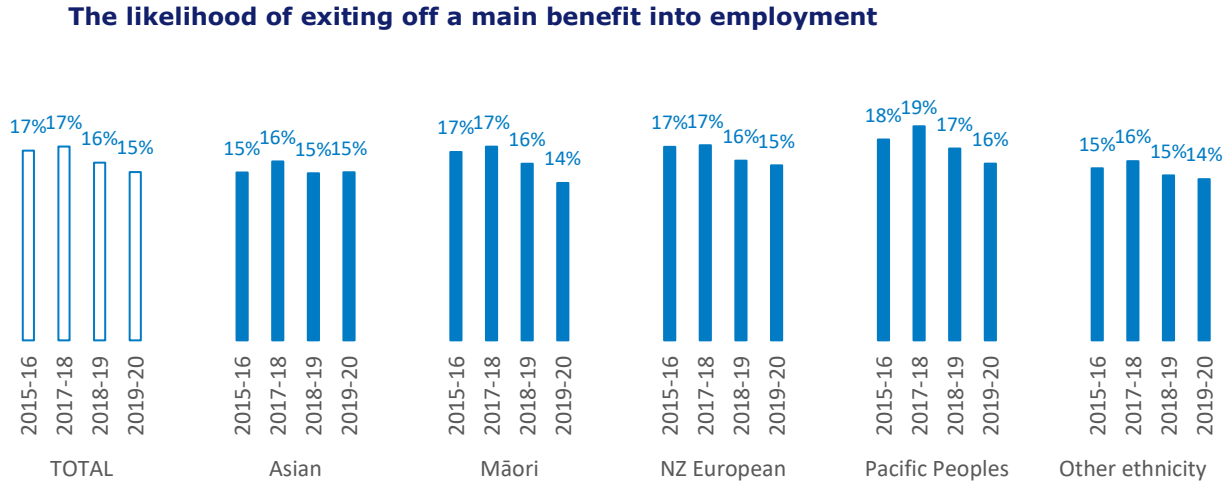


The likelihood of exiting into employment decreased across all ethnicities; but the sustainability for exits into employment increased for all ethnicities

Generally, the likelihood of exiting into employment decreased across ethnicities between the year ended June 2019 and June 2020 except for Asian clients (see Figure 25). This decrease was most notable for Māori which fell from 15.6 percent in the year ended June 2019 to 13.9 percent by the year ended June 2020 (1.7 percentage points). In comparison the likelihood for any client exiting into employment fell from 15.7 percent in the year ended June 2019 to 14.9 percent for the year ended June 2020 (0.8 percentage points).

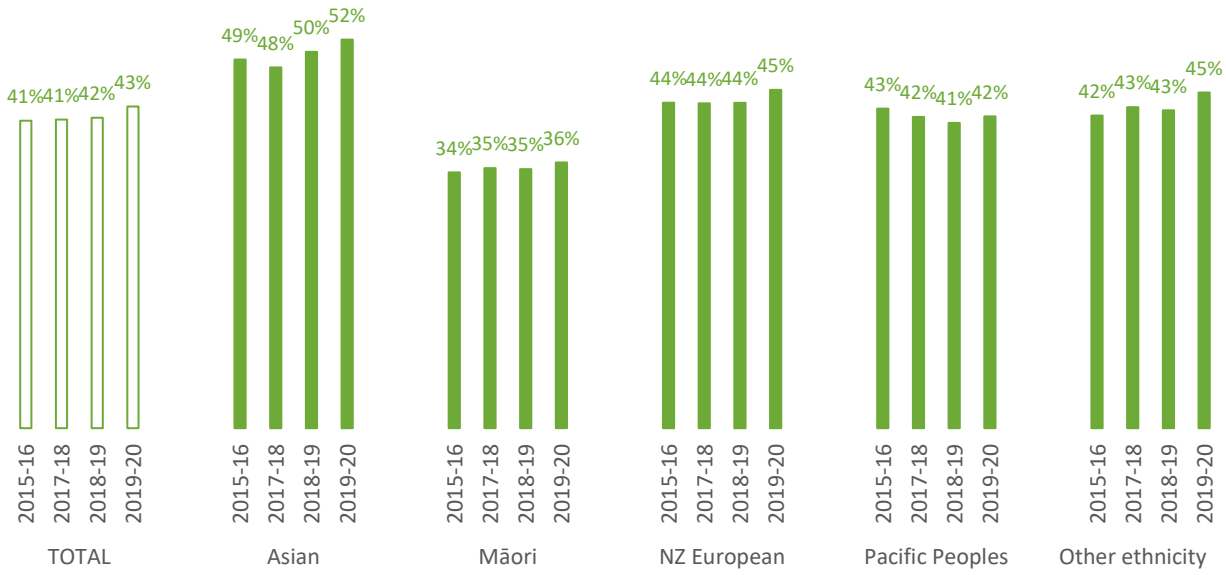
Part of this may be due to the influx of people who entered the benefit system during the first national lockdown, which were mostly NZ European, who were then much more likely to exit into employment once restrictions eased as they are likely to have been closer to the labour market. This finding is in line with trends seen during the Global Financial Crisis (GFC) where NZ Europeans made up most of the increase in Jobseeker Support (or the equivalent of the Unemployment Benefit before July 2013) and then accounted for most of the decrease in the benefit system as the economy recovered[16].

Figure 26: Exits into employment from a main benefit over time – by total ethnicity



[16] This is explained in the Benefit System Update August 2020 report found here: https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/covid-19/benefit-system-update-august-2020.pdf

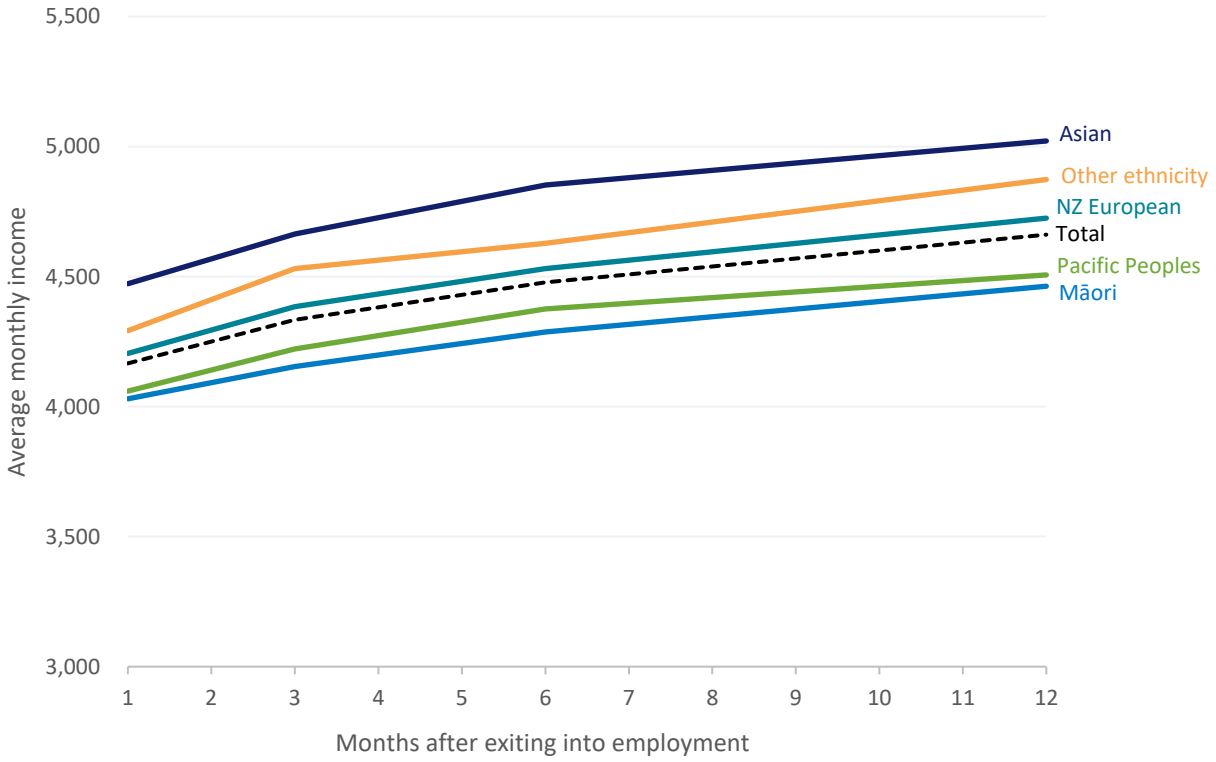
The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment



However, for those who exited into employment, more were able to sustain their employment for at least a year compared to last year, regardless of ethnicity. Māori continue to have the lowest rates of sustaining their employment with approximately 1 in 3 (35.6 percent) who exited into employment in the year ended June 2020, sustaining their employment (see Figure 26).

Once in employment there is a pay disparity between ethnicities

Figure 27: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year - by total ethnicity



For people who remain in work for at least a year after they exited into employment, Māori and Pacific Peoples earn less on average compared to all other ethnicities (see Figure 27). On average people who exited into employment earned $4,661 per month a year after entering employment; Māori on average earned $200 less at $4,463 per month.

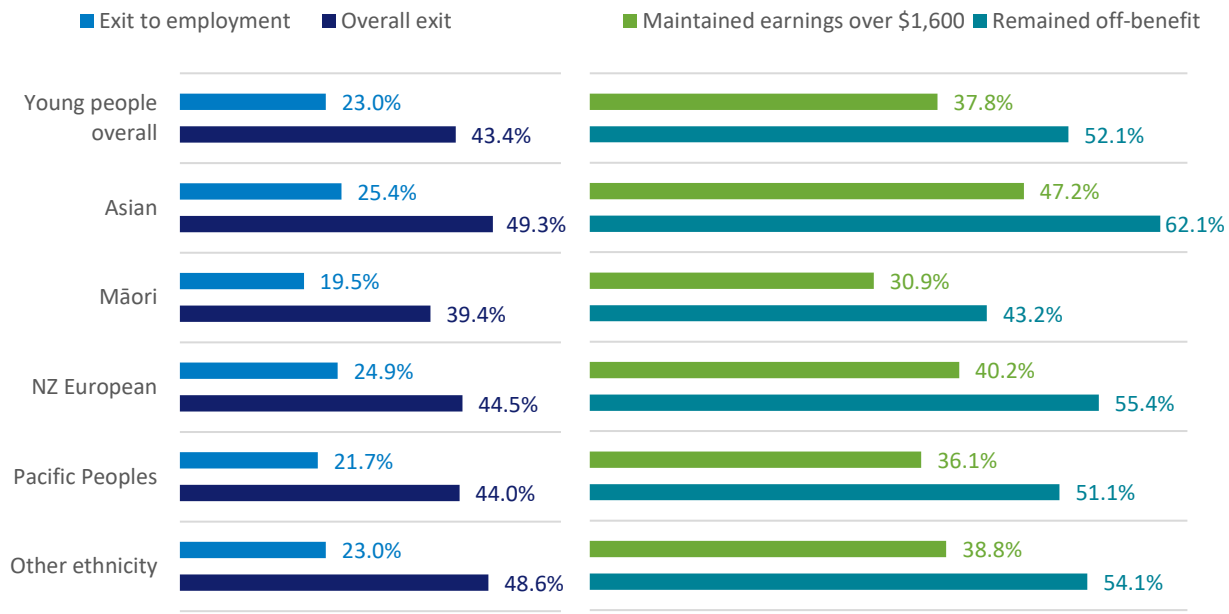
Even at a young age, there is already a difference in exit outcomes across ethnicities

When looking at only 16–24-year-olds there is a clear difference between ethnicities in the likelihood of exiting a main benefit, exiting into employment, remaining off benefit, and sustaining employment for at least a year after exiting. Like their older counter parts, rangatahi Māori are the least likely to leave a main benefit or remain off benefit.

Figure 28: Exits off a main benefit in the year ended June 2020 – by total ethnicity for 16-24 year olds

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



Education

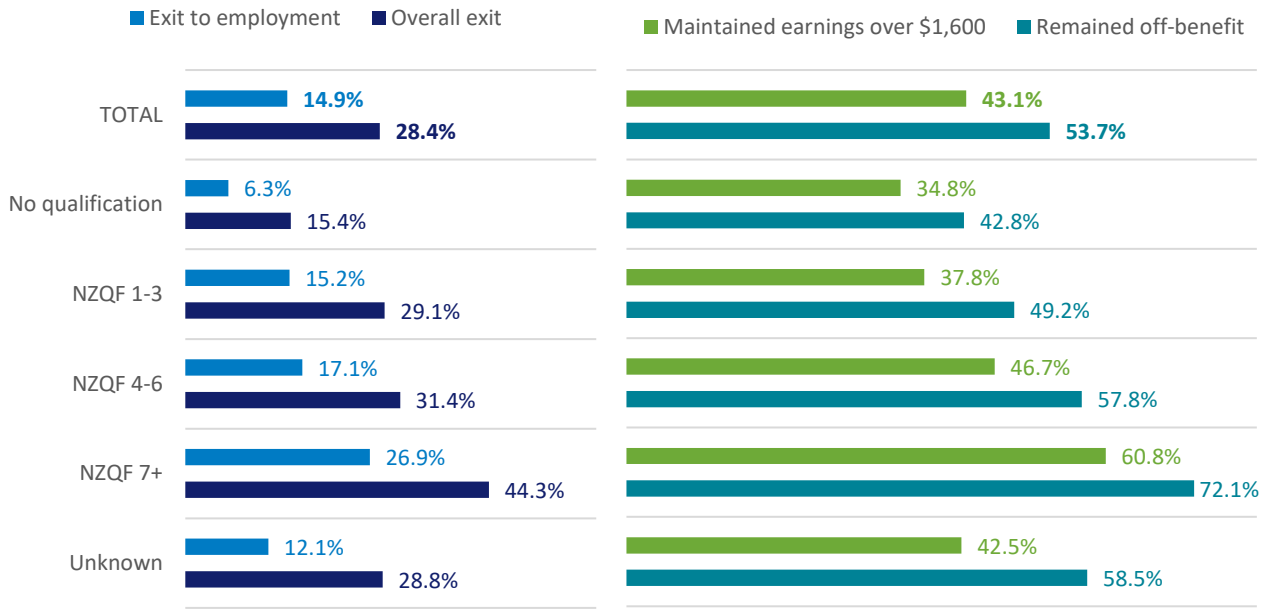
On average people with higher levels of education continue to have better outcomes

People with less than NZQF[17] 3 (New Zealand Qualification Framework level 3 which is the equivalent of NCEA Level 3) make up a significant proportion of people on a main benefit. Yet they have continued to make up a smaller proportion of people who exit a main benefit. In the year ended June 2016, people with less than NZQF 3 made up 49.4 percent of people on a main benefit which decreased down to 44.6 percent in the year ended June 2020. However, people with lower qualifications are also less likely to exit off a main benefit (Figure 29).

