

What happened to people in the 12 months after they left the benefit system, up to June 2023

Purpose of this report

This analysis describes what happened to people who left the benefit system, with a focus on the 137,600 people who left the benefit system in the year to 30 June 2022. This analysis uses research data in the Integrated Data Infrastructure (IDI)¹ to understand what happened to those people for at least 12 months after their exit, up to June 2023.

¹ The IDI contains data from government agencies, Stats NZ surveys, and non-government agencies (NGOs) about people, households, and firms. This allows researchers to better understand how people interact with a variety of government agencies over the long-term.

This report focuses on the 92,800 people who left the benefit system through one of three main exit pathways: employment (defined as exiting a main benefit and earning more than \$1,816 per month² after their exit), enrolled in a tertiary course, or began some form of targeted/industry training like an apprenticeship.³ Using the IDI allows us to understand how people's outcomes differ by looking at how many people remained off benefit, how many stayed in their employment (defined as remained off benefit and continued to earn a minimum of \$1,816 each month for at least a year), and how their incomes changed after exiting.

The [monitoring report](#) delves deeper into differences between groups and describes outcomes for people who left in previous years, going back to the year ended June 2019. The [technical guide](#) describes how this analysis was done.

² This amount was chosen as it is the equivalent to a person working 20 hours per week at minimum wage as at 30 September 2023.

³ The other reasons people left the benefit system in the year ended June 2022 are shown in Figure 2 of this report.

Key insights

- > The number of people leaving the benefit system in the year to 30 June 2022 remained high, decreasing slightly following a record number of exits during the previous year. Around 60.0 percent of people who exited, exited to employment which is similar to 59.5 percent the previous year.
- > The high number of exits reflected the re-bounce economic recovery following the initial economic impact of COVID-19, the characteristics of people who left the benefit system, and the Ministry of Social Development's (MSD)'s focus on supporting people into employment.
- > While there was an influx of people who entered Jobseeker Support – Work Ready (JS – WR) following COVID-19, changing the make-up of the benefit population, many subsequently left the benefit system. Compared to previous years, these clients were more likely to be younger, more likely to be New Zealand European, and generally had little recent benefit history. The mix of people on and leaving the benefit system is beginning to return to what it was prior to COVID-19.
- > The proportion of people who stayed in employment remained relatively high compared to pre-COVID-19 levels. 47.0 percent of people who exited to employment in the year to June 2022 stayed in their employment compared to around 41–42 percent⁴ prior to COVID-19. Not all jobs are expected to continue for more than a year, as seen in some seasonal sub-industries. These roles still provide an opportunity for people to maintain a connection to the labour market and gain experience and skills while earning an income.
- > There has been a general long-term decline in the proportion of people exiting to a tertiary course or some form of industry training since at least 2014. However, a greater proportion of those who left to a tertiary course or industry training remained off benefit compared to a few years ago.
- > Despite economic conditions starting to weaken in 2023, the proportion of people that stayed in employment remained relatively high. Early analysis of the group we will report on next year shows that, for people who exited the benefit system in the year to June 2023, they stayed in employment for the first six months after their exit at a similar, but slightly lower, rate to people who had exited in the previous year.

⁴ This is based on analysis from a previous report – 'What happened to people who left the benefit system during the year ended 30 June 2019'. This report can be found [here](#).

As with previous reports, this report covers periods that were affected by COVID-19

The economic impact of COVID-19 had a significant impact on New Zealand and our benefit system. In March 2020 there were around 310,000 people on a main benefit.⁵ Following COVID-19 lockdown restrictions, there was an unprecedented increase in the number of people accessing benefit support. However, growth in main benefit numbers peaked lower and earlier than initially forecast, peaking at around 390,000 people in December and January 2021.⁶ Despite further lockdown restrictions, a record number of people left the benefit system throughout 2021. This decline continued into mid-2022. As at June 2022, there were 344,600 people supported on a main benefit.⁷

This report focuses on people who left the benefit system between 1 July 2021 and 30 June 2022 when New Zealand was shifting in and out of COVID-19 lockdown restrictions. These restrictions, and their impact on the economy, likely affected some people's ability to leave the benefit system and, for those who exited, their ability to remain off benefit.

⁵ The subset of income-tested main benefits considered in this report are: Jobseeker Support – Work Ready (JS – WR), Jobseeker Support – Health Condition or Disability (JS – HCD), Sole Parent Support (SPS), Supported Living Payment – Health Condition or Disability (SLP – HCD), Supported Living Payment – Carers (SLP – Carers), Emergency Benefit (EB), Youth Payment (YP), and Young Parent Payment (YPP).

⁶ For more information about trends in the benefit system between July 2020 to June 2021 please see the Benefit System Update [here](#).

⁷ This is based on using official counts from the Ministry of Social Development's monthly reporting found [here](#).

The number of people leaving the benefit system remained high following a record number of exits in the previous year

Around 137,600 people left the benefit system in the year to June 2022. This followed a record 146,300 people leaving benefit system in the previous year. The number of people recorded as leaving the benefit system in this report are lower than official counts of main benefit cancels. This analysis only counts the first time a person leaves the benefit system within a reporting year, and only counts people once they have remained off benefit for a full calendar month.⁸ The decrease in benefit numbers over those two years reflects the recovery from the initial economic impacts of COVID-19, which had led to a large increase in people accessing benefit support.⁹

⁸ A full explanation of the differences between official main benefit cancels and the number of exits used in this analysis can be found in our technical guide.

⁹ To read more about the reduction in benefit numbers following the initial economic impact of COVID-19, please see the Benefit System Updates found [here](#).

The influx and then outflow of people from the benefit system following the economic impact of COVID-19 temporarily changed the mix of people supported by the benefit system

During the initial COVID-19 Alert Level 4 restrictions in early 2020, there was a rapid increase in people granted Jobseeker Support – Work Ready (JS – WR). Compared to previous years these clients generally:

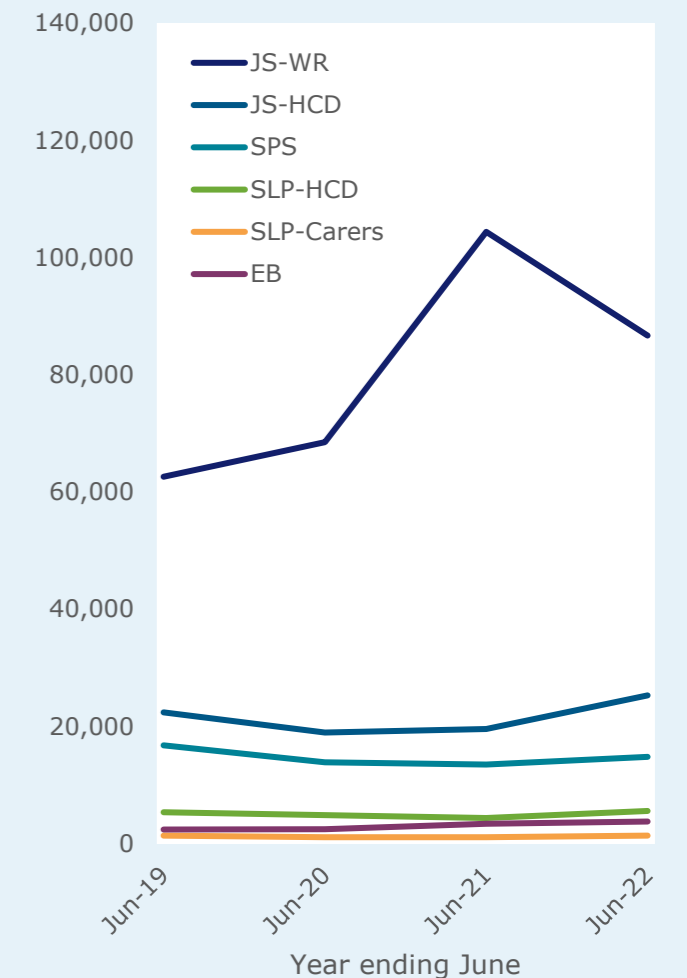
- > were younger
- > were more likely to be New Zealand European
- > had little recent benefit history.

