

# What happened to people who left the benefit system in the year to June 2021

## Purpose of this report **Key insights**

This report describes what happened to people who left the benefit system in the year to June 2021, when the Ministry of Social Development (MSD) had a record number of work exits (around 113,000).<sup>1</sup> The analysis focuses on the 87,000 people who we identified through the Integrated Data Infrastructure (IDI)<sup>2</sup> that left the benefit system into employment.<sup>3</sup>

The analysis uses research data from the IDI to follow people for at least 12-months after their exit, up to June 2022, to understand whether they remained off benefit, because administrative MSD data does not follow peoples' outcomes after they leave benefit and whether they sustained employment. To have sustained employment in this analysis, a person must have remained off benefit and continued to earn at least \$1,696 a month for at least a year.

**1** People were more likely to leave the benefit system. In particular they were more likely to leave to employment, remain off benefit, and sustain their employment compared to previous years. Employment sustainability is at its highest rate since this analysis first began and is a significant increase on recent years.

**2** Higher likelihoods of exiting to employment and employment sustainability rates reflect the Government's response to COVID-19 and the subsequent recovery in the labour market. They also reflect MSD's focus on supporting people back into employment quickly, and the characteristics of people leaving the benefit system.

**3** Employment sustainability rates for people who exited to employment in the year to June 2021 were higher than compared to the period following the Global Financial Crisis (GFC). Previous MSD reporting shows that two years after the initial effects of the GFC<sup>4</sup> the employment sustainability rate was around 42 percent. In the year ending June 2021, this number was 49.7 percent.

**4** Employment sustainability rates improved for all of MSD's measured priority groups<sup>5</sup>. Sole parents and women continue to show higher employment sustainability rates than the overall rate, on average.

**5** A higher proportion of people also moved into tertiary education and targeted industry training compared to the previous year.

**6** People continue to need different levels of support which is shaping how MSD is investing to support people into meaningful pathways. MSD case management and work brokerage services matches clients' skills with employers' needs, while programmes such as Mana in Mahi provide more intensive support to equip people with the skills they need to enter sustainable pathways.

## This report covers the economic recovery after initial COVID-19 restrictions eased.

COVID-19 significantly impacted the benefit system in early 2020, resulting in a sharp increase in the number of people who needed support. Growth in the benefit population peaked in December 2020 with a record number of people then leaving the benefit system throughout 2021. This decline continued into 2022.

This report follows the people who left the benefit system in the year ending June 2021 so includes people who left the benefit system as COVID-19 restrictions were easing. These results reflect the Government's policy response to COVID-19 including monetary and fiscal stimulus and the subsequent recovery of the labour market; and MSD's focus on supporting people back into employment quickly.

More information on the results are available [here](#).

<sup>1</sup> As reported in MSD's Benefit Fact Sheets: [www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html).

<sup>2</sup> 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.

<sup>3</sup> Please refer to the [technical guide](#) for these.

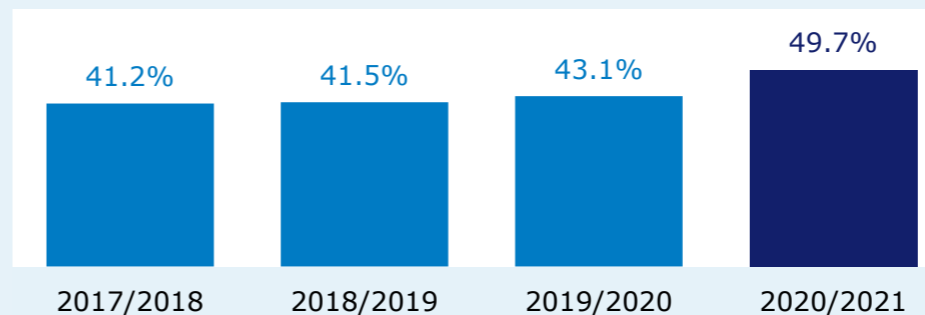
<sup>4</sup> In the year ending June 2011.

<sup>5</sup> MSD priority groups defined in the Employment and Social Outcomes Investment Strategy 2022–2025 are: young people (16–24 year olds), Māori, Pacific People, women, older workers (aged 50+), disabled people, including those with health conditions, sole parents and those at risk of long-term benefit receipt. Details on this strategy can be found in [www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/investment-approach/investment-strategy-2022-to-2025.pdf](http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/investment-approach/investment-strategy-2022-to-2025.pdf).