Figure 29: Exits off a main benefit in the year ended June 2020 – by highest qualification at exit

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



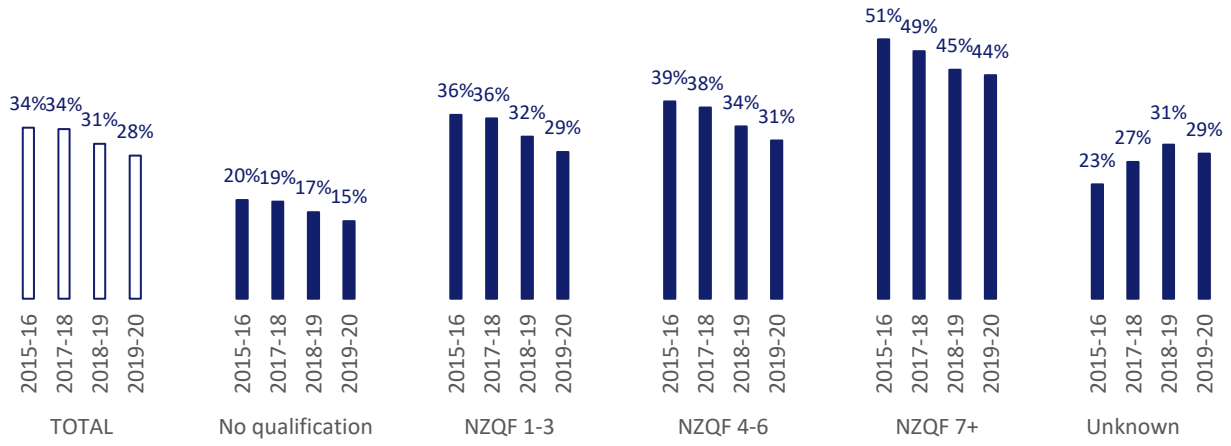
[17] The NZQF is divided into 10 levels. Levels 1 to 3 align with NCEA certificates, levels 4 to 6 – certificates and diplomas, level 7 – Bachelor's Degrees, Graduate Diplomas and Certificates, level 8 – Postgraduate Diplomas and Certificates plus Bachelor Honours Degrees, level 9 – Masters Degrees, and level 10 – Doctoral Degrees.
For more details on NZQF levels please see: https://www.nzqa.govt.nz/qualifications-standards/understanding-nzqf/#heading2-2

The same pattern is found when looking at the sustainability of exits. Overall people with higher levels of education were more likely to remain off benefit and sustain their employment a year after their exits. People with higher education levels (ie NZQF 7+ which is the equivalent of at least a Bachelor's degree) tend to qualify for a wider range of jobs making it easier for them to find and sustain their employment.

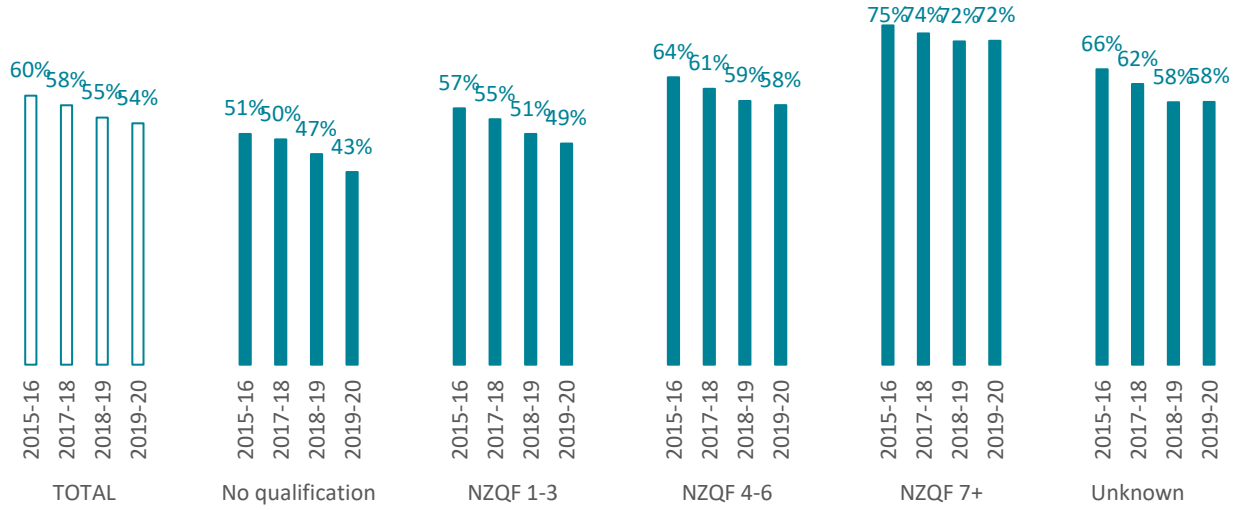
People who are more educated have had better outcomes over time

The likelihood of exiting off a main benefit has decreased less so for people with higher levels of education with 45.4 percent of people with NZQF 7+ in the year ended June 2019 likely to leave a main benefit compared to 44.3% of people in the year ended June 2020 (see Figure 30).

Figure 30: Exits from a main benefit over time- by highest qualification at exit



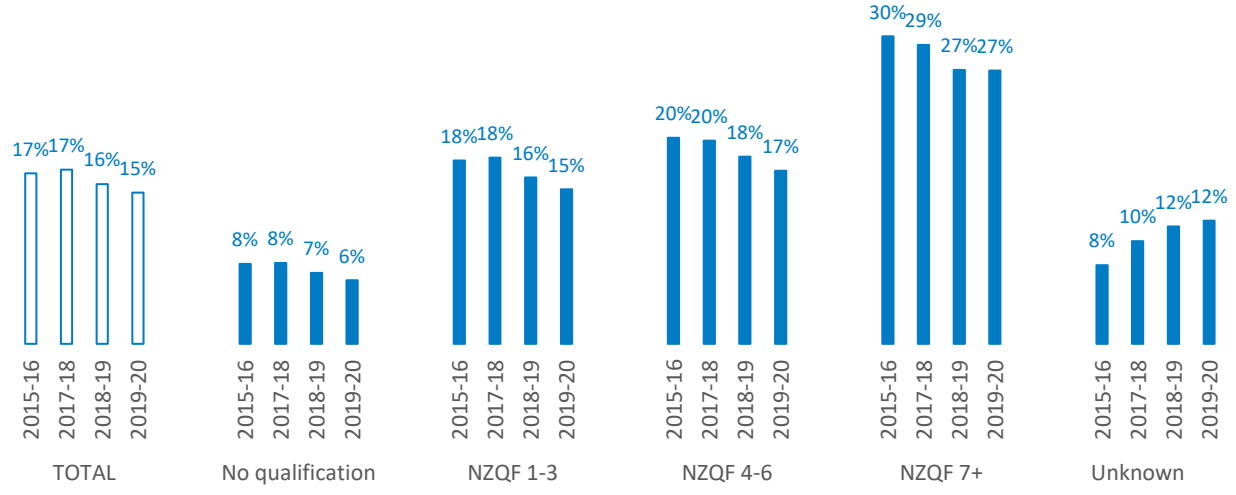
The proportion of people who remained off a main benefit for at least a year after their exit



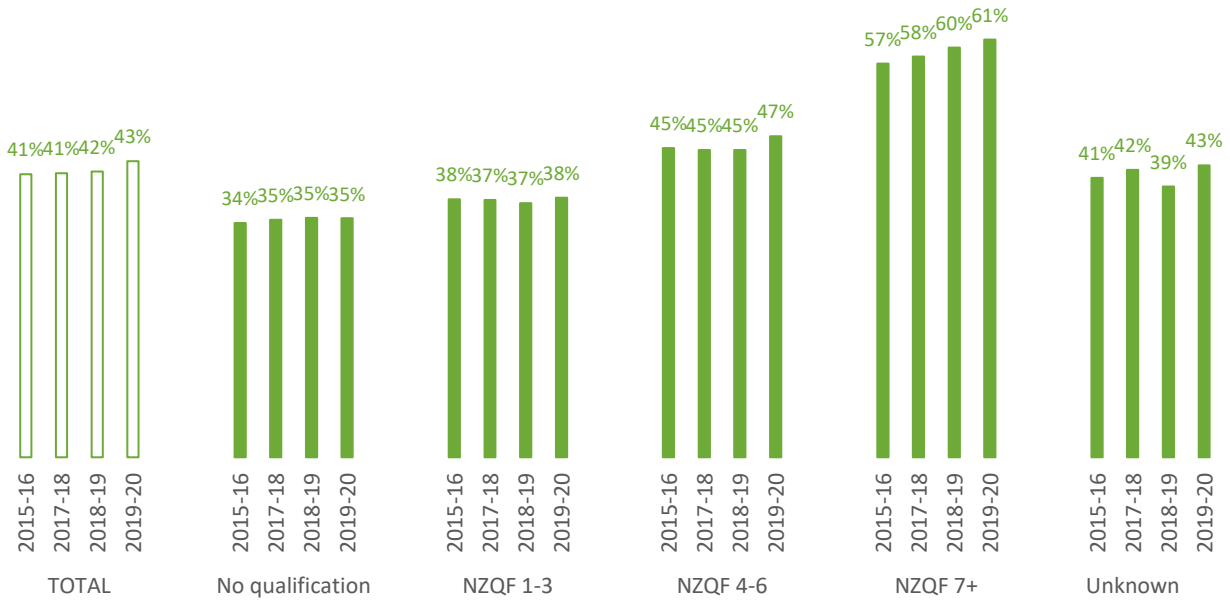
The same pattern can be seen for people exiting into and sustaining employment (see Figure 31). For people with at least NZQF 7+, the likelihood of exiting into employment decreased by less than 0.1 percent to 26.9 percent in the year ended June 2020. The growth in the number of people on a main benefit with an NZQF 7+ level qualification, up 15.8 percent between the year ended June 2019 and June 2020, also resulted in a 14.6 percent growth in the number who exited into employment.

Figure 31: Exits into employment from a main benefit over time - by highest qualification at exit

The likelihood of exiting off a main benefit into employment



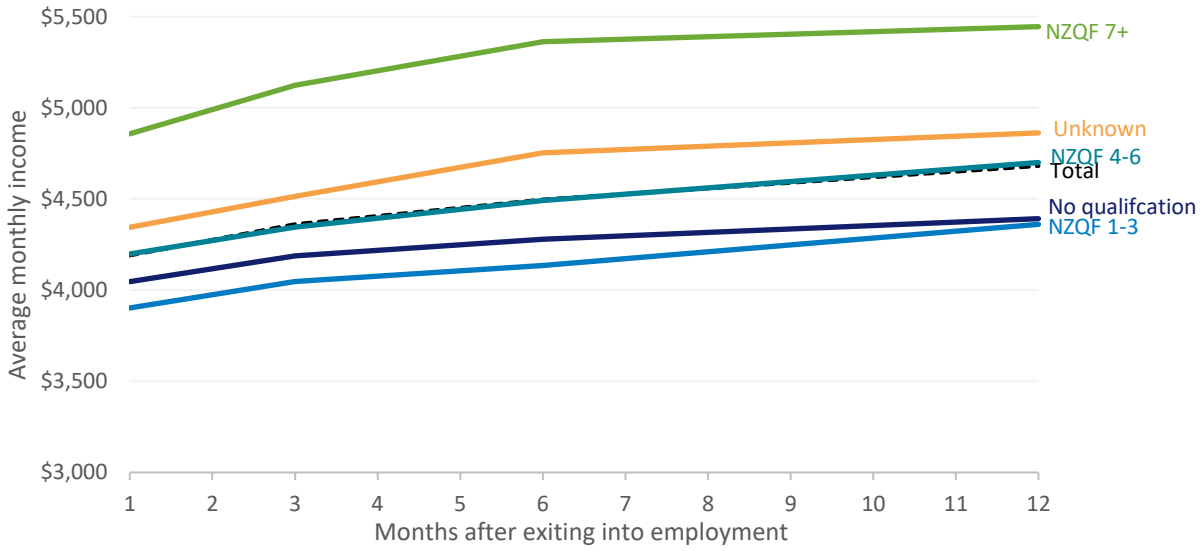
The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment



For people that sustain their employment after exiting for at least a year, those with higher levels of education earned more on average

For those that sustain their employment, those with NZQF 7+ earn noticeably more compared to others who also sustained their employment. This continues a pattern seen in previous cohorts.

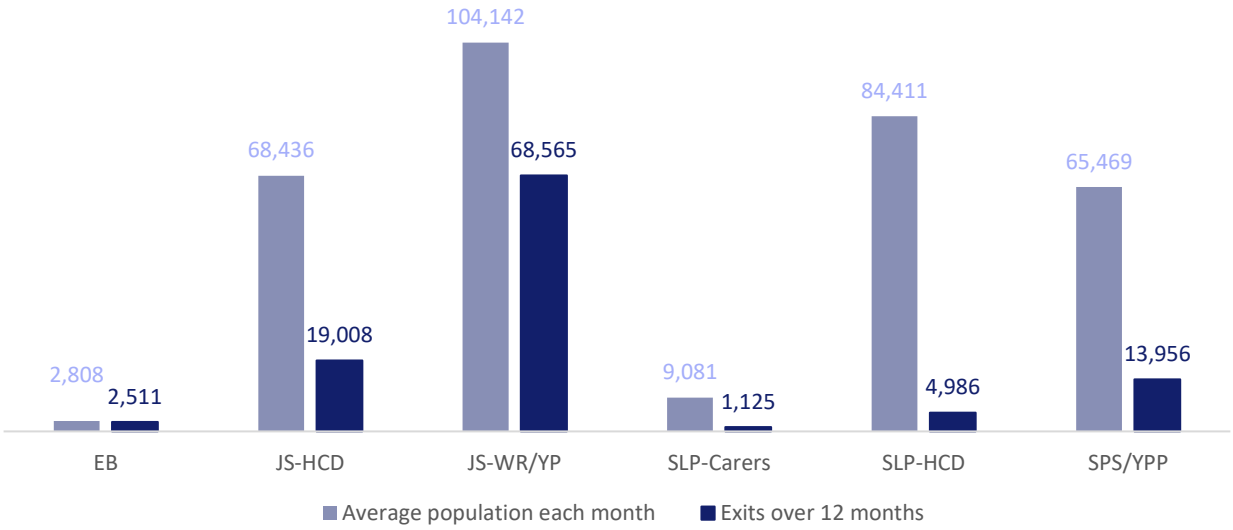
Figure 32: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year - by highest qualification at exit



Benefit type

Jobseeker Support – Work Ready (JS-WR) clients are the largest benefit category and make up most exits off a main benefit

Figure 33: Average number of people on a main benefit each month and number of people who exited a main benefit in the year ended June 2020 - by benefit type



The influx of people into JS-WR during Alert Level 3 and 4 restrictions subsequently resulted in an increase in people exiting this benefit type

As shown in Figure 33 there were more people supported by the Jobseeker Support – Work Ready (JS-WR) benefit in the year ended June 2020 compared to all other main benefit[18] types. JS-WR clients were also the most likely to exit off a main benefit. This is consistent with previous years.

Many people who entered the benefit system during New Zealand's first Alert Level 3 and 4 restrictions, entered the Jobseeker Support – Work Ready (JS-WR) benefit. It then follows that since 43.1 percent of all people who exited in the year ended June 2020 were made up of recent entries (i.e., people who had spent less than 6 months supported by a main benefit), most people who exited off a main benefit had been supported on the JS-WR benefit.