This changed the make-up of the benefit population and subsequently the people who exited the benefit system.¹⁰ Many of the JS – WR clients who entered the system during COVID-19 and subsequently left the benefit system were more likely to have the skills to fill permanent roles once the economy re-opened. This contributed to the high number of people leaving the benefit system and exiting to employment between July 2020 and June 2022.

The characteristics of people on a main benefit is beginning to return to what it was prior to COVID-19.

¹⁰ This was reported in the 'Trends in Jobseeker Support – Work Ready and the COVID-19 Income Relief Payment, during 2020' report found [here](#).

Figure 1: Following COVID-19 there was an influx of people onto Jobseeker Support - Work Ready (JS – WR), many of whom then subsequently left the benefit system (number of exits shown).¹¹



¹¹ The main benefit types shown are Jobseeker Support – Work Ready (JS – WR), which also includes the equivalent youth benefit Youth Payment (YP), Jobseeker Support – Health Condition or Disability (JS – HCD), Sole Parent Support (SPS), which also includes the equivalent youth benefit Young Parent Payment (YPP), Supported Living Payment – Health Condition or Disability (SLP – HCD), Supported Living Payment – Carers (SLP – Carers), and Emergency Benefit (EB).

Two-thirds of people who exited, exited to either employment, a tertiary course, or some form of industry training

There was a decline in people exiting to a tertiary course or some form of industry training

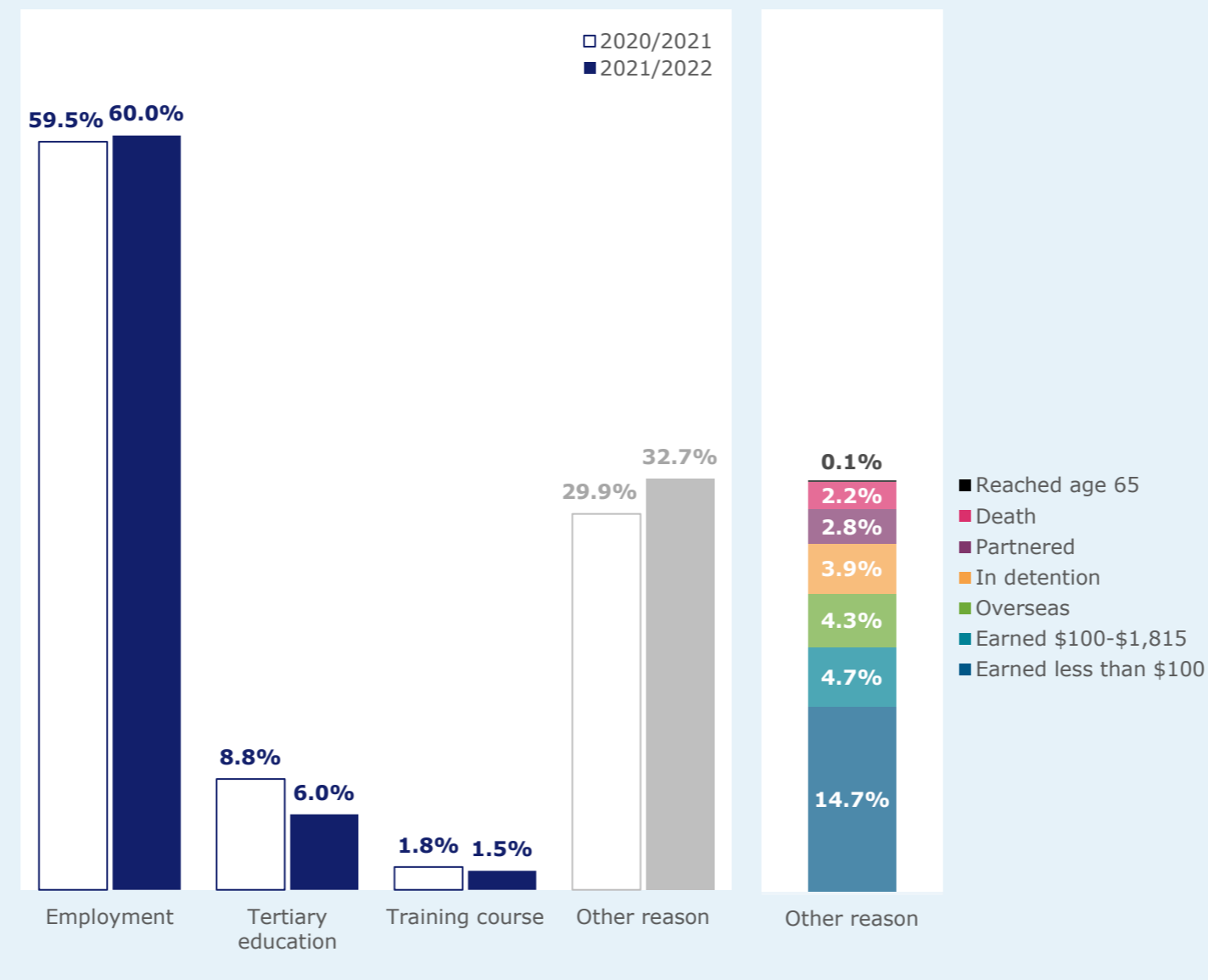
Of the 137,600 people who left the benefit system in the year to June 2022, 67.4 percent (92,800 people) exited to employment, enrolled in a tertiary course, or began some form of industry training (e.g., an apprenticeship). In the previous year, around 70.1 percent of people exited to one of these three main pathways. Specifically, there were decreases in people exiting to a tertiary course or some form of industry training.

Other reasons for leaving the benefit system include:

- > earning an income under the \$1,816 income threshold (so not counted as employment in this analysis)
- > going overseas
- > being imprisoned
- > partnering with someone
- > reaching retirement age (65 years old)
- > dying.¹²

Overall, of the 137,600 people who left the benefit system, around 61.8 percent remained off benefit for a full 12-months.

Figure 2: In the year ended June 2022, around two-thirds of people left the benefit system into employment, a tertiary course, or industry training. But fewer people exited to a tertiary course or industry training compared to people who left in the year to June 2021 (shown in graph on left). Other reasons people left the benefit system in the year to June 2022 are shown on the right.



