



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

What happened to people who left the benefit system

during the year ended 30 June 2014

Contents

Disclaimers

The results in this report are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), managed by Statistics New Zealand.

The opinions, findings, recommendations and conclusions expressed in this report are those of the authors, not Statistics New Zealand, the Ministry of Social Development, or the Accident Compensation Corporation.

Access to the anonymised data used in this study was provided by Statistics New Zealand under the security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business or organisation, and the results in this report have been confidentialised to protect these groups from identification and to keep their data safe.

Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the privacy impact assessment for the Integrated Data Infrastructure available from www.stats.govt.nz.

The results are based in part on tax data supplied by Inland Revenue to Statistics New Zealand under the Tax Administration Act 1994. This tax data must be used only for statistical purposes, and no individual information may be published or disclosed in any other form, or provided to Inland Revenue for administrative or regulatory purposes.

Any person who has had access to the unit record data has certified that they have been shown, have read, and have understood section 81 of the Tax Administration Act 1994, which relates to secrecy. 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. We have used the information without independent verification. It has been reviewed where possible for reasonableness and consistency.

Professional standards

This report complies with the requirements of the New Zealand Society of Actuaries Code of Professional Conduct and with Professional Standard 90: Communication of Professional Advice.

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1. Executive summary

We looked at what happened to a group of 133,000 people who stopped receiving a benefit during the year ended 30 June 2014.

This was a subset of those people who exited benefits in that period. We looked at those who had received a benefit in each of the three months before exit and who stayed off benefit for at least one full calendar month. This repeats an investigation on a similar group of people who left benefit during the year ended 30 June 2011.

The proportion of people who left a benefit to go into employment with substantial earnings increased by approximately 2.5 percent compared to the 2010–2011 pre–Welfare Reform cohort of people.

The increased rate of movements into employment occurred from the Emergency, Jobseeker Support — Work Ready, and Sole Parent Support benefits. At least some of this increase is due to slightly improved economic conditions (lower unemployment).

There was a significant increase in the rate of sole parents moving from the benefit into work over and above the likely effect from economic conditions. This is consistent with the welfare reform changes to work obligations for some sole parents introduced from 15 October 2012¹ and the increased case management support provided post-1 July 2013.

The proportion of people who remain off benefit for 18 months has increased for those who exited from a Sole Parent Support benefit into employment, but has not changed materially for other benefit types.

The likelihood of a sole parent remaining off-benefit for at least 18 months has increased by three percent. Sixty-six percent of the 2013–2014 sole parents who exited into employment remained off benefit for the 18-month observation period, compared to 63 percent of the 2010–2011 cohort.

The rate of return to benefit for those who leave to enter tertiary study is relatively high, with 57 percent returning to benefit within 18 months.

Only those who leave a benefit to go into detention have a higher rate of return to benefit (78 percent have returned within 18 months).

Further work is needed to understand why the likelihood of staying off-benefit is so low for these education exits. Bearing in mind that any payment of benefit during a month triggers a designation of returned to benefit, there could be a subgroup of these people who require short-term benefit support during the transition from education to employment. We have not investigated further at this stage, but this should be considered before any conclusions are made as to the impact transitions into education have.

Those who have exited benefit into a training course have better outcomes, with 55 percent remaining off benefit for the full 18 months.

Other points to note are:

- The higher the level of qualification a person is enrolled in, the more likely they are to remain off benefit (for at least 18 months)
- If a person has enrolled in a higher level of qualification than they have previously engaged in the more likely they are to remain off benefit (for at least 18 months)

People exiting into employment from a Sole Parent Support or Supported Living Payment benefit are more likely to continue substantial² earnings than those from other benefit types.

Only one in three of those exiting from a Jobseekers benefit maintain substantial earnings throughout the 18 months.

¹ Welfare Reforms commenced in 2010 with the Future Focus work, involving extended obligations for Sickness Benefit and Domestic Purposes Benefit recipients and the earlier cohort will have been partly affected by this initial wave of reform

² Substantial earnings are defined as earnings in excess of \$1,180 per month

More than half of the people who exited to employment went into the five industries where one in three or less people are able to maintain substantial earnings. A significant portion of this is due to seasonal work. More than half of those who are employed in public administration and safety, health care and social services and financial and insurance services are able to maintain substantial earnings, however, only 13% of people exiting to employment went into these industries.

Younger people are much less likely to maintain substantial earnings.

Māori have a lower share of those who exited from Sole Parent Support benefit than their share of the SPS population.

New Zealand Europeans have a higher share of those who exited than their share of the SPS population.

Their likelihood of remaining off-benefit varies by age of youngest child. The younger the child, the more likely a person is to return to a benefit.

People who exited from SPS benefit to employment are more likely to stay off benefit than those who exited for non-employment reasons.

People with mental health condition who moved off a JS-HCD benefit into employment had a lower chance of maintaining substantial earnings and a higher chance of returning to benefit than those with other health conditions or disability.

This implies that higher levels of off-benefit support may be needed to help those with mental health conditions sustain long-term employment.

Clients with multiple benefit spells

People who exited benefit with a history of multiple benefit spells:

- are more likely to be a man, under age 30 and Māori
- make up a higher proportion of people who exited benefit from MSD's Southern, Bay of Plenty or East Coast regions
- have a significantly higher likelihood of returning to benefit than those without.

It is likely that spells in seasonal work are impacting this.

2. Introduction

2.1 Purpose

This report is to help understand what happens to people when they leave the benefit system, and whether and how their outcomes have changed over time.

In February 2017, the Social Policy Evaluation and Research Unit (Superu) released the report *Off-benefit transitions: Where do people go?* (the 'Superu report')³. That report examined the characteristics of people who exited benefits and their outcomes over the next two years. It was prepared by Taylor Fry Pty Limited, Consulting Actuaries and Analytics Professionals, using linked administrative data in Statistics New Zealand's Integrated Data Infrastructure (IDI).

Our analysis:

- Repeats some of the analysis for a group of people exiting benefits after the 2012–2013 Welfare Reforms to enable comparison to the pre-reform cohort examined in the Superu report.
- Examines what happens to peoples' earnings after exiting benefits.
- Looks at how many of those exiting benefits are able to remain off benefits, and whether they are able to sustain employment.
- Examines how people's outcomes differ depending on why they exited benefits.

This is expected to improve understanding of what is happening to people after they leave the benefit system, which could help the Ministry of Social Development ('the Ministry') and the wider social sector improve supports provided to these people.

The analysis in this report is purely descriptive and no work has been done to attribute cause of or to understand reasons for any differences in outcomes between the two cohorts examined. In particular, no attempts have yet been made to control for differences in the characteristics or histories of the two cohorts. Any comments in the report on reasons for differences between cohorts are speculative in nature and further work would be needed to confirm.

2.2 Scope of this report

The Superu report analysed what happened to a group of about 142,000 people who exited benefits during the year ended 30 June 2011.

We have repeated this analysis for a similar group of about 133,000 people who exited benefits during the year ended 30 June 2014. What happened to them is compared to what happened to the group of people from the earlier analysis. These groups were chosen to be respectively before and after the Welfare Reforms of 2012–2013 so we can see what, if any, changes to outcomes have occurred.

Due to data limitations, the observation period is 18 months, rather than the two years used in the earlier research. So we have restated the 2010–2011 cohort results using an 18-month post-exit period to enable comparisons to be made.

We also examine how long people who have exited from benefit have remained off benefit support or have maintained substantial earnings and how earnings have developed over time. Substantial earnings are defined as earnings in excess of \$1,180 per month. This amount was chosen as it is approximately equivalent to 20 hours per week at minimum wage. Twenty hours work per week is the minimum hours of work required for a sole parent to qualify for the in-work tax credit.

Section 3

Discusses the reasons why people exit benefits and the likelihood of exiting from a benefit. It also looks at what happens to them in the 18 months after exiting from a benefit, and how outcomes differ by people's characteristics.

³ www.superu.govt.nz/publication/benefit-transitions-where-do-people-go

Section 4

Looks at what happens to the sub-group of people who exited from a benefit into employment in the 18 months after exiting from benefit and how outcomes differ by people's characteristics. It also compares characteristics of people who have sustained earnings in excess of \$1,180 per month over the full 18 months to those who did not and looks at earnings growth over the investigation period.

Section 5

Looks at the characteristics of the sub-group of people who exited from a benefit into education or training and examines their outcomes over the following 18 months.

Section 6

Looks at the characteristics of the sub-group of people with mental health conditions who exited from a benefit and examines their likelihood of remaining off benefit or sustaining substantial earnings.

Section 7

Looks at the characteristics of the sub-group of sole parents who exited from a benefit and examines their likelihood of remaining off benefit.

Section 8

Compares the characteristics of people who exited from a benefit who had a history of multiple benefit spells with those who did not, and compares their likelihood of remaining off benefit.

2.3 Prior related analysis

A number of previous studies have looked at off-benefit transitions in New Zealand. We provide a brief summary of that work.

Using the Linked Employer-Employee Database (LEED)⁴, Hyslop, Stillman and Crichton (2004)⁵ examined labour market outcomes for people who had been receiving welfare benefits and Dixon and Crichton (2006)⁶ looked at sustained employment after transitioning into employment from a benefit. The results are not directly comparable due to some definitional differences, but are generally consistent. Stillman and Hyslop (2006)⁷ also examined employment and benefit receipt patterns for a variety of demographics and benefit spells.

Using the IDI, Crichton (2013)⁸ examined the impact of undertaking further education on beneficiaries' labour market outcomes. The focus was on people who had received a benefit for at least six months prior to enrolling at a tertiary institution and looked at outcomes 5 years later. The overall benefits of further study were relatively small. The results are not directly comparable due to differences in subject group and observation period.

4 LEED was a longitudinal dataset providing taxable income payments from April 1999 and separately identifying employee earnings and income from social welfare benefits

5 Hyslop, D., Stillman, S., & Crichton, S. (2004). *The Impact of Employment Experiences and Benefit-Spell Duration on Benefit-to-Work Transitions*. Statistics New Zealand

6 Dixon, S., & Crichton, S. (2006). *Successful Benefit-to-Work Transitions? The Longer-term Outcomes of People who Move from a Working-age Benefit to Employment Earnings*. Statistics New Zealand

7 Stillman, S., & Hyslop, S. (2006). *Examining Benefit-to-Work Transitions Using Statistics New Zealand's Linked Employer-Employee Data*. Statistics New Zealand

8 Crichton, S. (2013). *The Impact of Further Education on the Employment Outcomes of Beneficiaries*. Ministry of Business, Innovation & Employment

2.4 Welfare system

The welfare system provides financial supports to help people while not in paid employment and to support people to find or retain employment. Reforms were made to the welfare system commencing from the latter half of 2012. These reforms included introducing work obligations for a wider range of people receiving benefits. Note that some welfare reforms commenced in 2010 with the Future Focus work, involving extended obligations for Sickness Benefit and Domestic Purposes Benefit recipients and that the earlier cohort examined in the Superu report will have been partly affected by this initial wave of reform.

The benefit structure also changed from July 2013. So where results are shown by benefit type, the 2010–2011 cohort has been split using the criteria for eligibility that would have applied under the post-reform benefit structure, to enable like-for-like comparisons to be made to the extent possible.

The current benefit structure is summarised in Table 2.1 below. The equivalent benefit types under the previous structure are given in the descriptions.

Table 2.1: Benefit descriptions

Benefit code	Benefit	Description
JS-WR	Jobseeker Support —Work Ready	Not in, but available for, full-time employment (formerly Unemployment Benefit or Domestic Purposes Benefit with youngest child aged 14 or older).
JS-HCD	Jobseeker Support —Health Conditions & Disabilities	Jobseeker Support beneficiaries having deferred work obligations due to a health condition or disability (formerly Sickness Benefit).
EB	Emergency Benefit	Not eligible for another benefit and in hardship.
SPS	Sole Parent Support & Emergency Maintenance Allowance	Sole parent with youngest child aged under 14 (formerly Domestic Purposes Benefit with youngest child aged 13 or younger).
SLP-Carers	Supported Living Payment — Carer	Payment paid to the carers (excluding partners) that look after those with permanent and severe health conditions and disabilities (formerly DPB — Caregivers of the Sick and Infirm).
SLP-HCD	Supported Living Payment — Health Conditions & Disabilities	Permanently and severely restricted incapacity to work due to health condition or disability (formerly Invalids Benefit).
YP	Youth Payment	Unsupported youth aged 16–18 (formerly independent youth benefit or Unemployment Benefit for those aged 18).
YPP	Young Parent Payment	Young parents aged 16–19 (formerly Domestic Purposes Benefit or Emergency Maintenance Allowance beneficiaries aged 16–19 with youngest child aged 13 or younger – also includes 16-19 year olds parents who may have been receiving other types of benefit).

* Note that beneficiary records of those who receive Jobseeker Support — Student Hardship (JSSH), New Zealand Super (NZS), or Veteran's Payments (VP) at any point have been excluded from the scope of the analyses. This means that the movement for those who have exited from or returned to these benefits will not be captured in this report.

We have not been able to create a perfect match between benefit categories before and after the 2012 reforms, as there will have been some exceptions to the mapping shown in Table 2.1. For example, some sole parents with older children who were on the Domestic Purposes benefit prior to the benefit changes may have had a health condition that meant they were eligible for a Jobseeker Support – Health Conditions & Disabilities or Supported Living Payment rather than the work ready status of Jobseeker Support benefit.

2.5 Approach

There is no one methodology to define the study population and assign reasons for exit or people's statuses over time. We have broadly adopted the methodology used for the Superu report, to enable meaningful comparisons to be made. The whole list of exit reasons (interchangeably known as triggers) is defined in Table 1.1 in appendix 1. Changes to the methodology are explained and their impacts quantified in appendix 1. Section 2.7 outlines some of the limitations of the methodology adopted.

Due to the way data is structured in the IDI, a calendar month view has been used — in particular, earnings data in Employer Monthly Schedules is only available by calendar month.

This means that a person has to have been off benefits for a full calendar month before being included in the study population. People who exit and return to benefits in a shorter period are excluded as a consequence. Readers should keep this in mind when considering the results in this report.

2.6 Study population

The population of people used for this study includes anyone exiting benefits during the year ended 30 June 2014 and who had received benefit payments at any point during each of the previous three months.

The population included some people who were over the age of 65 at the time of leaving benefit. Their reason for leaving benefit has been treated as 'Age > 65' irrespective of employment status (except in the case of death). This is consistent with the approach taken for the 2010–2011 cohort, to enable comparison. In future, we recommend restricting the population to those under (say) age 60. This would remove the impact of benefit exits due to reaching retirement age.

2.7 Reliances and limitations

While the Ministry's Benefit Dynamics Dataset provides data on individual benefit spells and would enable more precise determination of benefit exit dates, a calendar month approach has been used. This is because many other data tables in the IDI (including the Inland Revenue Department (IRD) Employer Monthly Schedule table from which earnings information is extracted) are reported by calendar month. Some of the limitations of this approach are:

- **A person has to have been off benefits for at least a full calendar month before being included in the subject population.** This means people who only spend short spells off benefits that do not span a complete calendar month are excluded from the analysis. Depending on when a person leaves a benefit this could exclude people who are off benefit for short periods up to almost two months, while including others who have been off benefit for just on one full month.
- **A person is deemed to have been in 'employed with substantial earnings' for a calendar month if their earnings exceed \$1,180 for that month.** This is because we only have earnings data for calendar months. Thus a person who works for one week of the month earning an annual salary of \$60,000 would be deemed to have monthly earnings for that month the same as someone who worked a full four weeks on annual earnings of \$15,000.
- **Self-employed earnings are not allowed for. Self-employed earnings declarations in the data relate to years ending 31 March, which we could not reliably allocate across months.** This means that some of those deemed to not be earning or to be earning less than \$1,180 per month may in fact have earnings from self-employment in excess of \$1,180 per month. However, the proportion of the study population reporting self-employed earnings is small, so this is unlikely to materially impact our broad findings.
- **Need to be cautious in drawing conclusions from the comparative analyses in this report. We have performed many comparative analyses between various groups throughout this report.** However, we have not controlled for any multivariate factors between any two groups, so we recommend readers not draw immediate conclusions from them. Future iterations of this work should have this multivariate control incorporated.
- **The earlier 2010-2011 cohort will have been at least partly affected by the initial wave of welfare reform which commenced in 2010 with Future Focus.** This may have the effect of understating any differences pre and post welfare reform;
- **As stated in section 2.4, it has not been possible to create a perfect match between benefit categories before and after the 2012 reforms.** We have not quantified what, if any, impact this may have had on differences between cohorts.
- **Differences in exit rates between the two cohorts could have been partly due to differences in the characteristics and histories of the cohorts.** No attempts have yet been made to control for these differences, and, for this reason, it is not possible to come to any firm conclusions about what might give rise to differences in exit rates and other outcomes between the two cohorts.

3. Why people exit welfare and what happens to them

In this chapter, we examine:

- the reasons why people exit benefits and the likelihood of exiting from a benefit
- what happens to them in the 18 months after exiting from a benefit
- how outcomes differ by people’s characteristics.

Later chapters explore similar questions for subsets of the group being analysed.

3.1 Summary

The proportion of people who left a benefit to go into employment increased by approximately 2.5% compared to the 2010–2011 pre-Welfare Reform cohort of benefit leavers. The increased employment outcomes occurred from the Emergency, Jobseeker Support — Work Ready, and Sole Parent Support benefits.

The proportion continuing to receive substantial earnings was approximately three percent higher than for 2010–2011 cohort across most months.

At least some of this improvement is due to slightly better economic conditions (ie lower unemployment). There was a significant increase in the rate of sole parents exiting the Sole Parent Support benefit for work. This was over and above the change likely to be due to better economic conditions.

A high portion (55%) of people who exit benefits for education or training reasons return to benefits within 18 months (57% for those who enter tertiary study, 45% for those who leave into training).

3.2 Reasons for people exiting benefits

We have modified the definitions of reasons for exiting benefits from those used in the Superu report to include:

- a wider source of earnings data in determining the employment trigger (withholding payments from Employer Monthly Schedule table)
- the use of Working For Family Tax information and Ministry reason codes to identify partnering as a reason for exit
- used pension earnings data to identify additional retirement exits
- have split the other > \$100 category into a > \$1,180 and between \$100 and \$1,180.

Table 3.1: Trigger definitions

Trigger for exit	Abbreviation	Assigned if a person:
Death	Death	Dies during months -2 through to 1
Reached age 65+	Age > 65	Is aged greater than or equal to 64.917 at the end of month 0
Overseas	Overseas	Departs on an overseas trip during months -1 through to 1, and spends at least 14 days overseas during this time
In detention	In detention	Spends 14 days or more in remand or prison during months -1 through to 1
Started a targeted/ industry training course	Training course	Begins a targeted or industry training education course in any month during months -2 through to 1
Started a full-time tertiary course	Full-time student	Begins a formal tertiary education course for which they are studying full-time in any month during months -2 through to 1
Started a part-time tertiary course	Part-time student	Begins a formal tertiary education course for which they are studying part-time in any month during months -2 through to 1
Employment	Employment	Has a gross earnings of \$1,180 or more during month 1, and their gross earnings during month 1 is greater than the average gross earnings during months -2 and -1
Other with earnings > \$1,180	Other: Earn > \$1,180	Has a gross earnings of \$1,180 or more during month 1, but do not meet the increase in earnings test for the employment trigger
Partnered	Other: Partner	Identified as having a partner from Working for Families tax data or from Ministry exit reason code
Other with earnings ≥ \$100 but less than \$1,180	Other: Earn \$100 – \$1,180	Does not fall into any of the above trigger groups, and has gross earnings of \$100 or more during month 1
Other with earnings < \$100	Other: Earn < \$100	Does not fall into any of the above trigger groups, and has gross earnings of less than \$100 during month 1

Figure 3.1 below shows the people who exited benefits during the year ended 30 June 2014, split by the reasons they are deemed to have exited.

10.6 percent of people exiting benefits went into education or training. A further 45.3 percent had earnings in excess of \$1,180 per month immediately after exit.

For most reasons for leaving a benefit, the proportion of benefit exits is similar for the people who exited benefits during the year ended 30 June 2011 (within 0.5 percent). The exceptions are for the employment reason, which has increased by 2.1 percent (from 39.5 percent to 41.6 percent of people who exited benefit), and exits classified as other with little or no earnings, which have decreased by 2.1 percent.

Figure 3.1: Reasons for exiting benefit during the year ended 30 June 2014

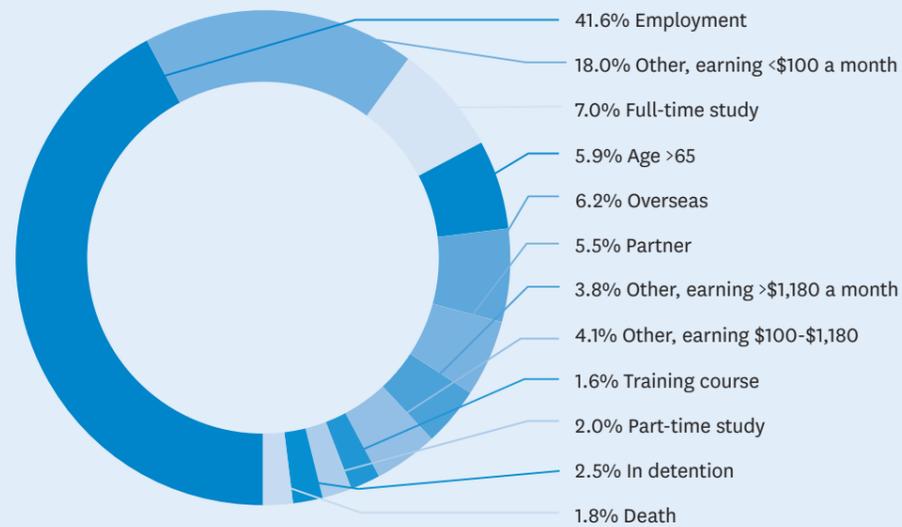


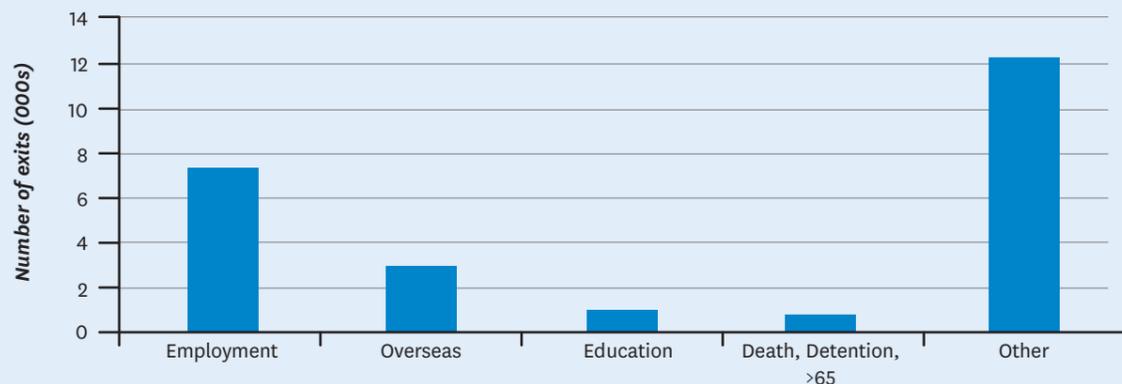
Figure 3.2 provides further breakdown of the 'Other: Earn < \$100' segment

For employment related analysis later in this report we have treated the "Employment" and the "Other: Earn > \$1,180" categories as one group named employment with substantial earnings.

3.2.1 What we know about the 'Other: Earn < \$100' segment

The methodology used for allocating reason for exiting benefit designates 18 percent of the exit population as 'Other: Earn < \$100' (ie on little to no earnings). Ministry exit codes offer insight into about half of these exits.

Figure 3.2: Other: Earn < \$100 exits split by Ministry exit code



According to Ministry exit codes from the appendix 1 Table 1.1, 30 percent of these clients left benefits for employment (this could not be verified from IRD Employer Monthly Schedule data although the people may have had self-employment income); while a further 12 percent went overseas; four percent left for further education; and three percent died, turned 65, or entered detention (five percent, two percent, and one percent of total exits respectively).

The remaining 50 percent (or nine percent of total exits) exited benefit for various reasons that are unrecorded. For example, many of these people had not reapplied for a benefit as required at 52 weeks after first receiving benefit, and no reason was provided as to why they no longer needed benefits.

Note that:

- \$1,180 per month was chosen as the threshold above which earnings are considered substantial, as it represents 20 hours' work per week at the minimum wage for the usual four weekly pay periods in a month. Twenty hours' work per week is the requirement for a sole parent to be eligible for in-work tax credits.
- Due to the hierarchal nature of our exit reason assignment, some of the people who are designated as having left benefits for reasons other than employment may also have earnings in excess of \$1,180 per month.
- We have only identified earnings declared from PAYE and withholding payments. Declarations for the self-employed through IR3 filings have not been captured as these are only filed annually and we cannot reliably allocate these amounts to monthly earnings immediately after exiting benefit. So it is possible that some of the people assigned to Other earning categories for less than \$1,180 per month may in fact have substantial earnings.

3.3 Benefit exit rates

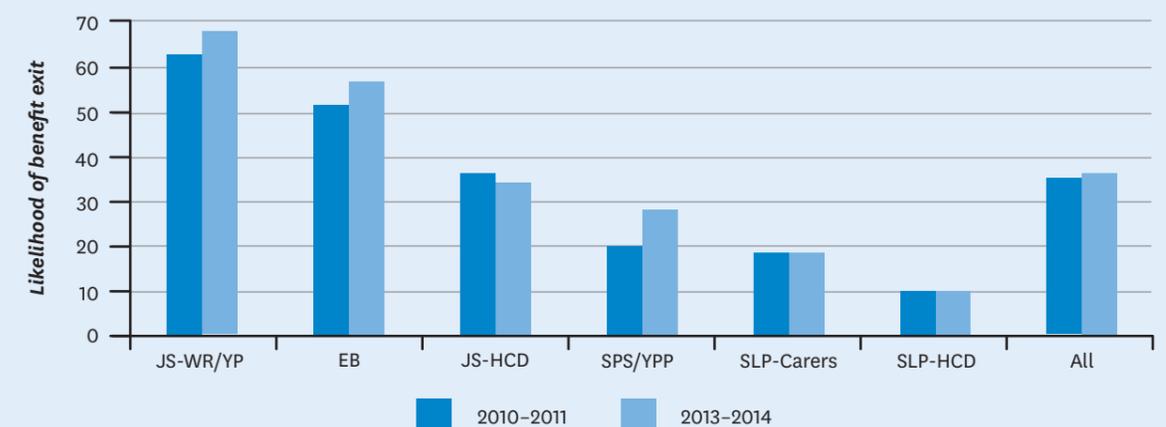
While the number of people who exited benefit for the 2013-2014 cohort is approximately six percent lower than for the 2010-2011 cohort (133,000 vs. 142,000), the average number of people on benefits was 10 percent lower which gives a higher rate of people exiting a benefit for the 2013-2014 cohort.

When considering whether there has been any change in off-benefit outcomes before and after the Welfare Reforms of 2012, it is important to consider more than just the overall exit rate. The change in the overall exit rate is small, with a slight increase in the proportion who exit to employment. However, the makeup of the benefit population has changed. The change in the proportion in each benefit category is particularly important because, for example, Jobseeker Support clients having work obligations (JS-WR) will typically have different off-benefit outcomes to Supported Living Payment (SLP) clients. We expect higher rates of entry into employment for some benefit categories.

We now examine exits in more detail and compare between the cohorts the rate at which people exit from benefit.

We calculated the average monthly exit rate by benefit type and used this to determine the likelihood of exiting from benefits over a 12-month period. Figure 3.3 below shows exit rates by benefit type for the two cohorts analysed.

Figure 3.3: Likelihood of benefit exit over a 12-month period⁹



⁹ The method adopted to determine these annualised probabilities of exit differs from that used in the earlier report. The report on the 2010-2011 cohort expressed the probability of exit as the number of exits over the 12-month period divided by the average number of clients on benefit per month. We have expressed the probability as the likelihood of exiting the benefit within a 12-month period as we believe this more accurately reflects the prospects for an individual. We have restated the 2010-2011 exit rates to make them comparable.