**People were more likely to leave the benefit system, remain off benefit and sustain their employment compared to the previous years.**

People were more likely to leave the benefit system in the year ending June 2021 (31.9 percent) compared with the previous year (28.4 percent). People were also more likely to exit to employment with over half (59.4 percent or 87,000 people) leaving to go into employment (up from 52.4 percent the previous year). Of those who had exited to employment, 43,000 (49.7 percent) people sustained their employment<sup>6</sup> (see Figure 1). This is the highest recorded rate since this analysis began.<sup>7</sup> In the previous year 58,000 people exited to employment with 24,000 (43.1 percent) sustaining their employment.

**Figure 1:** This year's employment sustainability rate has increased significantly in the last few years.



<sup>6</sup> When calculating employment sustainability, we exclude people who exited to work and then turned 65 during this follow up period. Therefore, fewer people are counted as sustaining their employment. More information on this can be found in the monitoring report [here](#).

<sup>7</sup> The first report focused on the people who left the benefit system in the year ending June 2011.

**The higher likelihood of exiting to employment and employment sustainability reflect the Government's response to COVID-19 and the subsequent recovery in the labour market, MSD's focus on supporting people back into work quickly and the characteristics of people leaving the benefit system.**

## The Government's response to COVID-19 and MSD's sustained focus on supporting people into work helped people quickly re-enter the labour market and sustain their employment

The Government's fiscal policy response to COVID-19, working alongside the substantial monetary stimulus, contributed towards the quick economic and labour market recovery following the early stages of the pandemic.

As part of the recovery from the economic shock of COVID-19, MSD helped implement the Wage Subsidy Scheme to support businesses to retain their workforce. It also helped implement the COVID-19 Income Relief Payment (CIRP) that was designed to help those affected by the economic impacts of COVID-19 access income support.

MSD also expanded its focus to supporting the large number of people entering the benefit system to quickly reconnect to the labour market and reduce the likelihood of staying in the benefit system long-term, which had occurred during the GFC.

## Employment sustainability rates are higher than the period following the GFC

Compared to previous MSD reporting, employment sustainability rates are higher than they were following the GFC. For people who left the benefit system to employment in the year ending June 2011, we previously reported that their employment sustainability rate was around 42 percent.<sup>8</sup> This was approximately two years after the initial effects of the GFC. For the people who left the benefit system to work in the year ending June 2021, around one year after the initial impact of COVID-19, employment sustainability was higher at 49.7 percent.

The improvement in employment sustainability rates may be due to how quickly New Zealand recovered following each economic shock. There was a relatively quick recovery following COVID-19 compared to the much longer GFC recovery which saw several years of subdued growth<sup>9</sup> and higher unemployment.<sup>10</sup> Part of the relatively quick recovery following the initial COVID-19 lockdowns was due to the Government's policy response to COVID-19, including monetary and fiscal stimulus to keep people connected to the labour market, and MSD's focus on supporting people back into work quickly.

## The tight labour market and availability of jobs contributed towards the overall improvement in employment sustainability

The strong economic recovery following the COVID-19 lockdowns in 2020, and strong demand for workers by the labour market throughout 2021 and 2022 are likely to have supported better employment sustainability rates for people who had been on benefit. The high demand for workers across New Zealand may also have resulted in employers retaining their employees for longer than they otherwise would have. Unemployment decreased to 3.3 percent in the June 2022 quarter, which was near historic lows.

The increased demand for workers occurred across all industries (see Figure 2a). This included industries that typically require short-term or seasonal workers and meant that many MSD clients continued to fill temporary roles. For example, the top two industries that people exited into were 'Administrative and Support Services', and 'Manufacturing' which have some of the lowest employment sustainability rates. These clients are therefore more likely to require future support from MSD.

## People likely moved to more sustainable roles within each industry

Part of the increase in employment sustainability across industries (see Figure 2b) likely reflects the type of roles that people were employed in. This may be because the characteristics of people who were leaving the benefit system during this time were different. Many of the people who entered the benefit system in early 2020 were younger, NZ European, more likely to have a tertiary level qualification, and had closer ties to the labour market.<sup>11</sup> Many of these people that came onto benefit due to the economic impacts of COVID-19 likely had the skills to fill permanent roles as the economy reopened.