The proportion of people exiting to employment remained high

In the year to June 2022, 60.0 percent (or 82,600 people) of those who left the benefit system exited to employment. This is similar to the previous year, where 59.5 percent (or 87,000 people) exited to employment. The proportion of people leaving the benefit system to employment was well above historic levels which ranged from 48.0 percent in the year to June 2014 to 51.4 percent in the year to June 2019.¹³ This is in line with the high number of JS – WR clients who left the benefit system and tended to be in a better position to find employment compared to other benefit types.

There was also an increase in the number of people who left the benefit system and earned an income of at least \$100 per month after their exit but, earned less than the \$1,816 per month income threshold, so were not counted as being in employment for this analysis. Around 4.7 percent (or 6,500 people) who left the benefit system in the year to June 2022 met this criteria, compared to 4.2 percent (or 6,100 people) in the previous year.

The availability of jobs in the tight labour market contributed towards the high proportion of people exiting to work

There was strong demand for workers in the year to June 2022. Unemployment was at its lowest levels since 2007, ranging between 3.2 and 3.3 percent in the year to June 2022.¹⁴ Online job adverts were also relatively high in the year to June 2022.¹⁵ This high demand for labour likely contributed towards the high proportion of people leaving the benefit system to employment.

¹² Definitions for all the exit types measured in this reporting series can be found in our technical guide [here](#).

¹³ This is based on analysis from a previous report – ‘What happened to people who left the benefit system during the year ended 30 June 2019’. This report can be found [here](#).

¹⁴ This was based on the quarterly seasonally adjusted unemployment rate found on Infoshare within the Household Labour Force Survey results, found [here](#).

¹⁵ This is based on the Ministry of Business, Innovation and Employment’s (MBIE)’s reporting on online job advertisements. It monitors changes in the index of online job advertisements from SEEK, Trade Me Jobs, the Education Gazette and Kiwi Health Jobs, rather than the actual number of online job advertisements. These are used as a proxy for job vacancies and an indicator of labour demand. More information on this data can be found [here](#).

MSD continues to work to improve equity and support people into employment

JS – WR clients, young people, those with higher qualifications, and people who had been on benefit for a shorter duration were more likely to leave the benefit system while others required more support

While 137,600 people left the benefit system, some groups were more likely to exit than others. Like those who had exited the benefit system overall, those exiting to work tended to be younger, have higher qualifications, had been supported by JS – WR, and had been supported by a benefit for a shorter amount of time.

As shown in Figure 3a, the difference across groups is most noticeable when looking at benefit type. For example, while JS – WR clients made up, on average, 31.3 percent of the benefit population in the year ended June 2022, they made up 66.7 percent of all exits to employment. In contrast, Sole Parent Support (SPS) clients, which gives us an approximation of clients that have dependent children in their households, made up 19.8 percent of the average benefit population, but only made up 11.0 percent of exits to employment. Similarly, people with a health condition or disability¹⁶ made up more than twice as much of the benefit population compared to exits to employment. SPS clients and people with a health condition or disability have additional barriers to become work ready, which is reflected in fewer people leaving the benefit system from these benefit types.

The differences are small when broken down by ethnicity.¹⁷ The biggest difference was for Pacific people who made up 13.5 percent of the benefit population but made up a greater proportion of all exits to employment (15.5 percent).

¹⁶ This is based on counting people on the benefit types Supported Living Payment – Health Condition or Disability (SLP – HCD) and Jobseeker Support – Health Condition or Disability (JS – HCD).

¹⁷ Total ethnicity was used throughout this report meaning that when a person identifies with more than one ethnicity they are counted once within each ethnicity group (e.g. a person may be counted as both European and Māori). Therefore, the total number of people within each ethnic group will add to more than 100 percent of that cohort.

Figure 3: In the year to June 2022, generally, the make-up of the benefit population noticeably differed from the make-up of the population exiting the benefit system to employment across: benefit type, benefit duration, age, highest qualification level (i.e. education) and ethnicity.

■ Proportion of benefit population ■ Proportion of exits to employment

Figure 3a: Benefit type: JS – WR made up a much larger proportion of exits to work than their share of the benefit population.

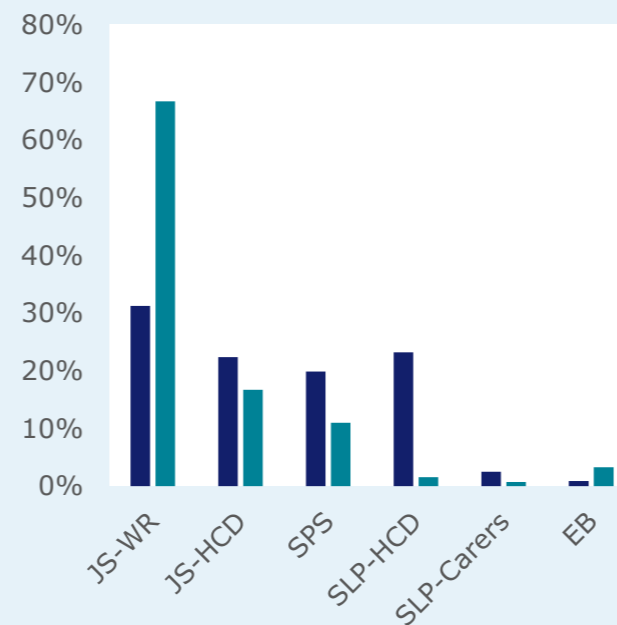


Figure 3b: Duration on benefit: People who have been supported by a main benefit for a short duration (i.e. less than 6 months) made up a much larger proportion of exits to work than their make-up of the benefit population.