As noted above, while the number of people who exited from benefit is lower for the 2013–2014 cohort, the average rate at which people are expected to exit benefits within a 12-month period has increased slightly from 34.6 percent to 35.6 percent.

There has been no material change in the probability of exiting benefit for the health and disability benefits (ie, Jobseeker Support — Health Conditions & Disabilities or Supported Living Payment — Health Conditions & Disabilities) or for Carers. The probability of exiting within 12 months has increased for Jobseekers who are work ready and those on Emergency Benefit by five percent and for Sole Parent Support clients by eight percent.

Youth Payment and Young Parent Payment client numbers and the number of people exiting from these benefits are small, so these have been included with Jobseeker Support and Sole Parent Support respectively for these comparisons.

Note that, due to the methodology used for this analysis, these probabilities relate only to people who have received benefits in three consecutive calendar months. The probabilities give the likelihoods of staying off benefits for at least one full calendar month.

3.4 Exit rates into employment

Table 3.2 below shows the probabilities of exit into employment with substantial earnings (ie earning over \$1,180 per month) within 12 months for each cohort of people for each benefit type.

Table 3.2: Likelihoods of exiting benefits into employment with substantial earnings over a 12-month period by benefit type

Benefit	2010–2011	2013–2014	Relative change
SPS/YPP	8.4%	13.9%	64.2%
EB	20.4%	26.7%	30.8%
JS-WR/YP	30.5%	35.0%	14.7%
SLP-HCD	0.9%	0.9%	6.4%
JS-HCD	12.6%	12.5%	-1.0%
SLP-Carers	5.6%	5.2%	-6.2%
All	14.8%	16.1%	8.8%

There was a significant increase in the likelihood of exiting into employment for clients who received JS-WR/YP (14.7 percent higher), EB (30.8 percent higher) and SPS/YPP (64.2 percent higher). There was no material change in the likelihood of exiting into employment for clients on JS-HCD or SLP.

Table 3.3 below shows the probabilities of exit into employment with substantial earnings within 12 months for each cohort of people for each ethnic group.

Table 3.3: Likelihood of exiting benefit into employment over a 12-month period by ethnic group

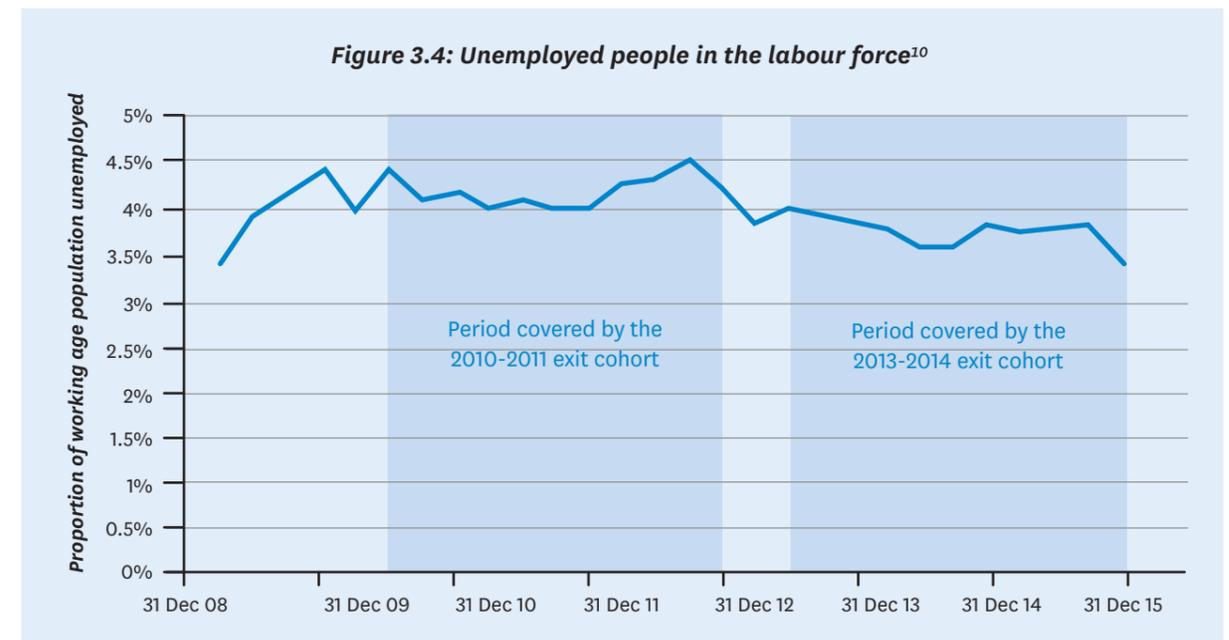
Ethnic group	2010–2011	2013–2014	Relative change
Asian	11.2%	13.7%	22.6%
Pacific Peoples	14.8%	17.2%	16.5%
Māori	14.0%	16.1%	14.9%
New Zealand European	16.5%	16.9%	2.2%
Other	13.1%	14.1%	8.0%
All	14.8%	16.1%	8.8%

There was an increase in the likelihood of exiting into employment for all ethnic groups, although the difference for New Zealand Europeans was not significant.

Note that these differences in exit rates between the two cohorts could be at least partly due to differences in the characteristics and histories of the cohorts. In other words, the changes in exit rates between periods could reflect differences in the underlying outcome drivers for the two populations, and changes in the economic environment between investigations. Further work is needed to control for these factors.

3.5 Why exit rates have increased

When comparing the differences in likelihood of exit into employment, it is important to consider the labour market conditions during each period. Figure 3.4 below shows the number of persons unemployed in the labour market as a percentage of the working age population during the periods to which each cohort relates.



This shows that the 2010–2011 cohort investigation period was during a time when the labour market was fairly flat, while the 2013–2014 cohort investigation period was during a time when the labour market was gradually improving.

Exit rates into employment for Jobseeker Support clients are highly correlated to changing labour market conditions. We used the relationship between the rate at which people exited from benefit and the percentage of unemployed in the working-age population during the pre-reform period January 2006 – June 2012 to estimate the contribution to exit rate increase due to labour market improvements compared to welfare reform. We estimate that the increase in employment-related exits between cohorts for Jobseeker Support was mostly due to the improved labour market.

The increased exit rates and increased work outcomes seen for Sole Parent Support clients are less strongly correlated with labour market conditions, but are consistent with the finding of the *Actuarial Valuation of the Benefit System for working age adults as at 30 June 2014*¹¹ that Sole Parent Support exits from benefit have been influenced by changes to work obligations and case management services introduced as part of welfare reforms.

¹⁰ Statistics New Zealand Infoshare – HFLS, Labour Force Status by Sex: Seasonally Adjusted

¹¹ www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/valuation-reports/valuation-benefit-system-working-age-adults-30-june-2014.pdf

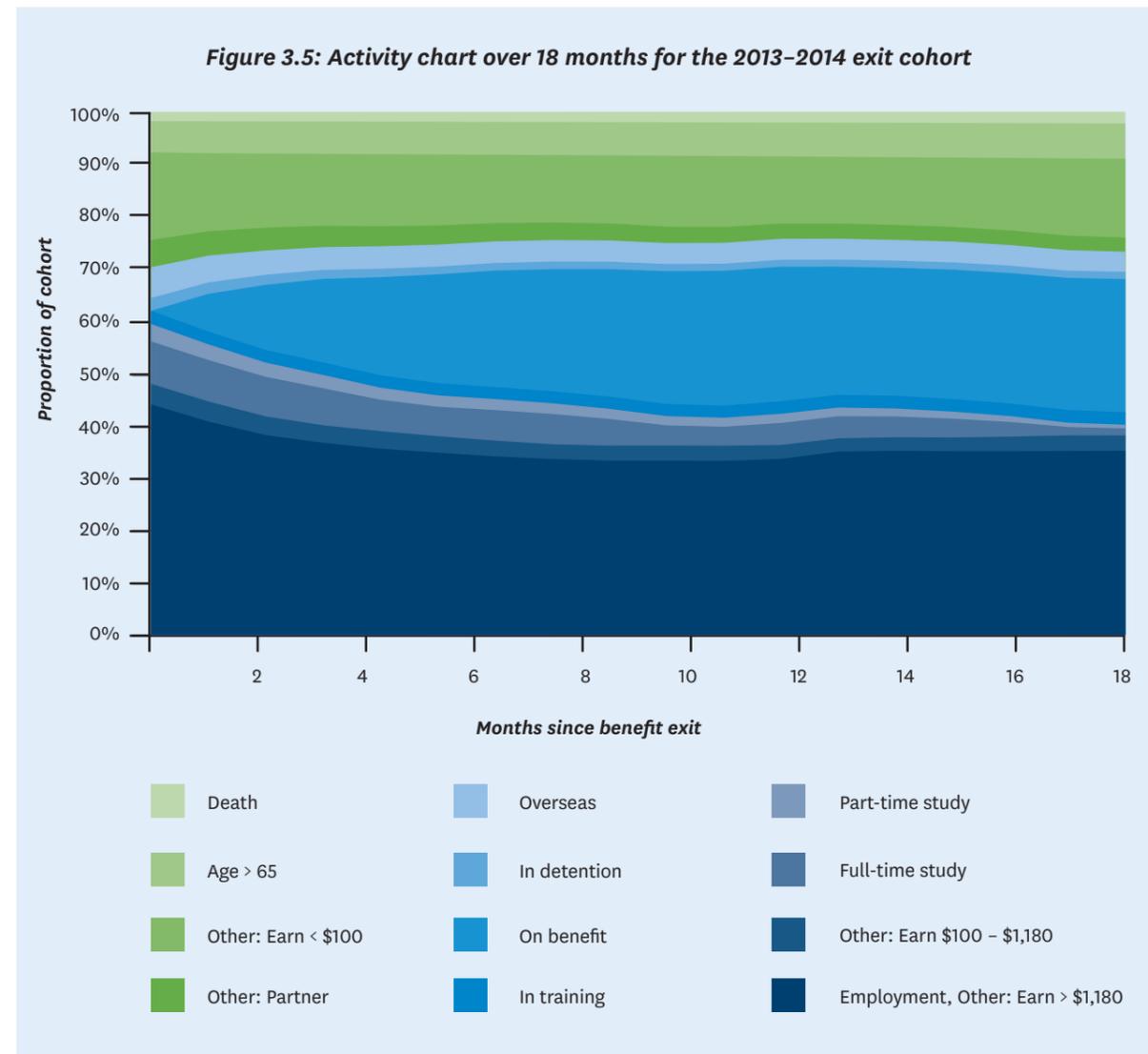
We used the relationship between the rate at which people exited from SPS benefit and the percentage of unemployed in the working-age population during the pre-reform period January 2006 – June 2012 to estimate the contribution to exit rate increase due to welfare reform. Based on this, we estimate that most of the increase in the rate at which people exited from SPS is attributable to these reforms and associated changes in case management services.

Note that this was only a single dimensioned regression controlling for labour market and that other factors that may have contributed to changes to the profile of the benefit population between cohorts have not been adjusted for. Further work is needed to more confidently assess likely impacts from welfare reforms.

3.6 What happens to people after they have transitioned off benefit

Figure 3.5 below traces what proportion of the people who transitioned off a benefit are in each activity over the 18 months following their exit from a benefit. This shows what state people are in at any point in time over the 18 months following exit from a benefit. People can move from state to state over the period shown.

This differs from the approach used later in sections 3.7 and 3.8 to determine sustainability (or survival) curves, which only counts people as being off benefit until they first return to benefit.



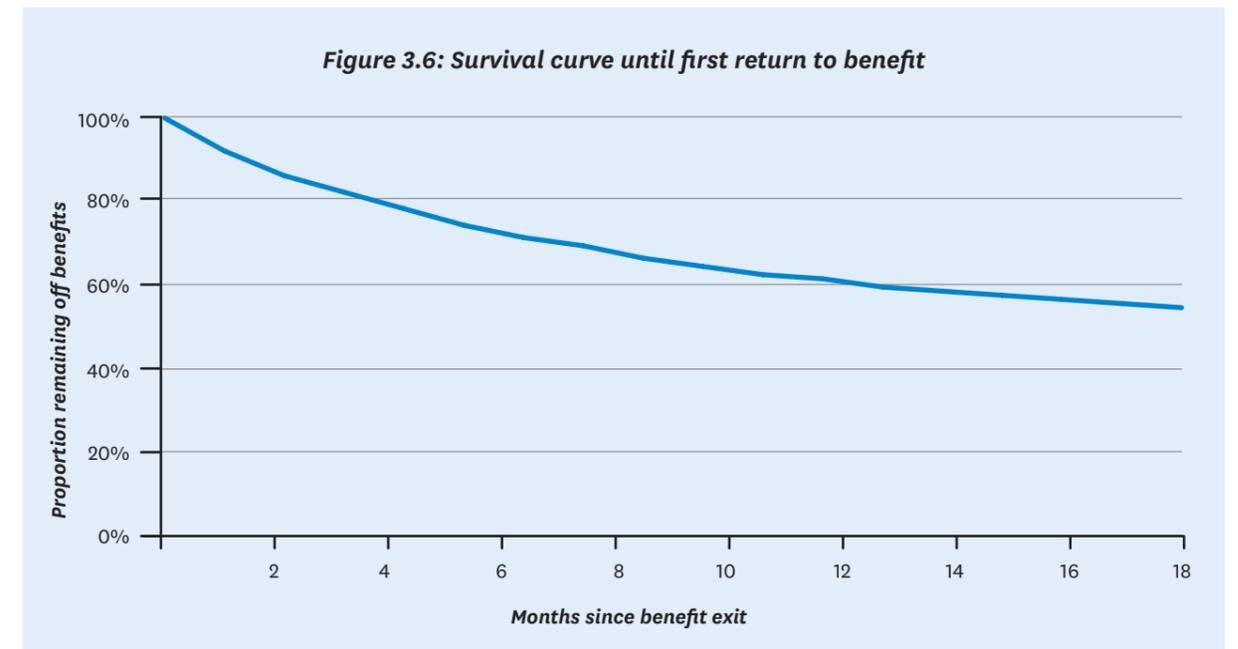
About 25 percent of people have returned to benefit within 10 months and this percentage stays fairly constant thereafter. This is similar to the 2010–2011 cohort outcomes.

The proportion of people receiving substantially earnings decreases from about 44 percent to 35 percent over six months then remains fairly constant — this includes just under one percent who are either on paid parental leave (PPL) or Accident Compensation Corporation (ACC) claim at 18 months. The proportion remaining in employment with substantial earnings was approximately three percent higher than the equivalent 2010–2011 cohort across most months.

3.7 Off-benefit sustainability

We have also looked at off-benefit sustainability, which we use in the next few chapters looking at specific cohorts. We measure **off-benefit sustainability** (or survival) as the proportion of beneficiaries remaining off benefit at each month. People are only considered to be remaining off benefit until their first return to a benefit.

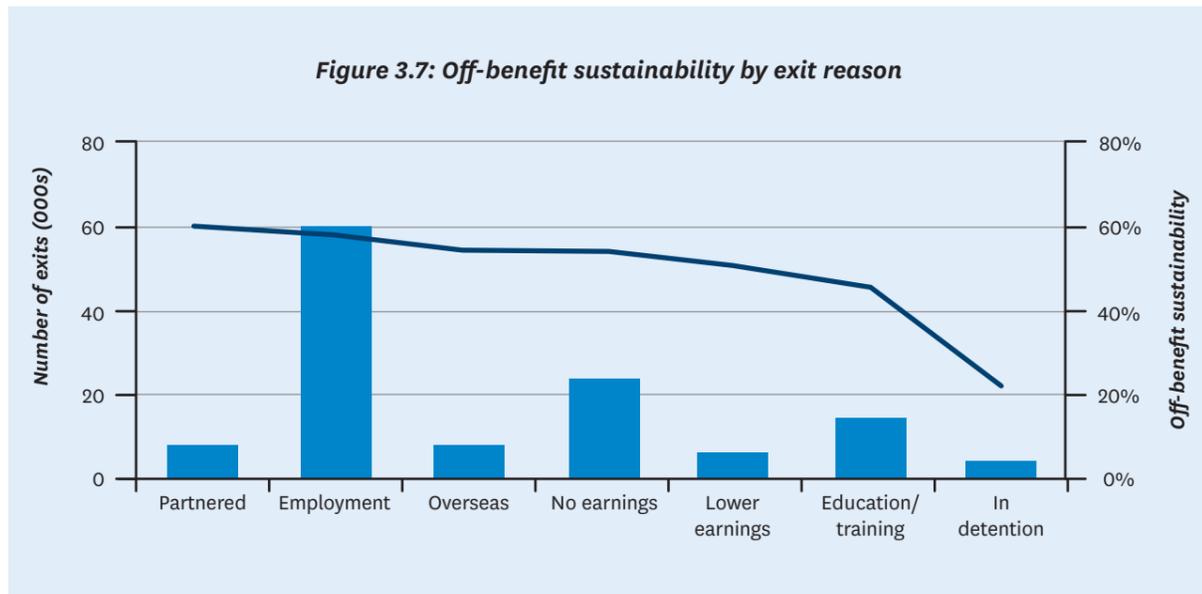
Figure 3.6 below shows the proportion of people we expect will stay off benefit (until first return to benefit) in the months following their exiting from a benefit. For this exercise, we only looked at those who left benefit for a reason other than death and were still under age 65 at the end of the 18-month observation period.



Of those who exited benefit, 54.3 percent remained off benefit for the full 18 months.

This has not materially changed since 2010–2011 cohort (53.7 percent).

Not all reasons for leaving a benefit gave similar likelihood of returning to benefit within the 18-month period. Figure 3.7 below shows how a person's expectation of remaining off benefit for the full 18 months differs by reason for leaving the benefit.



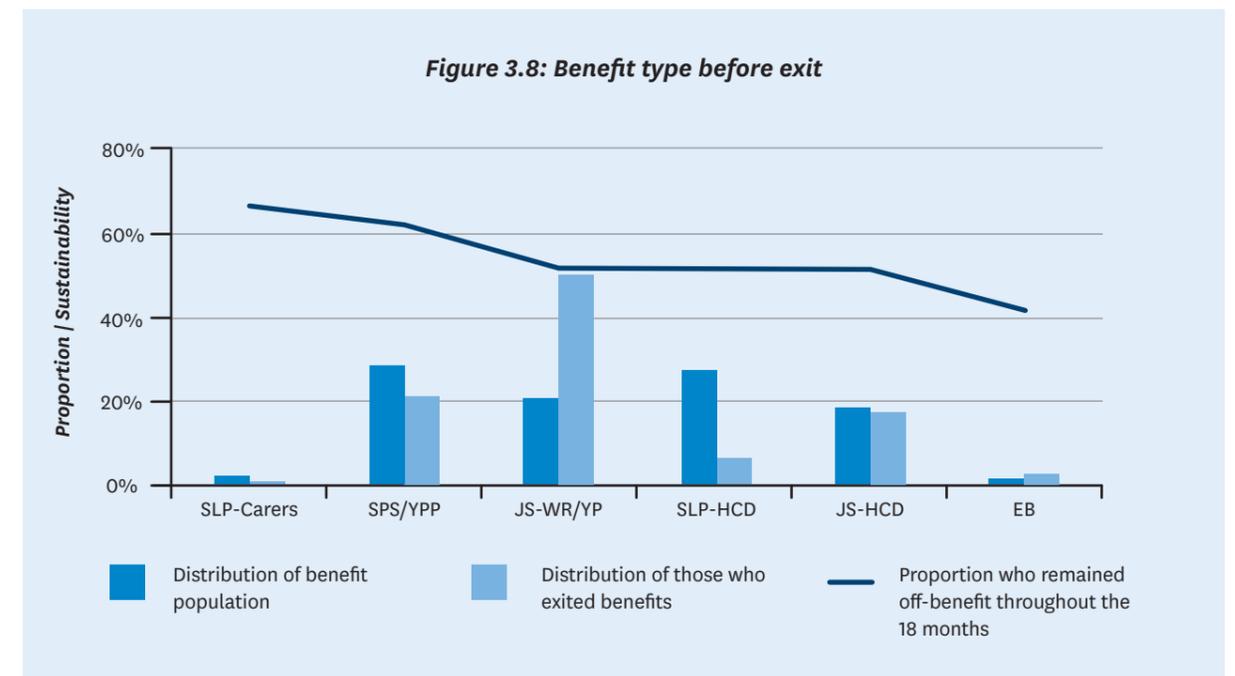
People who cease receiving a benefit due to entering a partnership or for employment have the highest likelihood of staying off a benefit while those who leave to go into detention have a high chance of returning to a benefit within the 18 months.

There is a high portion (55 percent) of people who exit benefit for education or training reasons that return to benefit within 18 months. Further investigations would be useful to understand what are the reasons for poor off-benefit sustainability for these people.

Almost 80 percent of those who left a benefit to go into detention have returned to a benefit within 18 months.

3.8 How outcomes differ by people's characteristics

We have analysed off-benefit sustainability by several different characteristics. Figure 3.8 – Figure 3.12 below compare the profile of those people who stopped receiving a benefit during the 2013–2014 period with the overall benefit population and shows their likelihood of still being off benefit after 18 months.



Half of the people who exited a benefit were receiving JS-WR/YP at the time, whereas they only make up 21 percent of the benefit population. Twenty-one percent were on SPS (28 percent of population) and 18 percent were JS-HCD (19 percent of population).

Only eight percent of people who exited from a benefit were from SLP clients, whereas they make up 30 percent of the benefit population.

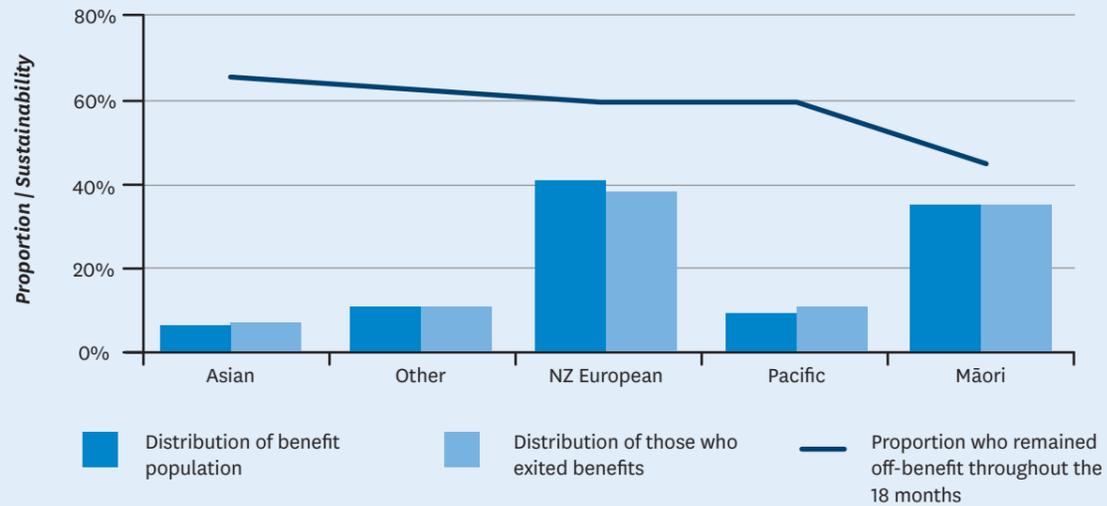
For the earlier 2010–2011 cohort, 57 percent of people who exited from a benefit were from JS-WR/YP and 14 percent were from SPS. Other benefit types were broadly similar to the prior cohort. This change likely reflects the change in focus from primarily on people on the unemployment benefit to changed work obligations and more case management support provided to sole parents following the 2012 Welfare Reforms.

If we look at how long people remain off benefit, people exiting from SLP-Carers benefits are the least likely to return to a benefit within 18 months. Also, when sole parents no longer require a benefit they have a high likelihood of remaining off of benefit with 62 percent of them still being off of benefit after 18 months.

At the other end of the spectrum, those who exit from EB (Emergency Benefit) have almost a 60 percent chance of returning to a benefit within 18 months indicating that the reasons that they needed an emergency benefit for may not have been well resolved.

Almost half of those exiting from JS benefits return within 18 months. This is likely to be influenced by the proportion of people who exited a benefit into seasonal work.

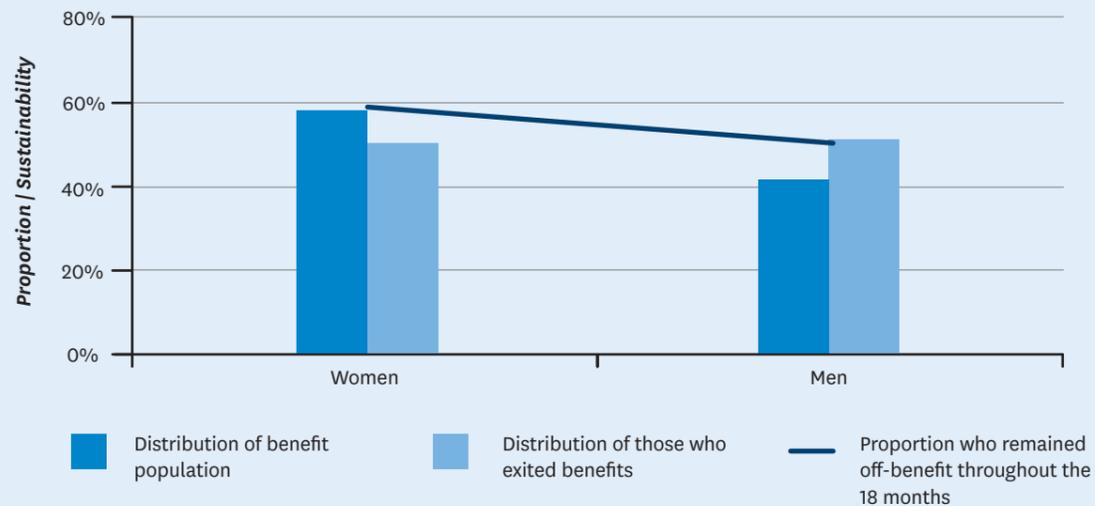
Figure 3.9: Ethnic group



Exits from benefit by ethnic groups were broadly similar to their share of the benefit population — New Zealand European were slightly under their share of the population while Pacific Peoples were slightly above. This is likely influenced by the proportions of each ethnic group in the benefit types. New Zealand European make up a higher proportion of SLP benefit (53 percent) compared to their 41 percent share of all benefits and exit rates from this benefit are lower than from other benefit types. They are also under-represented in JS-WR (35 percent compared to 41 percent of all benefits).

Off-benefit sustainability varies by ethnic group, with Māori having the highest likelihood of returning to a benefit. Possible reasons may be the spread of Māori within regions of high seasonal work or weaker job markets. Further work is needed to understand this effect.

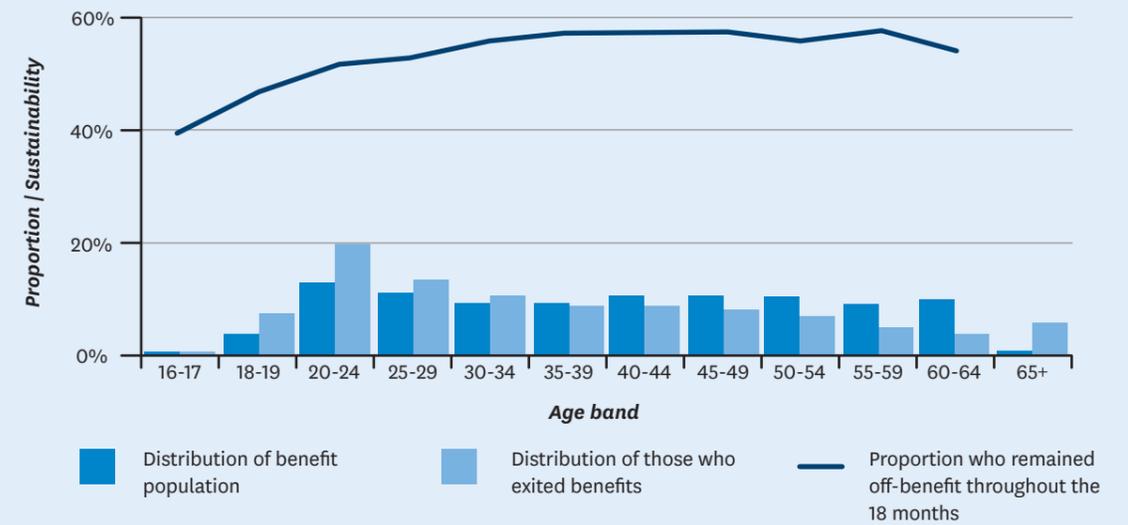
Figure 3.10: Gender



People exiting benefit were split evenly between men and women, while 58 percent of the whole benefit population are women.