<sup>10</sup> Unemployment ranged from around 6 to 7 percent between 2008 and 2013 before declining. Statistics on unemployment can be found here [www.stats.govt.nz/indicators/unemployment-rate/](http://www.stats.govt.nz/indicators/unemployment-rate/).

<sup>11</sup> Source: [Topic brief - Jobseeker Support Work-Ready grants to end April 2020 \(msd.govt.nz\)](#).

<sup>8</sup> This is based on analysis that was completed for the 'What happened to people who left the benefit system in the year ending 30 June 2016' which can be found here [www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/benefit-system/what-happened-to-people-who-left-benefit-system-during-the-year-ended-30-june-2016.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/benefit-system/what-happened-to-people-who-left-benefit-system-during-the-year-ended-30-june-2016.html).

<sup>9</sup> This based on negative quarterly growth in New Zealand's Gross Domestic Product (GDP) between 2007 and 2009 and growth remaining relatively low in the following years with a secondary drop in 2010. Statistics on GDP can be found here: [www.stats.govt.nz/indicators/gross-domestic-product-gdp](http://www.stats.govt.nz/indicators/gross-domestic-product-gdp).



## There was also a slight shift towards industries with more sustainable employment rates

It is important to note that the change in industries people exited into was affected by wider labour market trends. For example, a smaller proportion of people exited into the 'Healthcare and Social Assistance' industry which may relate to slower growth in jobs in the industry since late 2021.<sup>12</sup>

There was a slight increase in the proportion of people finding work in higher skilled industries such as 'Professional, Scientific and Technical Services' and 'Financial Insurance Services', which had some of the highest employment sustainability rates (67.2 percent, and 68.9 percent respectively).

Overall, 18.9 percent of all people leaving to work exited to the five industries with the highest employment sustainability rates<sup>13</sup> for the year ending June 2021 compared to 18.2 percent last year.

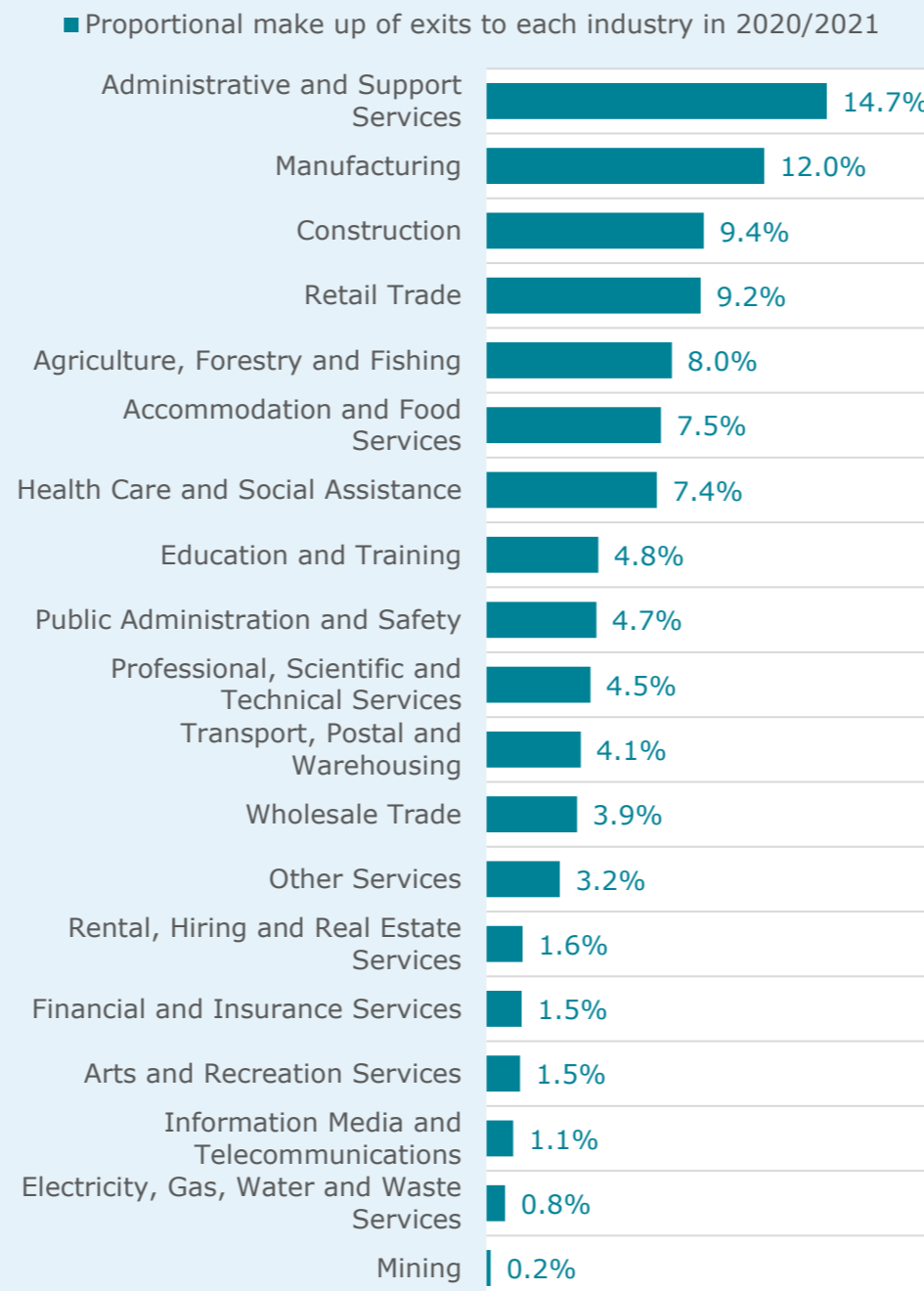
Conversely, there was a slight decrease in the proportion of people finding work in the 'Administrative and Support Services', 'Manufacturing', and 'Agriculture, Forestry and Fishing' industries. These industries tend to have more casual and temporary roles and therefore lower employment sustainability rates (42.5 percent, 44.2 percent, and 28.4 percent respectively). Overall, 47 percent of all people leaving to work exited to the 5 industries with the lowest employment sustainability rates<sup>14</sup> for the year ending June 2021 compared to 48.9 percent last year.