In the year ended June 2020 people supported by the JS-WR/YP benefit made up 62.2 percent of exits. Historically people on the JS-WR/YP benefit have made up approximately 1 in 2 exits. JS-WR/YP clients are required to be available for and take reasonable steps to get a suitable full-time job. As such JS-WR clients have some of

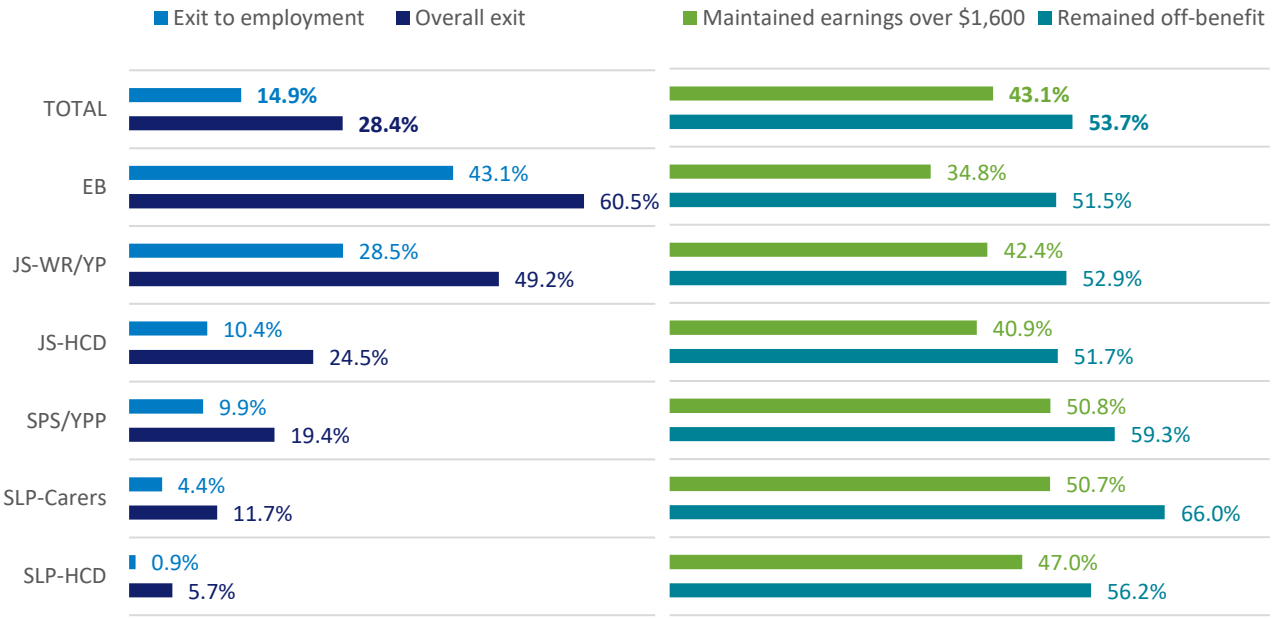
[18] Main benefits defined within this report include: Jobseeker Support – Work Ready (JS-WR), Jobseeker Support – Health Condition and Disability (JS – HCD), Emergency Benefit (EB), Youth Payment (YP), Young Parent Payment (YPP) Supported Living Payment – Health Condition and Disabilities (SLP-HCD) and Supported living Payment – Carers (SLP-Carers). Further details on these benefits can be found in Table 6.

the highest likelihoods of exiting of a main benefit (see Figure 34). Other benefit types have fewer work obligations which may partially explain why JS-WR/YP clients have a higher likelihood of exiting off a main benefit compared to other benefit types. For example, Sole Parent Support (SPS) clients are required to look for a suitable part-time job if their youngest dependent child is between 3 and 13 years old. In the year ended June 2020, SPS/YPP clients made up 12.7 percent of exits.

Figure 34: Exits off a main benefit in the year ended June 2020 – by benefit type before exit

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



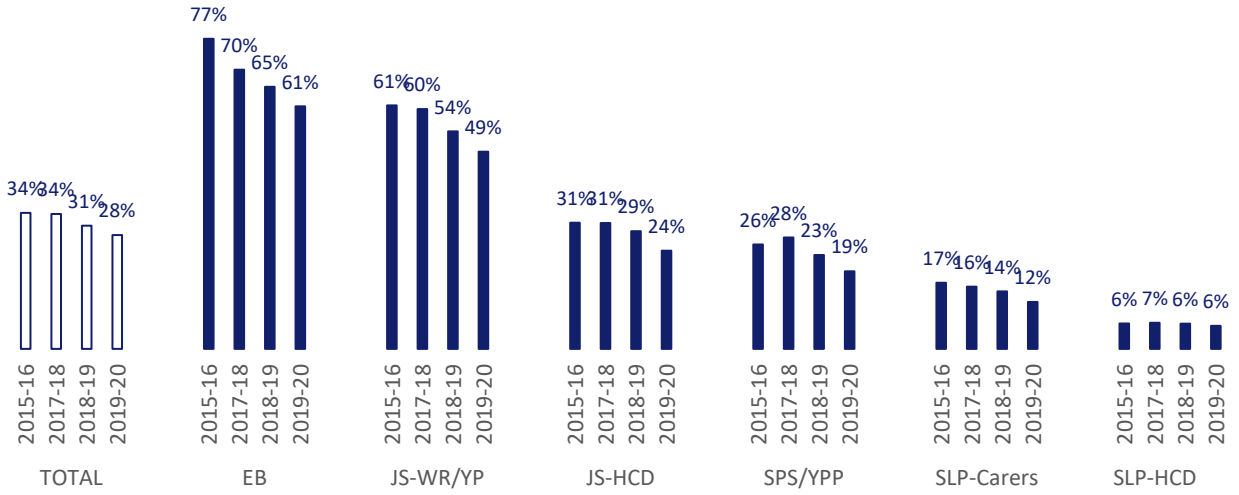
Clients on an Emergency Benefit have a high likelihood of exiting due to the nature of this benefit type. It is only granted to people who cannot earn enough to support themselves and do not qualify for any other benefit type. This is also why they make up a small proportion of the benefit population.

The likelihood of exiting into employment decreased the most for JS-WR/YP clients

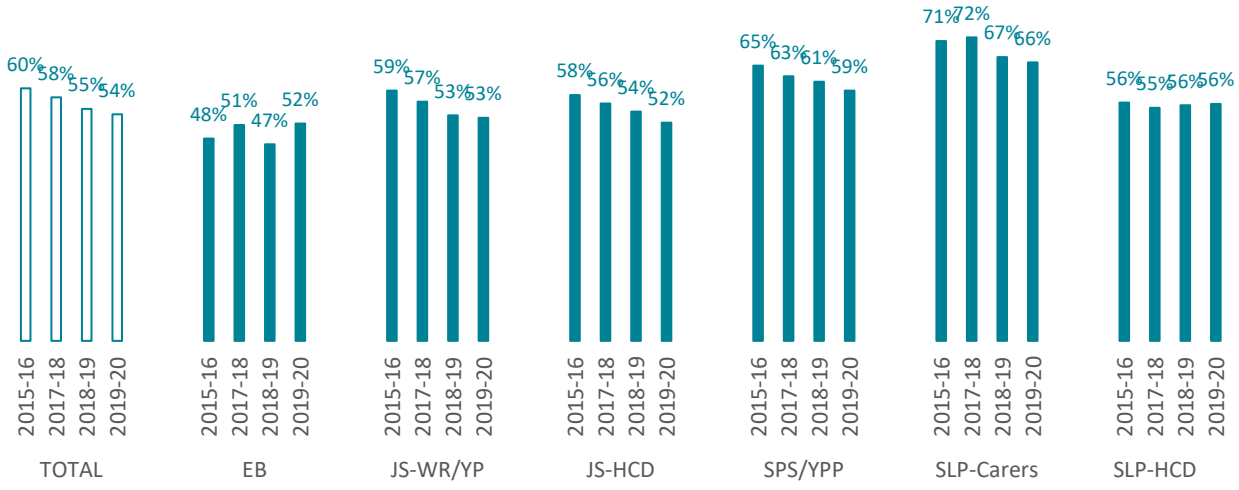
The likelihood of leaving the benefit system decreased by 5.1 percentage points to 40.2 percent in the year ended June 2020 for JS-WR/YP clients. As JS–WR clients make up a significant proportion of exits, this decrease likely impacted the decrease in the overall likelihood of exiting a main benefit (see Figure 35).

Figure 35: Exits from a main benefit over time - by benefit type prior to exit

The likelihood of exiting off a main benefit



The proportion of people who remained off a main benefit for at least a year after their exit

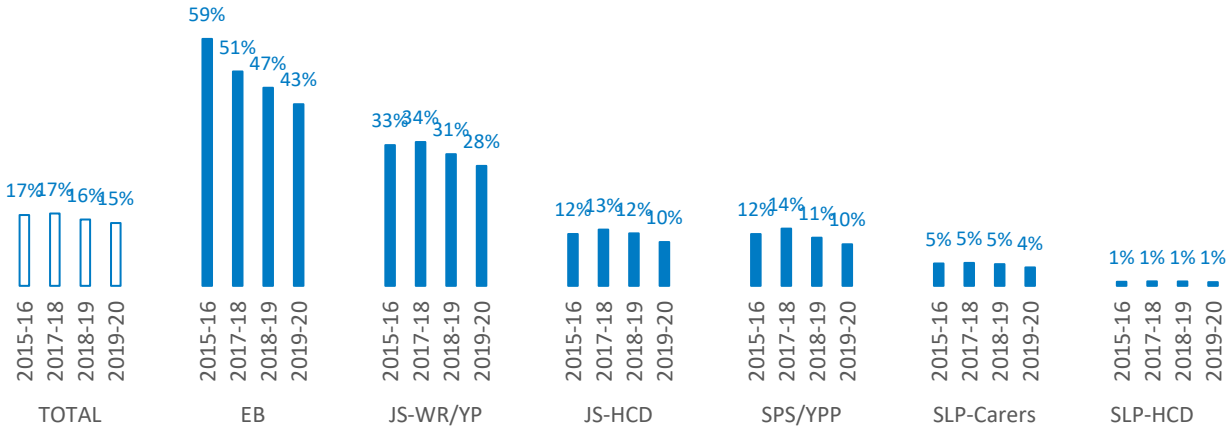


However, JS-WR/YP clients had the greatest improvement in employment sustainability rates

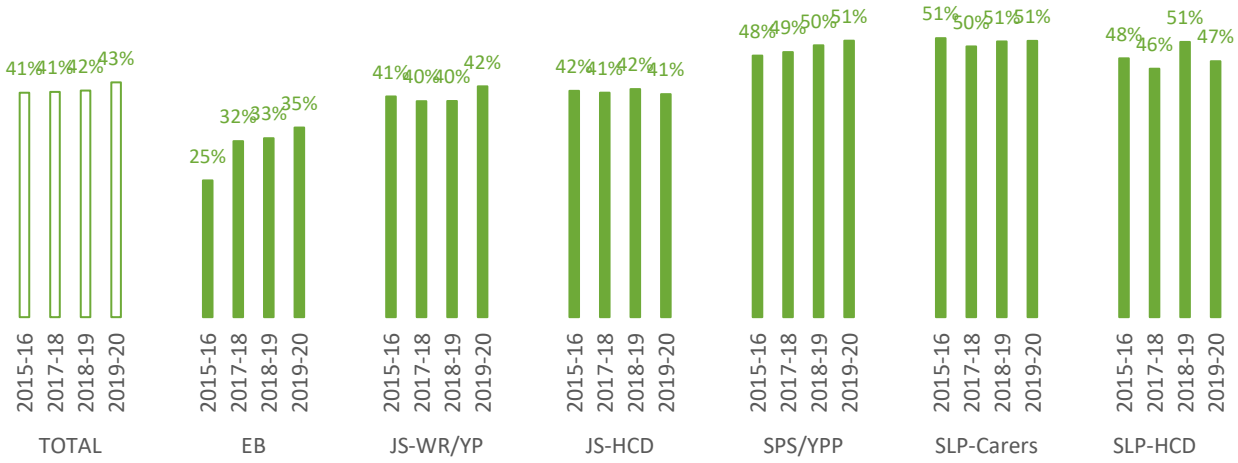
As shown in Figure 36, while JS-WR/YP clients were less likely to exit into employment compared to the year ended June 2019, a higher proportion of them had sustained their employment after a year. In the year ended June 2019, 39.7 percent of people who had exited into employment from the JS-WR benefit had sustained their employment after a year; this increased to 42.4 percent in the year ended June 2020.

Figure 36: Exits into employment from a main benefit over time – by benefit type prior to exit

The likelihood of exiting off a main benefit into employment



The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment

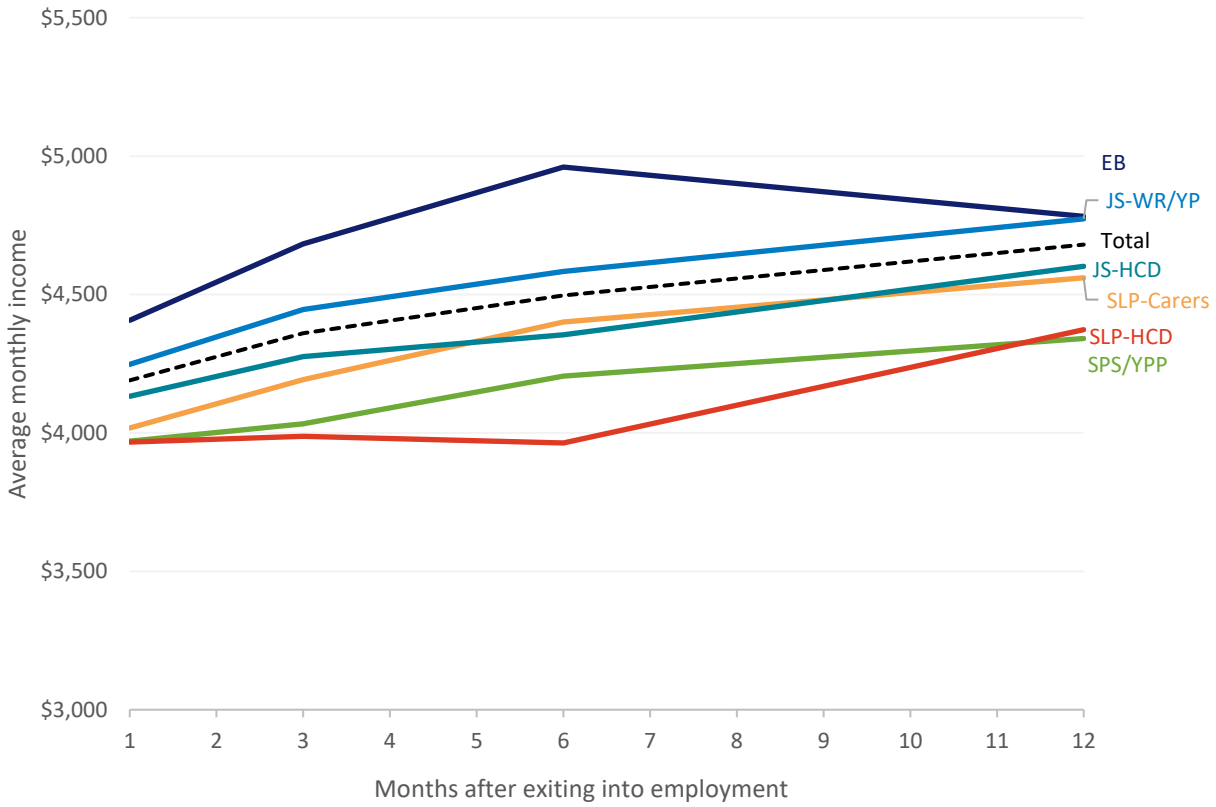


SPS/YPP clients had the highest employment sustainability rates with 50.8 percent maintaining their employment after a year. This continues a long-term trend with SPS clients maintaining their employment at a higher rate compared to most other benefit types. While a high proportion of people who exited into employment from the SLP-Carers benefit were able to sustain their employment, they make up a relatively small number of people within the benefit system.