While the number of women who have exited a benefit is similar to men, there is a greater chance that a woman will remain off benefit than for a man. Fifty-eight percent of women are still off benefit after 18 months compared to 50 percent of men. This is consistent with the higher proportion of people leaving a SPS benefit remaining off of benefit compared to those exiting a JS benefit.

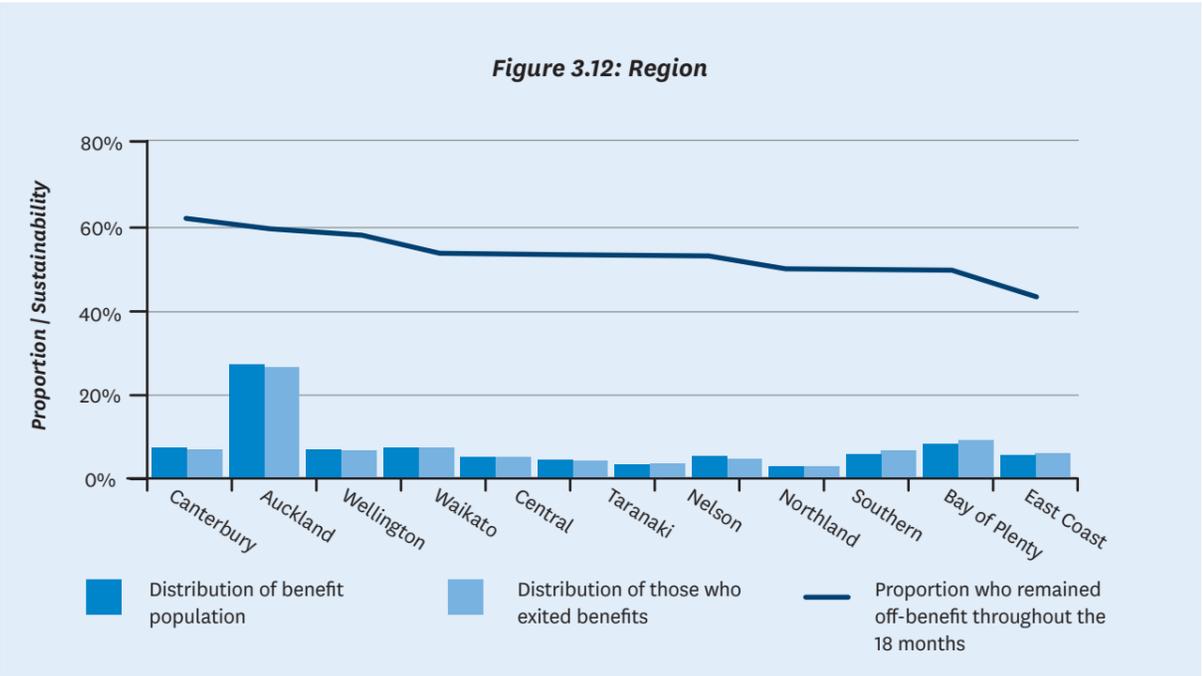
Figure 3.11: Age band at the time of exit



On average, people exiting benefit were younger than the general benefit population (37 compared to 41).

Those who are under age 30 in general have a higher chance of returning to a benefit than people of older ages. This is more pronounced at the youngest ages. Age of entry to the benefit system is strongly predictive of future benefit receipt.

4. Exits from benefit into employment with substantial earnings



Exits by region were broadly similar to their share of the benefit population.

Those who leave a benefit from the regions with a major city (Auckland, Canterbury and Wellington) have the greatest chance of remaining off benefit, while those in regions of higher seasonal or temporary work (East Coast, Bay of Plenty, Southland) are more likely to return to benefit.

In this chapter, we look at the sub-group of people who exited from a benefit into employment and were earnings in excess of \$1,180 per month, in particular:

- what happens in the 18 months after exiting from benefit
- how outcomes differ by people’s characteristics
- characteristics of people who have sustained earnings in excess of \$1,180 per month over the full 18 months compared to those who did not, and
- earnings growth over the investigation period.

4.1 Summary

People exiting into employment from a Sole Parent Support or Supported Living Payment benefit are more likely to continue substantial earnings throughout the 18 months following their exit from benefit than those from other benefit types.

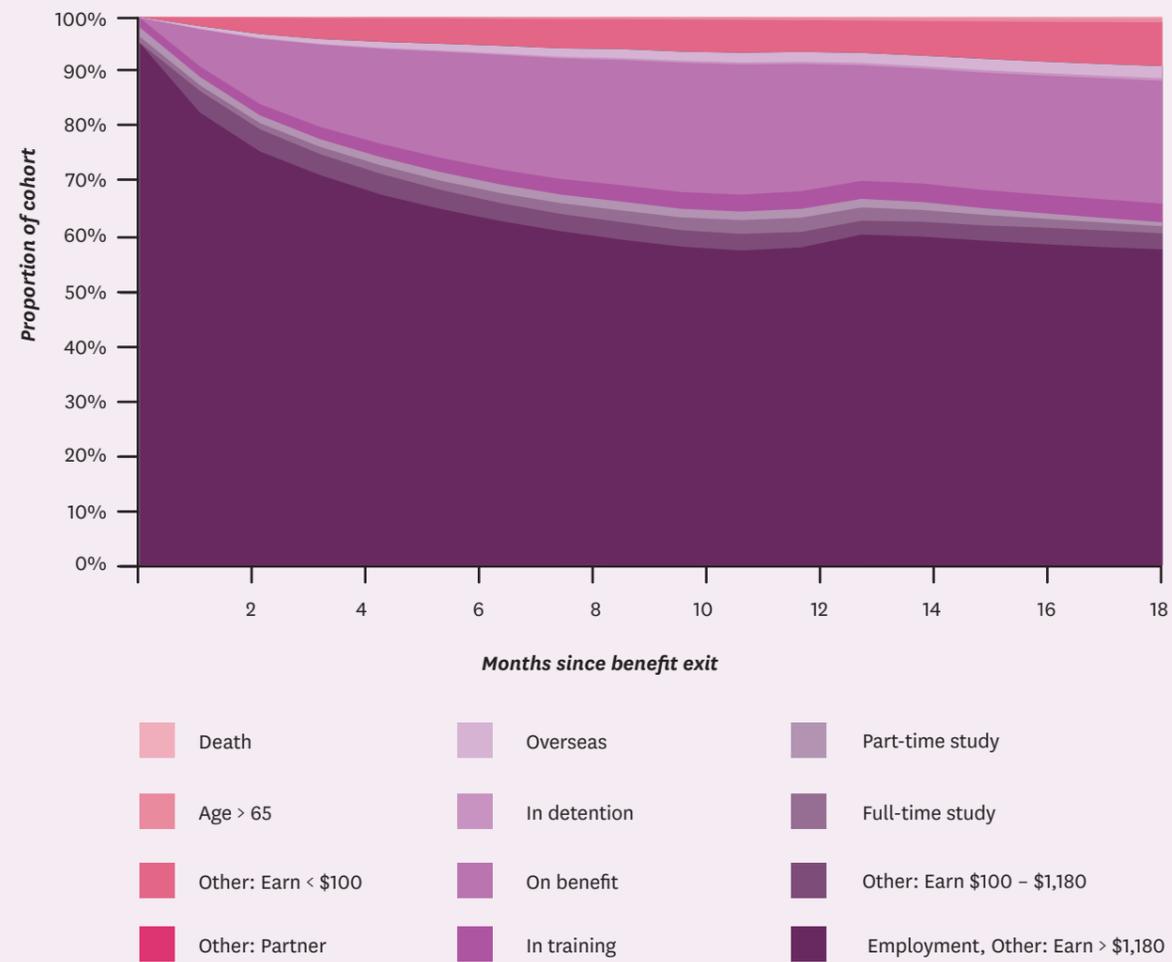
Only one in three of those exiting from a Jobseekers benefit maintain substantial earnings throughout the 18 months. More than half of those exits are into the five industries where one in three or less people are able to maintain substantial earnings. A significant portion of this is due to seasonal work. More than half of those who are employed in public administration and safety, health care and social services and financial and insurance services are able to maintain substantial earnings, however, only 13 percent of people who exited from benefit to employment are into these industries.

Younger people are much less likely to maintain substantial earnings.

4.2 What happens to people over the 18 months after entering employment

Figure 4.1 below shows how people who earn more than \$1,180 (ie ‘Employment’ and ‘Other: Earn ≥ \$1,180’) move between activities over the 18 months following transitioning off benefit. This shows what state people are in at any point in time over the 18 months. People can move from state to state over the period shown.

Figure 4.1: Activities over the 18 months following exit to employment in 2013–2014



The number of people designated as in employment with substantial earnings decreases to about 58 percent by month 10 then remains fairly constant (there is a small increase at the 13-month mark — possibly due to pay rise impacts on the fringes of who is classified as earning over the \$1,180 per month mark). This includes just under one percent who are either on paid parental leave (PPL) or Accident Compensation Corporation (ACC) claim at 18 months. The proportion remaining in employment with substantial earnings was approximately three percent higher than the equivalent 2010–2011 cohort across most months.

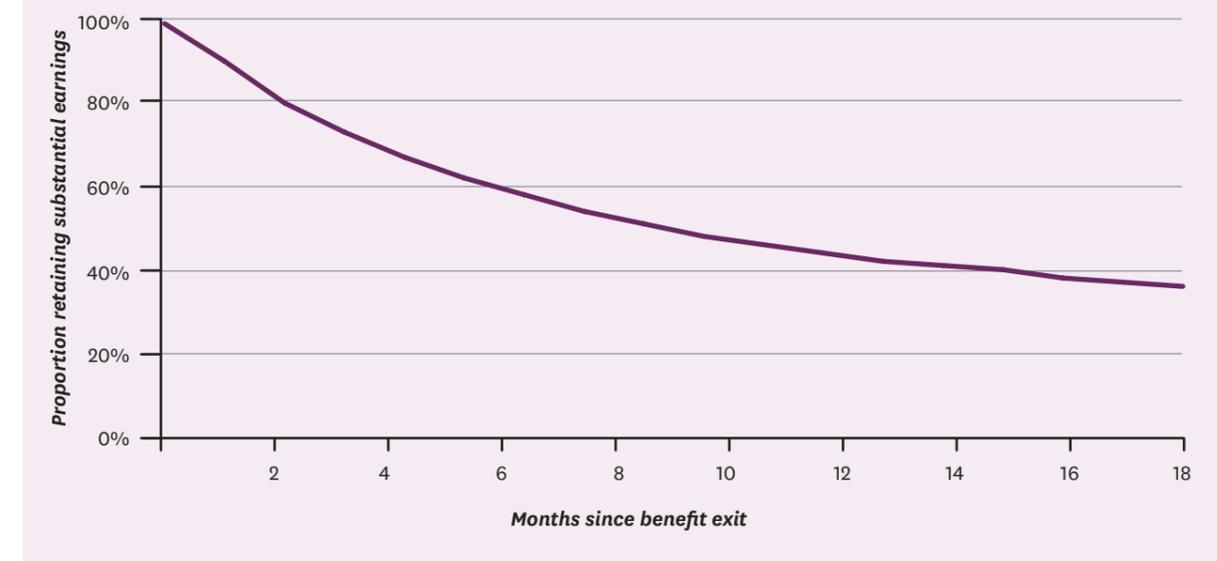
By nine months about 23 percent have returned to benefit and the number fluctuates around that mark from then on. A further 8–10 percent have moved off benefit with low or no earnings. We do not have the data to understand what has happened to these people. This has not changed materially from the 2010–2011 cohort experience.

4.3 Sustaining substantial earnings

This section looks at substantial earnings sustainability specifically for people who exit benefit into employment (this differs from off-benefit sustainability as defined in section 3.7).

The concept for **substantial earnings sustainability** measures the proportion of beneficiaries who are able to sustain earnings of more than \$1,180 a month. This is independent of the activity status we assigned to them, as we expect a change of activity may not change the fact the person is still in employment (eg taking up a training course on top of ongoing employment). Also, under this measure we cease to count people in the first month they have earnings below \$1,180 per month.

Figure 4.2: How long people sustain earnings over \$1,180 per month



Thirty-seven percent of those people in employment are able to maintain earnings in excess of \$1,180 per month throughout the 18 months.

Figure 4.3: Where people go when their earnings fall below \$1,180 per month

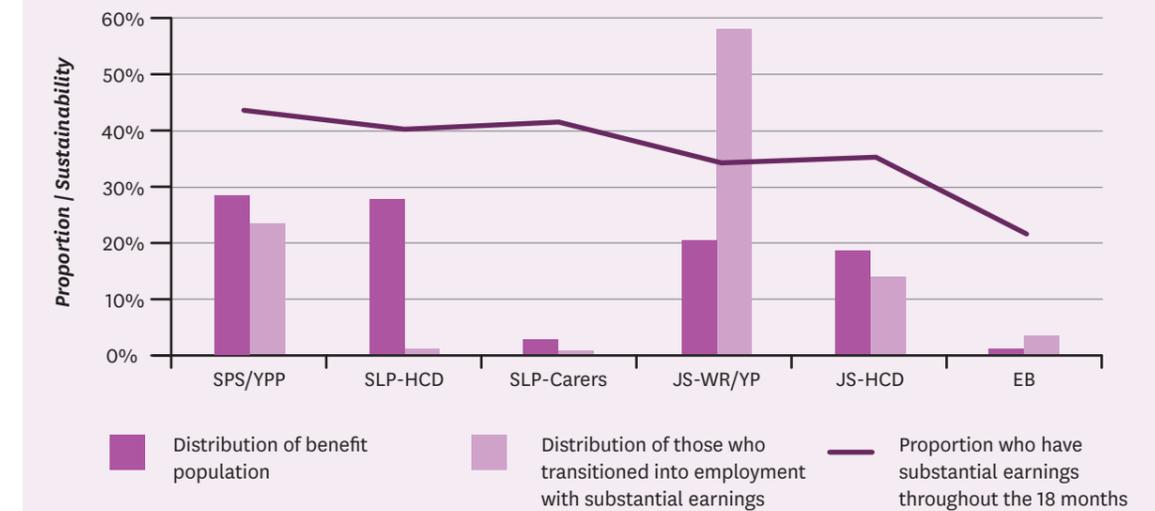


For people who didn't sustain substantial earnings for the full 18 months, we can see 41 percent of them went back on benefit straight after their employment ceased. Twenty-nine percent had reduced earnings below \$1,180 per month and another 18 percent had no earnings recorded.

4.4 What people who transition off benefit into employment with substantial earnings look like

The following figures give a profile of the 58,560 people who earned more than \$1,180 (ie 'Employment' and 'Other: Earn ≥ \$1,180') per month in the first month following transition off benefit. We have analysed substantial earnings sustainability by several different characteristics.

Figure 4.4: Benefit type before the time of exit



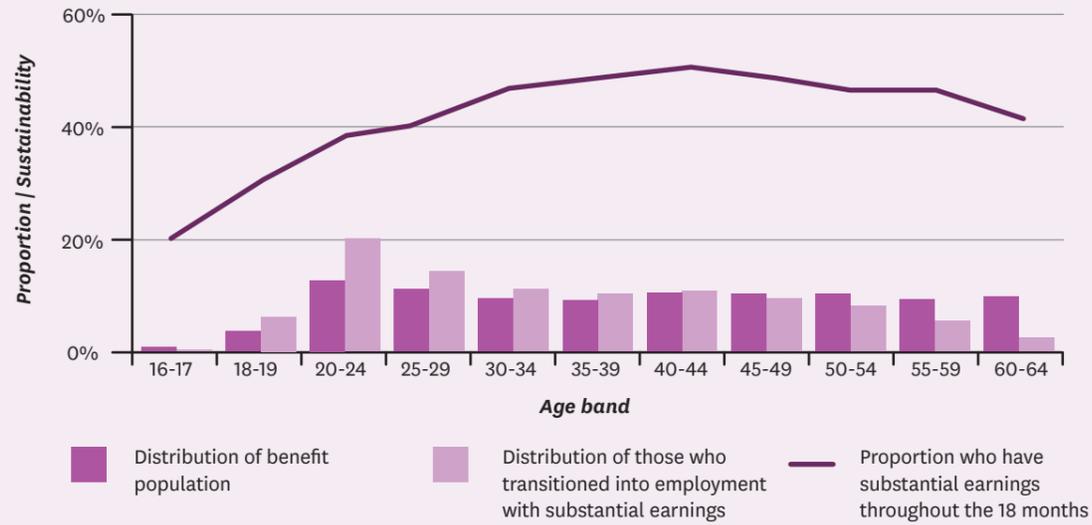
Fifty-seven percent of people exiting into employment with substantial earnings are from JS-WR/YP benefit compared to 21 percent of the benefit population, 23 percent are from SPS clients (28 percent of benefit population), and 14 percent are from JS-HCD (19 percent of benefit population).

While people on a Supported Living Payment benefit make up nearly 30 percent of the benefit population, very few exit a benefit into employment. This is not surprising given the eligibility criteria for this benefit.

Those people exiting from a Sole Parent Support or Supported Living Payment benefit into employment have the highest likelihood of continuing to earn in excess of \$1,180 per month throughout the 18 months following exit.

Only 35 percent of those exiting from a Jobseekers benefit maintain substantial earnings throughout the 18 months. This may reflect a higher proportion of jobseekers entering seasonal work, but more investigation would be needed to confirm this.

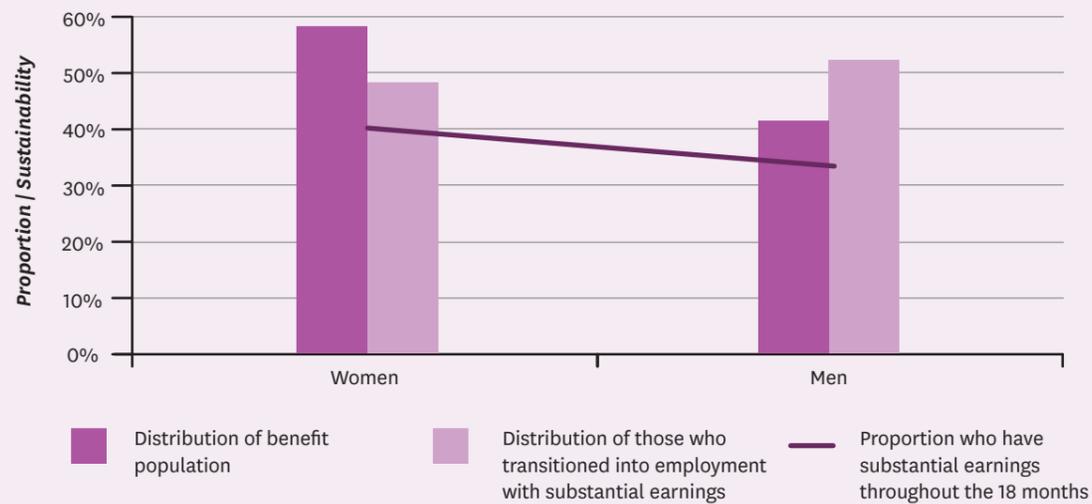
Figure 4.5: Age band at the time of exit



The average age of those leaving a benefit into employment with substantial earnings was 35 with those aged 20–24 being the largest group. The average age of the benefit population is closer to 41.

People at younger ages are much less likely to maintain substantial earnings throughout the 18 months.

Figure 4.6: Gender

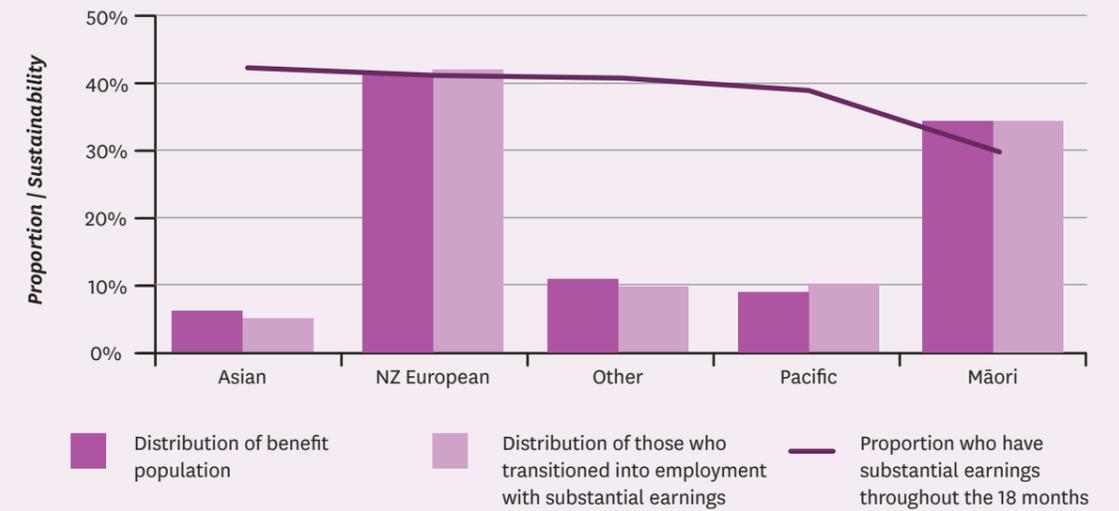


Fifty-two percent of those leaving benefit to employment with substantial earnings are men, while they only make up 42 percent of the benefit population.

Women are more likely to continue earning in excess of \$1,180 per month than men.

More investigation is needed to understand what contributes to this (such as impacts of seasonal work).

Figure 4.7: Ethnic group



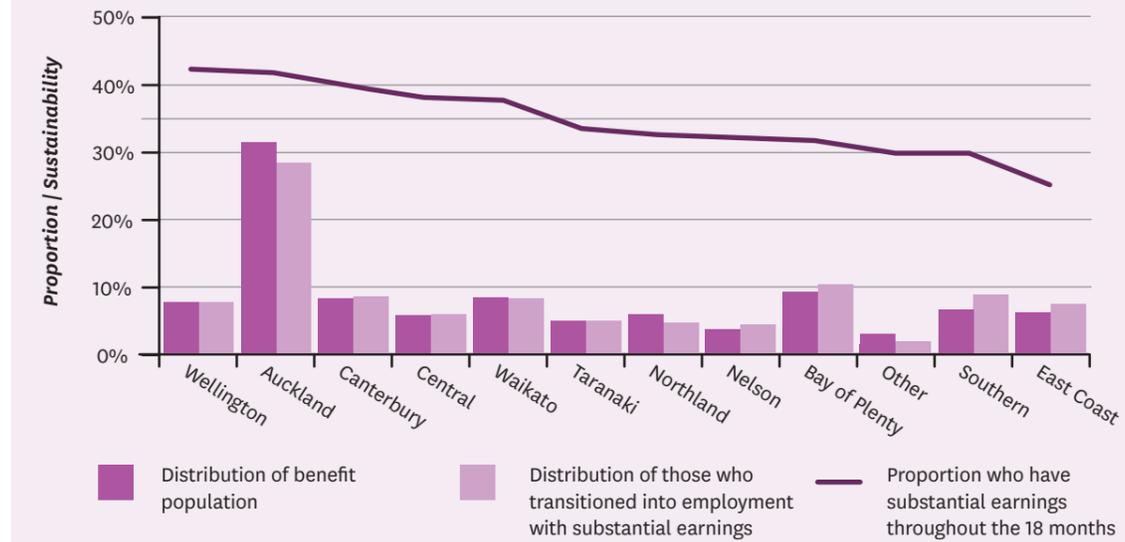
New Zealand Europeans make up the largest group of people exiting from benefit (41 percent), followed by Māori (34 percent).

Exits from benefit to employment with substantial earnings by ethnic group are split approximately equal to the groups share of the benefit population (all within one percent).

Māori have a significantly lower likelihood of sustaining earnings in excess of \$1,180 per month than other ethnic groups.

More investigation is needed to understand what contributes to this (such as greater exposure in regions impacted by seasonal work).

Figure 4.8: Region at the time of exit



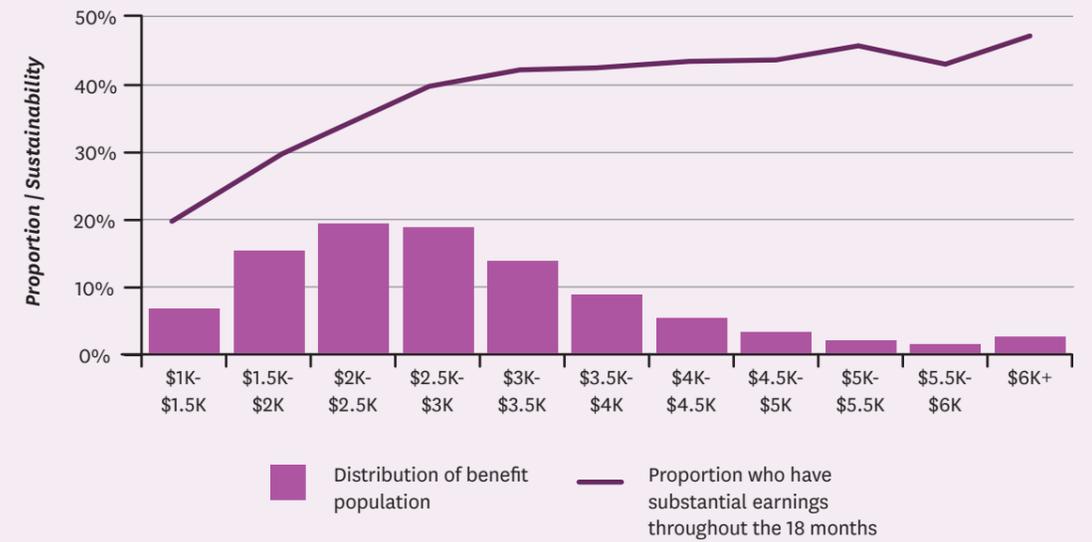
Most people who exited from benefit into employment came from Auckland (28 percent).

Exits to employment for each region were broadly in line with their share of the benefit population (within one percent).

The regions that are most likely to have people sustain earnings are those centred around the major cities of Auckland, Wellington and Christchurch.

At the other end of the spectrum are the regions with higher rates of seasonal work.

Figure 4.9: Initial earnings after time of exit

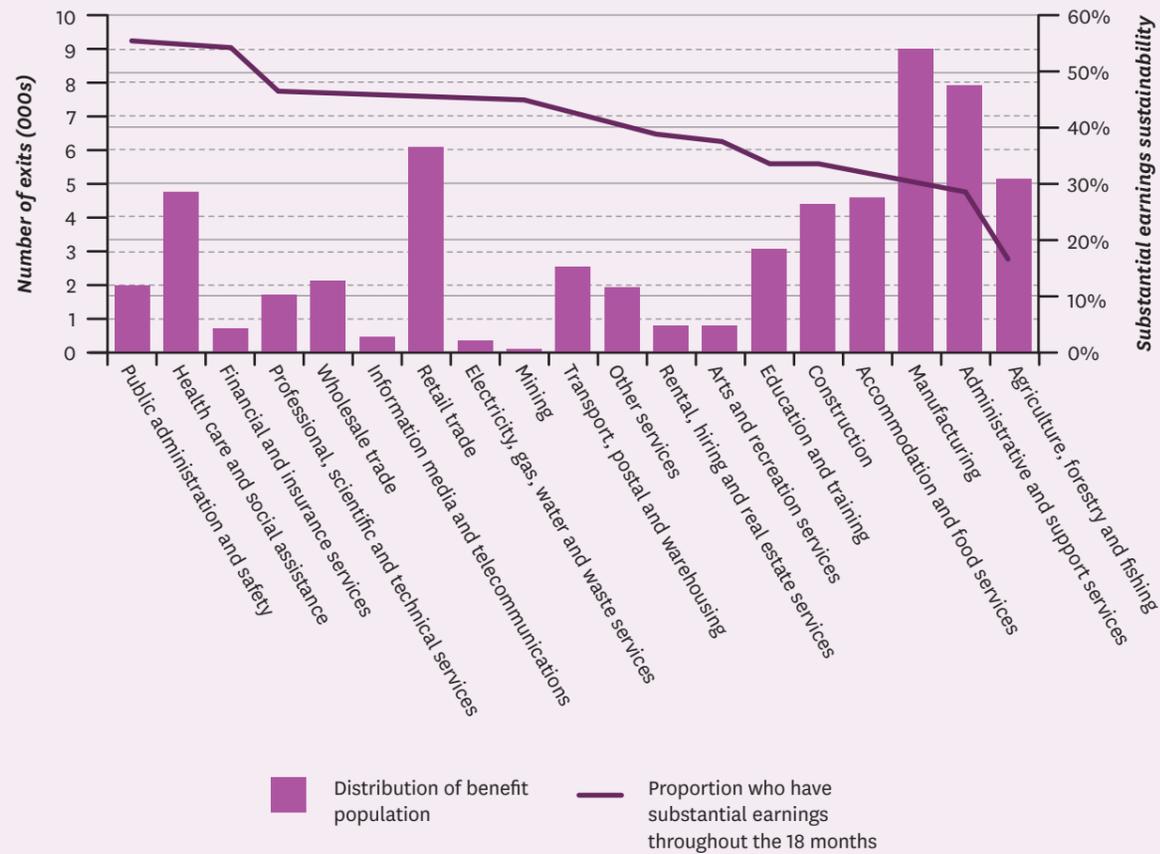


The average monthly earnings for those exiting from benefit into employment with substantial earnings is approximately \$2,900.