<sup>12</sup> This is based on Monthly Employment Indicators from StatsNZ that can be found [www.stats.govt.nz/information-releases/employment-indicators-september-2022](http://www.stats.govt.nz/information-releases/employment-indicators-september-2022).

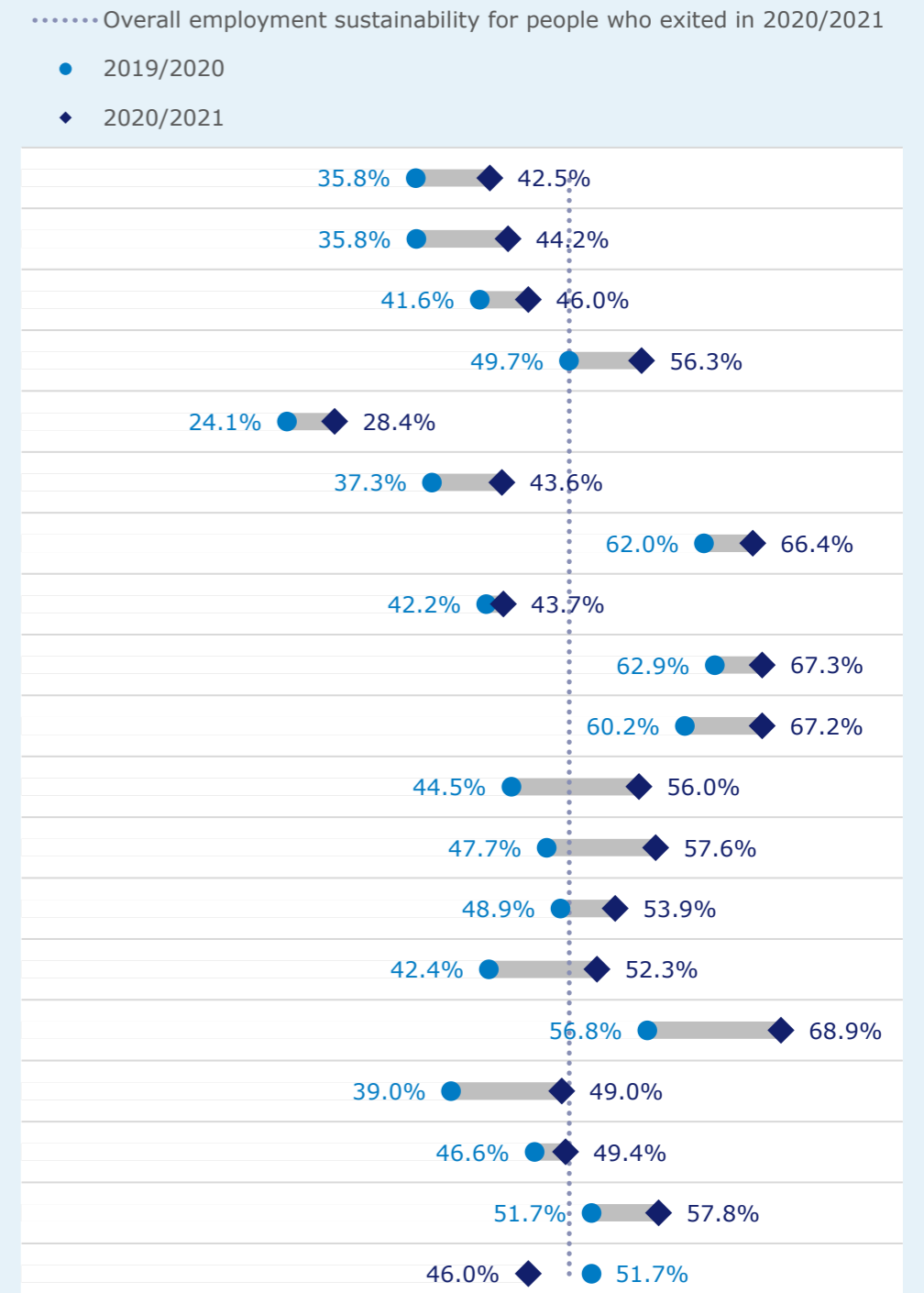
<sup>13</sup> The industries with the highest employment sustainability rates were based on people who exited to employment in the year ending June 2021: Financial and Insurance Services; Public Administration and Safety; Professional, Scientific and Technical Services; Health Care and Social Assistance; Electricity, Gas, Water and Waste Services.

<sup>14</sup> The industries with the lowest employment sustainability rates were based on people who exited to employment in the year ending June 2021: Agriculture, Forestry and Fishing; Administrative and Support Services; Accommodation and Food Services; Education and Training; and Manufacturing.

**Figure 2a:** Over 1 in 4 people (26.7 percent) entered the 'Administrative and Support Services' and 'Manufacturing' industries in 2020/2021, which had some of the lowest employment sustainability rates.



**Figure 2b:** Employment sustainability rates increased across most industries between 2019/2020 and 2020/2021.



## Employment sustainability rates improved for all of MSD's measured priority groups.

<sup>15</sup> Proxies are used for some MSD priority groups where data is not available. Sole Parent Support/Young Parent Payment (SPS/YPP) clients are a proxy for sole parents as most sole parents receiving a main benefit will be receiving SPS or YPP. It excludes sole parents receiving other benefits. Jobseeker Support – Health Conditions and Disabilities (JS – HCD) and Supported Living Payment – Health Conditions and Disabilities (SLP – HCD) clients are the closest measure to identify people with health conditions and disabilities.

<sup>16</sup> People who have received a main benefit for a year or longer are considered to have received long-term benefit support.