SPS/YPP clients have the highest employment sustainability rates yet the lowest incomes

Figure 37: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year by benefit type before exit

Please note the kink in monthly income levels for Supported Living Payment- Health Condition and Disability (SLP-HCD) and EB clients is likely due to the small number of people within these categories with around 350 and 600 people respectively.



However, SPS/YPP clients who sustained their employment after exiting off a main benefit have lower incomes on average compared to clients who exited from other benefit types. This may be due to the childcare responsibilities they had which may have limited the hours they could work. SPS/YPP client's incomes grew at a similar rate compared to other benefit clients.

Benefit history

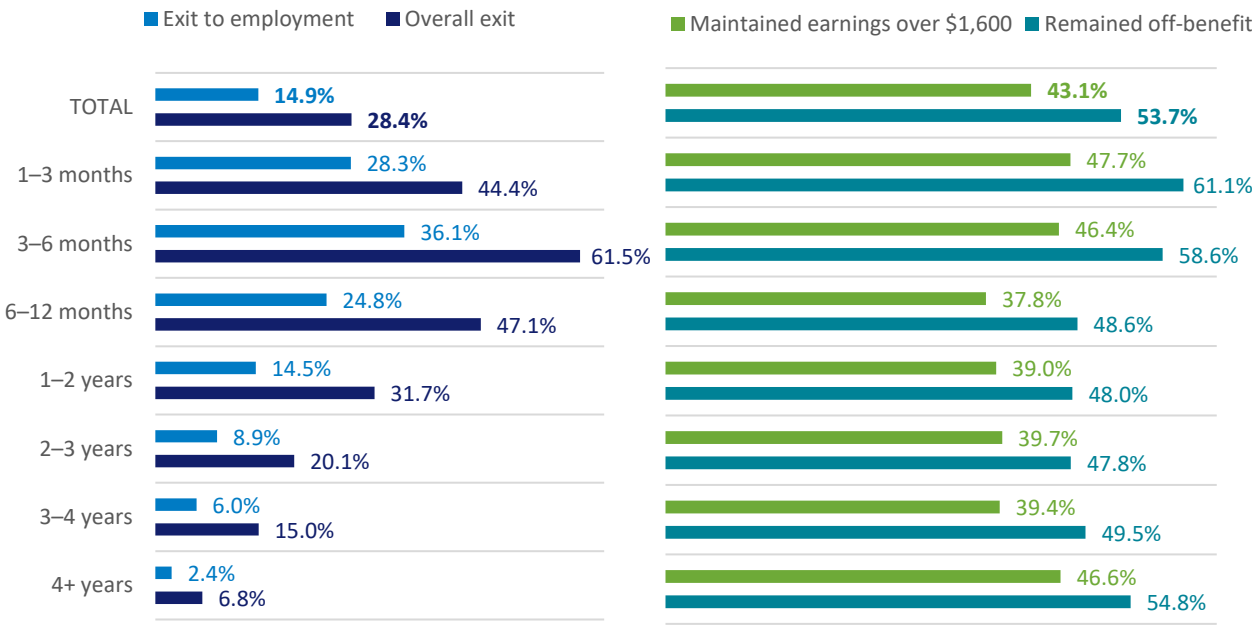
Generally, people are more likely to exit off a main benefit, and exit into employment, the less time they spend supported by a main benefit

As shown in Figure 38, the longer a person had been supported by a main benefit the less likely they were to exit. The only exception are people who had been supported by a main benefit for less than 3 months. There is a similar trend when looking at the likelihood of people exiting into employment.

Figure 38: Exits off a main benefit in the year ended June 2020 – by time spent on benefit prior to exit

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



People who had been supported by a main benefit for more than 6-months were far less likely to exit a main benefit compared to last year

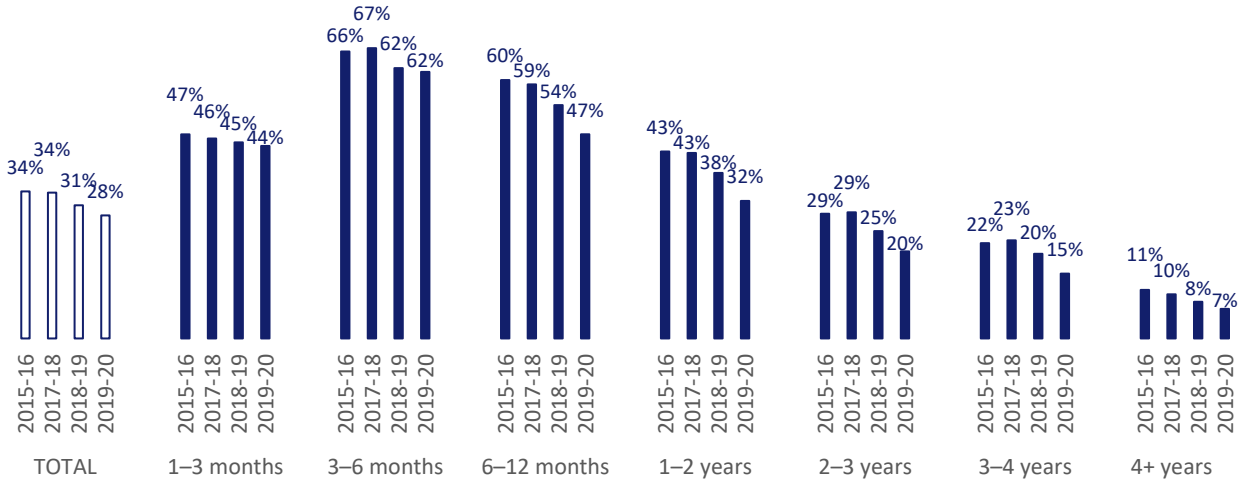
As shown in Figure 39, the likelihood of leaving a main benefit has decreased more so for people who have spent longer supported by a main benefit.

The influx of people during the first national lockdown also resulted in an increase in people who had spent less than 6 months supported on a main benefit by the year ended June 2020. In previous cohorts approximately 1 in 3 people had been

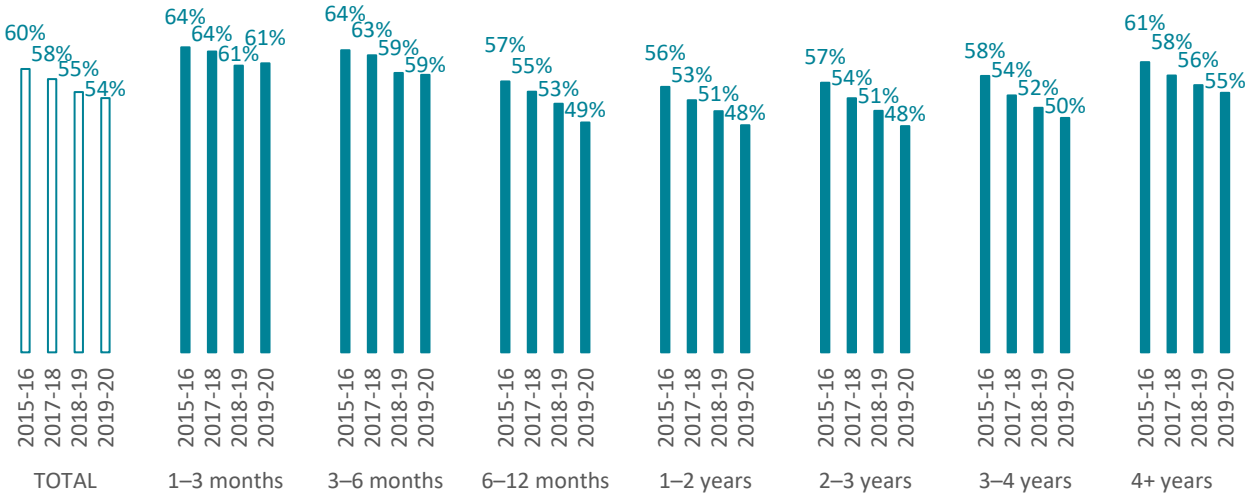
supported by a main benefit for less than 6 months before they left the benefit system. In the year ended June 2020, this had increased to 43.1 percent. The likelihood of exiting off a main benefit decreased noticeably for people who had been supported by a main benefit for more than 6 months.

Figure 39: Exits from a main benefit over time - by time spent on benefit prior to exit

The likelihood of exiting off a main benefit



The proportion of people who remained off a main benefit for at least a year after their exit



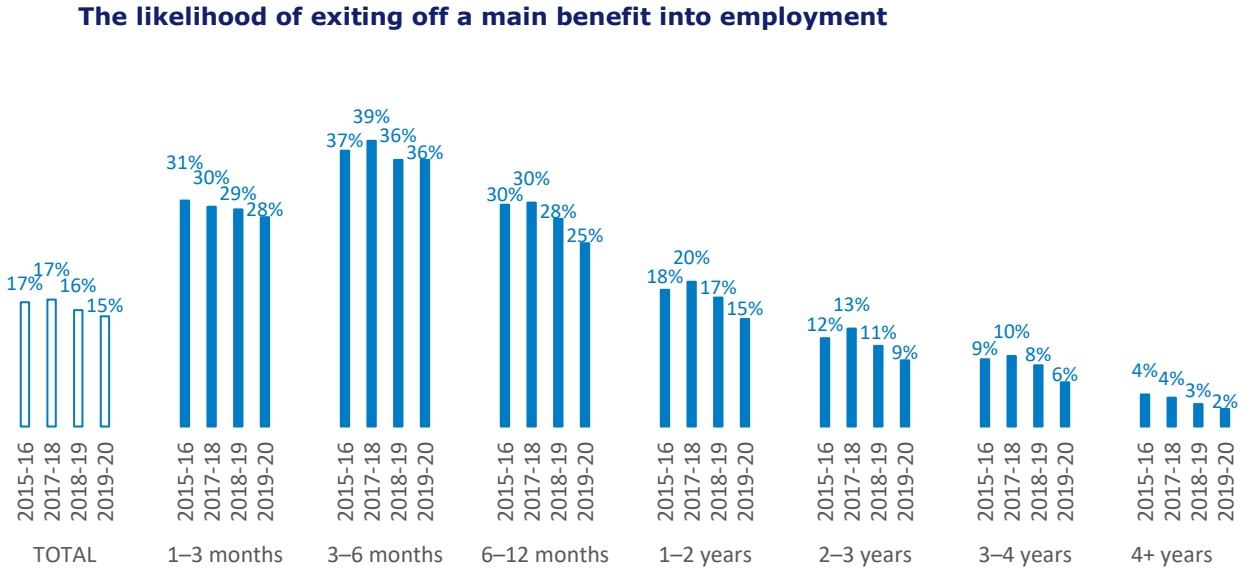
People who had been supported by a main benefit for more than 6-months were also far less likely to exit into and sustain their employment

As shown in Figure 40 below, generally people who had been supported by a main benefit for less time were more likely to exit into and sustain their employment compared to people with a longer benefit history. This pattern has been consistent over time.

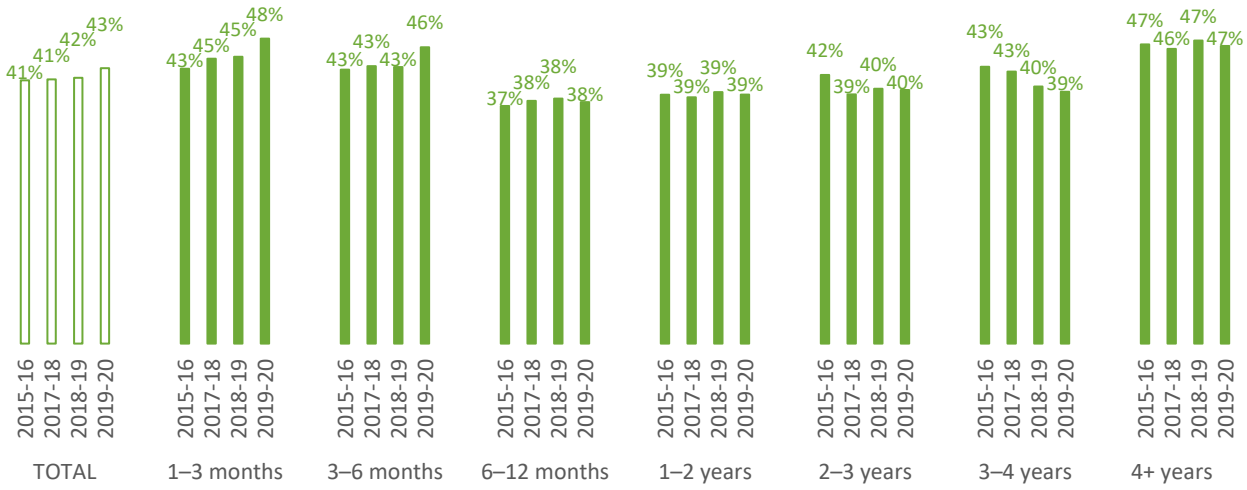
However, between the year ended June 2019 and 2020 the likelihood of exiting into employment decreased more so for people who had been supported by a main benefit for more than 6 months. Those with longer benefit histories may have found it more difficult to compete in the labour market against people who had recently entered the benefit system. People who had entered the benefit system during Alert Level 3 and 4 tended to have higher qualifications which may have meant they had a better skill set match to available jobs once restrictions had eased.

While employment sustainability rates were similar across most benefit history ranges between the years ended June 2019 and 2020, they had noticeably improved for people with a short benefit history (Figure 40). For example, of the people who were on a benefit for less than 6 months before exiting to employment in the year ended June 2019, 43.9 percent sustained their employment for at least a year; this increased by 3.0 percentage points to 46.9 percent for those who exited in the year ended June 2020. For people who were supported by a main benefit for 6 months or more before exiting into employment in the year ended June 2020, 39.4 percent had sustained their employment for at least a year, which is similar to June 2019 (40.0 percent).