Sixty-two percent are earning less than \$3,000 per month immediately after leaving the benefit.

The higher the initial earnings, the more likely it is that people will sustain substantial earnings.

Figure 4.10: Initial industry after time of exit

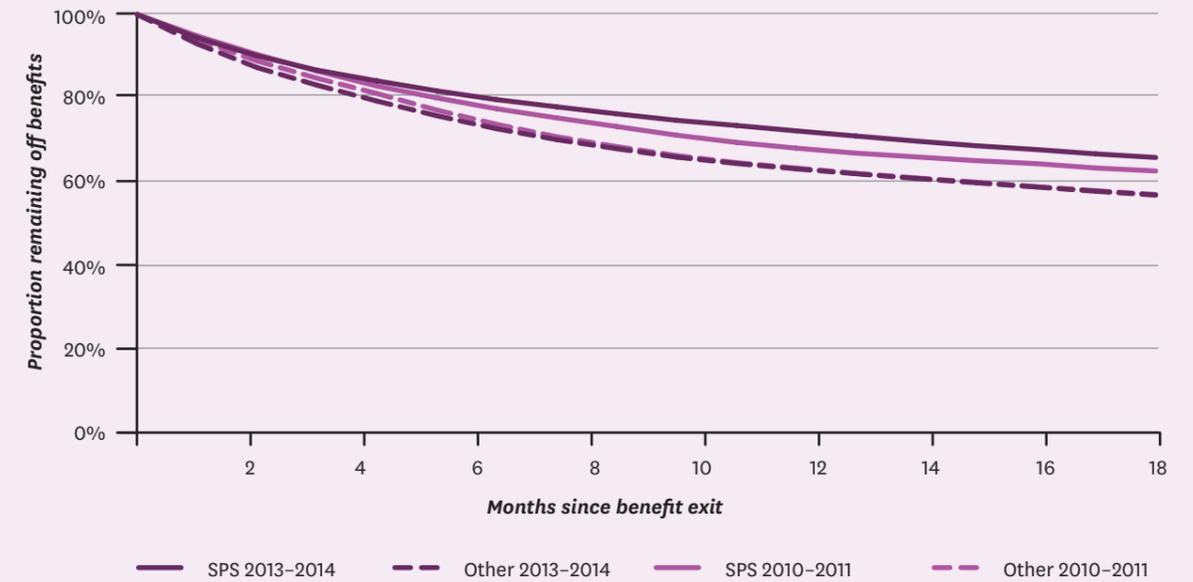


While the highest number of placements into employment occurred into 'Manufacturing' and 'Administrative and support services', they also had the lowest likelihood of sustaining substantial earnings apart from the highly seasonal 'Agriculture, forestry and fishing'. The industries that had a high number of placements and still a reasonable rate of sustaining earnings were 'Health care and social assistance' (4,788 people with 55 percent sustaining substantial earnings) and 'Retail trade' (6,072 people with 46 percent sustaining substantial earnings).

4.5 How has off-benefit sustainability changed between cohorts

Figure 4.11 below shows the proportion of people who remain off benefit after exiting a benefit into employment with substantial earnings. We only look at spells off benefit until people first return to a benefit. For this figure, JS-WR, JS-HCD and SLP have similar experience and have been grouped together.

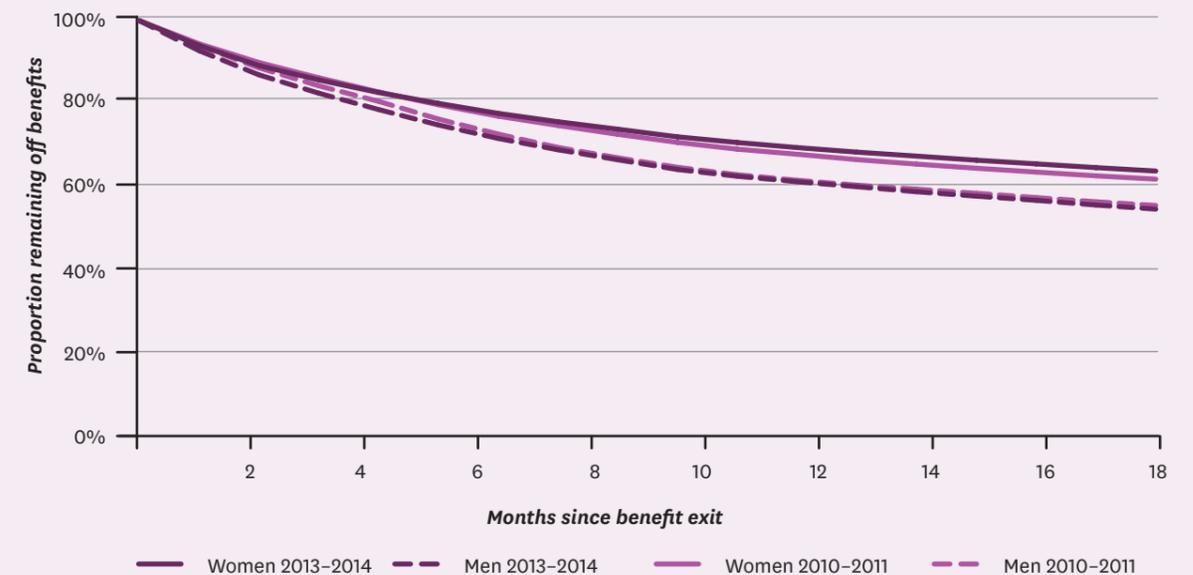
Figure 4.11: Off-benefit sustainability by benefit type



Sole Parents who transition off benefit into employment (earning more than \$1,180 per month), have a higher chance of remaining off benefit than other benefit types. While off-benefit sustainability has not materially changed for most benefit types between cohorts, there has been a small increase for the 2013-2014 cohort of Sole Parent clients.

Figure 4.12 below shows the proportion of people who remain off benefit after exiting a benefit into work by gender.

Figure 4.12: Off-benefit sustainability by gender

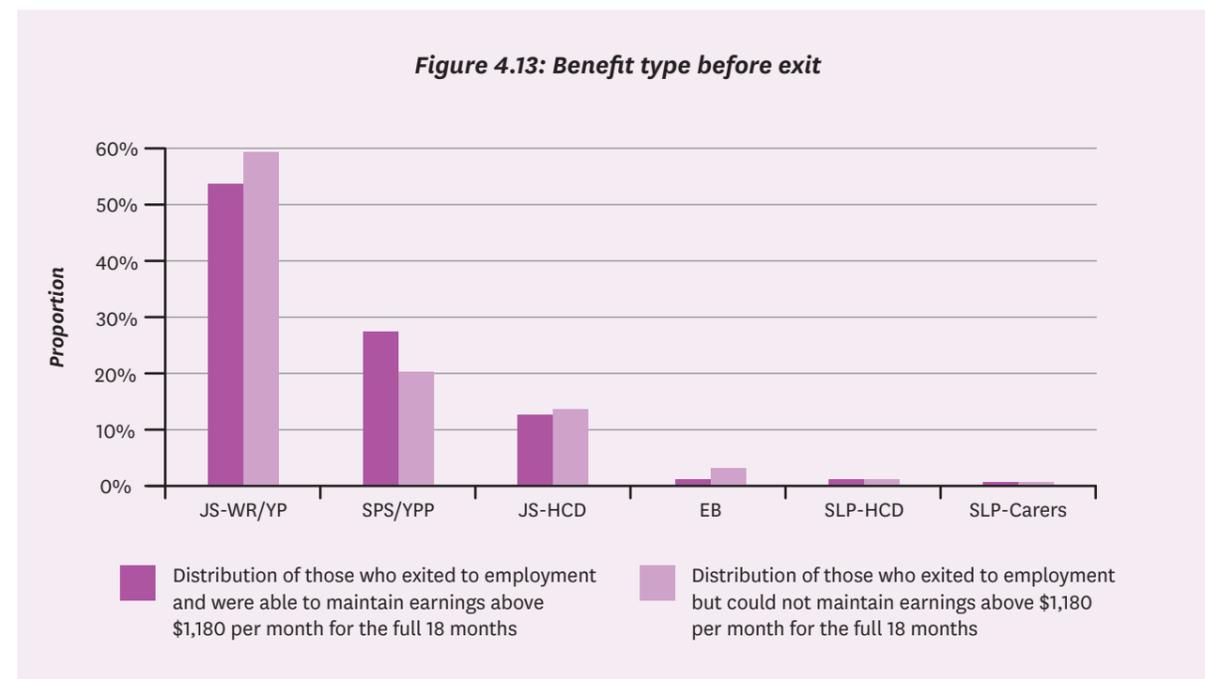


Off-benefit sustainability varies by gender. Men are more likely to return to benefit with 45 percent of men and 36 percent of women having returned to benefit within 18 months. This is consistent with the higher off-benefit sustainability of ex-Sole Parent Support clients.

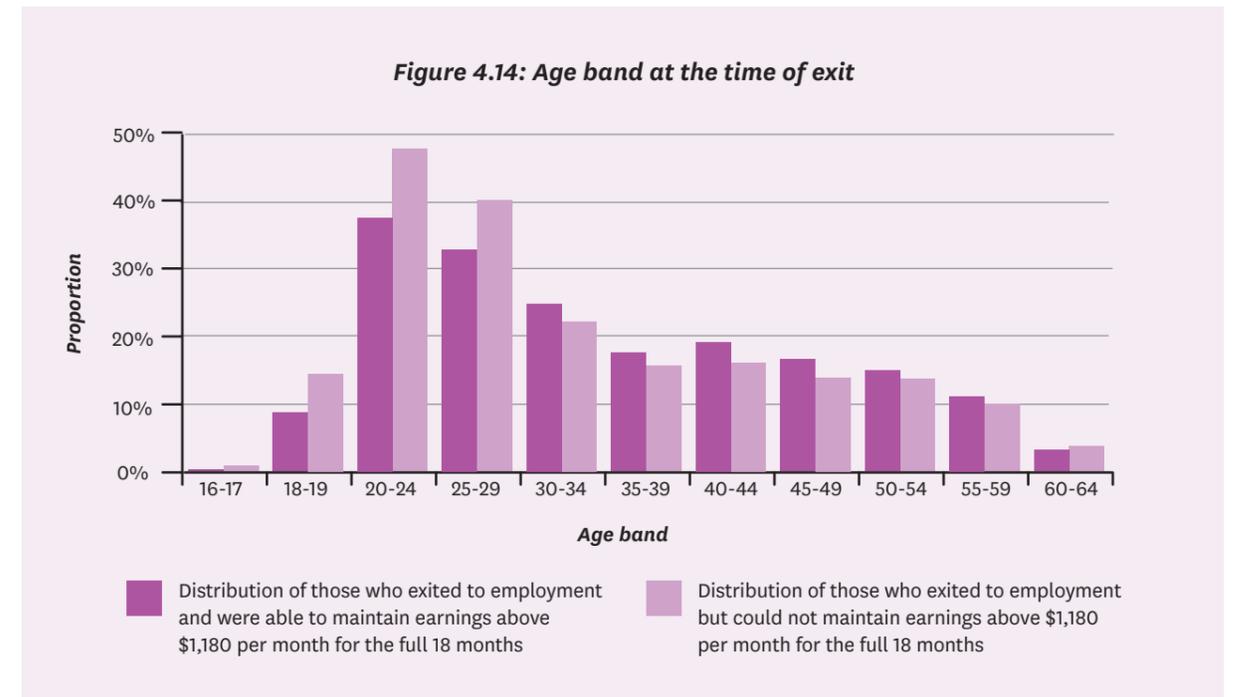
4.6 Characteristics of those who sustain substantial earnings versus those who do not

In Section 4.2, we introduced the concept of substantial earnings sustainability. Now we are going to look at the proportion who have sustained substantial earnings (i.e., in excess of \$1,180 per month) throughout the whole 18 months, and compare them to those who have at least one month where they have not earned more than \$1,180. We have termed these groups 'sustained' and 'not sustained' respectively.

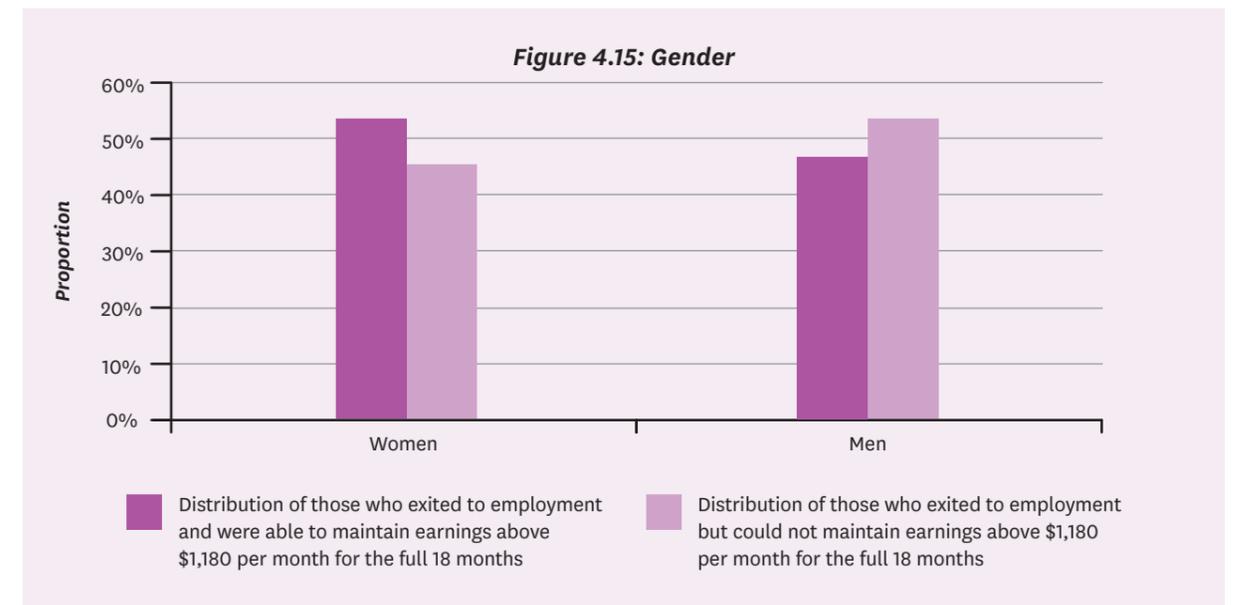
Figure 4.13 – Figure 4.18 below show how the distribution of people who exited benefit into employment differ for those who manage to sustain substantial earnings compared to those that do not.



People who moved into employment from Sole Parent Support (28 percent) made up a higher proportion of those that sustained substantial earnings than those that did not (21 percent). For Jobseeker – work ready the effect was reversed (54 percent compared to 59 percent).

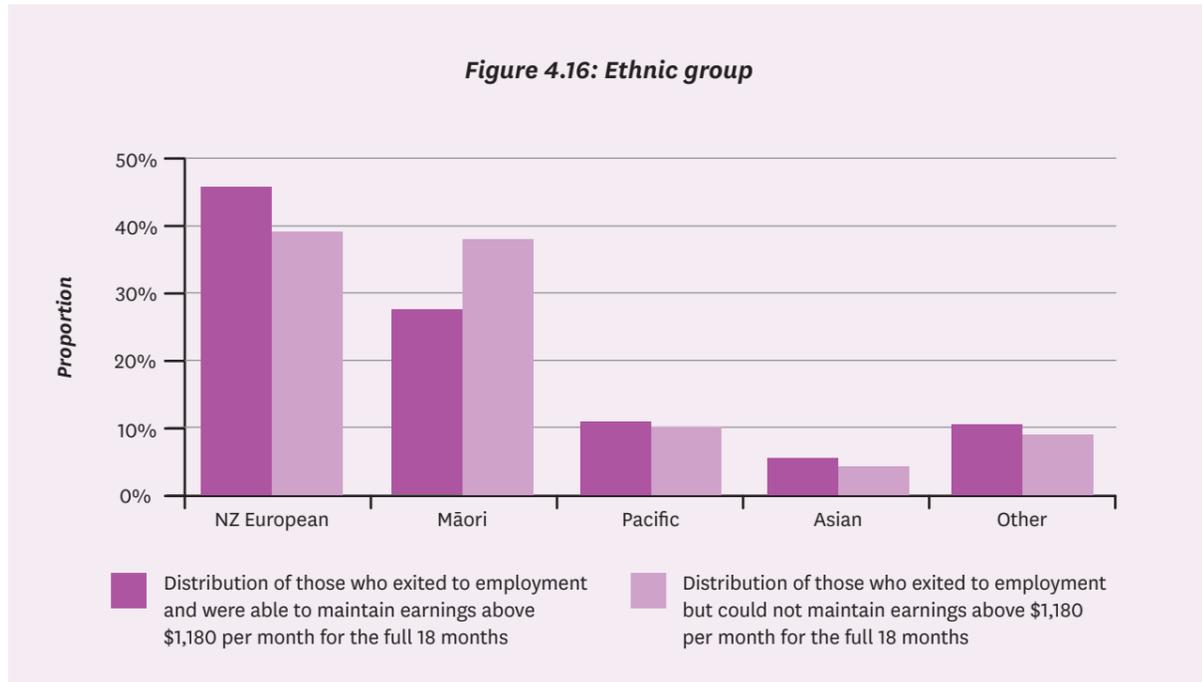


The mean age of those who sustained substantial earnings, is 37, which is two years older than those who did not. Overall age distribution for the sustained group is older than those that didn't.



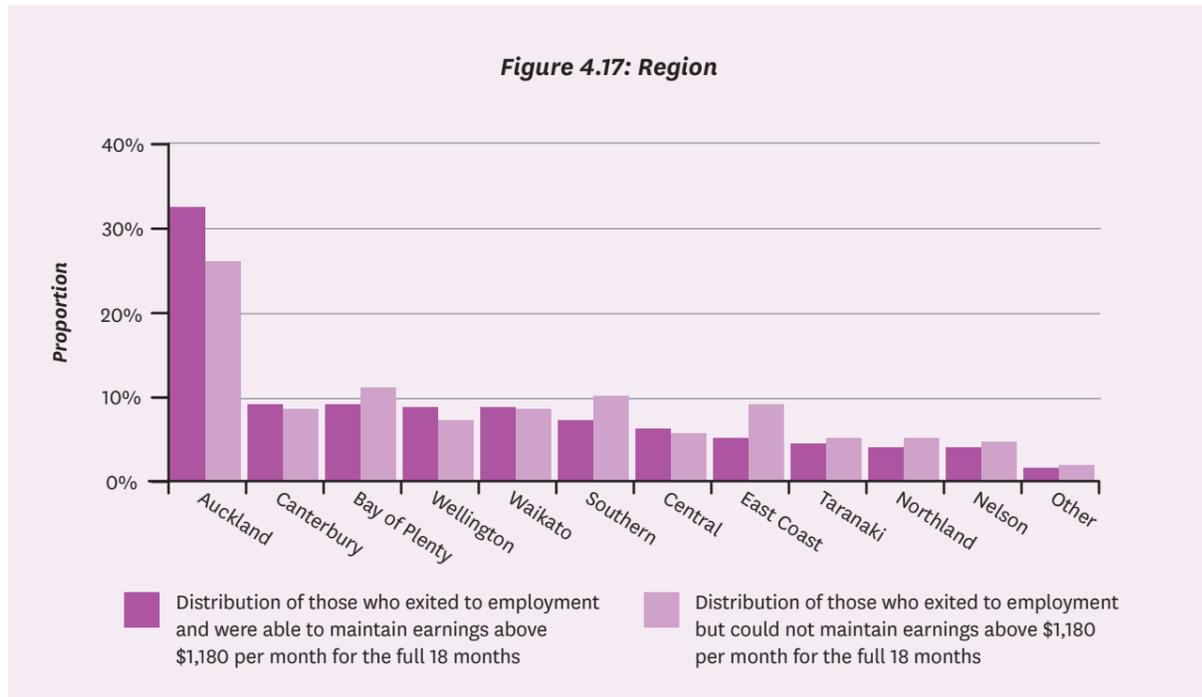
A higher proportion of those that sustained substantial earnings were women (53 percent) than those who did not (45 percent).

Figure 4.16: Ethnic group



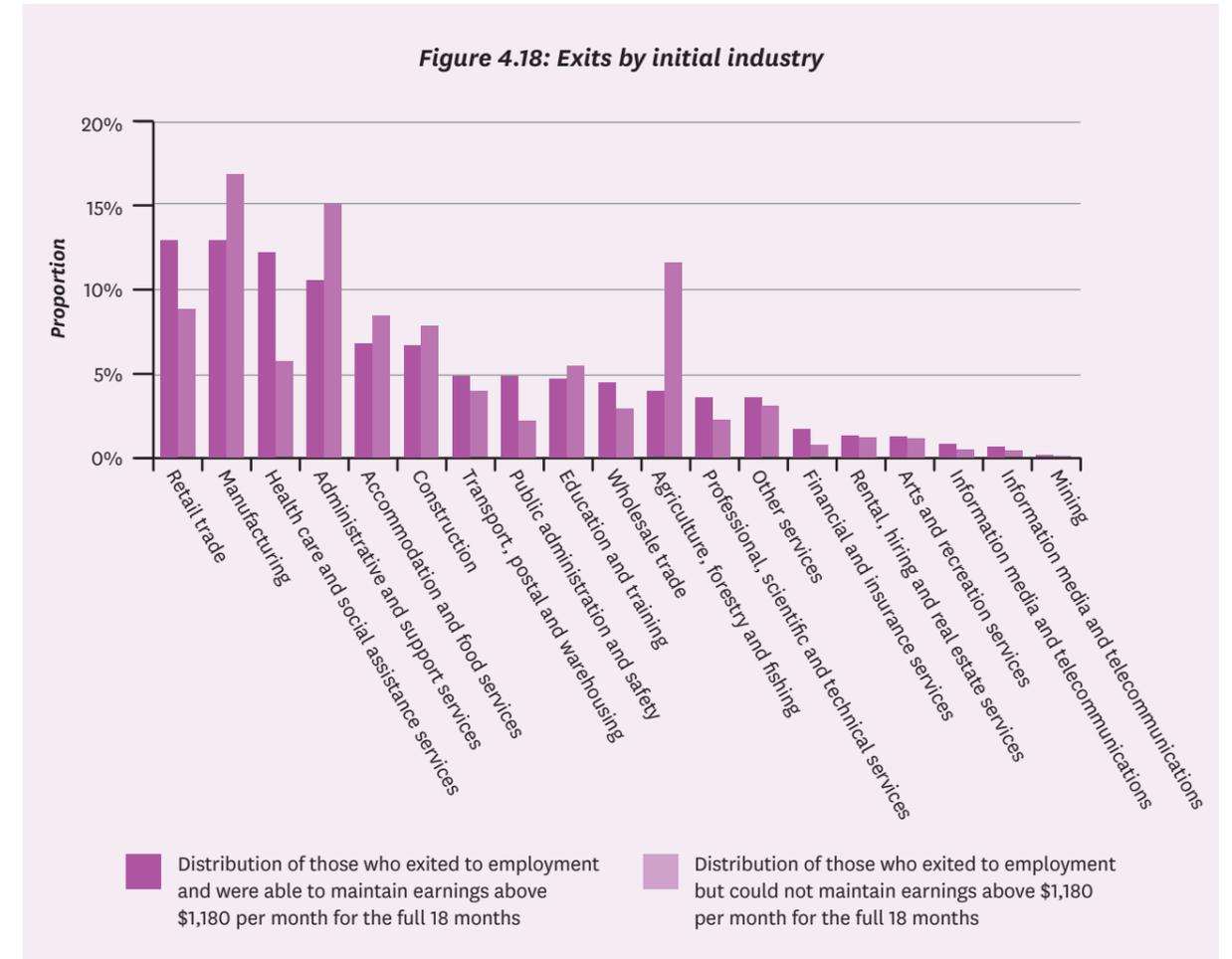
New Zealand Europeans (46 percent) make up a higher proportion of those that are able to sustain substantial earnings than of those who cannot (39 percent). For Māori the opposite is true making up 28 percent of those that sustain earnings compared to 38 percent of those that do not.

Figure 4.17: Region



A higher proportion of those who sustained substantial earnings are in Auckland (33 percent) than those that didn't (26 percent). East Coast, Southern and Bay of Plenty regions have higher portions of those that do not sustain substantial earnings by about 2-3 percent. These are areas with high seasonal work.

Figure 4.18: Exits by initial industry

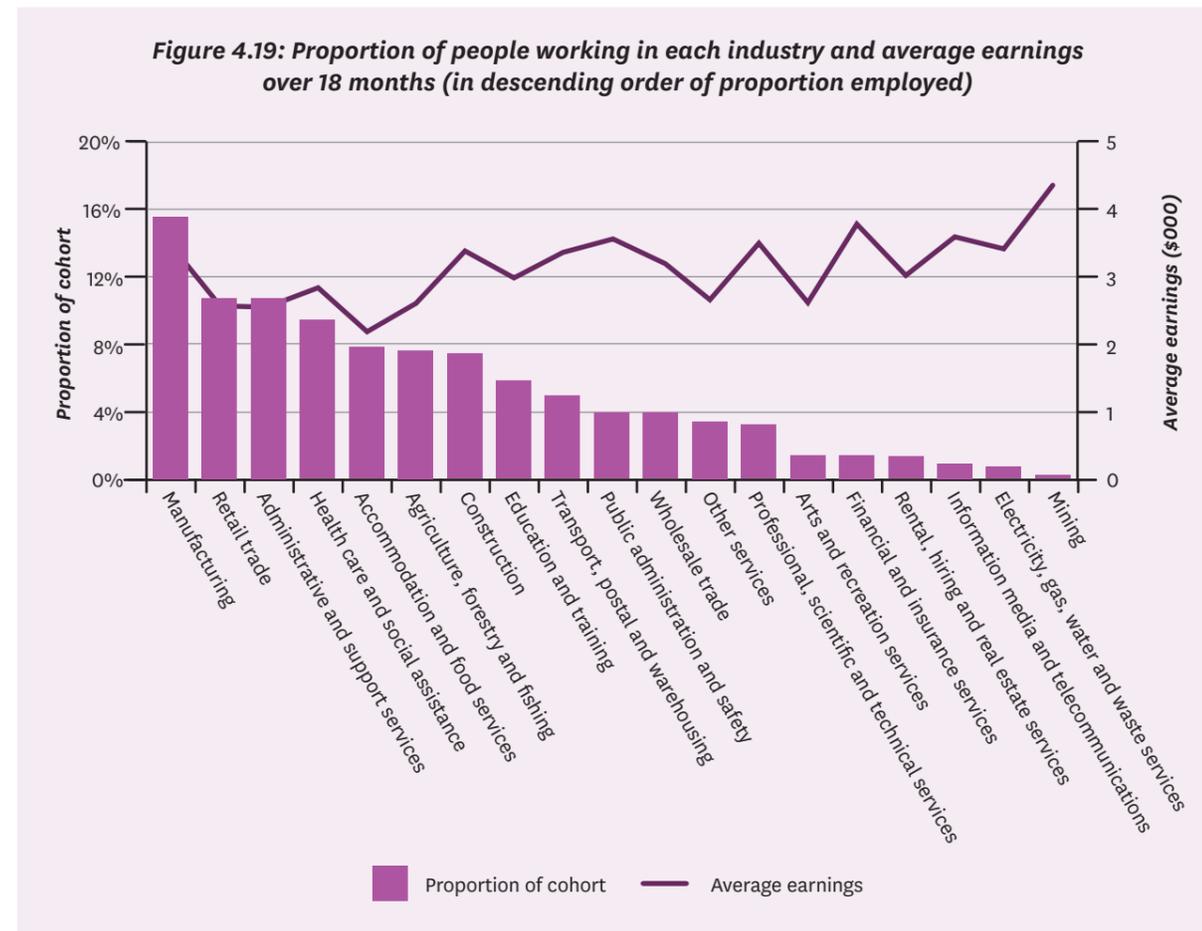


The 'Agriculture, forestry and fishing' industry has a high proportion of people that do not sustain substantial earnings compared to those that do. This is not surprising given the high rate of seasonal work in these industries. Other industries that have a lower share of sustained substantial earnings compared to non-sustained are 'Manufacturing' and 'Administrative and support services'.