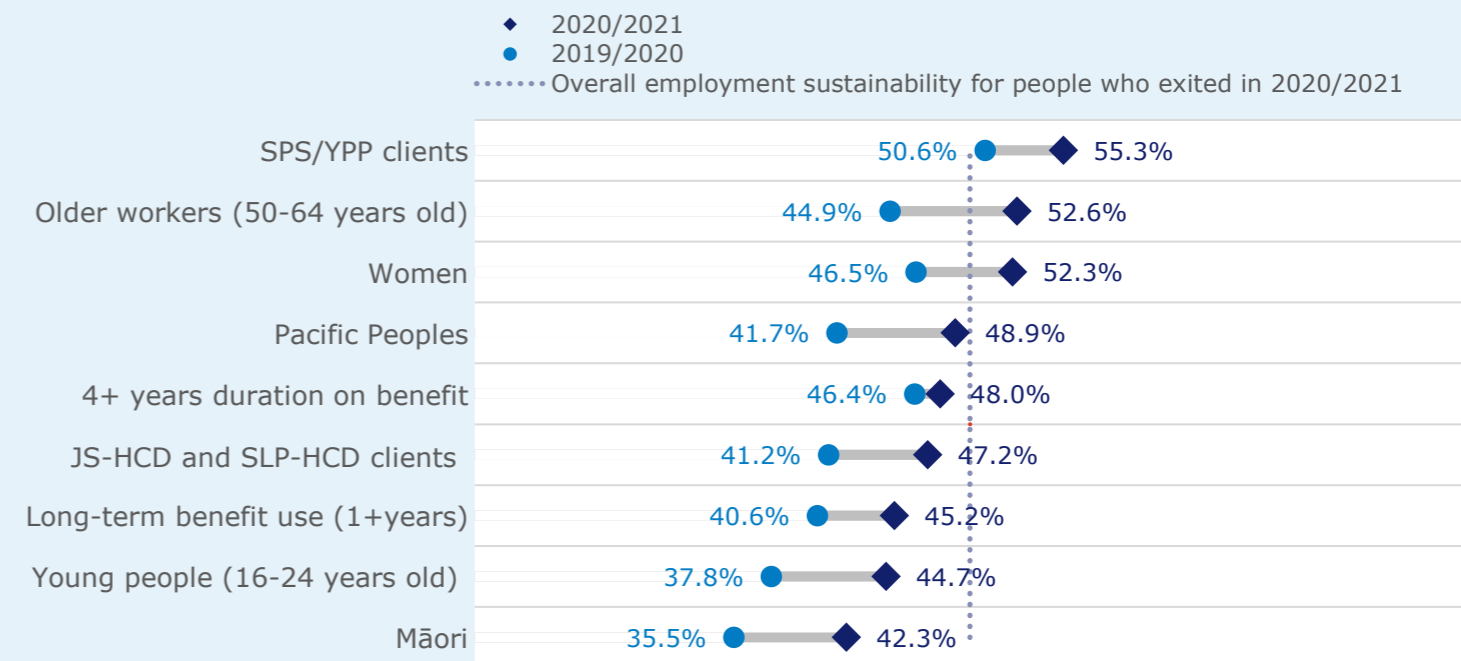
Employment sustainability improved (by around five percentage points) for all priority groups for MSD.<sup>15</sup> There were improvements for Women, Sole Parent Support/Young Parent Payment (SPS/YPP) clients, Jobseeker Support – Health Conditions and Disabilities/Supported Living Payment – Health Conditions and Disabilities (JS – HCD/SLP – HCD) clients, Māori, Pacific Peoples, young people (16-24 year olds), older workers (50-64 year olds) and long-term benefit clients,<sup>16</sup> as seen in Figure 3.

### Sole parents and women continue to show higher employment sustainability rates than the overall rate on average

Different groups of the New Zealand population tend to face different barriers to employment. Many sole parents face additional barriers to employment (such as childcare responsibilities). Therefore, they may be less likely to exit into employment compared to the general population. For example, sole parents on SPS and YPP had a 9.9 percent likelihood of exiting to work in the year to June 2021 compared to 19.0 percent for all main benefit clients.

However, sole parents had the highest employment sustainability rates compared to all other main benefit types, with 55.3 percent sustaining their employment compared to 49.7 percent overall. This suggests that, for some SPS clients, once their childcare needs are met, they are more likely to find work and sustain it. The high likelihood of women sustaining their employment is also likely related to the high employment sustainability rate for sole parents as SPS is the most common main benefit women receive.

Figure 3: Employment sustainability rates increased for all of MSD's measured priority groups.



## A higher proportion of people also moved into tertiary education and industry training compared to the previous year.

Along with the higher number and proportion of people exiting into sustained employment, there was also an increase in the proportion of people exiting to tertiary courses. Around 8.8 percent of all people leaving the benefit system enrolled in a tertiary course, up from 7.6 percent in the previous year.

There was also an increase in the proportion of people leaving the benefit system to begin an industry/training course. Around 1.8 percent left to begin a targeted industry/training course, up from 1.4 percent in the previous year. Courses in the 'Construction' and 'Manufacturing' industries had the highest number of exits with 580 (21.6 percent) and 570 (21.2 percent) people exiting into these targeted industry training courses respectively. Last year, less than 100 people (6.2 percent) began courses in 'Construction'. High demand in the 'Construction' industry likely contributed to 80.6 percent of people in a Construction training course staying off benefit after a year.