Figure 40: Exits into employment from a main benefit over time - by time spent on benefit prior to exit



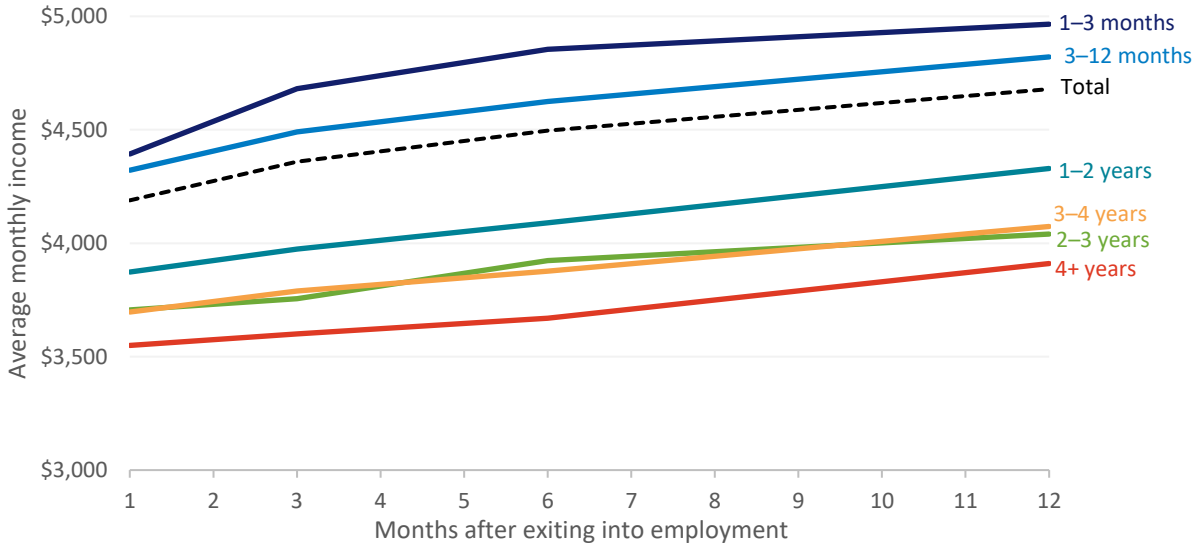
The proportion of people who sustained their employment by earning at least $1,600 each month for at least a year after they exited into employment



People who had a short benefit history tended to earn more once in employment

As shown in Figure 41, people who had spent less than a year supported by a main benefit before exiting into and sustaining their employment earned more on average compared to those with a longer benefit history. This gap remains even after people have been in employment for a year.

Figure 41: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year - by time spent on a main benefit prior to exit



Regions

The likelihood of exiting a main benefit and remaining off benefit varies across regions

Regions[19] differ in both their population make-up and the industries that form their local economies. This also effects the number of jobs that are available within each region. It follows that the likelihood of exiting off a main benefit also varies by region. Generally, people living in rural areas have a higher likelihood of exiting off a main benefit (see Figure 42). In the South Island, people living in Southland (38.4 percent) and the Tasman (33.5 percent) were the most likely to exit off a main benefit in the year ended June 2020. In the North Island, people living in Hawke's Bay (31.5 percent), Bay of Plenty (30.7 percent) and Gisborne (29.3 percent) were the most likely to exit off a main benefit in the year ended June 2020.

People living in more urban regions such as Auckland and Canterbury were some of the least likely to exit off a main benefit, with a likelihood of 27.4 percent and 27.0 percent respectively.

This pattern is also consistent with people exiting into employment. On average people living in the South Island were more likely to exit off a main benefit into employment. People living further north were less likely with people living in Northland (11.9 percent), Auckland (13.5 percent) and Waikato (14.3 percent) being the least likely to exit into employment.

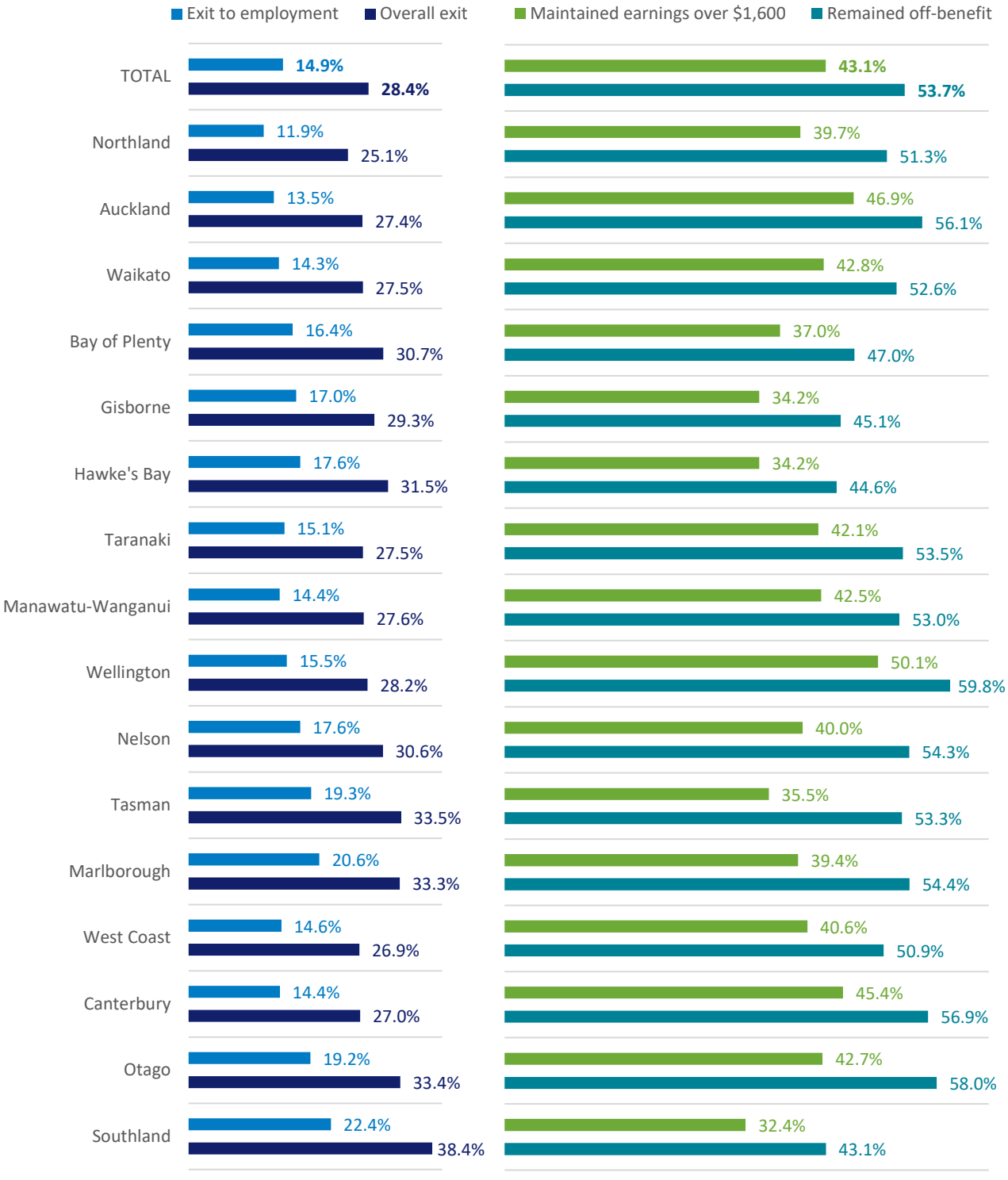
However, Auckland (56.1 percent) had some of the greatest rates of sustainability, alongside Canterbury (56.9 percent), Wellington (59.8 percent) and Otago (58.0 percent).

[19] Regions are based on the 16 regional and unitary councils which are responsible for Aotearoa's environment. Mannawatū-Wanganui is also referred to as the Horizons Regional Council. For more information on each region please see https://www.lgnz.co.nz/regionals/

Figure 42: Exits off a main benefit in the year ended June 2020 – by region at exit

Left: The likelihood of exiting overall and exiting into employment

Right: The proportion of people who remained off a main benefit for at least a year after exiting, and the proportion who sustained their employment earning at least $1,600 each month for at least a year after they exited into employment.



Once employed, people from urban centres, on average, earned more

A higher proportion of people from urban areas had sustained their employment after a year and earned more on average compared to others who had sustained their employment. On average people who exited into and sustained their employment for at least 12 months earned more in large urban centres. For example, on average people earned approximately $4,970 in Auckland and $4,870 in Wellington in the 12th month after their exit. Comparatively, people who exited in Marlborough and Manawatū-Whanganui earned on average around $4,250 and $4,290 respectively in the 12th month after they had exited into employment.

Table 3: Average monthly income (NZD) for people who exited to employment and sustained their employment for at least a year - by Regional Council at exit

	Average monthly income at			
Regional Council	3 months after exit	6 months after exit	12 months after exit	Annualised income growth
Northland	$4,157	$4,305	$4,513	12%
Auckland	$4,617	$4,778	$4,971	10%
Waikato	$4,189	$4,397	$4,586	13%
Bay of Plenty	$4,198	$4,294	$4,497	10%
Gisborne	$4,231	$4,311	$4,486	8%
Hawke's Bay	$4,168	$4,213	$4,426	8%
Taranaki	$4,201	$4,354	$4,406	7%
Manawatu-Wanganui	$4,080	$4,192	$4,293	7%
Wellington	$4,555	$4,679	$4,871	9%
Nelson	$4,118	$4,057	$4,319	7%
Tasman	$4,156	$4,453	$4,644	16%
Marlborough	$4,117	$4,182	$4,250	4%
West Coast	$4,173	$4,245	$4,525	11%
Canterbury	$4,255	$4,385	$4,586	11%
Otago	$4,285	$4,371	$4,491	6%
Southland	$4,246	$4,379	$4,643	13%
Total	**$4,360**	**$4,497**	**$4,680**	**10%**

Outcomes for different exit destinations

It should be noted that this analysis can only determine the industry someone was employed in and not the nature, skill level or job security of their work.

Exits into employment

1 in 3 people who exited into employment, exited to 'Administration and Support Services' and 'Manufacturing' industries which have the lowest employment sustainability rates

As shown in Figure 43 below, the three most common industries people were employed into from the benefit system were:

- Administrative and Support Services (8,600 or 14.9 percent of exits into employment)
- Manufacturing (7,400 or 12.7 percent of exits into employment)
- Retail Trade (5,400 or 9.5 percent of exits into employment)

Despite the large number of people entering into the 'Administrative and Support Services' industry and the 'Manufacturing' industry, these industries have some of lowest rates of sustainability. Less than 1 in 3 people sustained their employment within these industries compared to 43.1 percent for all industries. This is likely due to the number of people who exited into these industries and entered a seasonal sub-industry[20].

The 'Administrative and Support Services' industry includes a diverse range of sub-industry groups including:

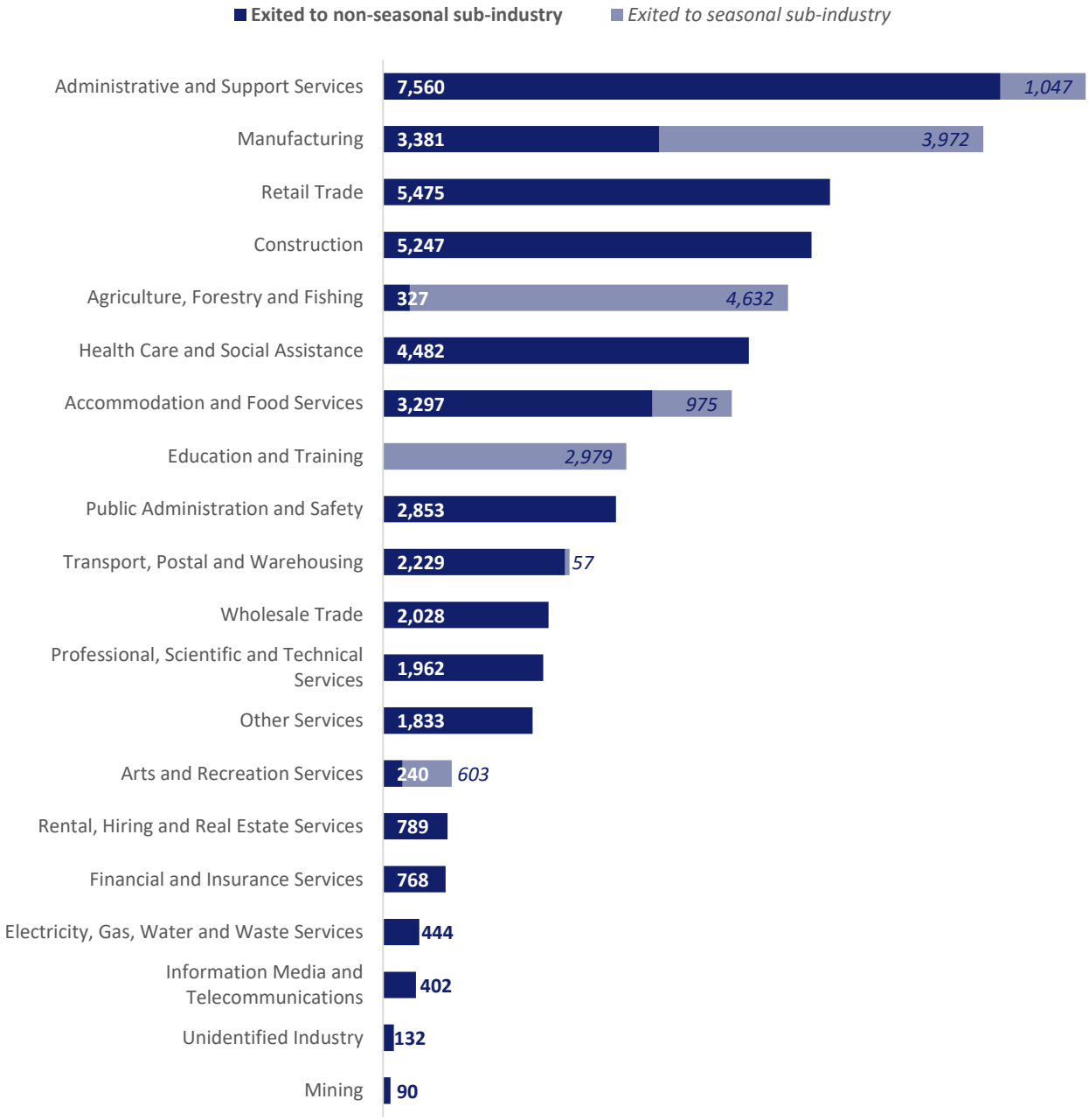
- Employment Services (made up of Employment Placement and Recruitment Services, and Labour Supply Services)
- Building Cleaning, Pest Control and Gardening Services
- Other Administrative Services (made up of Office Administrative Services, Document Preparation Services, Credit Reporting and Debt Collection Services, Call Centre Operation and Other Administrative Services)
- Packaging and Labelling Services
- Travel Agency Services.

[20] For a list of industries that were defined has having a seasonal sub-industry and more information on how seasonal sub-industries were defined please see Appendix 1: History, data, and methodology

The Manufacturing industry also includes a wide range of jobs across many seasonal sub-industries; this includes roles in meat and fruit processing. These roles are highly correlated with the 'Agriculture, Forestry and Fishing' industry which itself is made up of many seasonal sub-industries.