Better substantial earnings sustainability outcomes are found in 'Retail trade', 'Health care and social assistance' and 'Public administration and safety'.

4.7 Earnings of those who exit benefit into employment

We have looked at the earnings in the month following exit from benefit of those people who moved off a benefit into employment with substantial earnings (more than \$1,180 per month).

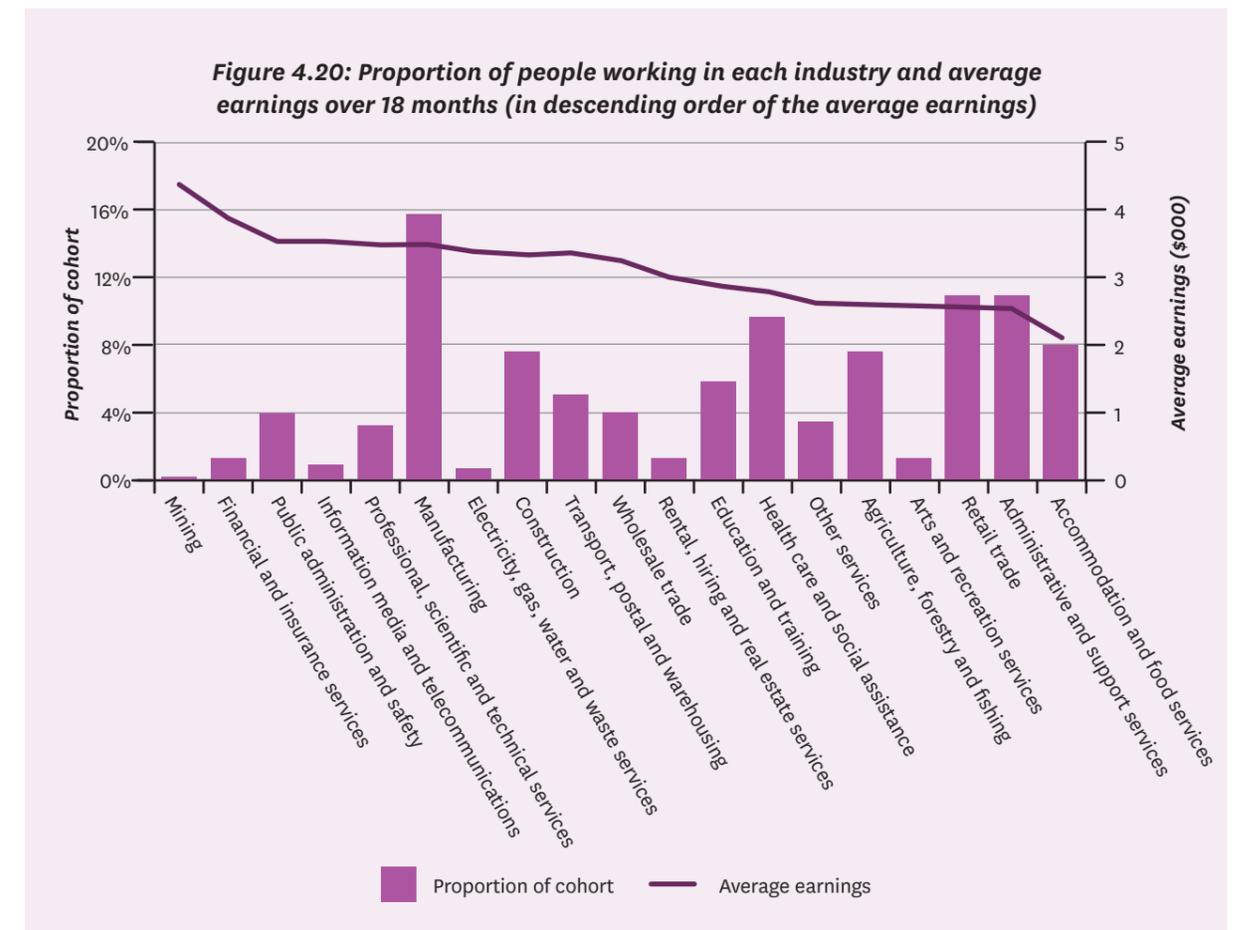


The top five industries that people worked in over the 18-month investigation period were:

1. Manufacturing
2. Retail trade
3. Administrative and support services
4. Health care and social assistance
5. Accommodation and food services

These correspond to 54 percent of the beneficiaries and their associated average earnings ranged from \$2,200 to \$3,400 per month.

This differs slightly from the top five industries into which people initially went on entering employment. Comparing to Figure 4.10 above, we see that the main difference is that 'Agriculture, forestry and fishing' is one of the top five industries that people initially entered, while 'Accommodation and food services' is one of the top five industries that people worked in over the 18 months after entering employment. This may reflect a higher proportion of 'Agriculture, forestry and fishing' work being of a seasonal and/or temporary nature.



The top five industries with the highest average earnings are:

1. Mining
2. Financial and insurance services
3. Public administration and safety
4. Information media and telecommunications
5. Professional, scientific and technical services

The average earnings in these five industries ranged from \$3,500 to \$4,300 per month. This could be due to a combination of higher average rate of pay and/or higher average hours worked. The data available do not allow us to differentiate between these factors. Of note is that the industries with the highest average earnings make up a small percentage (ten percent) of employment transitions. These are industries that on average are likely to require a higher level of skills.

4.8 Earnings growth for people who remain in employment for 18 months

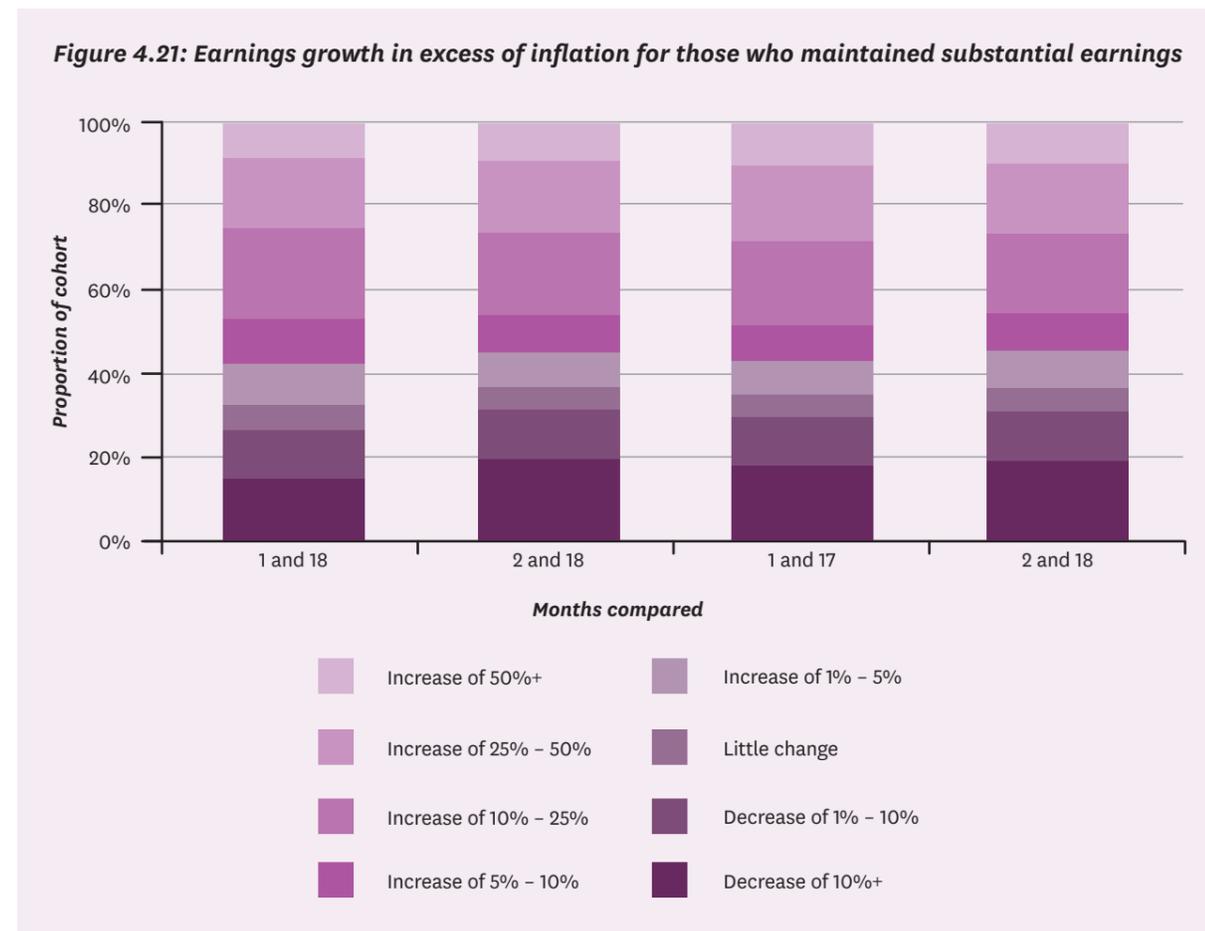
In this section, we look at a subgroup of people who sustained earnings in excess of \$1,180 per month for the full 18 months.

There are possible fluctuations in earnings in the Employer Monthly Schedule data due to (for example):

- additional numbers of weekly or fortnightly pays in each month
- incomplete months worked particularly in the first or last month of the period observed
- additional accrued leave payments in the final month of employment.

We examined the increases in earnings for a variety of periods from either the first month or second month observed, to the penultimate or last month observed to compare the pattern of increases in earnings. We chose the movements from month two to month 17 as the most likely to compensate for these issues.

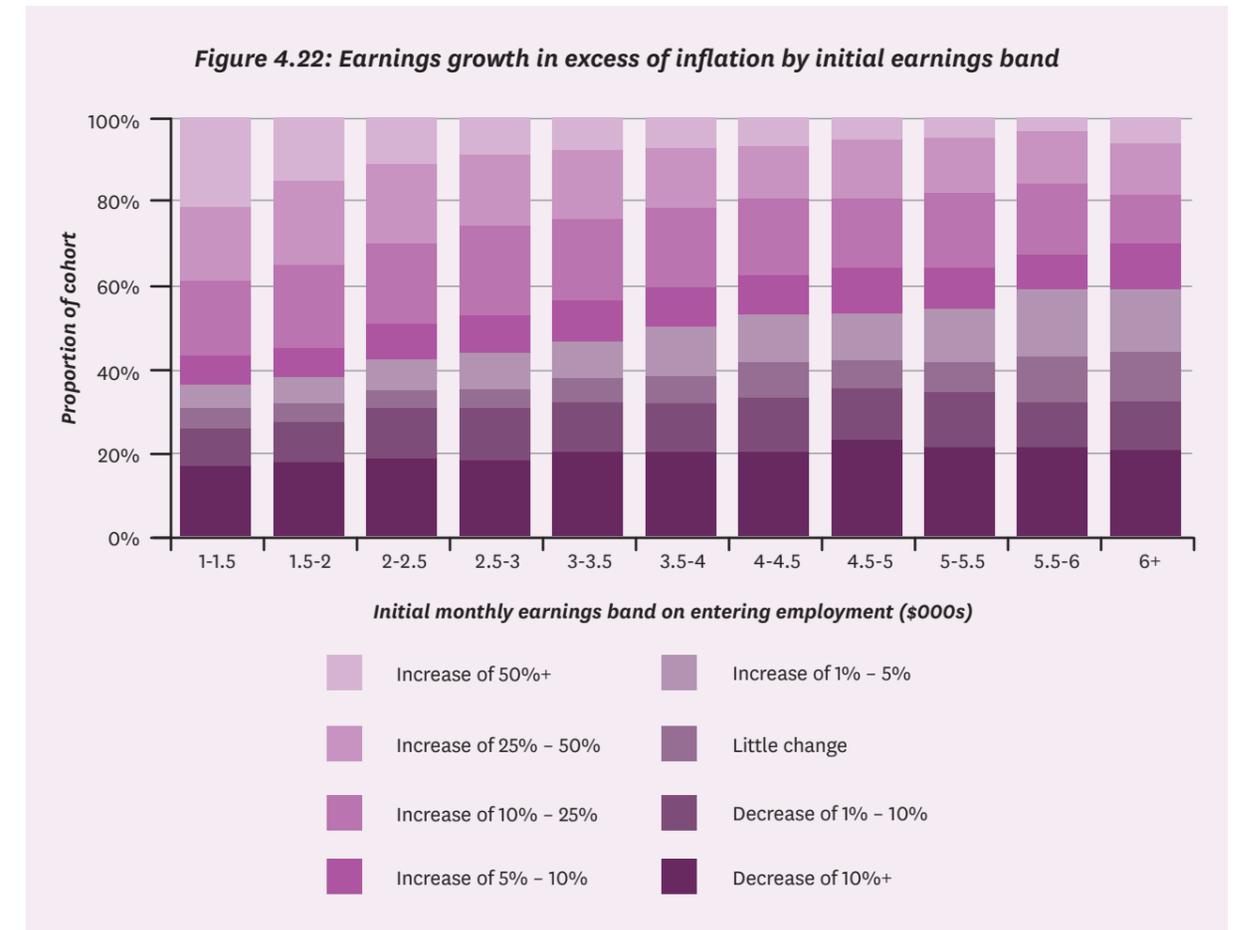
Figure 4.21 below shows that the distribution of earnings growth between month two and 17 agree broadly amongst the other options (ie between month one & 18, two & 18 and one & 17).



In all cases, almost half of the people who sustained substantial earnings had earnings growth in excess of 10 percent over inflation over the observation period.

4.8.1 By initial earnings

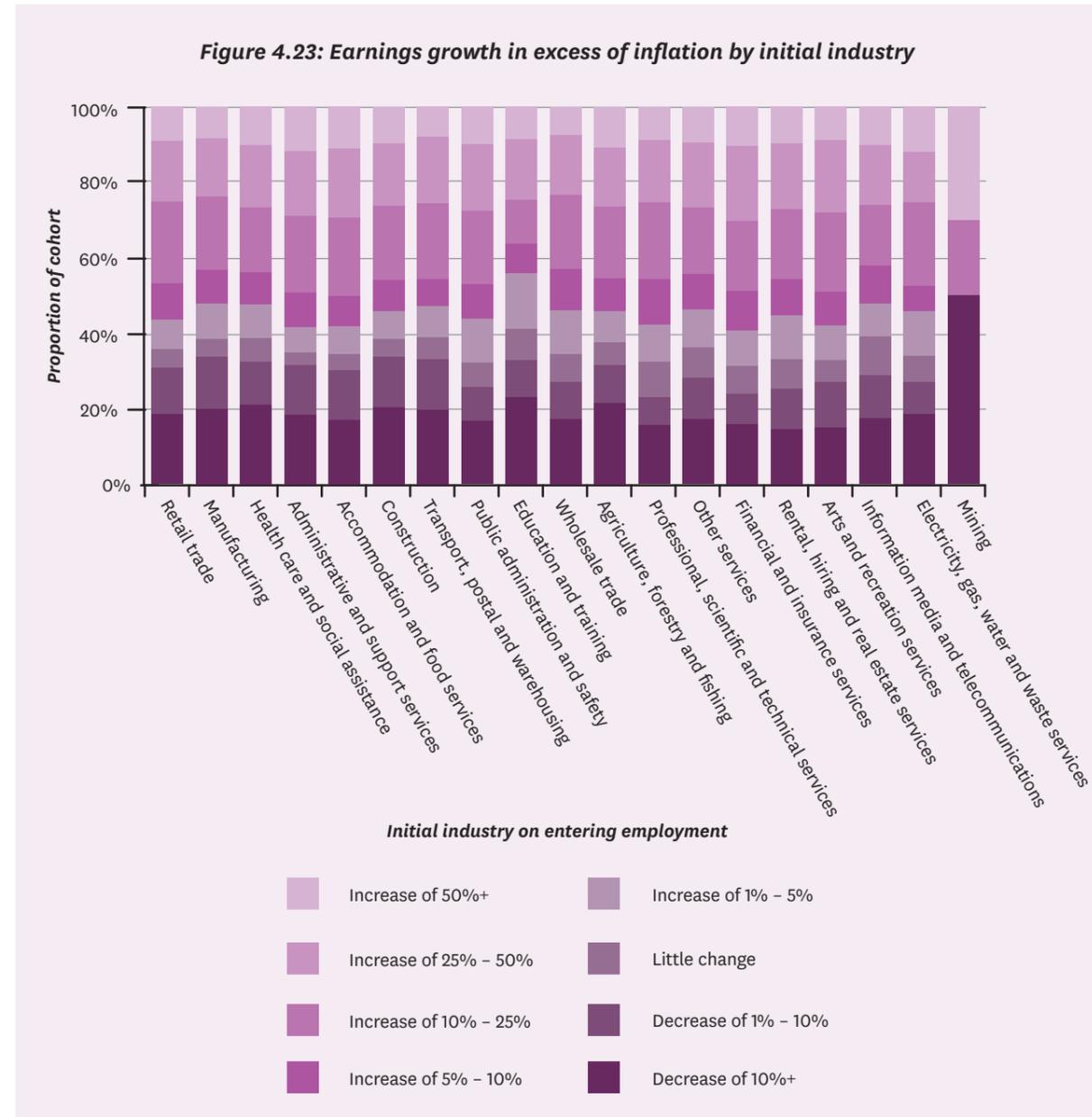
Figure 4.22 below shows, for the 2013–2014 cohort, how earnings has grown in excess of inflation for the about 22,000 people who sustained substantial earnings from the start to the end of the 18-month observation period.



A significant portion of those exiting benefit to part-time or low wage employment who sustained earnings in excess of \$1,180 per month, have experienced earnings growth well in excess of price inflation. For example, 35 percent of those who transitioned to employment and initially earned between \$1,500 and \$2,000 per month had earnings growth of more than 25 percent per annum in excess of price inflation. While a portion of this could be as a result of increasing rates of pay, the more likely reason is more hours of work. The data available did not allow us to quantify these impacts.

4.8.2 By initial industry

Figure 4.23 below shows, for the 2013–2014 cohort, how earnings have grown in excess of inflation for the about 22,000 people who sustained employment from the start to the end of the 18-month observation period depending on their initial industry placement. These are ordered by highest to lowest number of people who sustained substantial earnings (as in Figure 4.18).



Two of the large numbers of transitions into employment occurred into 'Manufacturing' and 'Administration and support services'. More than 60 percent of both groups of people enjoyed earnings growth above inflation, while one in three people enjoying earnings growth in excess of 25 percent per annum if they exit into 'Administrative and support services' compared to one in four if they exit into 'Manufacturing'.

Overall, there were 64 percent of people who sustained earnings in excess of \$1,180 per month that also experienced an increase in earnings above inflation.

Aside from 'Mining', we see that 'Education and training' had the lowest proportion of those experiencing earnings growth, but still had 59 percent of them with earnings increasing at least one percent above inflation.

5. Exits from benefit into education or training

In this chapter, we look at the sub-group of people who exited from a benefit into education or training, in particular:

- their characteristics
- how outcomes develop over the 18 months following exit from benefit, and
- how long they are able to remain off benefit.

5.1 Summary

Thirty-five percent of people who left a benefit for education or training have returned to benefit at the 18-month mark. This is significantly higher than those who exit into employment and for most other reasons of exit. Note that returning to a Jobseeker-Student Hardship benefit is not considered a return to benefit for this analysis.

After 18 months, only eight percent of those who exited from benefit are still in education or training and 28 percent are in employment with substantial earnings (50 percent for those who were in a training course).

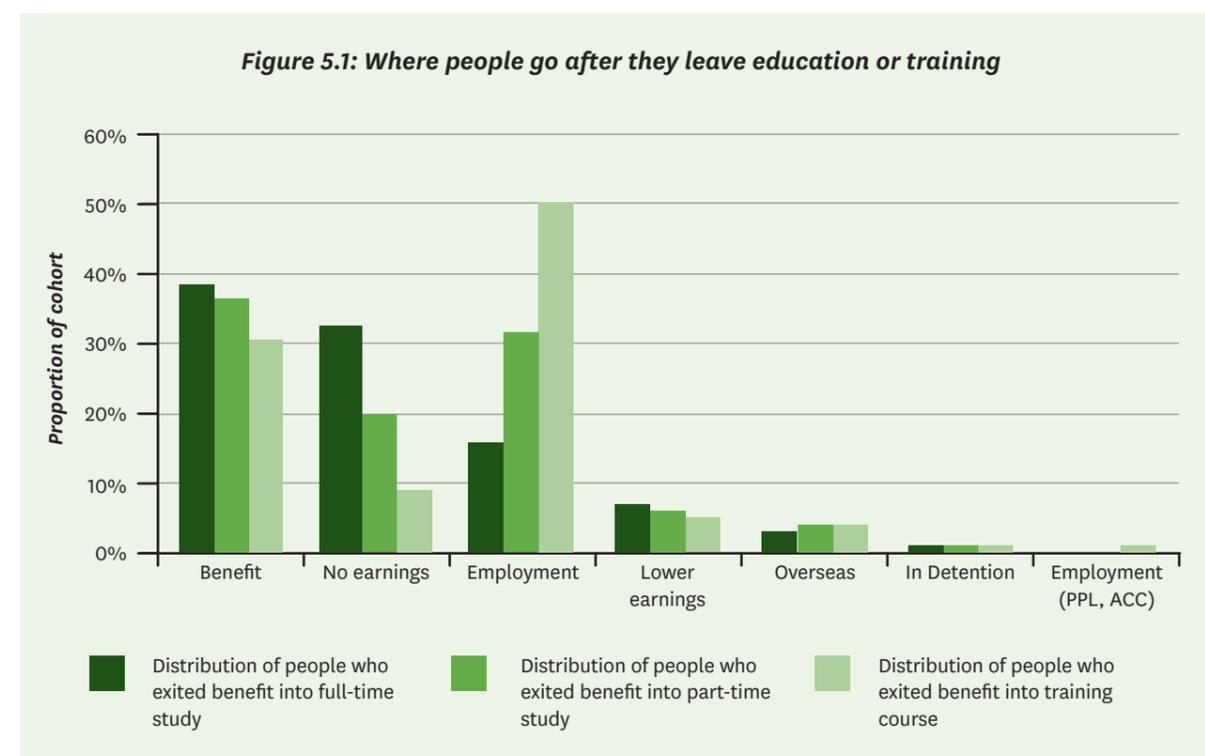
People who left a benefit to go into tertiary study were more likely to return to benefit than those who exit into a training course.

The higher the level of tertiary study a person enters into the more likely they are to remain off benefit.

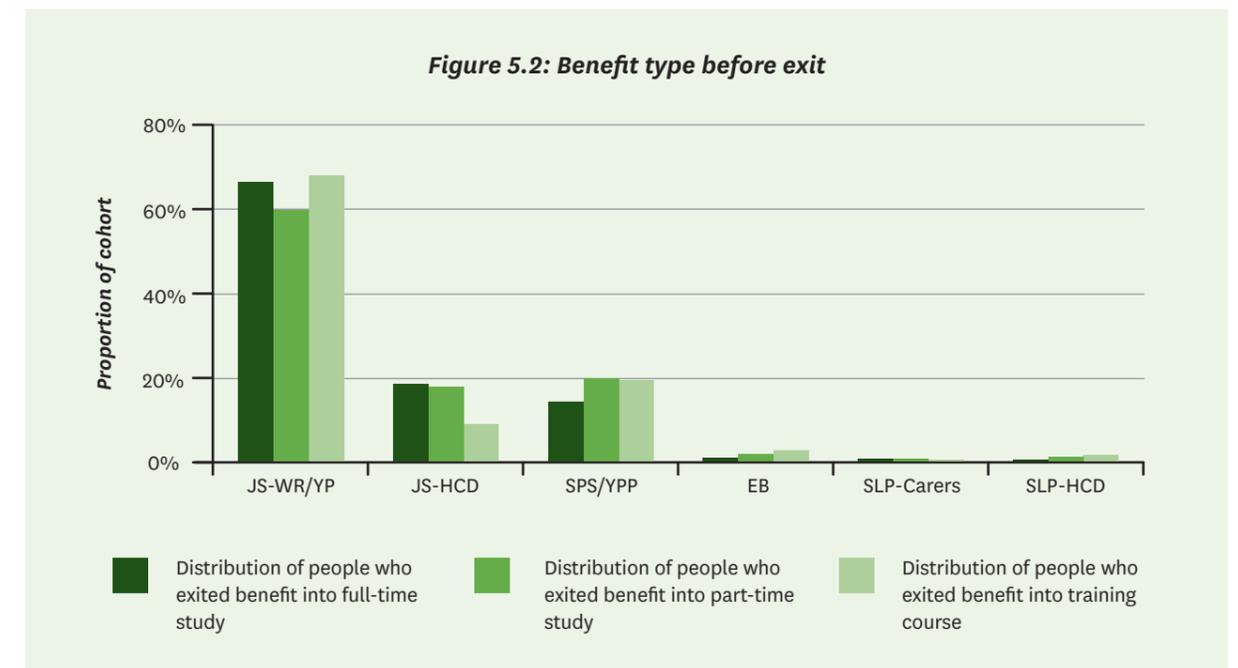
A person who enrolled in a higher level of qualification than they have previously engaged in has a higher chance of remaining off benefit.

5.2 What people who exit benefit into education or training look like

The following figures give a profile of the people who left a benefit to go into education or training.



The largest portion of those who went onto education and had finished in education within the 18 months returned back on benefit straight after. However, 50 percent of those in training were in employment after finishing training. Thirty-two percent of those in part-time study and only 16 percent of those in full-time study were in employment immediately after finishing study.



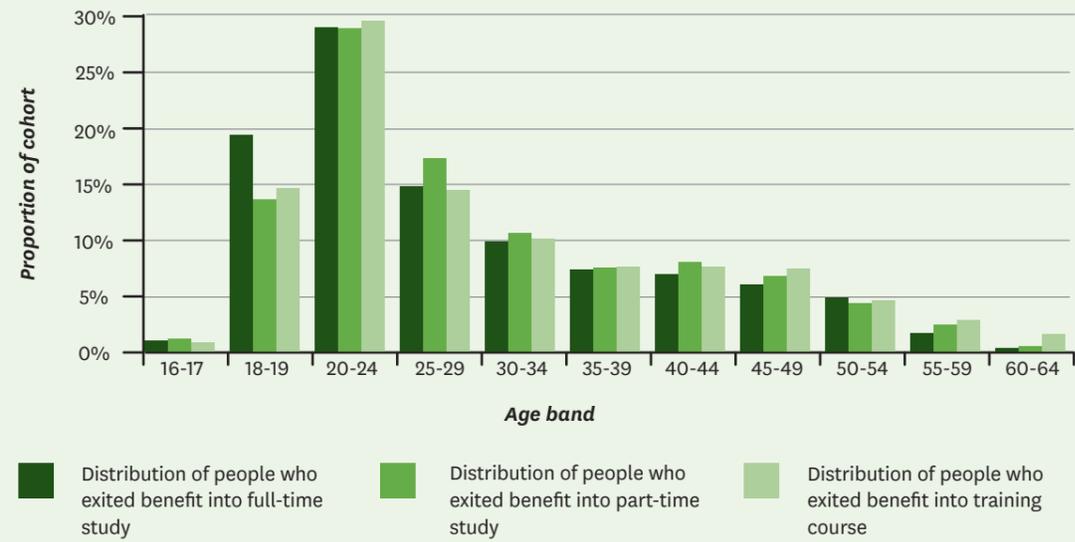
Most of those who exited to education or training come from JS-WR/YP. Of the 9,100 people who left to go to full-time education, 66 percent were from JS-WR/YP, 18 percent from JS-HCD and 14 percent from SPS.