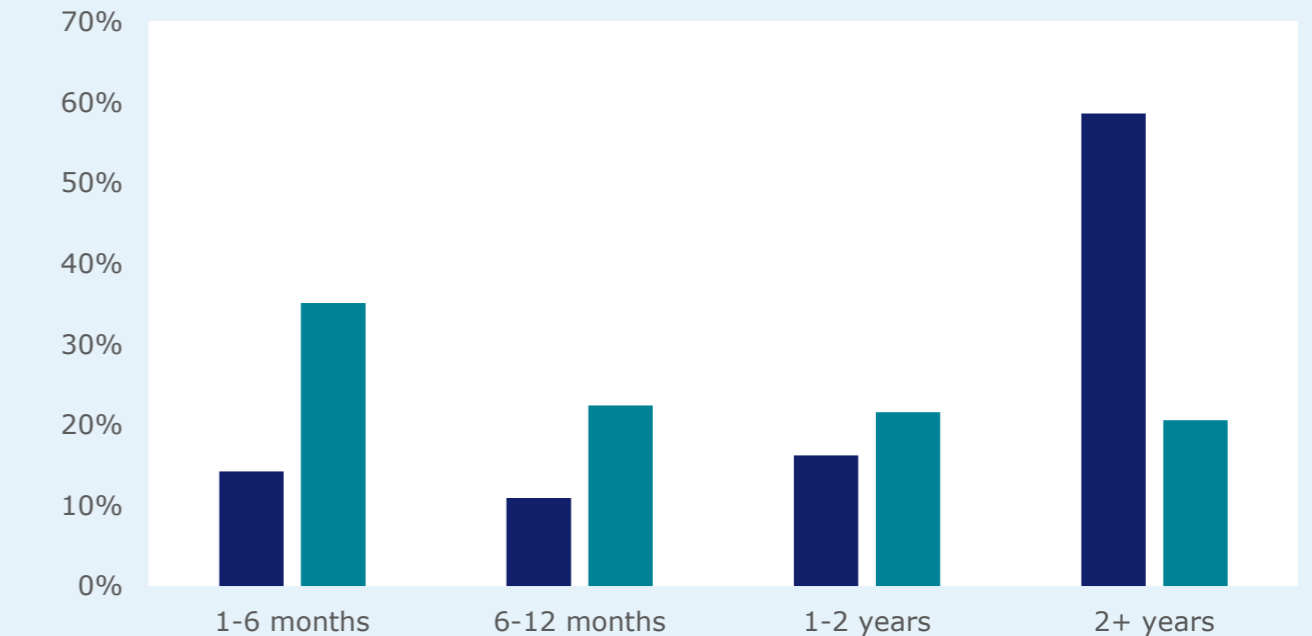


Figure 3c: Age: Younger people (16-24 year olds) made up a much higher proportion of people exiting to work compared to their make-up of the benefit population.

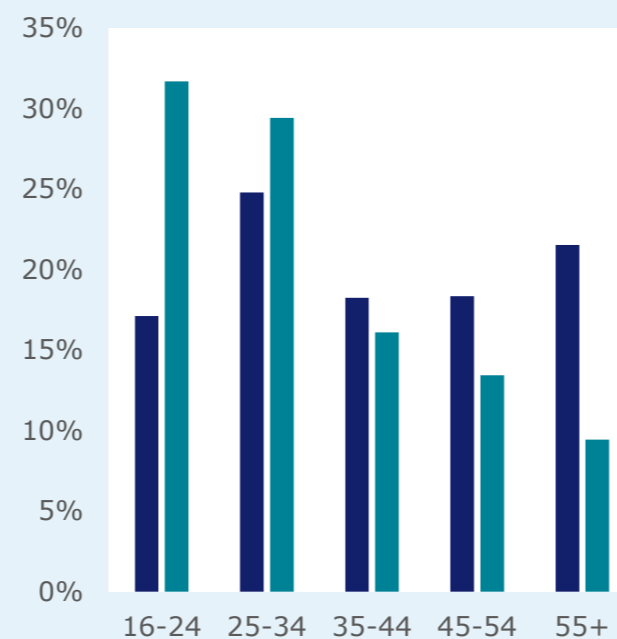


Figure 3d: Highest qualification at exit (i.e. education): People with higher qualifications were more likely to exit to work.

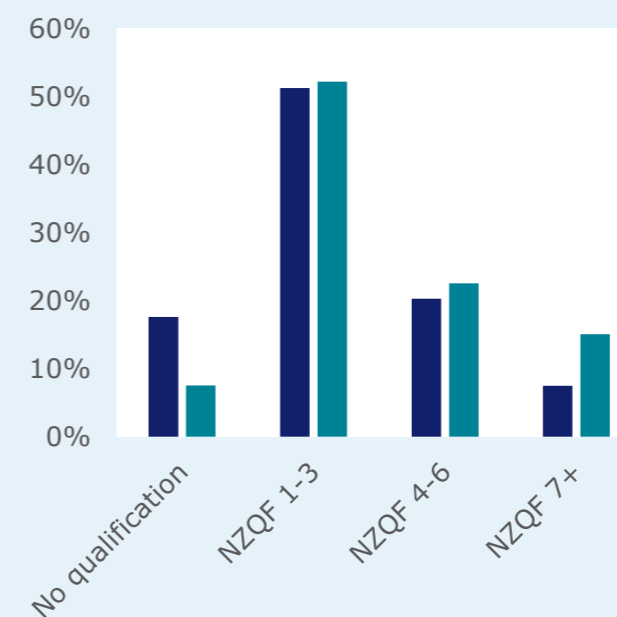
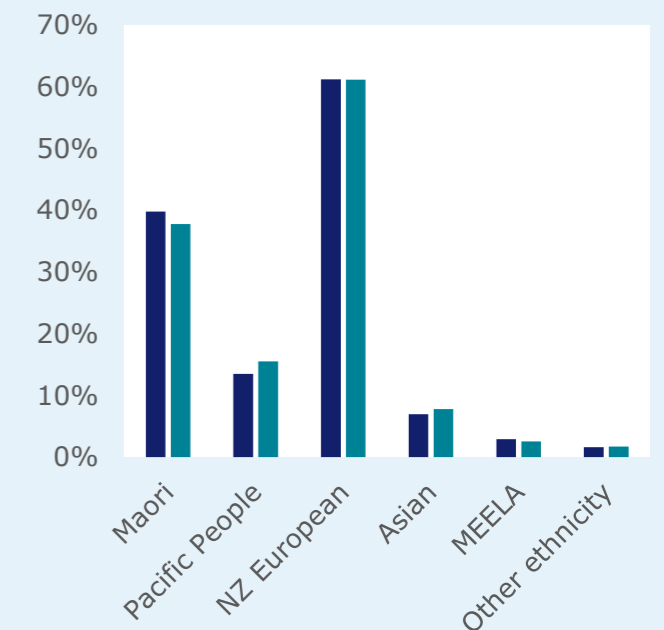


Figure 3e: Ethnicity: There was very little difference in the make-up of the benefit population and the group of people who exited to work when broken down by ethnicity.



MSD continues to support people into work and improve equity for groups experiencing poor labour market outcomes

MSD's key areas of focus are to:

- > support people into employment
- > improve equity for groups that consistently experience poor labour market outcomes
- > reduce the number of people receiving Jobseeker Support.

These goals inform national and regional investment decisions about MSD's employment services.¹⁸ They also inform wider policy, day-to-day operational decisions, and the development of services that better support clients, so that we get the right support to the people who need it.

MSD's Employment Assistance products and services can be designated into two categories based on the needs of the client:

- > light-touch services for people new to, or not yet on, benefit.
- > services and products for people who need extra support to find or stay in work.

There are a number of employment products and services offered by MSD to support people into employment, these fall under three categories:

- > Employment products – financial assistance payments or services to assist clients to secure employment.
- > Work readiness programmes – training and work preparation courses (do not include a direct employment placement component).
- > Employment programmes – contracted services that offer employment placement and training support.

These products and services are delivered in partnership with approximately 200 contracted providers across the country. These products and services vary between regions, as they depend on the availability of local providers and the needs of clients within that region.

MSD requires contracted providers to report on their services. These requirements vary depending on the service but help the Ministry gauge whether a product or service is meeting its purpose. Currently, the majority of rateable investment is rated as effective or promising.

¹⁸ Specifically, this informs MSD's employment services which are funded through the Improved Employment and Social Outcomes Support Multi-Category Appropriation (MCA).