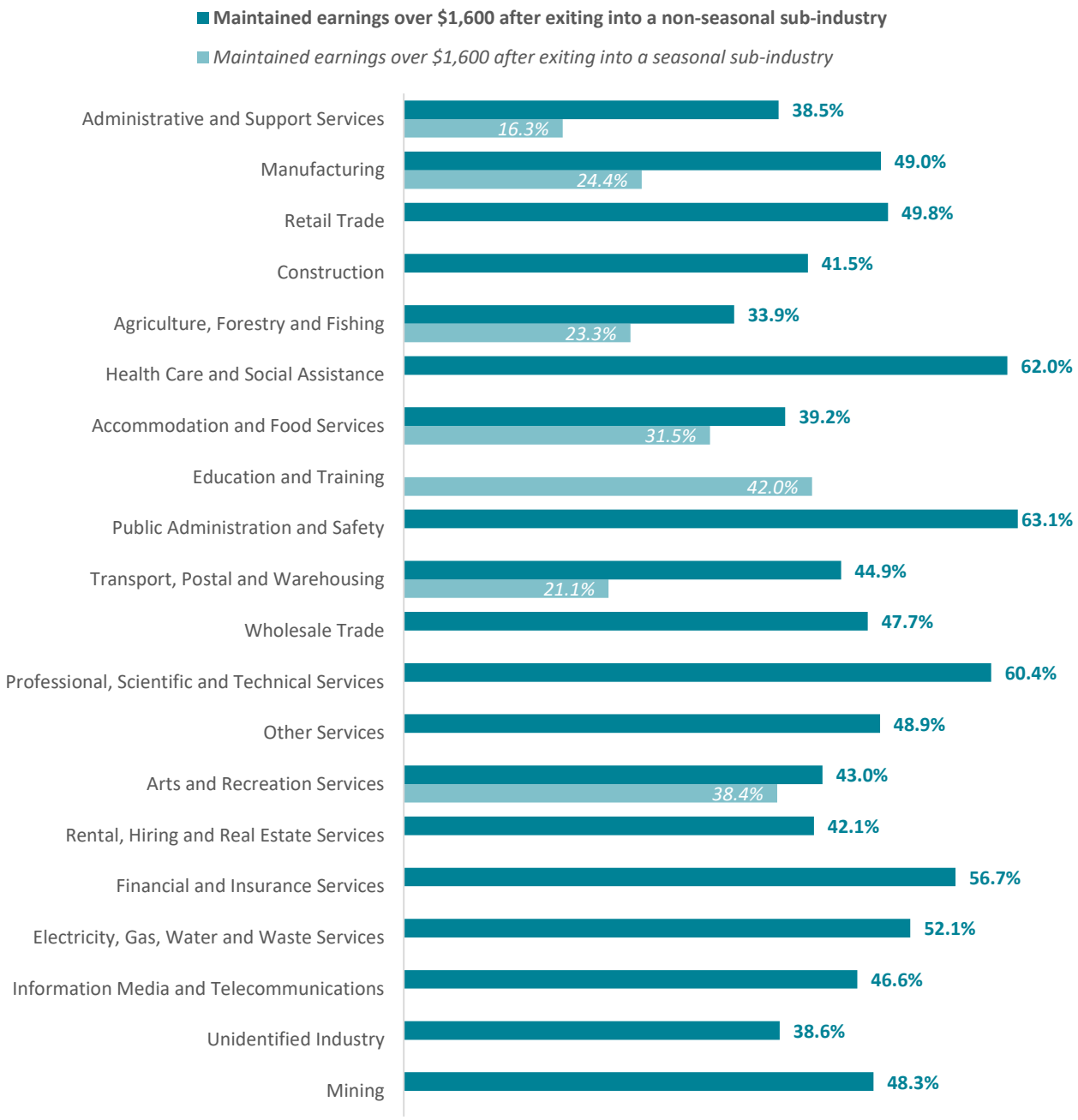
Only the 'Agriculture, Forestry and Fishing' industry had a smaller proportion (24.0 percent) of people sustain their employment.

Figure 43: In the year ended June 2020, the number of people who exited into employment - by industry they entered into and whether it was a seasonal or non-seasonal sub-industry



More than 9 in 10 people (93.4 percent) of people who entered the 'Agriculture Forestry and Fishing industry' were employed in a seasonal sub-industry. Approximately 1 in 2 (54.0 percent) of people who entered the Manufacturing industry went into a seasonal sub-industry. For industries that have both seasonal and non-seasonal sub-industries, a smaller proportion of people who exited into a seasonal sub-industry had sustained their employment after a year compared to their non-seasonal counterparts.

Figure 44: The proportion of people who maintained earnings over $1,600 each month for at least a year after they exited into employment - by industry they entered and whether it was a seasonal or non-seasonal sub-industry



There was an increase in people entering industries with higher incomes compared to last year

In the year ended June 2020, there were increases in the number of people entering the 'Construction' (up 5.0 percent to 5,250 people), 'Health Care and Social Assistance' (up 4.0 percent to 4,482 people), 'Professional, Scientific and Technical Services' (up 8.8 percent to 1,965 people), 'Retail Trade' (up 3.9 percent to 5,472 people) and most notably 'Public Administration and Safety' (up 24.9 percent to 2,856 people) industries compared to the previous year.

In the year ended June 2020 exits into these industries made up 37.5 percent of all exits into employment compared to 34.1 percent in the year ended June 2020. Some of the shift into these industries may account for the increase in the average income for people who sustained their employment after a year when compared to people who exited in the previous year.

Table 4: Number of people who exited into employment and the average monthly income (NZD) for people who sustained their employment for at least a year - by industry they exited into

		Average employment income		
Industry	Number of exits	3 months after exit	12 months after exit	Annualised income growth
Administrative and Support Services	8,607	$4,297	$4,647	11%
Manufacturing	7,353	$4,587	$4,717	4%
Retail Trade	5,472	$3,549	$3,973	16%
Construction	5,250	$4,662	$5,044	11%
Agriculture, Forestry and Fishing	4,959	$4,297	$4,513	7%
Health Care and Social Assistance	4,482	$4,322	$4,524	6%
Accommodation and Food Services	4,275	$3,408	$3,784	15%
Education and Training	2,979	$4,352	$4,665	10%
Public Administration and Safety	2,856	$4,876	$5,150	8%
Transport, Postal and Warehousing	2,286	$4,661	$5,065	12%
Wholesale Trade	2,031	$4,516	$4,908	12%

Professional, Scientific and Technical Services	1,965	$5,420	$5,882	12%
Other Services	1,833	$3,888	$4,258	13%
Arts and Recreation Services	843	$3,991	$4,380	13%
Rental, Hiring and Real Estate Services	786	$4,450	$4,710	8%
Financial and Insurance Services	768	$5,343	$5,843	13%
Electricity, Gas, Water and Waste Services	444	$4,973	$5,284	8%
Information Media and Telecommunications	402	$5,243	$5,414	4%
Unidentified Industry	132	$3,841	$4,554	26%
Mining	90	$6,581	$6,904	7%

Exits into tertiary education

Fewer people exited into tertiary education across most course types

Overall exits into tertiary education[21] (including full-time and part-time) were lower for the year ending June 2020 compared to previous years; 6.9 percent of all exits were into tertiary education in the year ending June 2020, down from 7.7 percent of exits in the previous year. There were decreases across nearly all course types. 'Natural and Physical Sciences' was the only course type with a notable increase, up 40 enrolments. However, entries into 'Natural and Physical Sciences' courses still had the lowest number of enrolments.

Approximately 2 in 3 people (68.1 percent) who enrolled in a tertiary education course had remained off benefit after a year. This is likely because many tertiary courses are a longer than a year, so people remain off benefit for longer.

Over half of people who exit into tertiary education enrol in a 'Society and Culture' type course of which has the third highest sustainability rate

'Society and Culture' had the most enrolments over all course types. Over 1 in 2 (55.8 percent) people enrolled in these courses remained off benefit after a year, which made it the course type with the third highest sustainability rate. 'Society and Culture' includes programmes such as Political Science and Policy Studies; Information Management and Curatorial Studies; and Economics and Econometrics etc[22]. 'Management and Commerce has the second highest enrolment rate with just under 1 in 2 people (46.6 percent) remained off benefit after a year.

To take into consideration that many tertiary courses are longer than a year, we can look back further. For those that exited a main benefit and enrolled into a tertiary education course in the year ended June 2018, 25.9 percent had remained off benefit three years (36 months) after their exit. 'Society and Culture' and 'Management and Commerce' course types also had the highest number of enrolments in the past. Of those that had enrolled in these course types, 31.2 percent and 24.9 percent of people had remained off benefit for at least three years (36 months) respectively (see Figure 45).

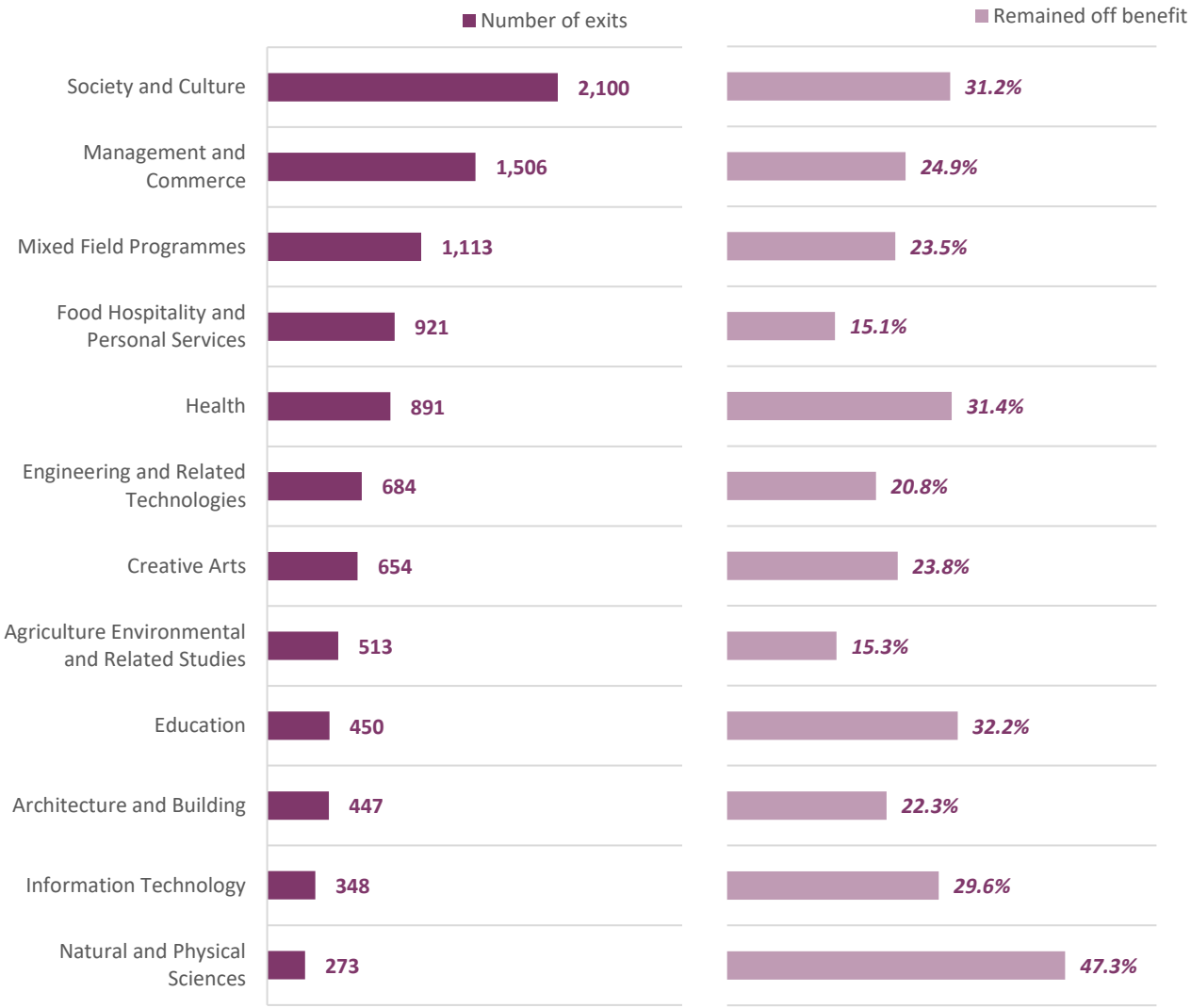
[21] Tertiary education courses range from transition (school to work) pogrammes through to postgraduate study and research. For more information in how tertiary fields of study are classified please see the New Zealand Standard Classification of Education (NZSCED) at https://www.educationcounts.govt.nz/data-services/code-sets-and-classifications/new_zealand_standard_classification_of_education_nzsced

[22] Society and Culture Programmes also include: Studies in Human Society; Human Welfare Studies and Services; Behavioural Science; Law; Justice and Law Enforcement; Librarianship; Language and Literature; Philosophy and Religious Studies; Sport and Recreation; and Other Society and Culture

Figure 45: Exits into tertiary education in the year ended June 2018 – by course type

Left: The number of people who exited into tertiary education

Right: The proportion of people who remained off benefit for at least three years (36 months) after their exit



'Education' courses have one of the highest rates of sustainability, but 'Health' has the greatest income in the long-term

This section investigates income growth for people who exited off a main benefit into tertiary education in the year ended June 2016, and remained off a main benefit for all 5 years (60 months) after their exit. This allows us to have a long-term view to view what happened to people after they have had the time to complete their tertiary course.

'Natural and Physical Sciences' continues to have the highest proportion (37.6 percent) of people who remain off-benefit after 5 years compared to other course types. A relatively small number of people enrol in these courses when they leave the

benefit (on average 2-3 percent of people who have exited into tertiary education have enrolled into this course each year between the 2015/2016 cohort and this cohort)

However, 1 in 3 people who enrolled into a 'Education' or 'Health' course (32.3 percent, and 28.7 percent respectively) had remained off a main benefit for 5 years since their exit. People who had enrolled in a 'Health' course and then been employed over this time had the highest incomes, earning on average around $3,680 5 years (i.e., in the 60th month) after leaving a main benefit. People who had enrolled into an 'Education' course on average also had a relatively high income of around $3,380 5 years (i.e., in the 60th month) after leaving a main benefit.