For the 2,600 who went into part-time education, the splits were 59 percent, 18 percent, and 20 percent respectively.

For the 1,900 who went into training, the splits were 68 percent, nine percent, and 19 percent respectively.

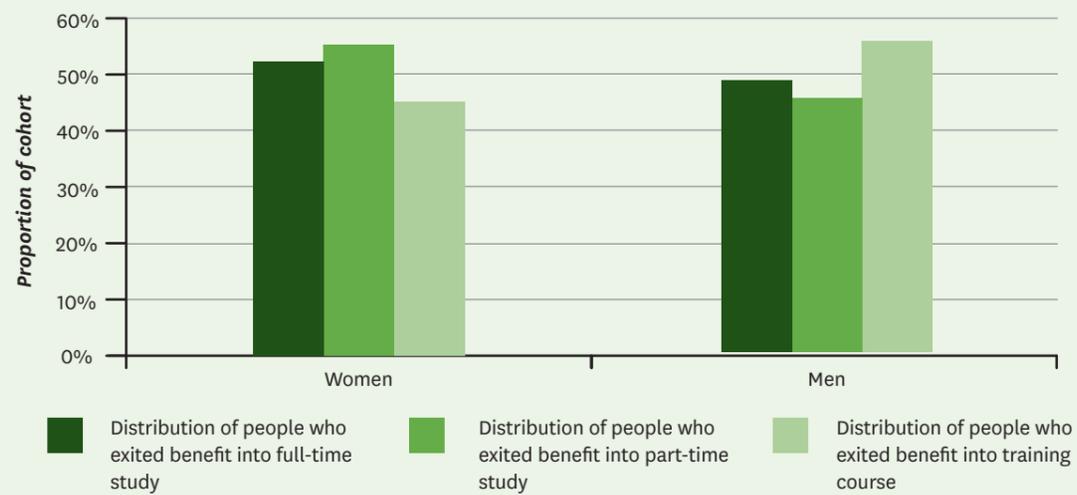
So most of those who went into education or training were also available for work.

Figure 5.3: Age band at the time of exit



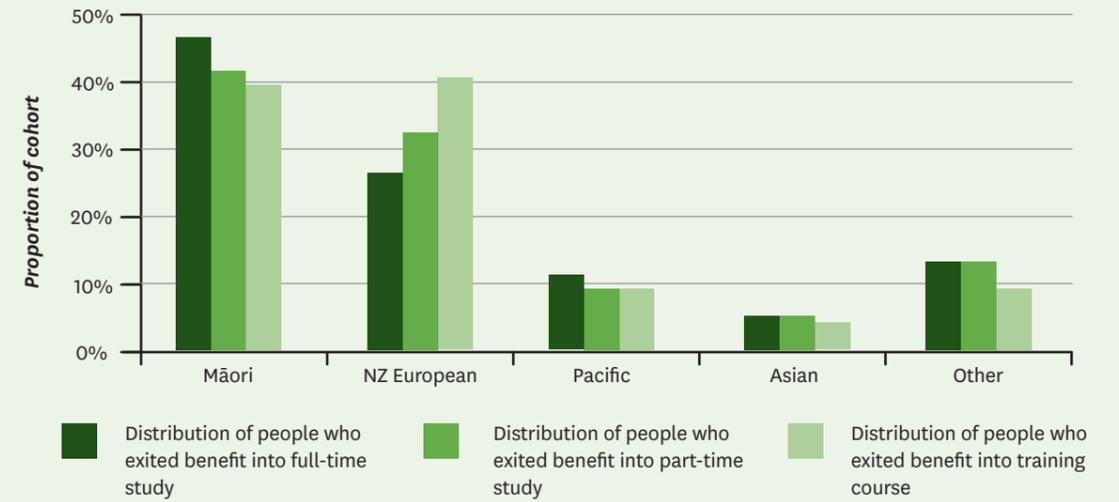
People who exited benefit into education are on average younger than those who exit for all other reasons. This is not unexpected, however, there are still a significant number of older people leaving a benefit for education or training.

Figure 5.4: Gender



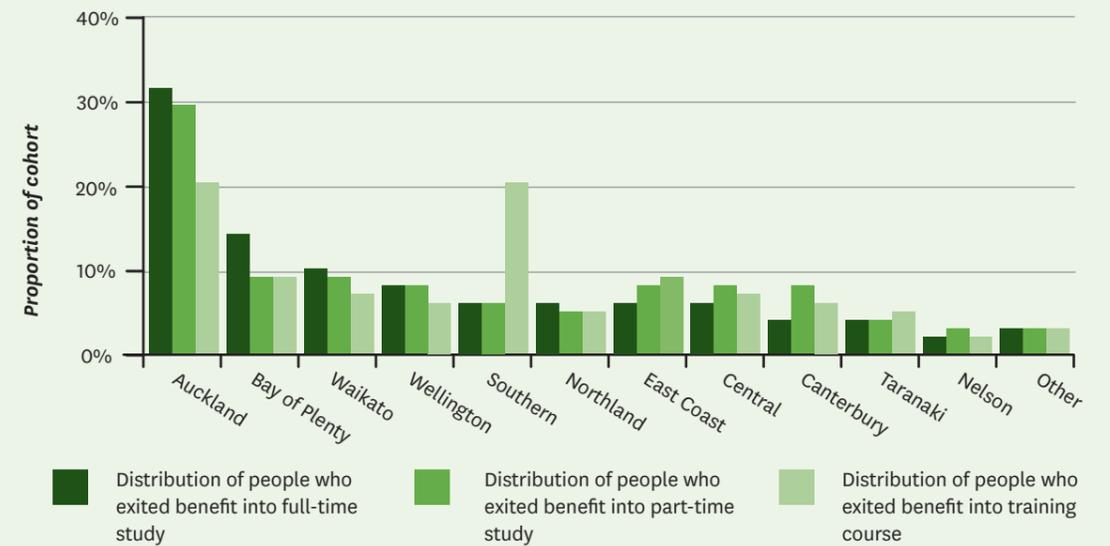
More men went onto a training course (55 percent) than women (45 percent). The reverse is true for those who went onto tertiary study with 47 percent men and 53 percent women.

Figure 5.5: Ethnic group



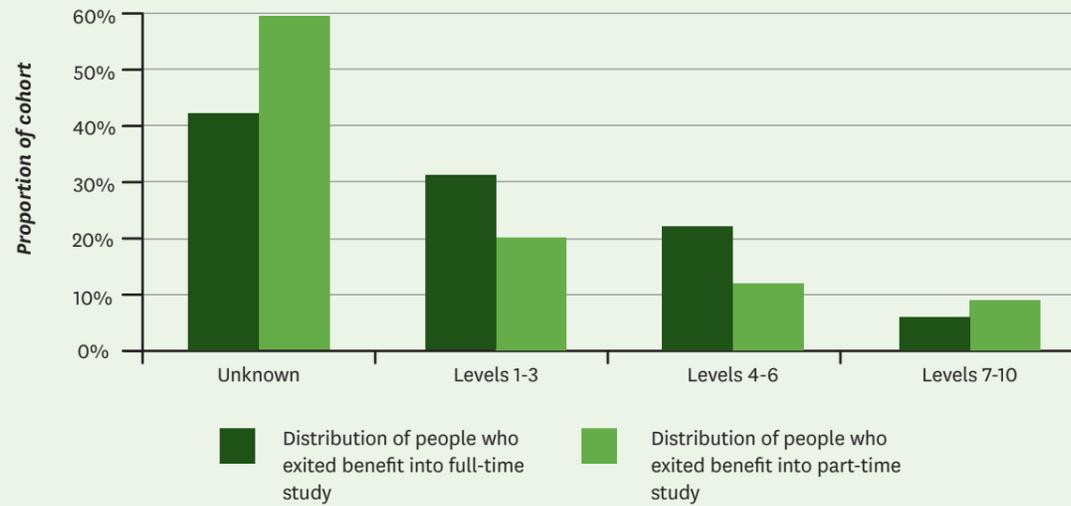
Those in industry training courses are equally represented by New Zealand European and Māori at 39 percent. The highest proportion of those who enrolled into tertiary courses were Māori students (44 percent).

Figure 5.6: Exits from benefit by region



Industry training courses were mostly represented by people from Auckland and Southern Regions, although the Auckland exits are a lot lower than that regions share of all exits.

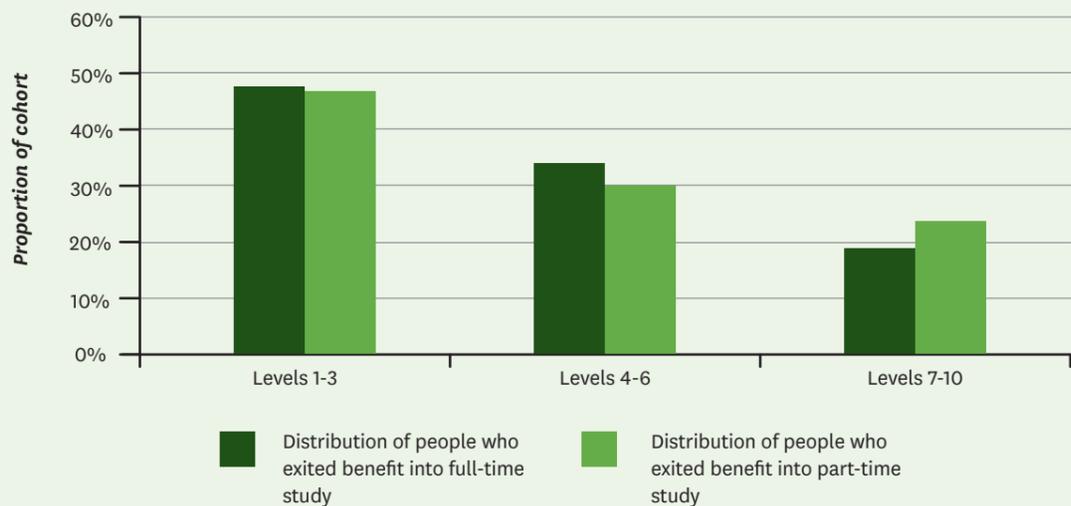
Figure 5.7: Educational exits by highest qualification level prior to exit



We looked at the highest qualification the education exits had completed prior to their exit from a benefit. It's apparent that we don't have all of the qualification information collected for all clients as a significant proportion for the two groups had missing qualification recorded.

For qualifications that we have available, we can see most of them are New Zealand Qualifications Framework (NZQF) levels 1-3, followed by levels 4-6.

Figure 5.8: Education exits by level of qualification enrolled in one month after exit



We looked at the qualification level that people who exited a benefit into education were enrolled in one month after exiting. These are identified from the Ministry of Education data available to us.

We can see that most people enrolled in courses at level 1-3 of the NZQF.

Figure 5.9: By whether the students were enrolled in a higher/same/lower level qualification one month after exit

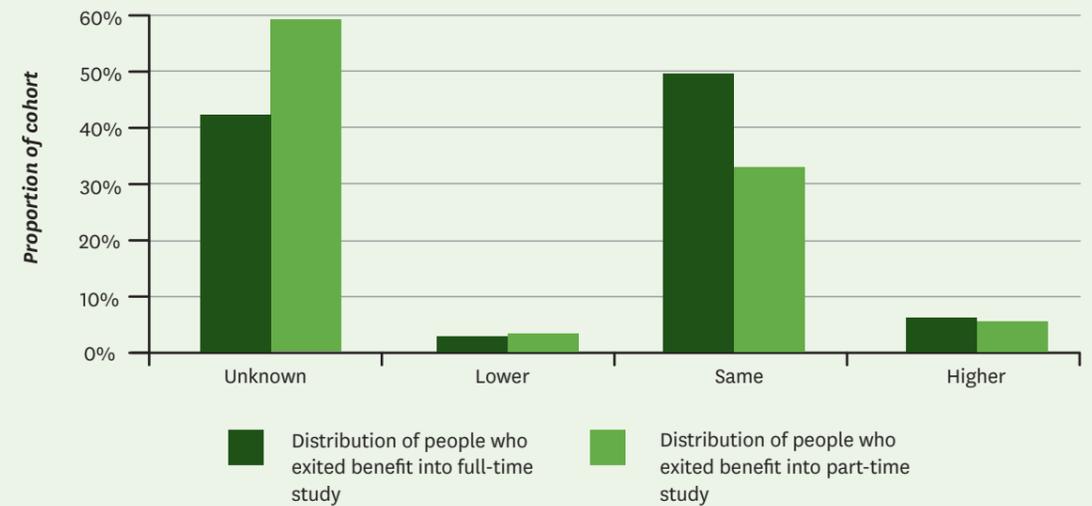
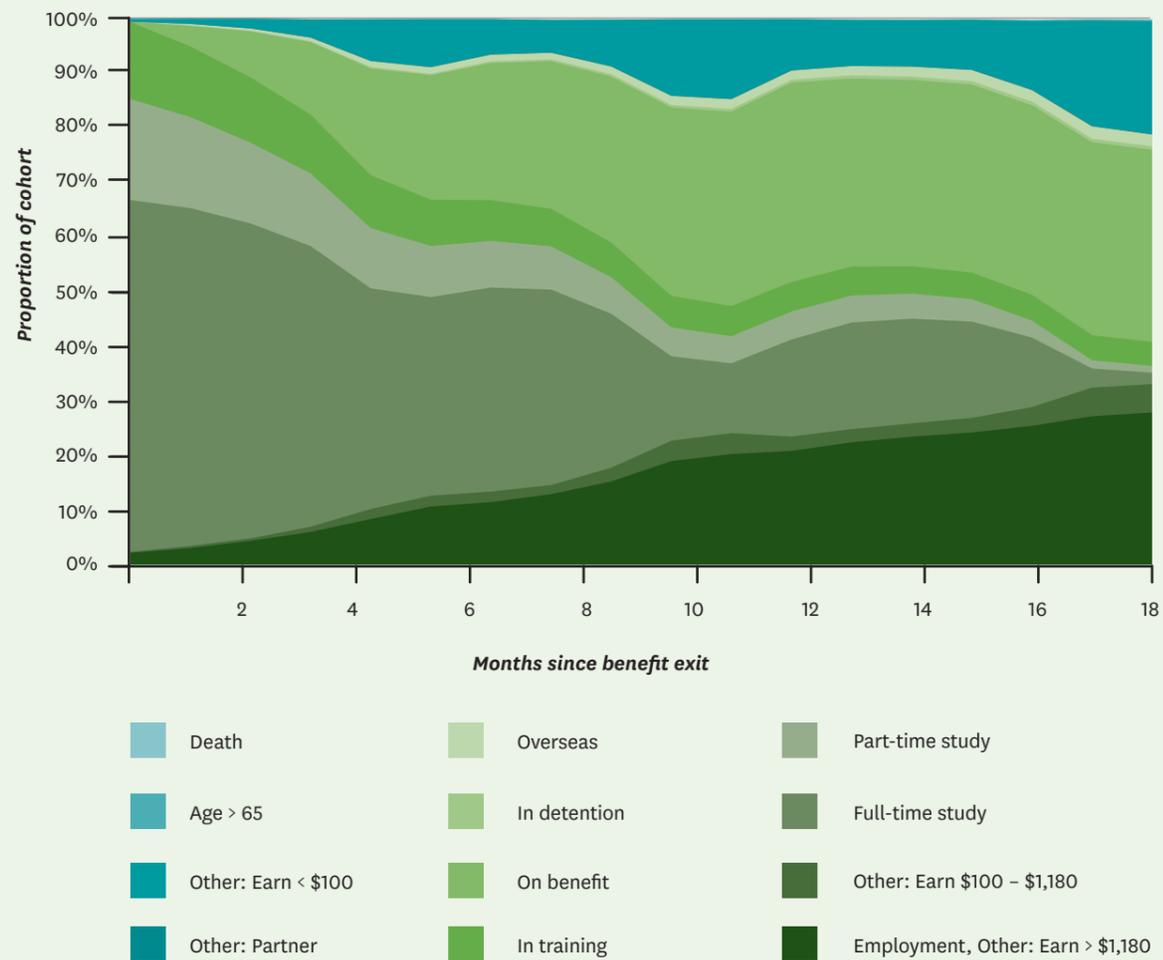


Figure 5.9 is an attempt to link Figure 5.7 and Figure 5.8 together. This provides a view to see whether the people who exited benefit into education enrolled in a lower or higher level of qualification than their previous education enrolments. As we can see here, most people chose to enrol in the same level of qualification from what they have already completed prior to their exit from benefit.

5.3 Activities over time for education and training triggers

The following figure shows what activities that people who exited benefit into an education or training course were engaged in for the 18 months following exit from benefit. This shows what state people are in at any point in time over the 18 months. People can move from state to state over the period shown.

Figure 5.10: Activity chart over 18 months for the 2013–2014 exit cohort



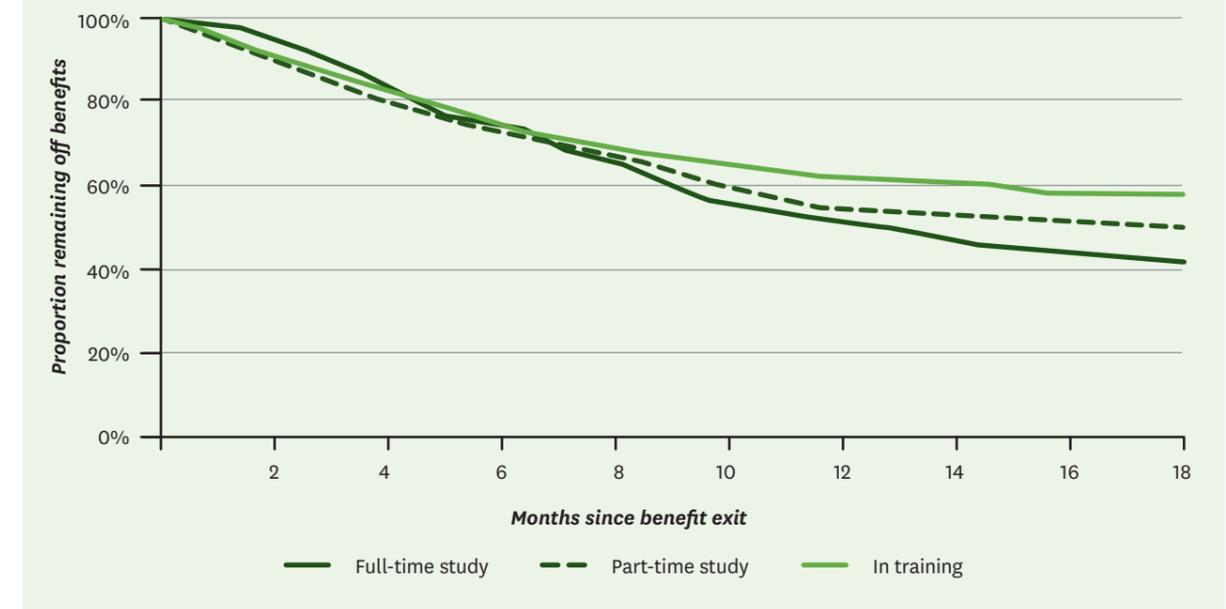
About 35 percent of people who exited a benefit into an education or training course back on a benefit at the 18-month mark. This is significantly higher than those who exit into employment (22 percent were back on benefit at 18 months) and the average number of all exits who return to benefit (25 percent are back on benefit at 18 months). After 18 months, only eight percent of people designated as exiting benefit into education or training are remaining in that activity and 28 percent are in employment with substantial earnings.

Further work is needed to understand why off benefit sustainability is so low for these education exits. Bearing in mind that any payment of benefit during a month triggers a designation of returned to benefit there could be a component of these people who are requiring short-term benefit support during the transition from education to employment.

5.4 How long people who transition off benefit to education or training remain off benefit

The following figures show how long people who left a benefit to go into education or training are likely to remain off benefit.

Figure 5.11: Off-benefit sustainability for those who went into education or training



The off-benefit sustainability is similar for all three groups for the first eight months. However, as time flows we can see those who were placed in training have the lowest likelihood of returning to benefit. Fifty-five percent remain off benefit after 18 months compared to 42 percent for full-time study and 48 percent for part-time study.

6. Clients with mental health conditions

This section looks at the characteristics of the sub-group of people with mental health conditions who exited from a benefit and examines their likelihood of remaining off benefit or sustaining substantial earnings.

We analysed those who exited JS-HCD benefits by comparing outcomes for four subgroups:

- Those exiting JS-HCD into employment and identified as having a mental health condition as their main health condition or disability¹². We refer to this subgroup as 'mental health conditions, employment exits'.
- Those exiting JS-HCD into employment and identified as having a condition other than a mental health condition as their main health condition or disability. We refer to this subgroup as 'other health conditions, employment exits'.
- Those exiting JS-HCD for reasons other than employment and identified as having a mental health condition as their main health condition or disability. We refer to this subgroup as 'mental health conditions, other exits'.
- Those exiting JS-HCD for reasons other than employment and identified as having a condition other than a mental health condition as their main health condition or disability. We refer to this subgroup as 'other health conditions, other exits'.

Note our mental health definition is consistent with the definition used in the report *Valuation of the Benefit System for Working-age Adults As at 30 June 2016*¹³, and comprises both psychological conditions and intellectual disability conditions.

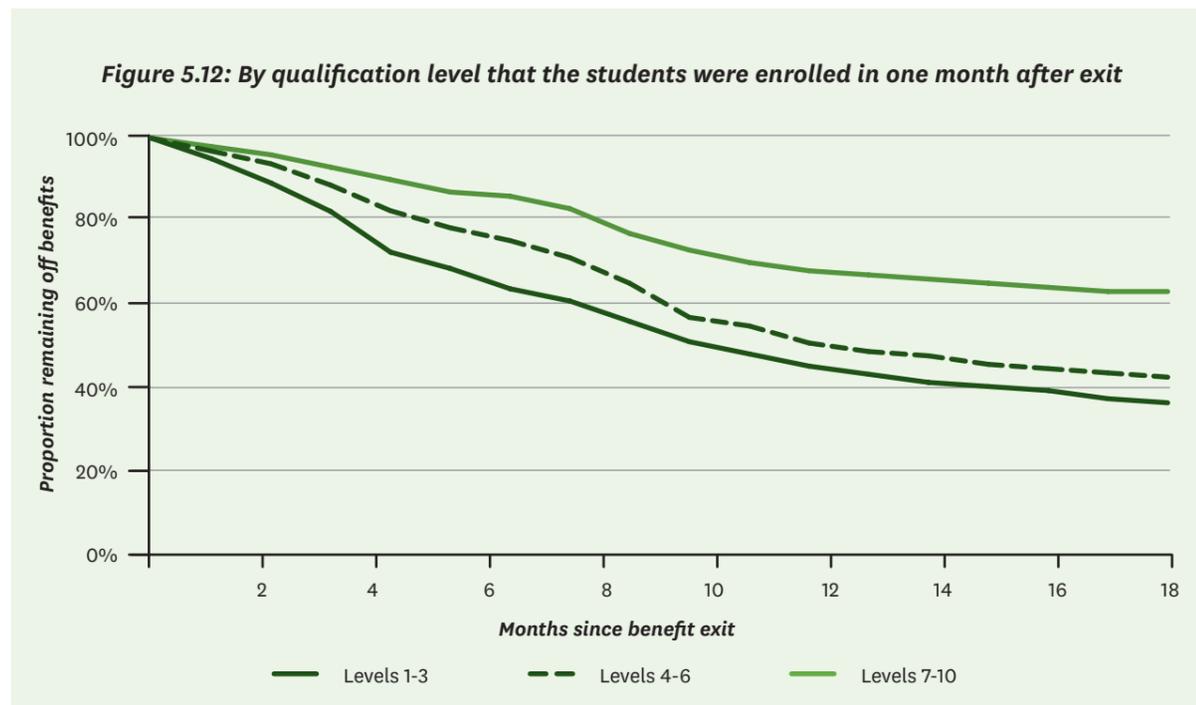
6.1 Summary

People with mental health condition who moved off a JS-HCD benefit into employment had a lower chance of maintaining substantial earnings and a higher chance of returning to benefit than those with other health conditions or disability.

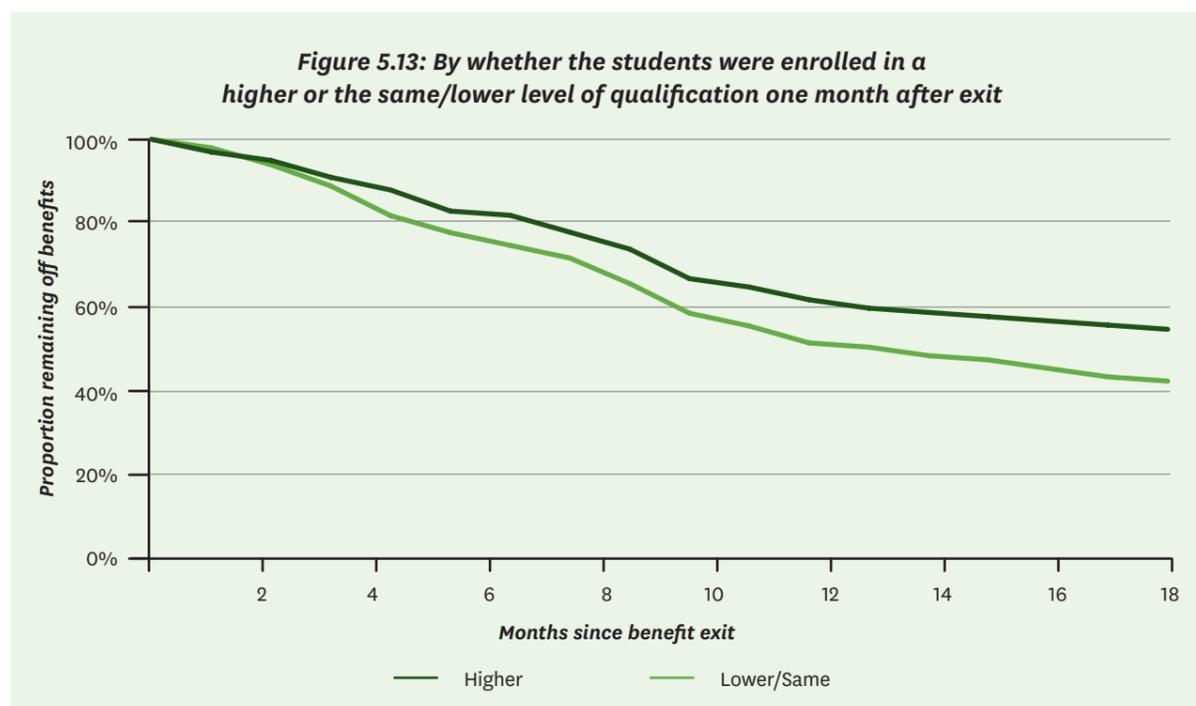
This implies that higher levels of off-benefit support may be needed to help those with mental health conditions sustain long-term employment.

6.2 Profiles

The following figures give a profile of the people who exited from JS-HCD benefits.



We also have looked at off-benefit sustainability by qualification levels students were enrolled in one month after exit. Note that we have not considered whether these qualifications will be completed or not. From this, we can see that the higher level of qualification students enrolled in, the higher the likelihood that they will be able to remain off-benefit.