The proportion of people who stayed in employment remained relatively high, though dropped slightly below a record high last year

The proportion of people that stayed in employment (defined as the proportion of people who remained off-benefit and continued to earn at least \$1,816 every month for a year after exiting to work) gives us an understanding of what happened to people after they leave the benefit system. For people who left in earlier years, back to the year ended June 2019, we can see how many people stayed in employment for two, three or four years. This report focuses on the proportion of people who stayed in employment for a year after their exit.

Of those who exited to employment in the year to June 2022, 47.0 percent stayed in employment, compared to 49.9 percent of people who exited in the year to June 2021. While 47.0 percent of those who exited to employment in the year to June 2022 stayed in employment, a further 18.5 percent remained off benefit despite not earning above the income threshold.

The proportion of people that stayed in employment differed widely across industries. This is expected due to the nature of different industries. Some industries contain many seasonal sub-industries where the work is not expected to continue for more than a year. However, these roles provide an opportunity for people to maintain a connection to the labour market.

Generally, the proportion of people that stayed in employment decreased across industries. 'Education and Training', which made up 5.1 percent of all employment exits in the year to June 2022, was an exception, increasing from 43.9 percent to 48.8 percent.

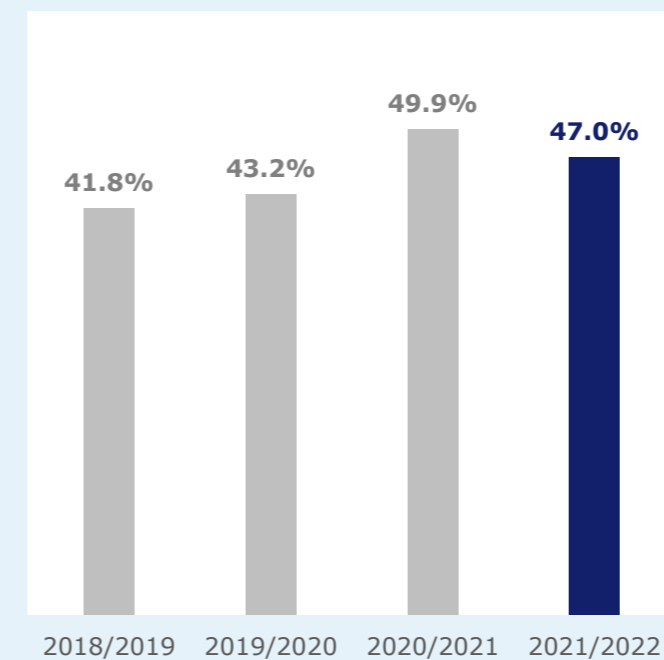
The proportion of people that stayed in employment decreased across all ages, ethnicities, genders, education levels, and across most benefit types, benefit durations, and regions. Supported Living Payment – Carer (SLP – Carer) clients, which made up 0.8 percent of all employment exits in the year to June 2022, were one of the few exceptions. For SLP – Carer clients, the proportion that stayed in employment increased from 52.1 percent of exits in the year ended June 2021 to 55.7 percent of exits in the year ended June 2022.

The proportion of people that stayed in employment continues to differ across benefit types. While SPS clients made up 11.0 percent of exits to employment in the year ended June 2022, 53.8 percent stayed in employment, which is higher than other benefit types. Conversely, while JS – WR clients made up 66.7 percent of exits to employment, the proportion that stayed in employment was lower (46.1 percent).

The proportion of people that stayed in employment remained above pre-COVID-19 levels of around 41–42 percent.¹⁹ For people who exited to employment in the year to June 2019, 41.8 percent stayed in employment after a year compared to 47.0 percent who exited to employment in the year to June 2022.

¹⁹ This is based on analysis from a previous report – 'What happened to people who left the benefit system during the year ended 30 June 2019'. This report can be found [here](#).

Figure 4: The proportion of people that stayed in employment remains high, dropping slightly below its record high last year.



The high demand for workers and the skills people had when exiting benefit contributed to the high rate of people exiting to work and staying in employment

Following smaller COVID-19 lockdowns in August 2021 and early 2022, there was a stronger than expected rebound in spending²⁰ and high demand for workers across 2022.²¹ New Zealand's border restrictions contributed to a tight labour market, resulting in employers increasing wages to attract/retain staff.²² This created an environment for some people to more easily exit the benefit system to work and to remain in employment.

The mix of people who exited to employment was similar to those who left the benefit system overall. They were more likely to be younger, have higher levels of education, have been supported by JS – WR, and overall had been supported by a benefit for less time. Many of those who had entered the benefit system following the economic impact of COVID-19 likely had the skills to fill more permanent roles when they exited.

²⁰ This is based on looking at Retail based Electronic card transactions found with StatsNZ [here](#).

²¹ This is based on MBIE's reporting on online job advertisements. It monitors changes in the index of online job advertisements from SEEK, Trade Me Jobs, the Education Gazette and Kiwi Health Jobs, rather than the actual number of online job advertisements. These are used as a proxy for job vacancies and an indicator of labour demand. More information on this data can be found [here](#).

²² The Median hourly earnings for wage and salary earners increased by 6.8 percent in the year to June 2022. More information on this can be found with StatsNZ [here](#).

Fewer people have been exiting to some industries which have a lower proportion of people staying in employment

There continues to be a decline in the proportion of exits into the 'Manufacturing' and 'Agriculture, Forestry and Fishing' industries. This trend has continued since at least the year to June 2014. These industries made up around 25 percent of exits to employment in the year to June 2014, which decreased to around 20 percent of exits in the year to June 2022. This is somewhat expected, as over the same period the 'Manufacturing' and 'Agriculture, Forestry and Fishing' industries made up a smaller proportion of all jobs across NZ.²³

These industries tend to have lower proportions of people staying in employment, than average. In the year to June 2022, 42.7 percent of people who exited to 'Manufacturing' stayed in employment, for 'Agriculture, Forestry and Fishing', it was 25.8 percent.