Table 5: The number of people who exited into tertiary education in the year ended June 2016 and remained off benefit for 5 years (60 months) after their exit, with the income for people who had remained off-benefit over that time - by tertiary course type

	Number of people		Average monthly employment income		
Tertiary course type	Began course	Employed at 60 months	3 months after exit	60 months after exit	Annualised income growth
Agriculture, Environmental and Related Studies	684	102	$1,301	$2,900	18.4%
Architecture and Building	471	78	$1,193	$3,551	25.8%
Creative Arts	723	144	$831	$2,577	26.9%
Education	465	150	$1,216	$3,382	24.0%
Engineering and Related Technologies	900	177	$951	$3,385	30.6%
Food, Hospitality and Personal Services	1014	114	$594	$2,275	32.6%
Health	1047	300	$1,667	$3,678	18.1%
Information Technology	792	153	$985	$3,035	26.7%
Management and Commerce	1518	360	$1,197	$3,001	21.4%
Mixed Field Programmes	1200	252	$1,147	$2,974	22.2%
Natural and Physical Sciences	255	96	$884	$2,747	27.0%
Society and Culture	2208	537	$1,217	$3,284	23.2%

Exits into targeted/industry training

Manufacturing makes up 1 in 3 of targeted/industry training exits yet has the lowest sustainability of exits

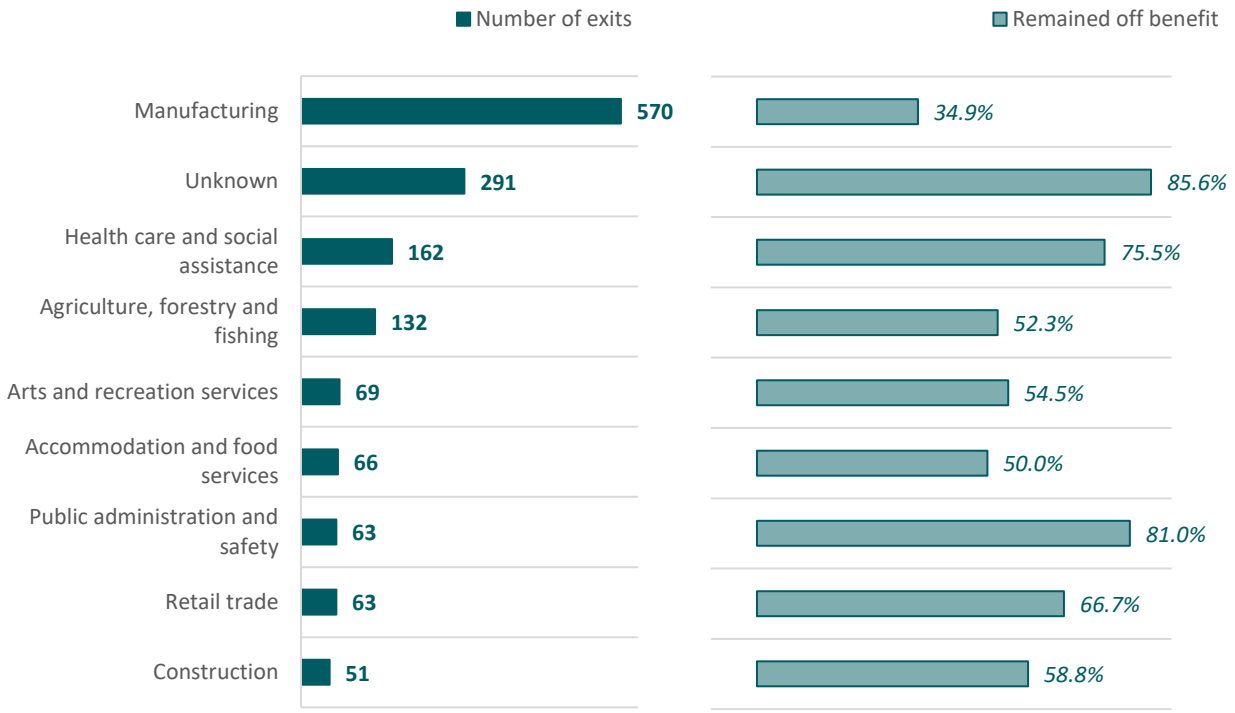
Targeted/industry training courses are generally linked to a job (e.g., apprenticeships). Exits to targeted/industry training courses made up only 1,600 exits in the year to June 2020, which is a small fraction of all exits (around 1.5 percent). Given these numbers are relatively small, care should be used when interpreting these results.

Figure 46: Exits into an industry/training course in the year ended June 2020 - by course type

Left: The number of people who exited into an industry/training course

Right: The proportion of people who remained off benefit for at least a year after their exit

Please note that this figure only includes course types that at least 50 people exited into.



As with previous cohorts 'Manufacturing' made up approximately 1 in 3 (37.0 percent) of exits into targeted/industry training in the year ended June 2020. It also retained the lowest proportion of people in employment with only 34.9 percent of people sustaining their employment a year after exiting off a main benefit. This could be due to the range of roles within the Manufacturing industry such as packaging, seafood processing and fruit processing which belong to seasonal sub-industries. Generally, people who enter into a seasonal sub-industry are less likely to sustain their exits compared to their non-seasonal counterparts.

Few people exit into Public Administration and Safety training, but those who do earn relatively high incomes in the short and longer-term

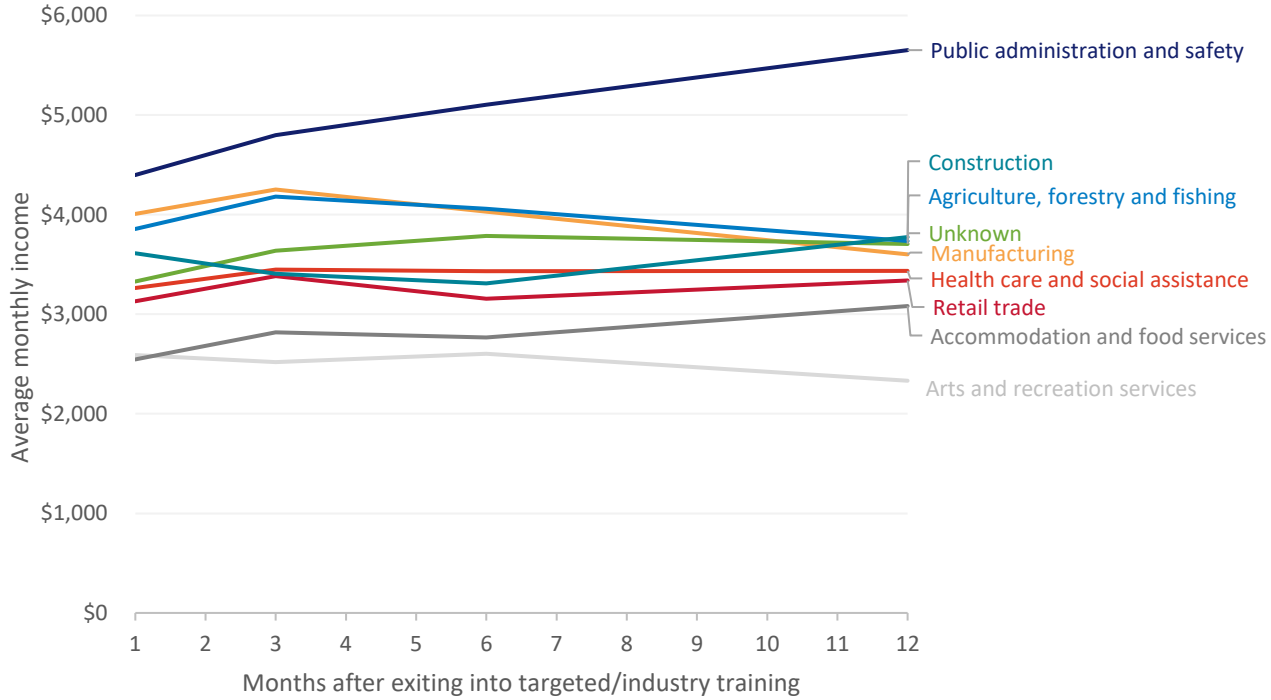
On the other end of the spectrum few people entered into 'Public Administration and Safety' training but those that did and were able to maintain their employment for at least a year, and earned more than any other industry/training course.

As industry training courses are associated with paid employment, people who enter into an industry/targeted training course tend to have higher initial incomes than people who entered into a tertiary education course. However, their incomes tend to stay flat over the first year of industry/targeted training course. The only notable exception to this is for people who entered into a Public Administration and Safety course.

The 'Agriculture, forestry and fishing', and 'Manufacturing' course types have average monthly income decreases after a peak at 3 months. Some of this may be due to the nature of their seasonal sub-industries but further analysis would be needed to truly understand why this occurs.

Figure 47: Average monthly income for people who entered into an industry/targeted training course in the year ended June 2020, and sustained their employment for at least a year by industry/targeted training type

Please note that this figure only includes course types that at least 50 people exited into.

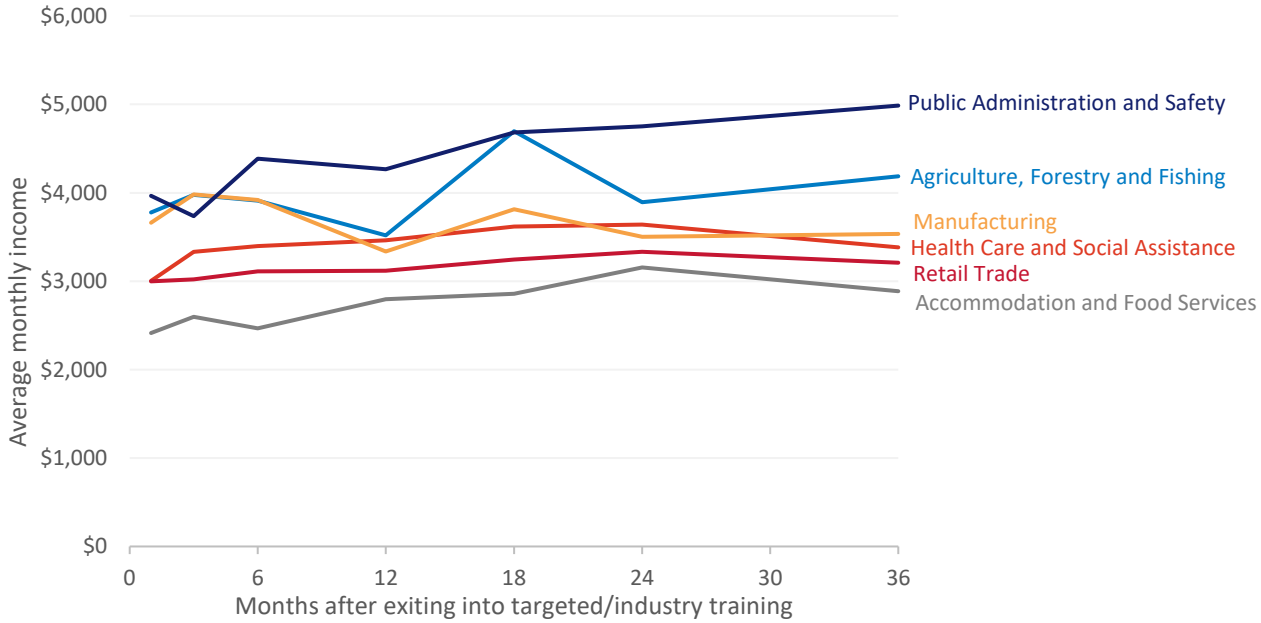


Over the long-term Public Administration and Safety is the only course type that continues to earn more

By looking back to people who exited in the year ended June 2017 and sustained their employment for 3 years (36 months) we can track how people's incomes have grown over a longer period. On average people who entered into a 'Public Administration and Safety' course and sustained their employment over the longer-term continued to earn more than people who entered into other targeted/industry training. Some of the decrease for people who enter into the 'Agriculture, Forestry and Fishing' and 'Manufacturing' industries may be due to the seasonal nature of some of their sub-industries where there can be fluctuations in the hours worked.

Figure 48: Average monthly income for people who entered into an industry/targeted training course in the year ended June 2018, and sustained their employment for at least 3 years (36 months) – by industry/targeted training type

Please note that this figure only includes course types where at least 50 people remained off benefit after 36 months



Appendix 1: History, data, and methodology

Please note that the full set of data tables called "What happened to people who left the benefit system - June 2020 – Data tables.xlsx" are published along with this report.

This analysis uses data from the IDI

The analysis for this report uses data from Stats NZ's Integrated Data Infrastructure (IDI). The IDI contains data from government agencies, Stats NZ surveys, and non-government agencies (NGOs) about people, households, and firms. It collects data on a wide range of areas such as education, income, benefits, migration, justice, and health. This allows researchers to better understand how people interact with a variety of government agencies over the long-term.

However, as it is de-identified, information like names, dates of birth, and addresses have been removed. Numbers that can be used to identify people such as IRD and NHI numbers are encrypted (replaced with another number) with extra checks in place so that individuals can't be identified[23].

Different government agencies contribute data to the IDI with different data recording methods which means that there are variations in the type, quality, and length of time that data is available across different datasets. This also means that when these datasets are updated, new combined datasets need to be created making it difficult to make direct comparisons to previous reports. To allow for this, our analysis is re-run for previous cohorts so that we can compare outcomes for people who left the benefit system in different years.

This work builds on earlier published analysis:

- In February 2017, the Social Policy Evaluation and Research Unit (Superu) released the first *Off-benefit transitions: Where do people go?* report[24]. The report examined the characteristics of 140,000 people who exited main benefits in the year to 30 June 2011 and their outcomes over the next two years, using linked administrative data in Stats NZ's IDI.

- In August 2018, MSD released the report *What happened to people who left the benefit system during the year ended 30 June 2014.* In February 2020, MSD released the next iteration of this reporting *What happened to people who left the benefit system during the year ended 30 June 2016* (called the 2020 MSD report throughout this document). The next iteration of this reporting was

[23] Please see Integrated Data Infrastructure | Stats NZ for more information.
[24] https://thehub.sia.govt.nz/resources/off-benefit-transitions/

released in April 2021 *What happened to people who left the benefit system during the year ended 30 June 2019.* These reports expanded the analysis by:

- including new cohorts,
- examining what happened to people's earnings after they exited a main benefit,
- looking at sustainability of exits and employment,
- looking at how outcomes changed depending on the reason for exit, and for those who exited to employment in a seasonal industry, and
- investigated how outcomes differed for people who had accessed mental health or addictions service in the past.

The study population

This approach was selected to maintain consistency with previous analysis. People are included in the study population if they:

- exited a main benefit within one of the cohort periods of interest
- remained off benefit for at least one calendar month
- were aged between 16 – 64 years old when they exited a main benefit
- received one of the following benefit types immediately prior to exiting the benefit system

Table 6: Types of main benefits used to define the study population (ie, cohorts) in this report

Benefit type	Code	Description	Benefit type prior to reform (pre-July 2013)
Jobseeker Support – Work Ready	JS-WR	Not in, but available for full-time employment	Unemployment Benefit and Domestic Purposes Benefit with youngest child aged 14 years or older)
Jobseeker Support – Health Conditions and Disability	JS-HCD	Jobseeker Support beneficiaries having reduced or deferred work obligations due to health condition or disability	Sickness benefit
Emergency Benefit	EB	Not eligible for another benefit and in hardship	Emergency Benefit
Sole Parent Support and Emergency Maintenance Allowance	SPS	Sole parent with youngest child aged under 14 years old	Domestic Purposes Benefit with youngest child aged 13 years or younger

Supported Living Payment – Carer	SLP-Carers	Payment paid to carers (excluding partners) that look after those who require full time care and attention	Domestic Purposes Benefit-care of the sick and infirm
Supported Living Payment – Health Conditions and Disabilities	SLP-HCD	Permanently and severely restricted in capacity to work due to health condition or disability	Invalids benefit
Youth Payment	YP	Unsupported youth aged 16-17 years	Independent Youth Benefit
Young Parent Payment	YPP	Young parents aged 16-19 years	Domestic Purposes Benefit or Emergency Maintenance Allowance beneficiaries aged 16-19 years with youngest child 13 years or under – also includes 16–19-year-old parents who may have been receiving other types of benefit

Please note instances where people have received the Jobseeker Support – Student Hardship (JS-SH), New Zealand Super (NZS), or Veteran's Payment (VP) at any point have been excluded from the scope of this analysis.

These instances are excluded as these payments are provided either for temporary support between planned periods of study (JS-SH) or are permanent payments (NZS and VP). Therefore, instances where people have exited from or returned to any of those benefits are excluded from this report.