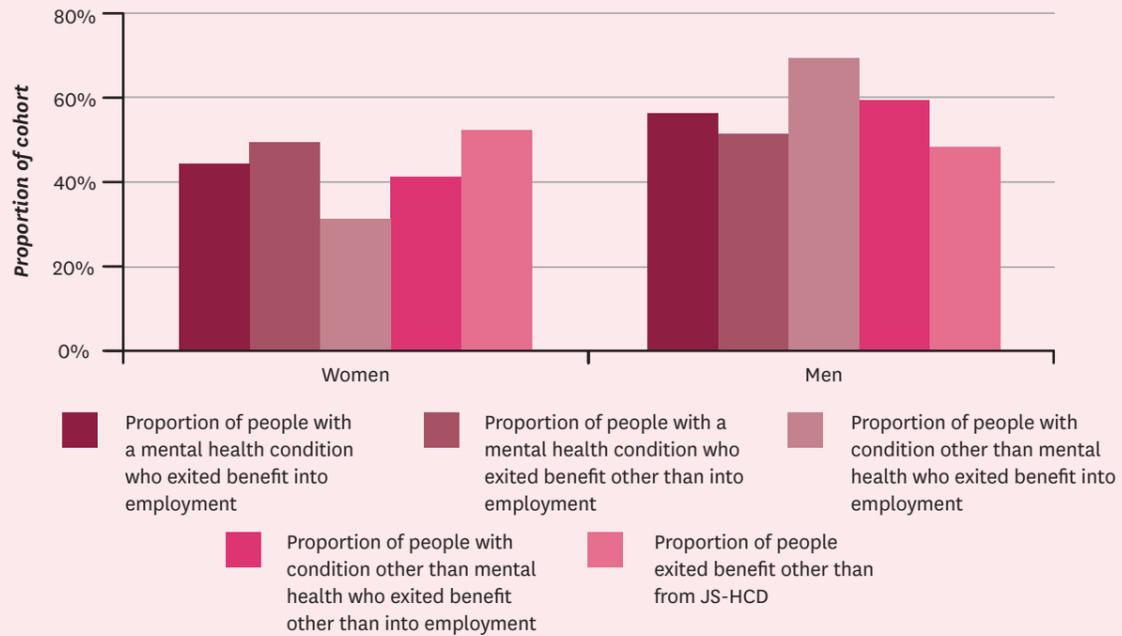


This figure corresponds to Figure 5.9. It is evident that those who enrolled in a higher level course than the qualification they had attained in the past, have a higher likelihood of still being off-benefit after 18 months than those who have enrolled in a lower or same level of qualification.

¹² Based on having their Ministry primary incapacity recorded as one of 'stress', 'depression', 'bipolar disorder', 'schizophrenia', 'intellectual disability', or 'other psychological/psychiatric condition'.

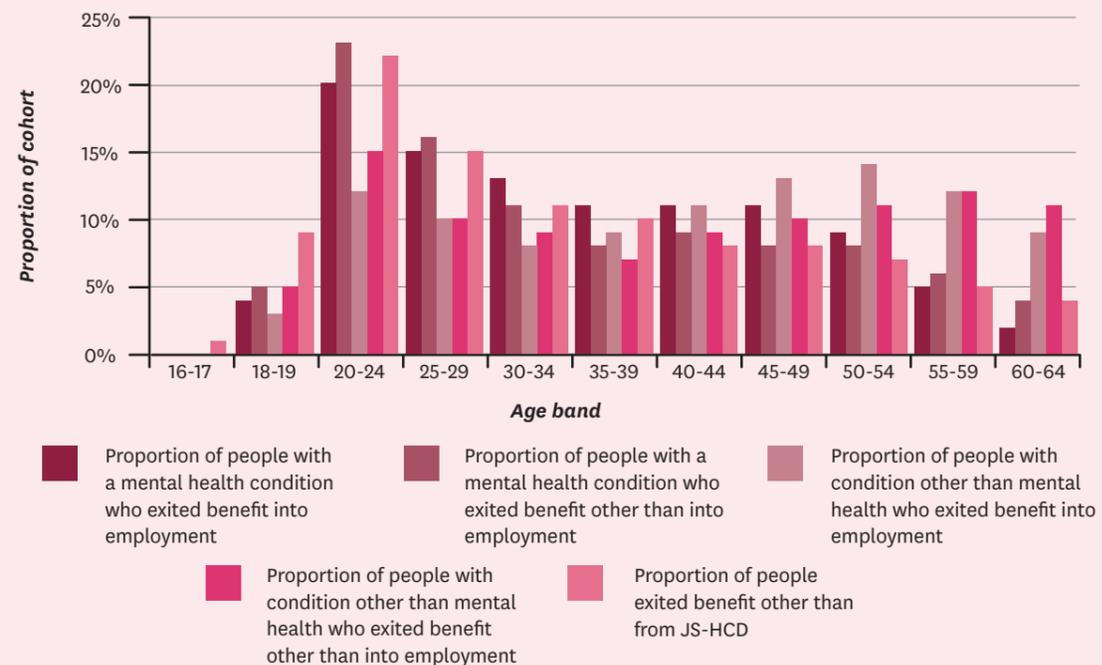
¹³ www.msd.govt.nz/about-msd-and-our-work/newsroom/media-releases/2017/2016-valuation-of-the-benefit-system-for-working-age-adults.html

Figure 6.1: Gender



Generally there are more men than women in all four JS-HCD groups.

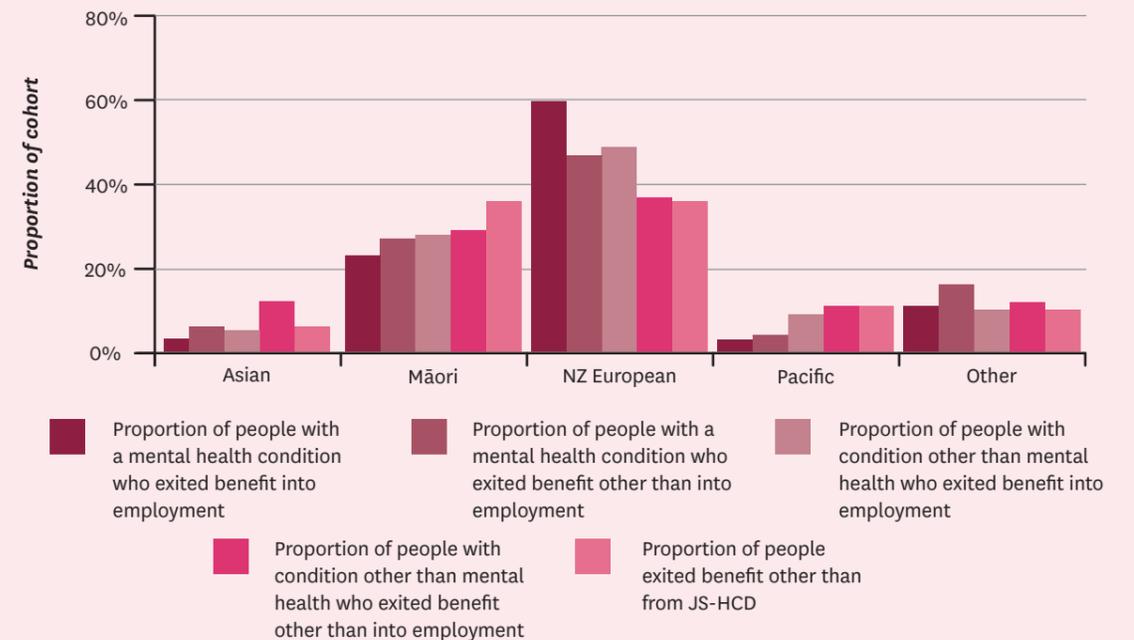
Figure 6.2: Age band at time of exit



Those with mental health conditions are younger than the other groups. We can see that for the two mental health groups, about 45 percent are over age 35, whereas the other two non-mental health groups had about 65 percent.

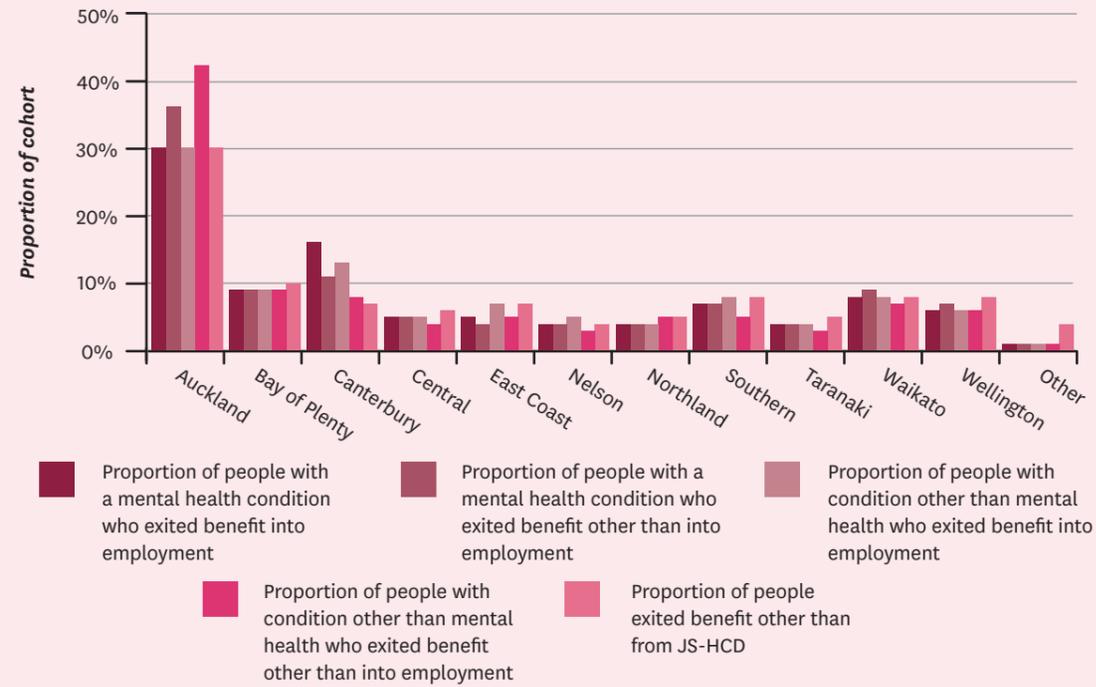
The age distribution for people with a mental health condition who exited benefit is similar to the age profile of other non-JS-HCD exits. JS-HCD exits for conditions other than mental health are weighted towards older ages — this is not surprising since these conditions are more prevalent at older ages.

Figure 6.3: Ethnic group



The whole JS-HCD group is more represented by the New Zealand European group, and this is more so for the mental health (employed) group which is 60 percent New Zealand European.

Figure 6.4: Employment exits by region

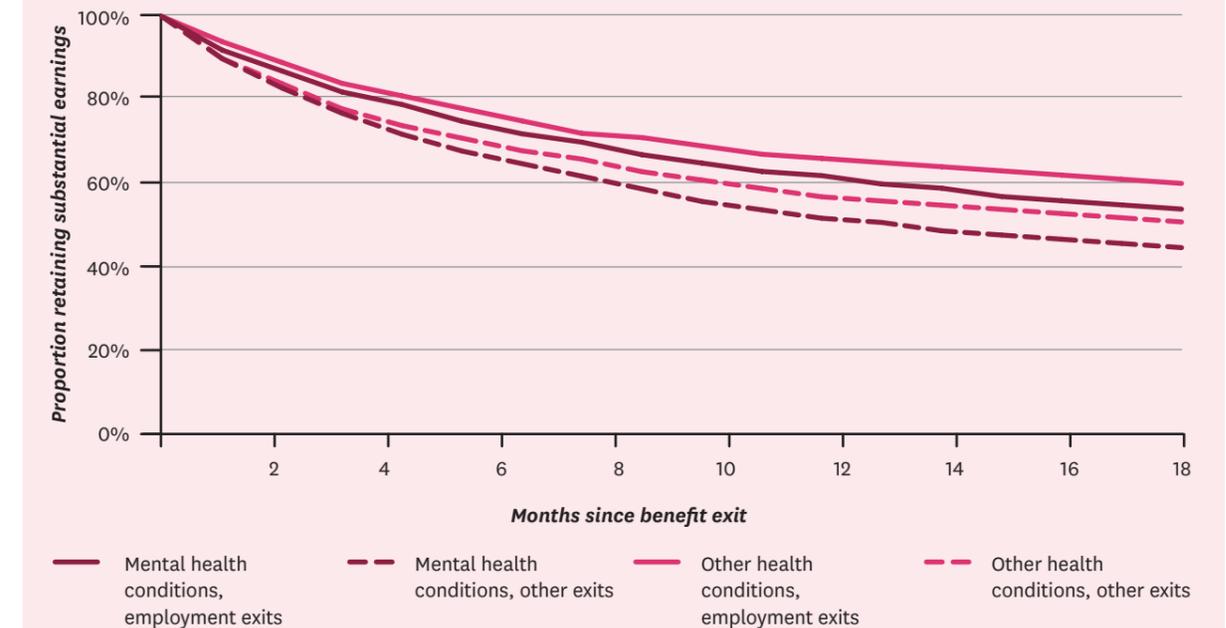


Nearly half of the people who exited from JS-HCD came from Auckland and Canterbury regions. There was a higher proportion of exits from JS-HCD (both from mental health and not-mental health groups), particularly into employment, than there were from other types of benefit in the Canterbury region.

6.3 Off-benefit and substantial earnings sustainability

The following figures show how likely people leaving a JS-HCD benefit are to remain off benefit or in employment.

Figure 6.5: Off-benefit sustainability for JS-HCD beneficiaries



People who moved off a JS-HCD benefit into employment and had a condition other than mental health had the highest chance of remaining off benefit for the full 18 months observed (60 percent) compared to those who left a benefit for other reasons who had a 51 percent chance of remaining off benefit.

Those who exited from JS-HCD benefit and had a mental health condition had lower chance of staying off benefit — 54 percent for those who left for employment and 45 percent for other reasons. This implies that higher levels of off-benefit support may be needed to help those with mental health conditions sustain long-term employment.

7. Sole Parent Support clients

In this section, we study sole parents who exited benefit during the 2013–2014 year and compare their likelihood of remaining off benefit.

We have split this cohort into four groups, namely those who exited from a sole parent benefit:

- into employment and had youngest child aged 0 – 4 years old ('SPS, 0–4, employment exits')
- for a reason other than employment and had youngest child aged 0 to 4 years old ('SPS, 0–4, other exits')
- into employment and had youngest child aged 5 – 13 years old ('SPS, 5–13, employment exits')
- for a reason other than employment and had youngest child aged 5 – 13 years old ('SPS, 5–13, other exits').

For some figures a further category, 'Non-SPS exits', is shown. This comprises all people who exited from benefit types other than SPS.

The split by age of youngest child reflects the different level of work obligations post the 2012 welfare reforms for sole parents. If the sole parent had youngest child aged four or younger, then they had no work obligation, whereas part-time work obligations applied once the youngest child turned five years old.

7.1 Summary

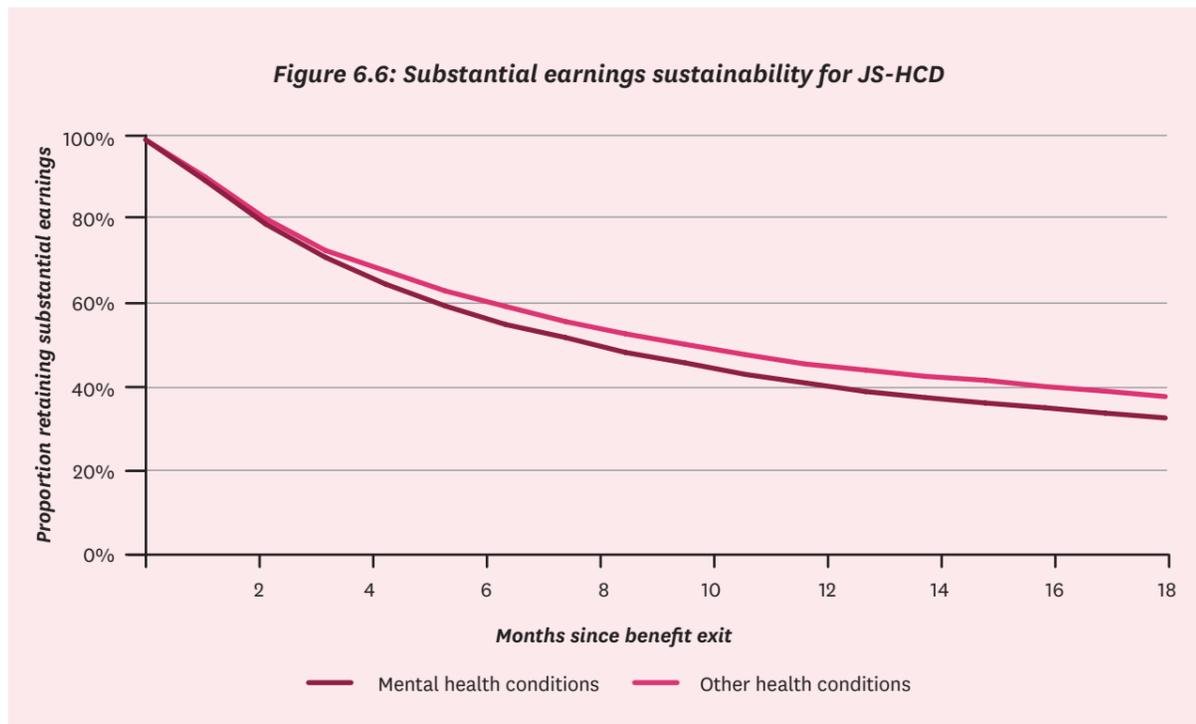
Māori have a lower share of exits from SPS benefit than their share of the SPS population. New Zealand Europeans have a higher share than their share of the SPS population.

Off-benefit sustainability varies by age of youngest child. The younger the child, the more likely a person is to return to a benefit.

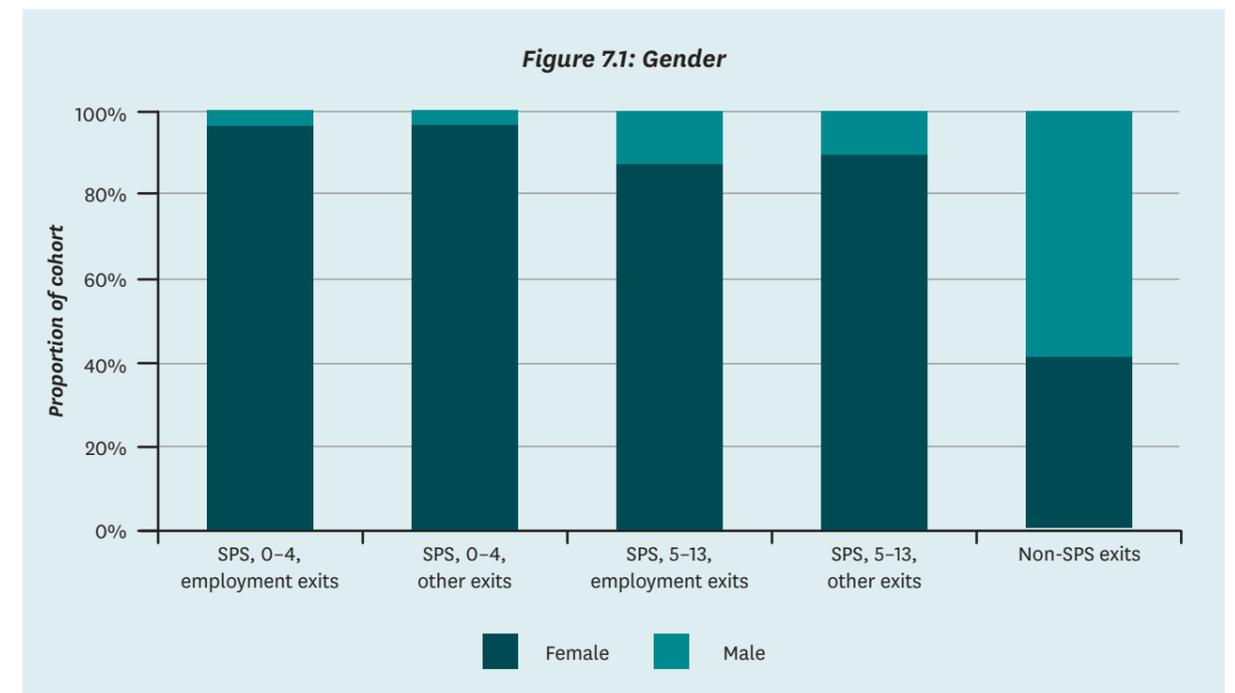
SPS exits into employment are more likely to stay off-benefit than the non-employment exits.

7.2 Profiles

The following figures give a view of the characteristics of people who moved off benefit from a sole parent benefit.

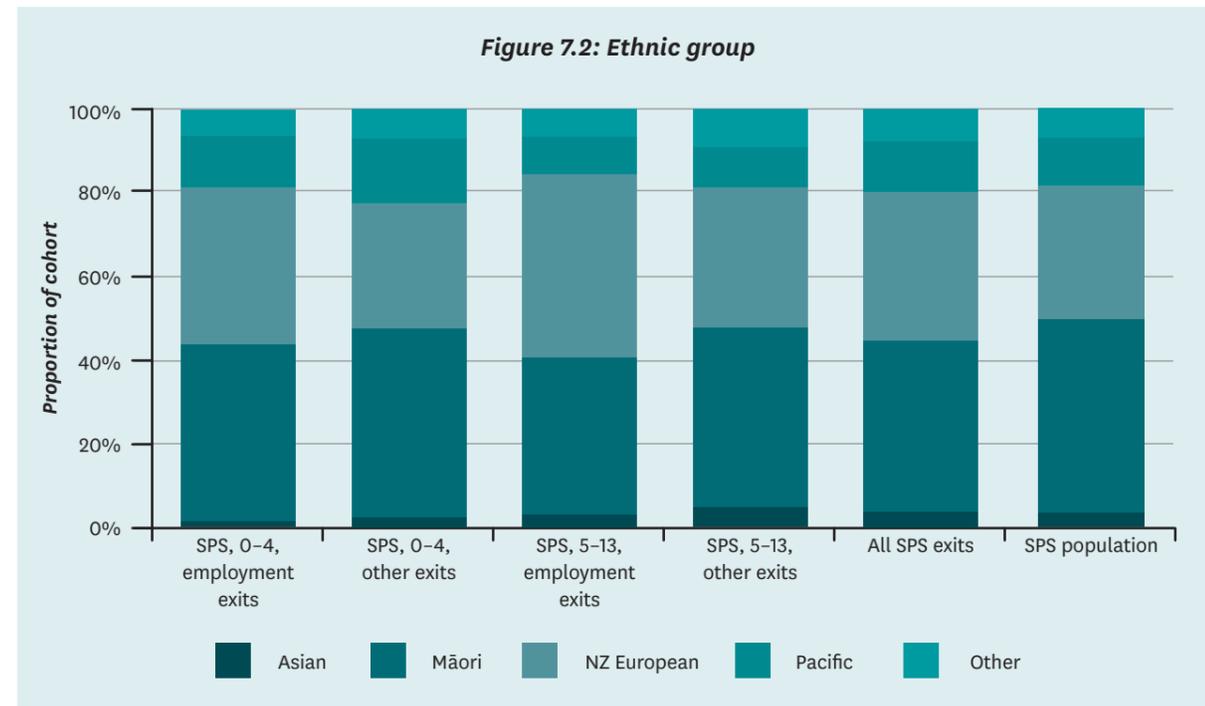


For those people who left JS-HCD benefit to move into employment there's a similar difference (five percent) between those with mental health and those with other health conditions in sustaining earnings over \$1,180 per month for the full 18 months (32 percent for those with mental health compared to 37 percent for others).



SPS is made up mostly by women. The proportion of men in the sole parent groups ranges between seven percent for younger aged children and 16 percent for the SPS 5-13 groups.

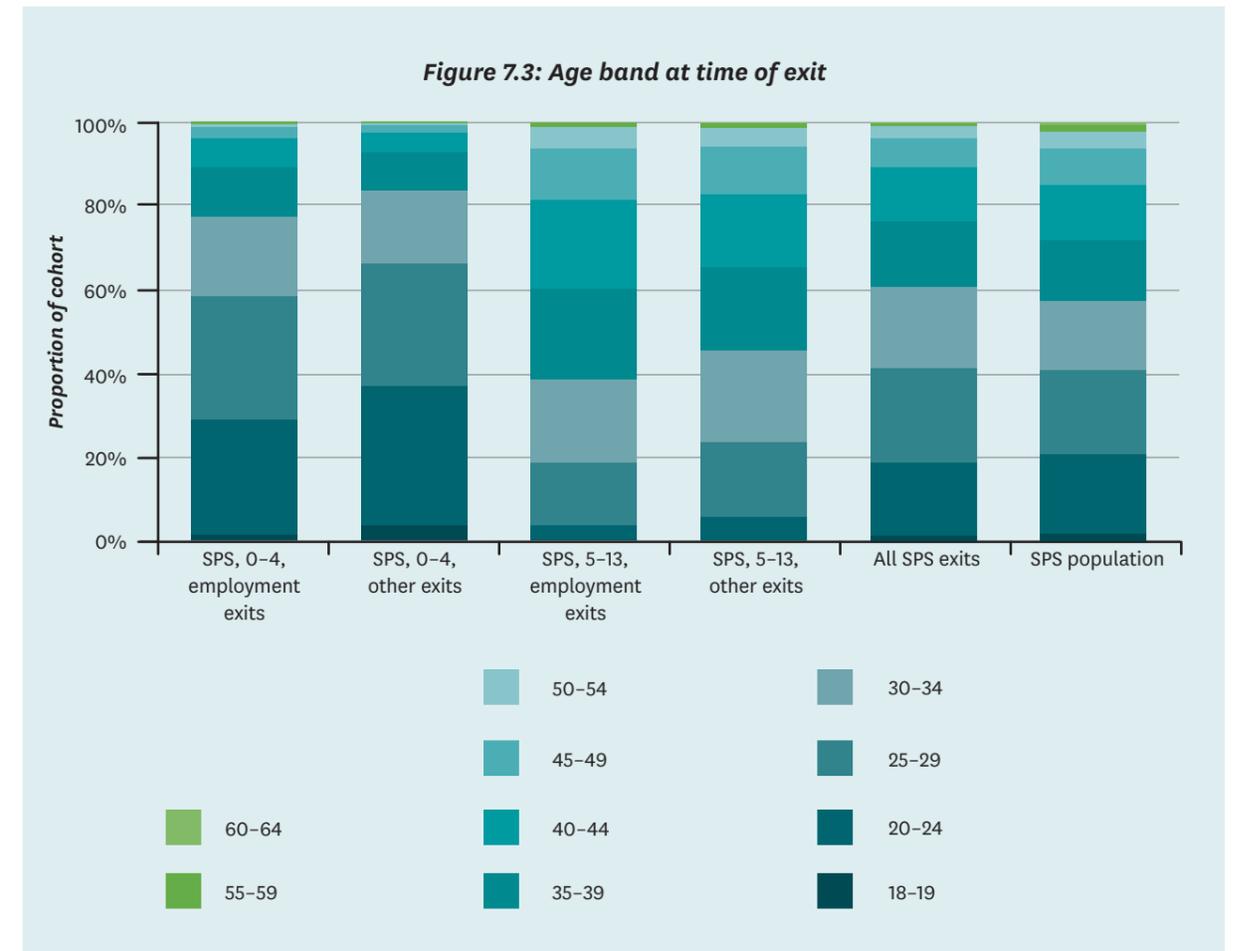
People who exit benefit from the other non-SPS benefit types are predominately (59 percent) men.



The proportion of people who exited from SPS benefit from Asian, Pacific Peoples and Other ethnic groups are broadly similar to their share of the total SPS benefit population (within one percent).