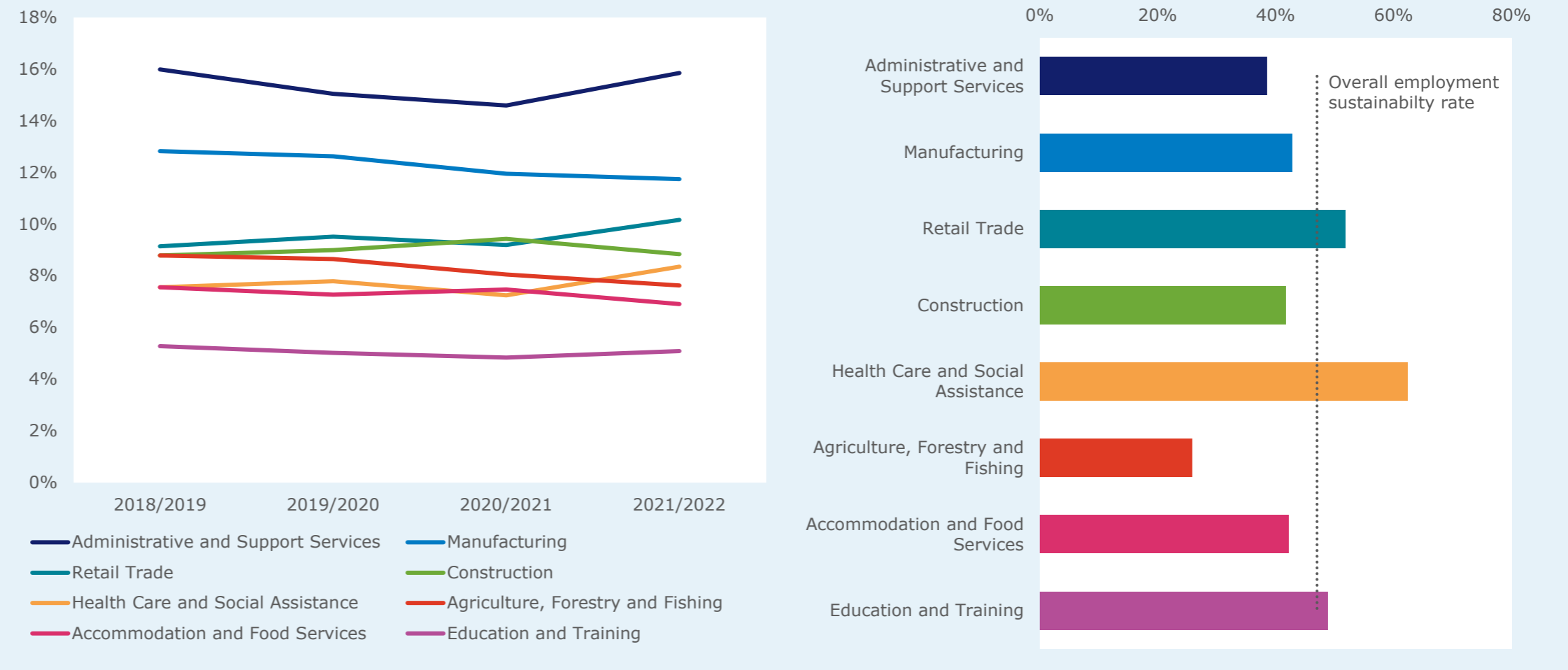
²³ Analysis referring to total jobs and roles filled in New Zealand were based on Linked Employer-Employee Data (LEED), which measures labour market dynamics. This information can be found on Infoshare [here](#).

²⁴ This is based on looking at the top 8 industries that people exited to in the year to June 2022, and seeing their trends over time (top) and the proportion of people who stayed in employment within that industry (bottom).

²⁵ These are also referred to as groups within the Australian and New Zealand Standard Industrial Classification (ANZSIC) Framework refreshed in 2006.

²⁶ 'Employment Services' consists of labour supply and recruitment services which act as an intermediary to link workers to a variety of roles such as fruit picking, construction, and meat processing etc. so does not show the actual industry the person was employed in.

Figure 5: Some of the top industries people have exited to over time (left) have had some of the lowest proportions of people staying in employment sustainability rates (right).²⁴



There were still a high number of people exiting into industries where a lower proportion stay in employment

Despite fewer people exiting to work in the 'Manufacturing' and 'Agriculture, Forestry and Fishing' industry, people are still moving to industries where a lower than average proportion stay in employment. For example, the number one industry people exited into over the prior four years was 'Administrative and Support Services' which has one of the lowest proportions of people staying in employment.

Delving deeper, the top 3 sub-industries²⁵ people exited into in the year to June 2022 were:

- > 'Employment Services'²⁶
- > 'Café, Restaurants and Takeaway Food Services'
- > 'Meat and Meat Product Manufacturing'

Around 1 in 5 MSD clients exited into one of these three sub-industries. A similar proportion of people had exited to these 3 sub-industries since the year ended June 2019. For all New Zealanders in employment, these sub-industries made up less than 10 percent of all filled roles in the June 2022 quarter.

These sub-industries tended to have a lower proportion of people staying in employment than the overall average (47.0 percent). For people who exited to these sub-industries in the year ended June 2022:

- > 41.4 percent stayed in employment in 'Employment Services'
- > 40.5 percent stayed in employment in 'Café Restaurants and Takeaway Food',
- > 32.4 percent stayed in employment in 'Meat and meat Product Manufacturing'.

For all New Zealanders in employment, these sub-industries also tended to have a higher turnover rate with more people moving into and out of jobs in these sub-industries.

Incomes differed across groups for those who stayed in employment

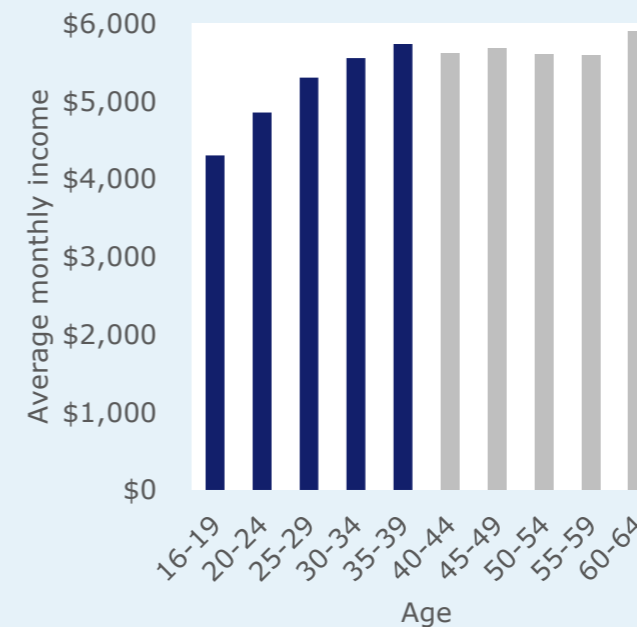
On average, people who stayed in employment for a year earned around \$5,300 per month after 12-months in employment. This average income differed across age, gender, ethnicity, qualification levels, benefit type, history and region.

Older people and those with higher qualifications tended to earn more

People's incomes tended to be higher for those with higher qualifications. On average, up until the age of 40, incomes after exiting to employment tended to increase with age. The average income for people 40 years and over was relatively similar.

While young people make up a large proportion of people exiting to work, they were less likely to sustain their employment, and for those that did sustain their employment, their earnings were, on average, lower. Of the 16–24-year-olds that exited to employment in the year to June 2022 and sustained their employment, their average incomes were \$4,700 per month. Young people tend to have lower skill levels, more casual employment arrangements, and less previous work experience, which can all influence the pay they receive.

Figure 6: For people who exited to, and stayed in employment, incomes tended to increase with age.



Māori, Pacific people and people who had been on a benefit for a long time tended to have lower incomes

Māori and Pacific people who stayed in employment also tended to have lower earnings – earning on average \$5,100 and \$5,200 per month, respectively, 12 months after exiting to employment. This could be for a range of reasons including their location, experience, skills, education, and generally younger age, all of which influence a person's ability to find higher paying work.

People who had spent 2+ years on a benefit before exiting to employment were less likely to have stayed in employment, and if they did, they earned, on average, around \$4,900 per month, 12 months after their exit. These people are likely to have spent more time out of employment making it harder for them to connect to the labour market and find full time higher paying work.