Engaging with a tertiary or targeted industry course may give people the skills they need to find sustainable work and support themselves in the long-term. Overall, in the year ending June 2021, 15,600 people left the benefit system into a tertiary course or some form of industry training. This is an increase from the 9,900 people last year.

## Some people continue to need more support.

### On average, younger people and Māori have lower employment sustainability rates than the overall rate

While employment sustainability rates improved for most MSD priority groups, some people remain vulnerable.

Young people and Māori had improvements in employment sustainability, but they also have lower employment sustainability rates compared to the overall rate. For young people, this may reflect the type of work and more casual employment arrangements they have when they exit a benefit, or their generally lower level of skills and experience. This can also apply to Māori who have a younger population, compared to other ethnicities.<sup>17</sup>

The lower employment sustainability rates for young people and Māori may also be due to the industries they tend to be employed in. For example, young people are more likely to exit into the 'Accommodation and Food Services' and 'Retail Trade' industries. Māori are more likely to exit to the 'Agriculture, Forestry and Fishing' industry which has many seasonal roles that may have lower employment sustainability rates. The roles that people take may also be influenced by the key sectors in their region. For example, some Māori may be more likely to find roles in the 'Agriculture, Forestry and Fishing' industry as their working-age population is more likely to live in regions where this work is available such as the East Coast or Bay of Plenty.

### People who had been on a benefit for 4+ years had a smaller increase in their employment sustainability rates

Many people that were already supported by a benefit in 2020, as COVID-19 emerged, now require more support to find work. For example, employment sustainability rates for people who had been on a benefit for 4+ years did not improve as much as other MSD priority groups (see Figure 3). A proportion of this group may also have received SLP – HCD and had a health condition or disability that made it difficult for them to sustain their employment.

## MSD continues to support people into meaningful pathways.

### MSD continues to invest to improve work readiness and employment sustainability for our clients

MSD has and continues to invest in effective programmes that help achieve work readiness and sustainable employment outcomes based on the needs and barriers individuals may experience.

Employment interventions, combined with case management and work brokerage services are used to assist people into work. MSD's regional operations mean that interventions can be tailored to local conditions and needs from employers.

Wage subsidies such as Flexi-wage, alongside work focussed case management, help people that do not need intensive support into work where they can gain skills and experience while in employment.

For people that require more intensive support Mana in Mahi and Apprenticeship Boost are equipping people on benefit with skills and sustainable employment pathways.

The Employment and Social Outcomes Investment Strategy sets out how MSD invests in employment and social outcomes. The Strategy informs decisions about how employment investment is used to deliver programmes for eligible people. It aims to help achieve work readiness and sustainable employment outcomes by targeting investment according to the needs and barriers that individuals may experience. It also aims to promote equity for groups that consistently experience poor labour market outcomes (MSD's priority groups).

<sup>17</sup> This is based on the median ages for Māori males (25.3 years) and Māori females (27.3 years) which is younger than the national median age for males (36.7 years) and females (38.8 years). This is based on estimates from Stats NZ [www.stats.govt.nz/information-releases/maori-population-estimates-at-30-june-2021](http://www.stats.govt.nz/information-releases/maori-population-estimates-at-30-june-2021).



## Definitions and notes

### Population

This report includes people aged 16-64 years<sup>18</sup> who are 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) and Emergency Benefit (EB).

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

- > **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
- > **2020/2021:** Exited the benefit system between 1 July 2020 and 30 June 2021

A person must be off a main benefit for a full calendar month to be counted within a cohort. Because of this some people who were off a benefit for up to two months before returning to a main benefit may have been excluded from this analysis. Some people may have exited a benefit, re-entered, and then exited again within 2020/2021 – in this case we only count their first exit within the 2020/2021 cohort. The same logic applies to all cohorts.

### Exits and employment sustainability

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 \$1,696 per month (indexed to September 2022 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.

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

### 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 tertiary or industry training courses) may also have earnings over \$1,696 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 partly 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 making 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 information about the IDI please visit [www.stats.govt.nz/integrated-data](http://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.

<sup>18</sup> This differs from MSD's official counts that only includes people aged 18-64 years old.