Defining measures used in analysis

Cohorts

Cohorts are used throughout this analysis to refer to the period of time that a person exited off a main benefit:

- 2013/2014 cohort: Exited off benefits between July 2015 and June 2014
- 2015/2016 cohort: Exited off benefits between July 2015 and June 2016
- 2017/2018 cohort: Exited off benefits between July 2017 and June 2018
- 2018/2019 cohort: Exited off benefits between July 2018 and June 2019
- 2019/2020 cohort: Exited off benefits between July 2019 and June 2020

Differences in many of the measures in this report between the different cohorts could be at least partly due to differences in the characteristics and histories of the cohorts. For example, changes could reflect differences in policy, strategic focus and in the economic environment over time. Further work would be needed to control for these factors.

Calendar months are used as a base unit of analysis

To align our analysis with other datasets available in the IDI, which are recorded by calendar month we have restricted our analysis to that basis. A person is counted as having left the benefit system only once they have not received a benefit for a full calendar month. This means:

- if a person exited off a main benefit on the first or last week of the month (eg, January) they are not counted until they have been off a main benefit for all of the next month (eg, February);
- if a person exits off a main benefit in the first week of the month (eg, January) and does not return to the benefit system till the last week of the next month (eg, February) they are counted as being 'on benefits' for both months (eg, both January and February)

Likelihood of exits

The likelihood of exiting a main benefit over a 12-month period is defined, where:
a: The average number of people exiting off a main benefit each month over that 12-month period
b: The average number of people receiving a main benefit each month over that 12-month period

$$1 - \left(1 - \left(\frac{a}{b}\right)\right)^{12}$$

The likelihood of exiting to employment is then scaled against the overall likelihood of exiting where:

x: The overall likelihood of exiting a main benefit over 12-months
y: Number of people who exited into employment over that 12-month period
z: Total number of people who exited off a main benefit over that 12-month period

$$x\left(\frac{y}{z}\right)$$

The same equation is used to calculate the scaled likelihood of exits into tertiary education and exits into targeted/industry training where *y* is replaced by the Number of people who enrolled into a tertiary qualification or entered into targeted/industry training respectively.

Remaining off benefit

To calculate the proportion of people who remain off benefit after for at least a year (12-months) we count the number of people who left exited a main benefit for a given cohort (excluding people who reached retirement age or died, i.e., the number of people who remained off a benefit after one month) and count those who remained off benefit 12-months after their exit.

Employment and sustained employment definitions

We measure exits to employment by including all exits from a main benefit where a person has earnings of at least $1,600 per month (i.e., The exit reasons 'Employment' and 'Other with income equal to or greater than $1,600' shown in Figure 7).

We then look at the proportion of people within this group who maintained employment earnings of at least $1,600 each month for the first year after they exited into employment. This is referred to as sustained employment, maintained employment, or sustained employment earnings throughout this report. If a person changes jobs but still maintained income over $1,600 each month then they were still counted as sustaining their employment.

Ethnicity definition

We have used Stats NZ's ethnicity variable from personal details table in the IDI. This captures each ethnicity that has ever been assigned to a person across many datasets in the IDI. For this report we have used a total response ethnicity view. This means that when a person has more than one ethnicity they are counted once within each ethnicity group (eg, a person may be counted as both European and Māori). This is known as 'total response' ethnicity. As some people have multiple recorded ethnicities this will result in the sum of ethnicities being greater than the total number of people within each cohort.

Prior to the previous report published in May 2021, earlier reports prioritised ethnicity so that each person was only counted in one ethnicity group. The order of prioritisation was Māori, Pacific Peoples, Asian, Other and New Zealand European.

Using highest qualification to measure education

A person's education level is determined by the highest qualification they hold when they exited off a main benefit. These levels are based on the New Zealand Qualification Framework (NZQF). The NZQF is divided into 10 levels: levels 1 to 4 align with NCEA certificates; levels 5 to 6 – diplomas; level 7 – Bachelor's Degrees, Graduate Diplomas and Certificates; level 8 – Postgraduate Diplomas and Certificates plus Bachelor Honours Degrees; level 9 – Master's Degrees, and level 10 – Doctoral Degrees.

Income definition

Throughout this report we have used employment income. This is defined as the gross income earned from employment inflated using the Consumer Price Index (CPI) to December 2021. It includes wages and salaries as well as withholding payments (from Inland Revenue's Employee Monthly Schedule and Employment Information – Employer datasets). Income is reported as monthly earnings throughout this report.

Excluding self-employment earnings

Most self-employed income declarations from IRD apply to whole year periods ending 31 March and cannot be used to determine how much of that income was earned in each month after a person exits off-benefits.

To understand how much this might impact this analysis, the 2020 MSD report calculated a rough upper limit of the proportion of people who exited from the 2015/16 cohort that may have had self-employment earnings that were not included:

1. 10% of people whose exit reason was 'other with earnings less than $100'
2. 3% of people whose exit reason was 'employment' or 'other earnings >= $1,260 per week'
3. 3% those who exited benefits with any of the remaining exit reasons.

Seasonal industries

By analysing the pattern in the number of people employed in 213 sub-industries over time we identified sub-industries with that were likely to have a large seasonal workforce. This was done by:

4. Identifying sub-industries that had a regular repeating pattern in employment e.g., peaks and troughs in the number of people employed within the same quarter every year
5. Identifying sub-industries where there was at least a 10% difference between the average peak and trough in the number of people employed
6. Determining whether this was a seasonal pattern or the changes in the number of people employed was due to random variation

Further details on this process can be found in the iteration of the report published in 2020.[25]

The 29 sub-industries identified as having seasonal employment patters are listed below.

[25] The 2020 iteration of this report can be found here: What happened to people who left the benefit system During the year ended 30 June 2016 (msd.govt.nz)

Table 7: Sub-industries identified as having a seasonal employment pattern

Main industry	Sub-industry	Industry code
Agriculture, Forestry and Fishing	Nursery and Floriculture Production	A011
	Mushroom and Vegetable Growing	A012
	Fruit and Tree Nut Growing	A013
	Grain, Sheep and Beef Cattle Farming	A014
	Other Crop Growing	A015
	Dairy Cattle Farming	A016
	Deer Farming	A018
	Other Livestock Farming	A019
	Fishing	A041
	Forestry Support Services	A051
	Agriculture and Fishing Support Services	A052
Manufacturing	Meat and Meat Product Manufacturing	C111
	Seafood Processing	C112
	Fruit and Vegetable Processing	C114
	Beverage Manufacturing	C121
	Leather Tanning and Fur Dressing	C132
Accommodation and Food Services	Accommodation	H440
Transport, Postal and Warehousing	Water Passenger Transport	I482
	Scenic and Sightseeing Transport	I501
Administrative and Support Services	Packaging and Labelling Services	N732
Education and Training	Preschool Education	P801
	School Education	P802
	Tertiary Education	P810
	Adult, Community and Other Education	P821
	Educational Support Services	P822
Arts and Recreation Services	Parks and Gardens Operations	R892
	Sport and Physical Recreation Activities	R911
	Horse and Dog Racing Activities	R912
	Amusement and Other Recreation Activities	R913

Defining reasons for exiting off a main benefit

Throughout this report we have defined a list of 12 reasons for people exiting off benefits. Using Stats NZ IDI data, each person within a cohort is assigned an exit reason based on their data immediately prior to, and the month following their exit.

If a person exits off a main benefit, stays off a main benefit for a calendar month, re-enters a main benefit after that month and then exits again within a cohort time period (eg within the year ended June 2020), only their first exit is counted within that cohort.

Important features of the exit reason hierarchy

The exits listed below are in a hierarchical order so that if a person has multiple reasons for exiting off a main benefit then the reason that has the highest hierarchy is allocated as that person's exit reason. For example, if a person has a gross income greater than $1,600 in the month that they exited off a main benefit and they started a part-time tertiary course in that same month, they will be categorised with the exit reason "Part-time student" rather than "Employment".

It's also possible that some of the people assigned to the 'Other income, less than $1,600 may actually earn more, for example if they have significant self-employed income that cannot be measured in this analysis.

Except for the 'Partnership' exit reason, we do not use MSD exit reason records. To see the exit reason for exits used in this report compared to the MSD exit reason code see Table 9.

We refer to the last month that a person received a main benefit as 'month 0'. The month following this, being the first month no longer receiving a main benefit, is month 1, and so on.

The income threshold of $1,600 is used to define the "Employment" exit reason for exiting off a main benefit. This figure is based on the following calculation:

20 hours x minimum wage ($20.00)[26] x 4 weeks

It represents the monthly employment income for a person who works 20 hours per week at the minimum wage and with an average of four weeks of work per month. The threshold of 20 hours or more of work per week was selected as it previously represented the eligibility threshold for the In-Work Tax Credit (IWTC)[27] for single parents, which is not available to welfare beneficiaries. Note that this threshold is not related to the income cut-out point for any particular main benefit type. It has been chosen to align with previous published analyses.

[26] This was the minimum wage as of 1 April 2021. For more details please see: https://www.employment.govt.nz/hours-and-wages/pay/minimum-wage/minimum-wage-rates/
[27] Eligibility for In-Work Tax Credit is dependent on your weekly income. For more details see: https://www.ird.govt.nz/-/media/project/ir/home/documents/forms-and-guides/ir200---ir299/ir271-2022/ir271-2022-v2.pdf?modified=20210630213608&modified=20210630213608

Table 8: Defining exit reasons for off benefit exits used in this report

In this table month 0 refers to the month that someone exits a main benefit

Exit reason	Abbreviation	Number of exits	Assigned if a person:
Death	Death	2,727	Dies during months -2 through to 1
Reached age 65+	Retirement	138	Is aged greater than or equal to 64.917 at the end of month 0
Overseas	Overseas	6,405	Departs on an overseas trip during months -1 through to 1, and spends at least 14 days overseas during this time
In detention	Detention	5,796	Spends 14 days or more in remand or prison during months -1 through to 1
Started a targeted/ industry training course	Training course	1,557	Begins a targeted or industry training education course in any month during months -2 through to 1
Started a full-time tertiary course	Tertiary full-time	6,084	Begins a formal tertiary education course for which they are studying full-time in any month during months -2 to 1
Started a part-time tertiary course	Tertiary part-time	2,214	Begins a formal tertiary education course for which they are studying part-time in any month during months -2 to 1
Employment	Employment	51,558	Has a gross income ('Wages and salary') of $1,600 or more during month 1, and their gross income during month 1 is greater than the average gross income during months -2 and -1
Other with income ≥ $1,600	Other: Income ≥ $1,600	6,255	Has gross income ('Wages and salary') of $1,600 during month 1, but does not meet the increase in earnings test for the employment exit reason
Partnered	Other: Partner	4,047	Identified as having a change in partnership status from Working for Families tax data during months -1 to 1 or have a Ministry exit reason code of "Not eligible (partner)"
Other with income ≥ $100 but less than $1,600	Other: Income $100-$1,600	5,526	Does not fall into any of the above exit reason groups and has a gross income of $100 or more during month 1

Other with income < $100	Other: Income < $100	17,850	Does not fall into any of the above exit reason groups, and has gross earnings of less than $100 during month 1

Comparing this analysis' exit reasons with MSD exit reason codes

The below table shows how people would be re-categorised across the exit reasons for exiting off a main benefit if internal data based on the MSD exit reason code were used instead of the definitions used for this study.

Table 9: Comparing how people would be categorised using MSD exit reason codes (rows) against the exit reason definitions used throughout this report (columns)

Please note that due to suppression rules in the IDI, any values under 5 are supressed and all values are rounded to a multiple of 3. Therefore, the totals for each exit reason defined for this analysis (column totals) are lower than what was produced in Figure 7.

		Reason for exiting off a main benefit used in this report												
		Age >65	Death	Overseas	In detention	Full-time student	Part-time student	Training course	Employment	Other: Partner	Other: Earnings ≥ $1,600	Other: Earnings $100-$1,600	Other: Earnings < $100	**Grand Total**
MSD exit reason code	Age 65	60		6	-	-	-	-	0	-	0	0	147	**213**
	Death	0	2,643	6	-	-	-	-	0	-	-	0	180	**2,829**
	Overseas	9	0	4,332	0	15	6	0	132	0	36	54	516	**5,100**
	Detention	-	0	6	4,914	0	0	0	60	-	21	24	552	**5,577**
	Education	0	-	57	18	4,476	960	12	81	15	27	132	891	**6,669**
	Employment	30	9	990	174	954	903	1,356	45,099	216	4,671	3,663	6,105	**64,170**
	Not eligible (medical)	-	-	0	0	-	0	-	9	-	0	-	6	**15**
	Not eligible (obligations)	6	15	564	513	153	84	69	3,189	87	603	693	3,636	**9,612**
	Not eligible (partner)	0	-	60	12	78	54	18	339	3,558	84	-	-	**4,203**
	Not eligible (other circumstances)	-	-	9	18	6	0	0	57	-	9	18	189	**306**
	Not grouped	0	39	102	69	126	72	39	1,116	27	375	465	2,712	**5,142**
	Transfer	9	0	33	18	174	6	6	132	33	48	75	672	**1,260**
	Other	9	18	237	60	93	69	45	1,344	105	375	396	2,244	**4,995**
	Grand Total	**123**	**2,724**	**6,402**	**5,796**	**6,075**	**2,208**	**1,545**	**51,558**	**4,041**	**6,249**	**5,520**	**17,850**	**110,091**

IDI datasets used in this analysis

The datasets used throughout this analysis are based on the October 2021 IDI data refresh.

The Benefit Dynamics Dataset (BDD)

These datasets were used to identify, who was supported by benefits, when they were supported by benefits and what type of benefit(s) they received.

Inland Revenue (IR) tax data

Tax data from the Inland Revenue (Te Tari Taake) Employer Monthly Schedule and Employment Information – Employer datasets were used to establish employment as a reason for a person to exit off a main benefit or as a post-exit activity. It was also used to identify the number of months spent working after leaving the benefit system, income (if any) after their exit, the type of industry a person was employed in and whether that industry had seasonal and/or non-seasonal employment.

Ministry of Education tertiary and industry/targeted training course data

Datasets from the Ministry of Education (Te Tāhuhu o te Mātauranga) were used to determine the beginning of a training or tertiary course as the reason a person exited a main benefit. From these datasets we could also identify who was enrolled in full-time or part time tertiary study and for all education programs how many months the course lasted for. To gain an understanding of a person's highest qualification this information was combined with the 2013 and 2018 Census data, and MSD data.

Department of Corrections sentencing and remand data

Sentencing and remand data from the Ara Poutama Aotearoa: Department of Corrections was used to determine whether a person left a main benefit due to being remanded in or sentenced to prison, and for how long (in months). Other Correction-managed sentences were excluded (eg community detention) as this does not typically result in a benefit cancellation.

Department of Internal Affairs (DIA) death records

Data from the Department of Internal Affairs (DIA) – Te Tari Taiwhenua was used to establish death as a reason for a person no longer receiving a main benefit and to identify deaths that occurred within 12-months after a person had left a main benefit.

Ministry of Business, Innovation and Employment (MBIE) immigration records

Data from the Ministry of Business, Innovation and Employment (MBIE) was used to determine departures from New Zealand as the reason a person left the benefit system and to identify how many months people spent overseas.