Fewer people exited to a tertiary course or some form of industry training over the long-term, but they remained off-benefit for longer

People who moved into tertiary education were more likely to remain off benefit than in previous years

There has been a long-term decrease in the proportion of people exiting benefit into tertiary education since at least the year to June 2014, except for the year ended June 2021. This trend was in line with the decrease in the number of students receiving a student allowance since 2011.²⁷ In comparison, overall tertiary enrolments declined between 2014 and 2019, they have increased post COVID-19 and remain at 2017 levels.²⁸

²⁷ Data from the StudyLink Statistics indicates that there has been a general decline in students receiving a student allowance since 2011 based on data found [here](#).

²⁸ The number of domestic students enrolling in tertiary education declined from around 363,600 students in 2014 to 325,400 students in 2019. Following COVID-19 they have remained at 2017 levels of around 340,000 students.

In the year ended June 2022, this longer-term trend continued, where fewer people exited to enrol into tertiary courses compared to previous years. In the year ended June 2022, 6 percent of people who exited a main benefit moved into tertiary training, compared to 9 percent in the year ended June 2014. However, those who moved into tertiary education were more likely to remain off benefit for 12 months than in previous years. For those who exited into tertiary education in the year ended June 2022, 59 percent of them remained off benefit for 12 months, compared to 48 percent in the year ended June 2019.

There was a slight shift towards tertiary courses which have a greater proportion remaining off benefit and which have higher average incomes. Notably, more people moved into ‘Health’ courses, up from 8 percent to 11 percent. People enrolled in ‘Health’ related tertiary courses were the third most likely to remain off benefit for 12 months (64 percent) and had the third highest average income 12 months after exiting a main benefit. This might reflect the increased demand for healthcare workers since COVID-19.²⁹ The tertiary courses where a greater proportion remain off benefit were ‘Natural and Physical Sciences’ (75 percent) and ‘Education’ (66 percent). However, only 5 percent of exits into tertiary education enrolled in these tertiary courses respectively.

There was also a shift in the level of qualifications that people moved into. A larger proportion of people enrolled in New Zealand Qualifications Framework (NZQF) courses at level 5 or above compared to previous years. On average, people who enrolled in higher level qualifications were more likely to remain off benefit compared to those enrolled in lower qualifications.

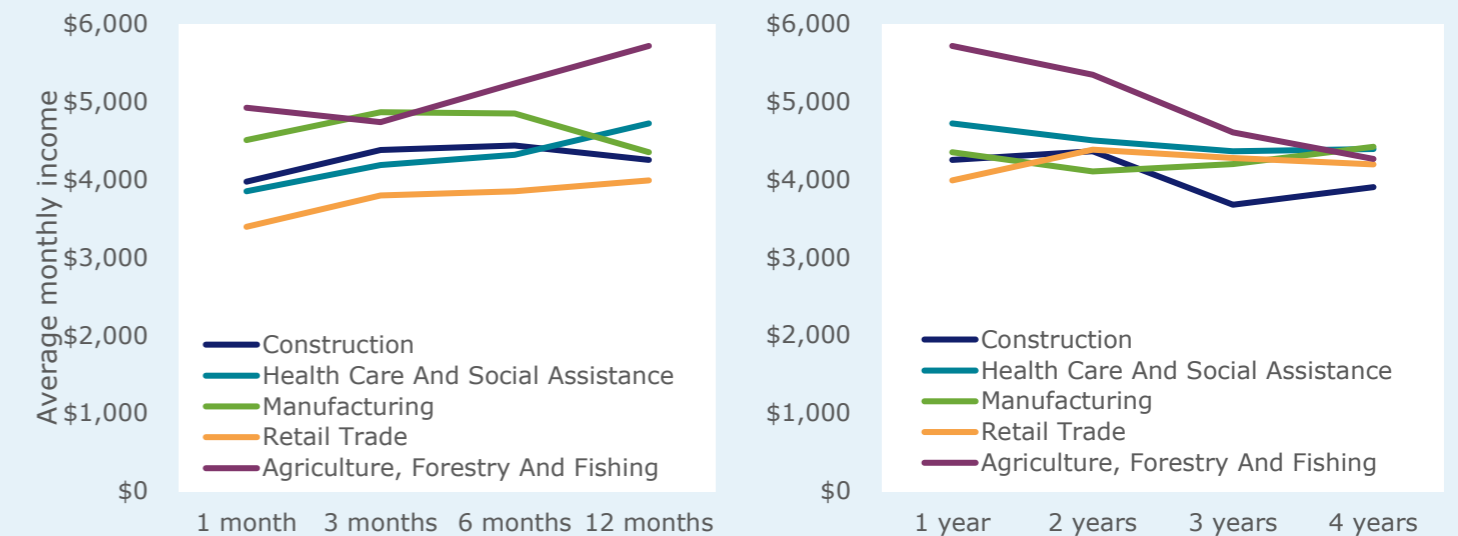
²⁹ The MBIE Jobs Online monthly data release indicates that there has been an increase in adverts for jobs in the Healthcare industry since mid-2020 compared to pre-COVID-19 levels, [here](#).

³⁰ <https://www.msd.govt.nz/documents/about-msd-and-our-work/newsroom/factsheets/budget/2020/covid19-the-construction-agreement-expanding-skills-for-industry.pdf>

³¹ For details on how incomes are adjusted for inflation, see the Technical guide [here](#).

³² We only included the top 5 industries that had the highest number of people exiting benefit into.

Figure 7: Generally, people who exited to an industry training course in the year ended June 2019, and remained off benefit for the at least four years, experienced very little income growth or even decreases throughout their first year of exiting (left), and this trend continues two, three and four years after exiting to an industry training course (right).³²



People who moved into industry training were more likely to remain off benefit compared to pre-COVID-19

Industry training allows people to learn a trade or skill while on the job, like in an apprenticeship. There was a slight decrease in the proportion of people who exited into industry training, down from 1.8 percent to a pre-COVID-19 level of 1.5 percent. This is in line with the long-term trend where the proportion of exits into industry training declined between 2014 and 2019 but peaked following COVID-19 and returned to 2017 levels. However, the proportion of people in industry training that remained off benefit for at least 12 months remained higher than pre-COVID-19 levels (70 percent, compared to just less than 60 percent pre-COVID-19).

Since 2021, more people exiting to begin some form of industry training exited into ‘Construction’ training courses while fewer people exited into ‘Manufacturing’ training courses. This was in line with the government’s investment to expand skills in the construction sector post-COVID-19.³⁰

Despite the likelihood of remaining off benefit after exiting into construction decreasing from the previous year, it still had one of the highest proportions of people remaining off benefit. This shift contributed to the high proportion of people remaining off benefit.

Fewer people exited into ‘Manufacturing’ – the training course type that people were least likely to remain off benefit after exiting into.

To understand people’s longer-term outcomes, we looked at the small group of people who exited to some form of industry training in the year to June 2019 and remained off benefit for at least four years. There was little income growth within the first year after this group entered industry training (see Figure 8). For the majority of the industry training courses, people experienced very little income growth (when adjusted for inflation³¹), with some incomes decreasing over the four years they remained off benefit, so not keeping pace with inflation. People who exited to industry training initially tended to have higher incomes than those who had exited to a tertiary course.

Despite economic conditions continuing to slow, the proportion of people staying in employment remains relatively high

Early analysis for people who left the benefit system in the year to June 2023 was completed to understand the effect of weaker economic conditions on people leaving the benefit system.³³

The economy has continued to slow due to persistently high interest rates. For example, the unemployment rate increased steadily from a near record low of 3.3 percent in the June 2022 quarter to 3.6 percent in the June 2023 quarter, and more recently increased to 4.3 percent in the March 2024 quarter.³⁴ Following rising interest rates from late 2021,³⁵ firms reported a decline in business activity. Gross Domestic Product (GDP) data from StatsNZ showed that, when accounting for New Zealand’s population growth, quarterly GDP per capita fell for three consecutive quarters in the year to June 2023.³⁶ As economic growth slows, it can be harder to find and retain work, making it difficult to remain off benefit. This can potentially result in an increase in benefit numbers.

As high interest rates continue to slow economic growth, the unemployment rate is expected to continue to rise, forecast to peak in early 2025. Economic conditions are expected to remain weak beyond 2025.

³³ Early data for people who left the benefit system in the year to June 2023, is not fully available for people exiting to a tertiary course or some form of industry training yet. This means that some people who are currently counted as exiting to employment, may be counted as exiting to a tertiary course or some form of industry training when the data is fully updated in the next report in this series. Because of this, this analysis was not included in the monitoring report which is part of this series.

³⁴ This is based on StatsNZ figures which can be found [here](#).

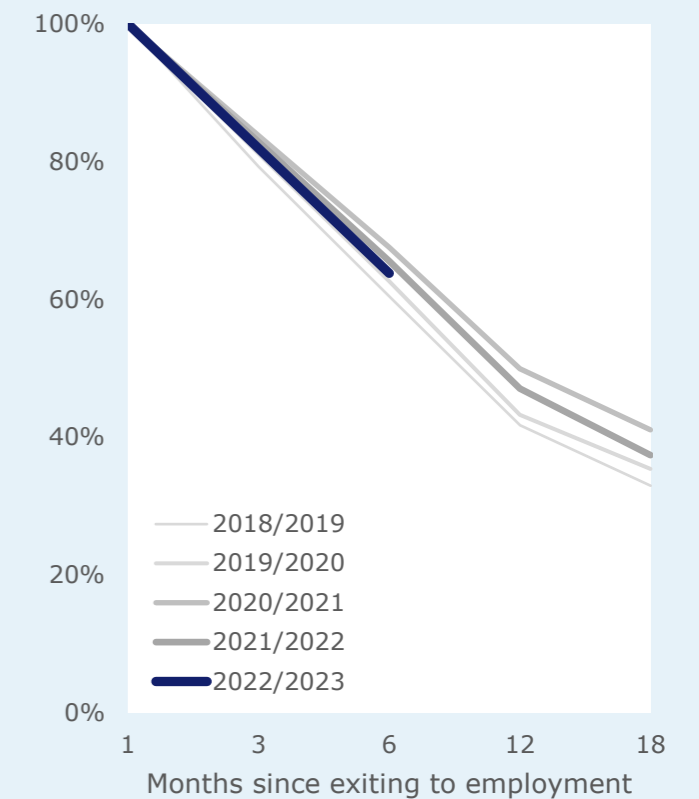
³⁵ The Reserve Bank lifted the Official Cash Rate (OCR) for the first time since COVID-19 in October 2021. The OCR has increased from 2.0 percent in June 2022 to 5.5 percent by June 2023. The last time the OCR was above 6 percent was towards the end of 2008 following the Global Financial Crisis.

³⁶ GDP per capita was calculated using a seasonally adjusted measure of total GDP per quarter divided by the quarterly estimated NZ resident population found on StatsNZ [Infoshare here](#).

Initial data shows that the proportion of people who stayed in employment remains close to what we’ve experienced in the last two years

Using early data for the people who left the benefit system in the year to June 2023, MSD was able to follow what happened to people for the first six months after they left the benefit system, up to December 2023. This early analysis showed that over that six-month period, of people who exited the benefit system to employment in the year to June 2023, the proportion who stayed in employment was close to but slightly lower than for people who exited the previous year (Figure 8). While the proportions that stayed in employment have decreased slightly, they remain above pre-COVID-19 levels. We will be able to see whether this pattern continues in the next update of this series.

Figure 8: The proportion of people that stayed in employment remains slightly above pre-COVID-19 levels for people who left the benefit system in the year to June 2023, despite the current economic slowdown.



Definitions and notes

Population

This report includes people aged 16–64 years³⁷ who were supported by the following main benefits:

- › Jobseeker Support – Work Ready (JS – WR)
- › Jobseeker Support – Health Condition or Disability (JS – HCD)
- › Sole Parent Support (SPS)
- › Supported Living Payment – Carer (SLP – Carer)
- › Supported Living Payment – Health Condition or Disability (SLP – HCD)
- › Young Parent Payment (YPP)
- › Youth Payment (YP)
- › Emergency Benefit (EB).

People are grouped into cohorts defined by the period in which they exited the benefit system:

- › 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
- › 2020/2021: Exited the benefit system between 1 July 2020 and 30 June 2021
- › 2021/2022: Exited the benefit system between 1 July 2021 and 30 June 2022.

A person must remain off a main benefit for a full calendar month to be counted within a cohort for this analysis. Based on this definition, if a person left a main benefit near the beginning of one month and then re-entered near the end of the next month (so had been off a benefit for almost two months before returning), they may have been excluded from this analysis. Some people may have exited a benefit, re-entered, and then exited again within 2021/2022 – in this case we only count their first exit within the 2021/2022 cohort. The same logic applies to all cohorts.

Exits and the proportion that stay in employment

When a person exits a benefit, we assign a reason for their exit based on their key actions post-exit (e.g., they began earning, or enrolled in a tertiary course). If a person falls into more than one exit reason category, then their exit reason is prioritised based on the order stated in the technical guide.

To examine how earnings have changed over time for people who left the benefit system, an earning threshold of \$1,816 per month (indexed to September 2023 dollars) was used to determine if someone was employed. This amount was chosen as it is the equivalent to a person working 20 hours per week at minimum wage.

The proportions of people that stayed in employment quoted in this report are based on people who exited to employment and continued to earn at least \$1,816 each month for at least a year after their exit.

Generally, data for self-employed earnings is not able to be used.

³⁷ This differs from MSD's official counts that only includes people aged 18–64 years old.

Things to note

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 an annual salary of \$15,000.

Due to the way we have defined and prioritised exit reasons, some people who are designated as having left a main benefit for reasons other than employment (such as enrolling in a tertiary or an industry training course) may also have earnings over \$1,816 per month.

The exit numbers used in this report are research numbers developed specifically for this reporting and are lower than official counts of main benefit cancels.

Differences in exit likelihoods, and other measures, between cohorts could, in part, be due to differences in the characteristics/histories of the cohorts as well as external factors such as labour market and economic conditions, policy changes or changes to the operational environment which haven't been controlled for.

Caution is needed when drawing conclusions from the comparative analyses in this report; we have not controlled for any multivariate factors between any two groups.

IDI 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 info 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.