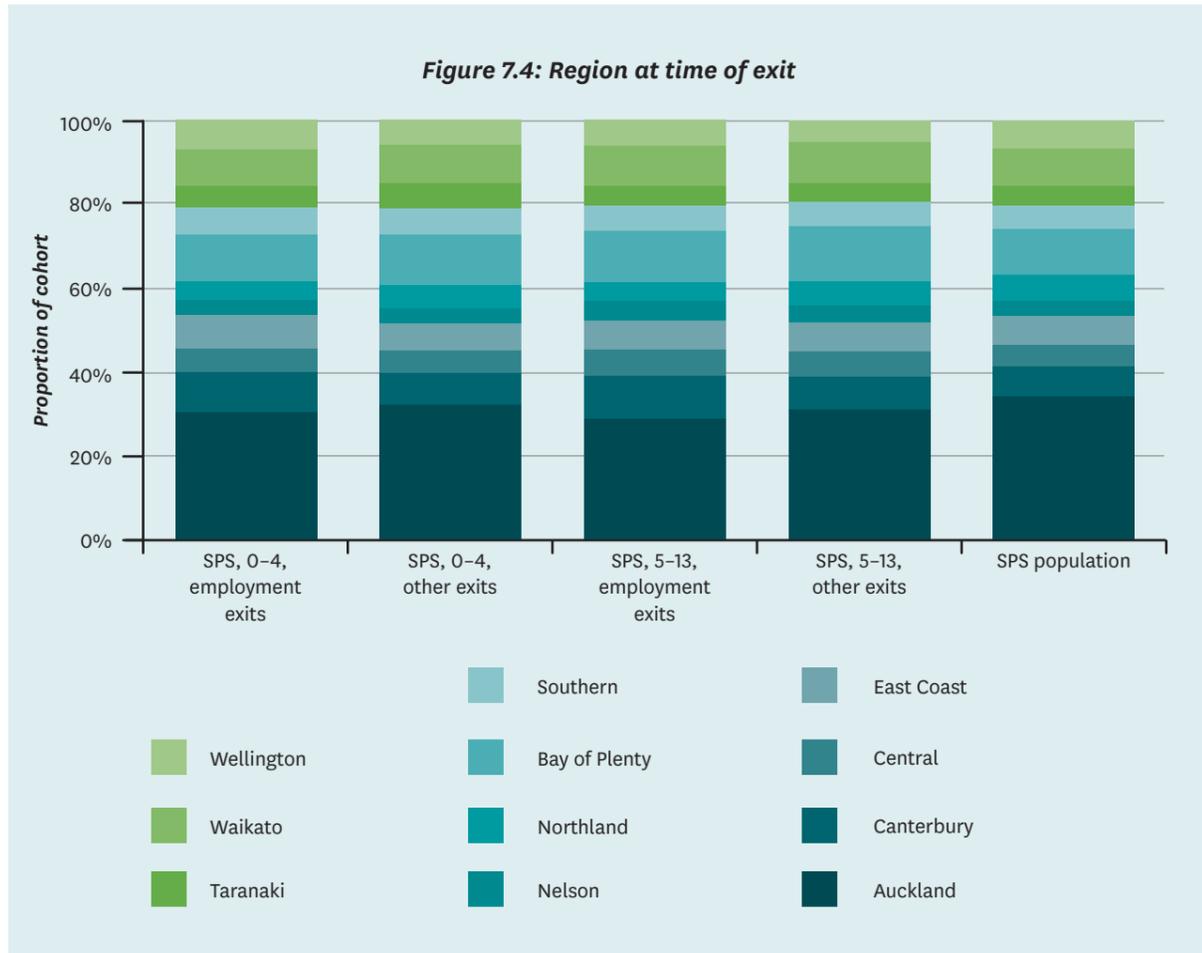
Forty-one percent of people who exited from an SPS benefit were Māori compared to their 46 percent share of the population. While the proportion of Māori who exited SPS benefit is under their share of SPS population for all categories, this is more pronounced in the exits to employment.

For New Zealand European the comparison is 35 percent of SPS exits compared to 32 percent share of the total SPS population. The higher share of people who exited benefit compared to population is due to higher share of movements into employment.



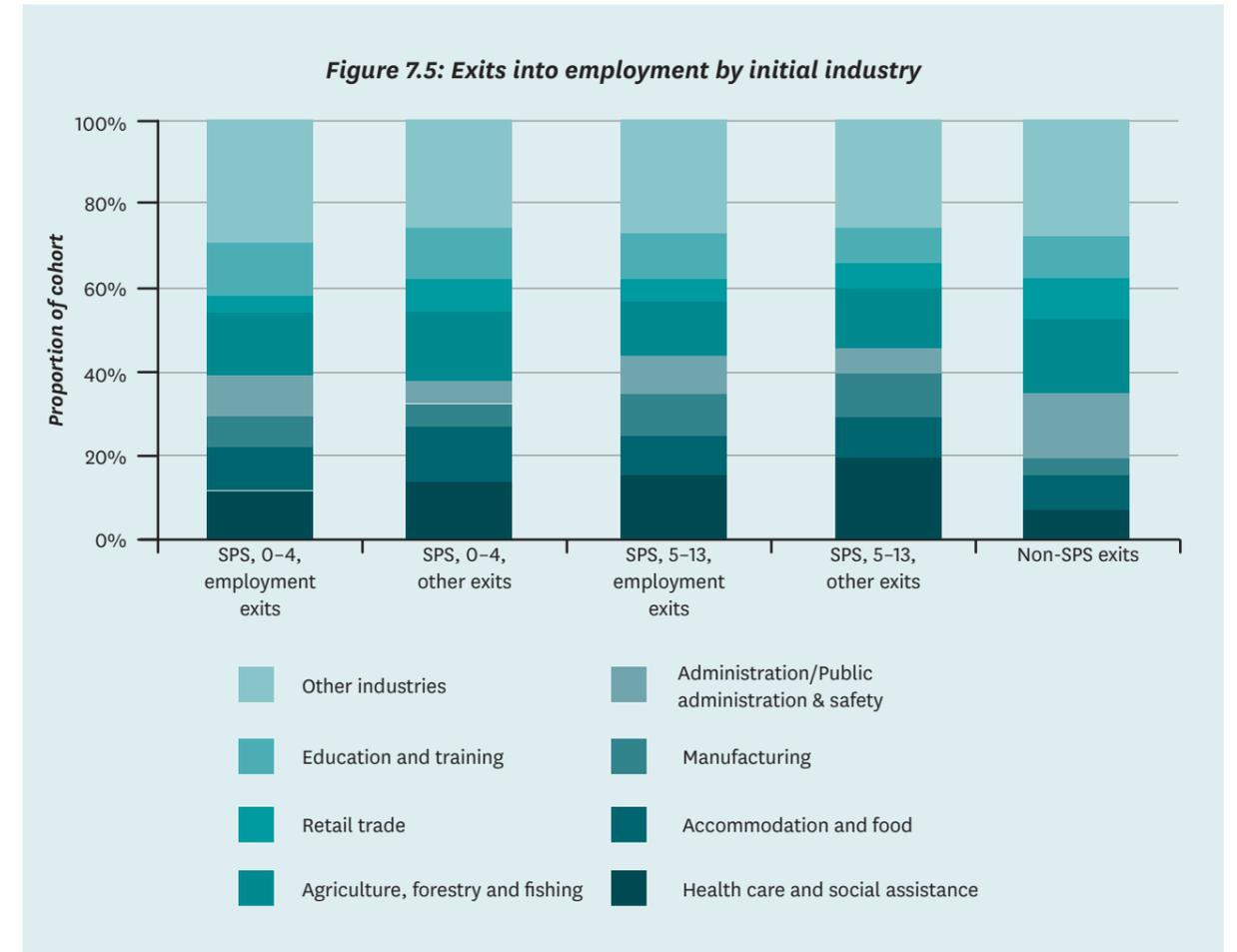
The age profile of those who have moved off an SPS benefit is broadly similar to age profile of the SPS population.

Those who exited to employment have a slightly older profile than people who exited for other reasons.



Apart from Auckland, each regions share of exits from SPS benefit was broadly at or slightly above their share of the SPS benefit population.

Auckland share of people who exited from SPS was about four percent below its share of the population. This applies for both employment and other reasons for exit.



People who have moved off benefit into work from SPS benefit have higher proportion going into the health care and social assistance, the accommodation and food services and the education and training industries than exits from other types of benefit.

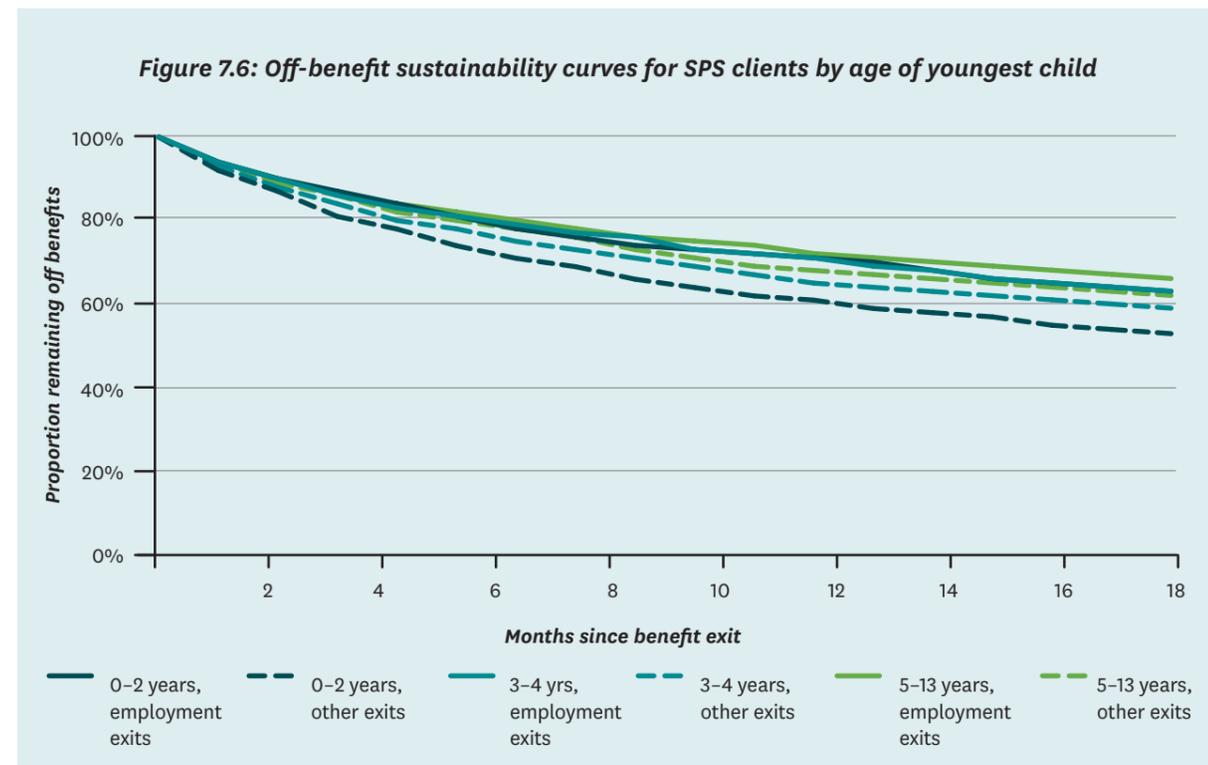
About one-third of employment exits from SPS go into these three industry groups compared to 19 percent for other benefit types.

8. Clients with multiple spells on benefit

7.3 Off-benefit sustainability

We have looked at how a sole parent's likelihood of returning to a benefit differs according to how old their youngest child is at the time they leave a benefit and whether they left a benefit to go into employment or for some other reason.

Figure 7.6 below shows the proportion of ex-SPS beneficiaries who remain off benefit after exiting a benefit into work split by age of youngest child.



Off-benefit sustainability varies by age of youngest child. The younger the child, the more likely a person is to return to a benefit. For example, we expect nine percent more sole parents exiting benefit whose youngest child is at least of school age to still be off benefit after 18 months compared to those whose youngest child is aged two or younger (65 percent compared to 56 percent).

Also, people who exited to employment from SPS are more likely to stay off-benefit than the non-employment exits.

In this section, we compare the characteristics of people who exited from a benefit who had a history of multiple benefit spells with those who did not, and look at their likelihood of remaining off benefit

8.1 Summary

People who exited benefit with a history of multiple benefit spells:

- are more likely to be a man, under age 30, and Māori
- make up a higher proportion of people who exited from benefit from Southern, Bay of Plenty or East Coast.
- have a significantly higher likelihood of returning to benefit than those without.

It is likely that spells in seasonal work are impacting this.

8.2 Definition

We have identified people who have transitioned either on or off benefit multiple times over a given period.

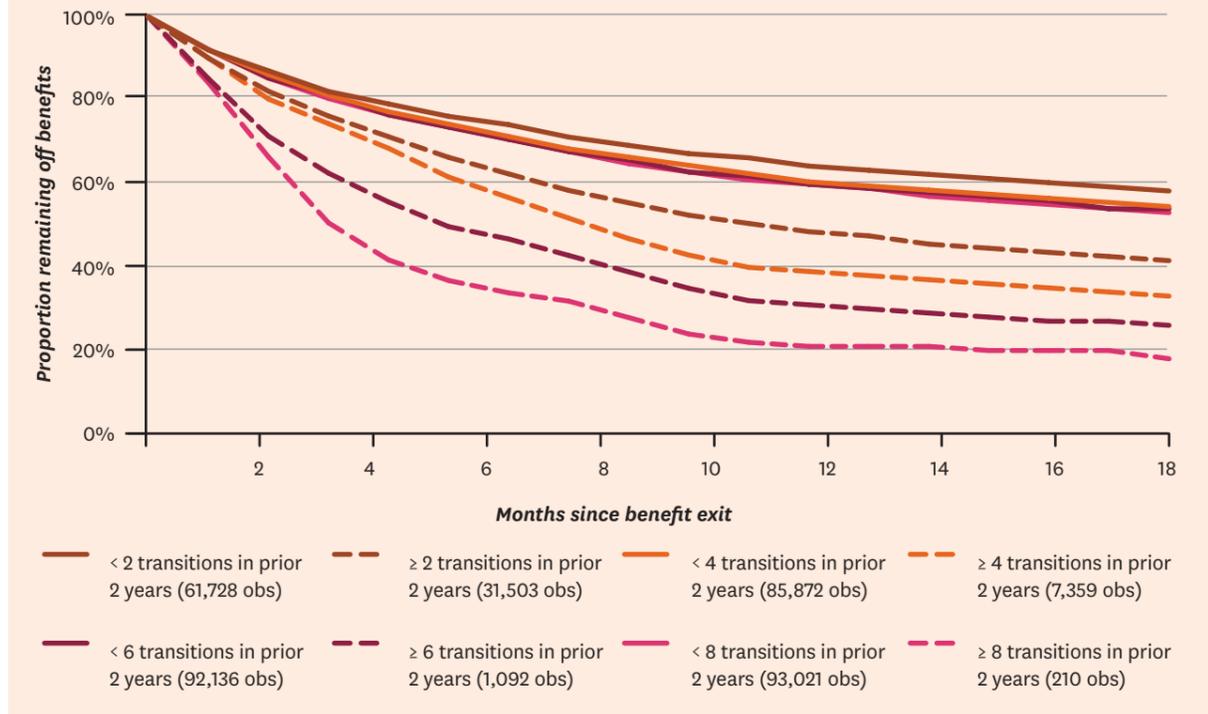
We have only considered those people who had received a benefit at some time prior to the observation period.

Transitioning on or off benefit are counted separately. For example, to qualify under the definition of four transitions over the previous two-year period, a person would have to have had a history of benefit receipt that started at least two years prior and to have exited from a benefit and re-started receiving a benefit at least twice over the previous two years.

We have used the monthly snapshot benefit history. This means we have not used intra-monthly activity, and will therefore, for some people, understate the actual number of on or off-benefit transitions as an exit is only counted if a person remains off benefit for a full calendar month.

We do not count the benefit exit in the 2013–2014 period that qualifies the person to be in the original pool of people analysed for this report.

Figure 8.1: Off-benefit sustainability for different transition thresholds for the multiple spells over a two-year period



As we would expect, the greater the number of transitions a person has had, the higher the likelihood that they will return to benefit after transitioning off benefit.

We have picked a threshold that is large enough that we would see a stable difference in the two off-benefit sustainability curves yet have sufficient transitions to indicate a history of multiple benefit spells. We have chosen four or more transitions over the period to qualify for our definition of multiple spells.

Note that we have performed this analysis out of the people who have exited during 2013–2014 year. The threshold may change if we're extending this to everyone who is still on benefit in the same period, or even looking at a different time period.

8.3 What people with multiple benefit spells look like

Figure 8.2 – Figure 8.7 below show how the distribution of people who have had multiple benefit spells over the last two years differs from those who have had fewer spells.

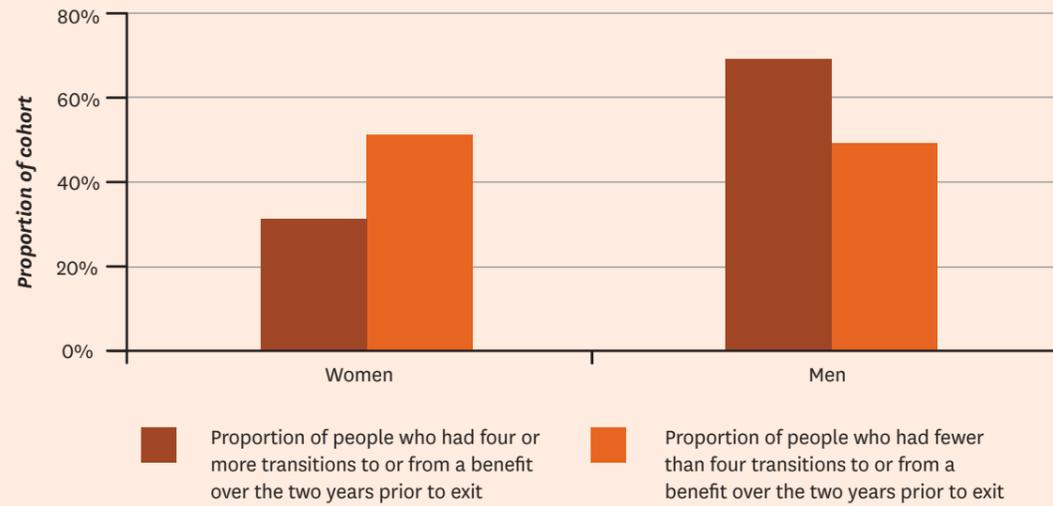
Figure 8.2: By benefit type



People who have exited from a JS-WR or an emergency benefit make up a higher proportion of those who have had multiple benefit spells than they do of those who have not. The reverse is true for other benefit types.

Part of this could be influenced by seasonal work but we are not able to quantify this on the data available.

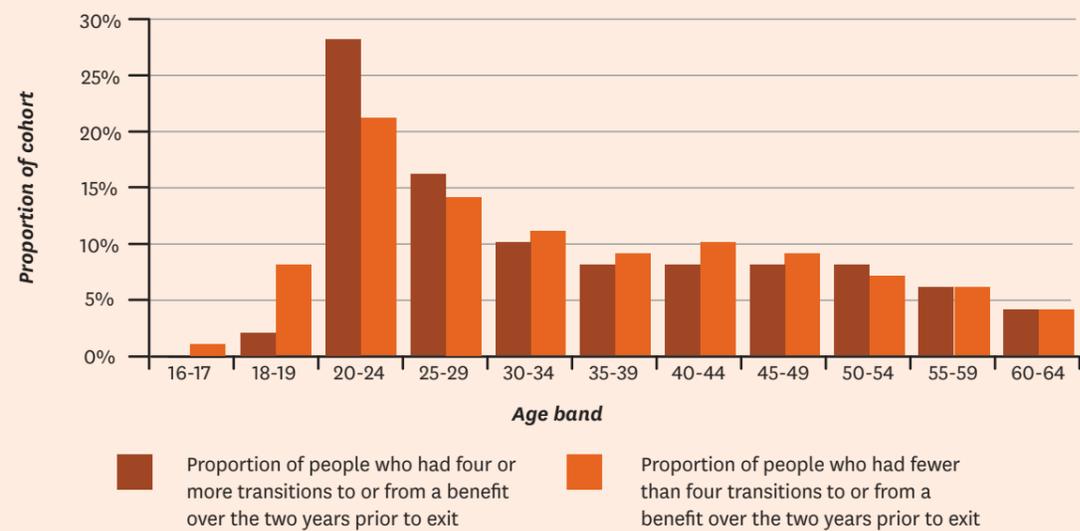
Figure 8.3: By gender



The mix of men and women who have exited a benefit and are not deemed to be in the multiple spell category is fairly even.

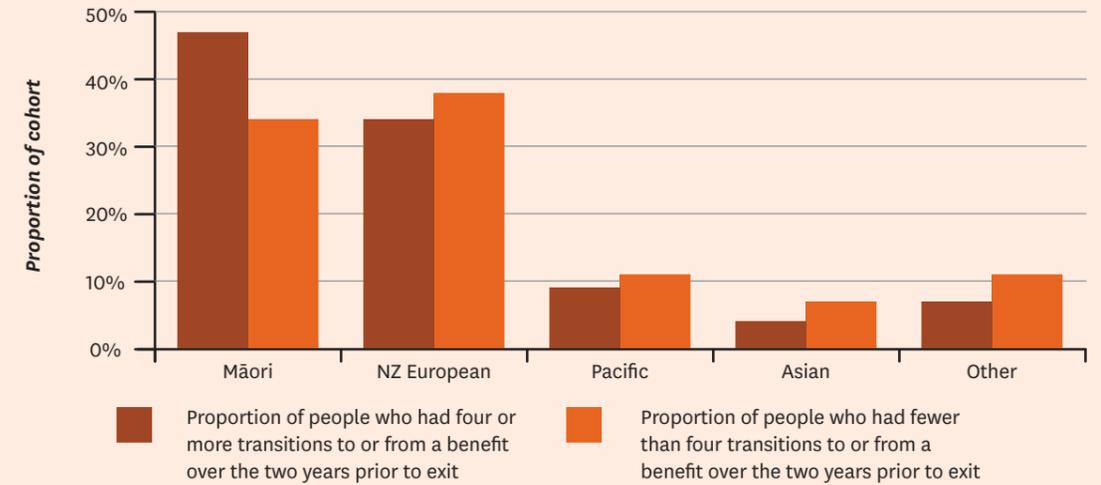
Those who have had multiple spells are more than twice as likely to be a man (70 percent) than a woman (30 percent).

Figure 8.4: By age band



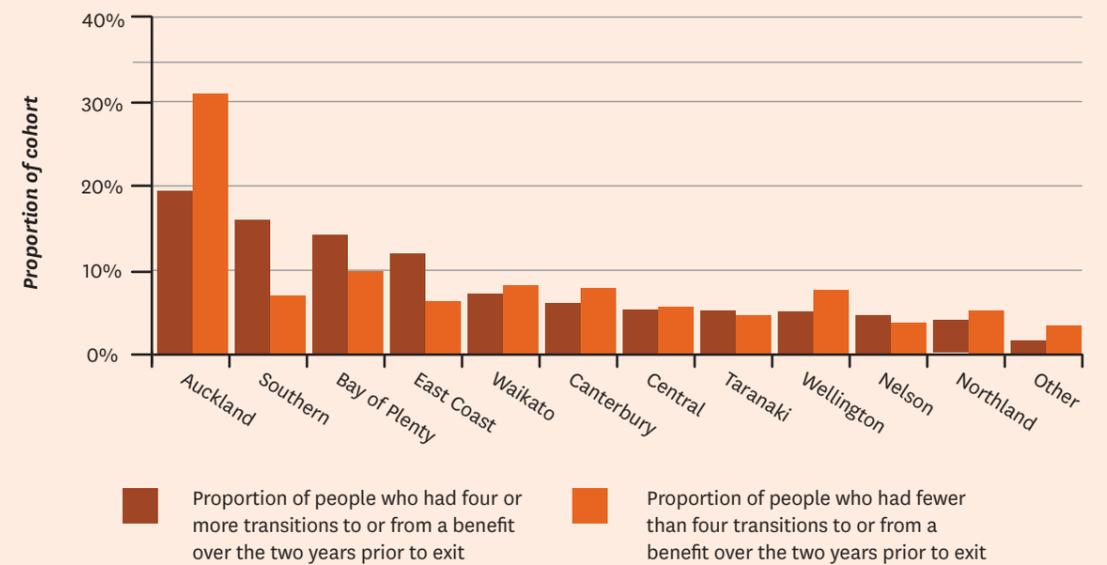
The multiple spell group are slightly younger than the others. People aged under 30 make up a higher proportion of the multiple spell group of exits than for the other exits with '20-24' being the highest group for both of them.

Figure 8.5: By ethnic group



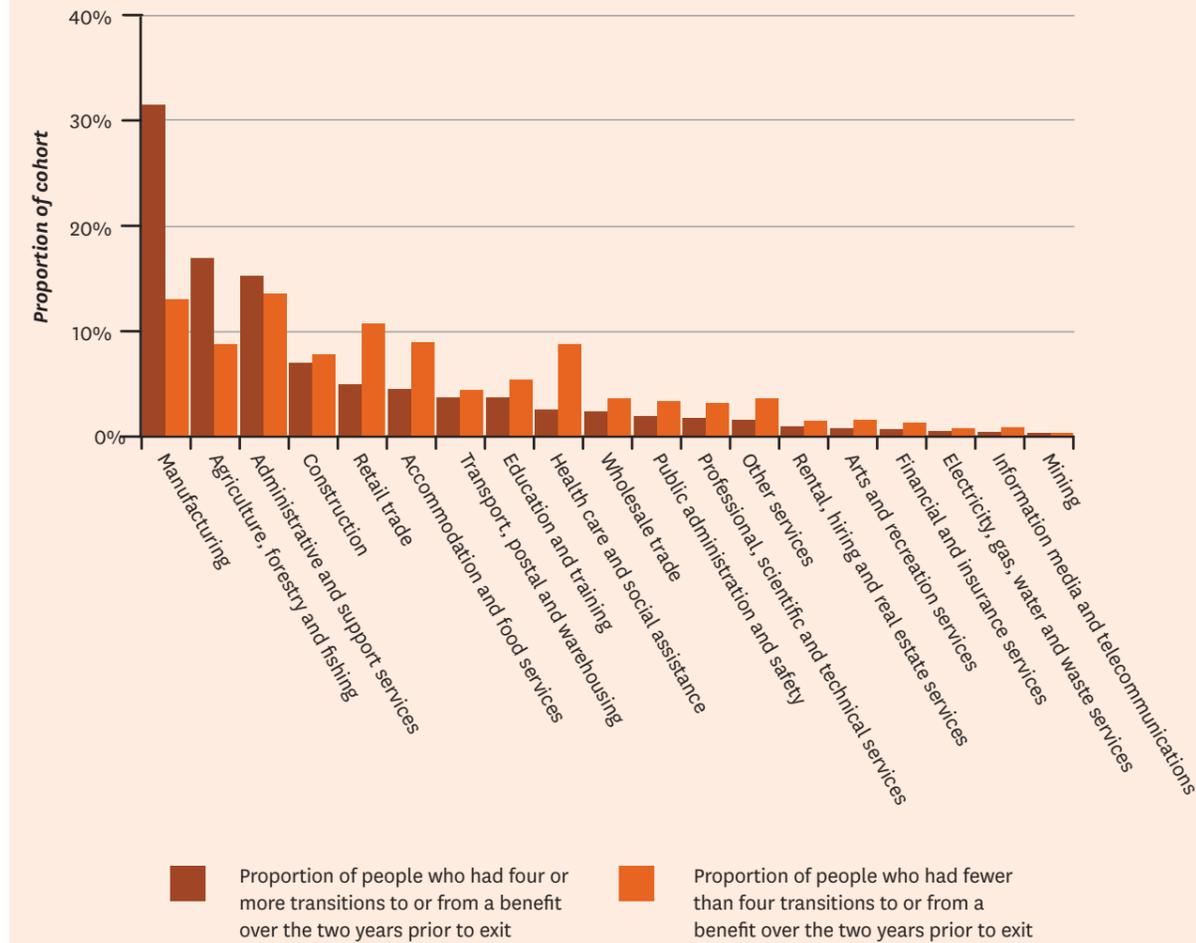
Māori make up a higher portion of the multiple spell group (47 percent) than for other exits (34 percent), while for other ethnic groups the reverse is true.

Figure 8.6: By region



A higher proportion of people experience multiple spells in the Southern, Bay of Plenty, and East Coast regions in relation to the other exits. These are areas with high exposure to seasonal work. Auckland has a significantly lower share of the multiple-spell group than its overall share of the benefit population.

Figure 8.7: By industry



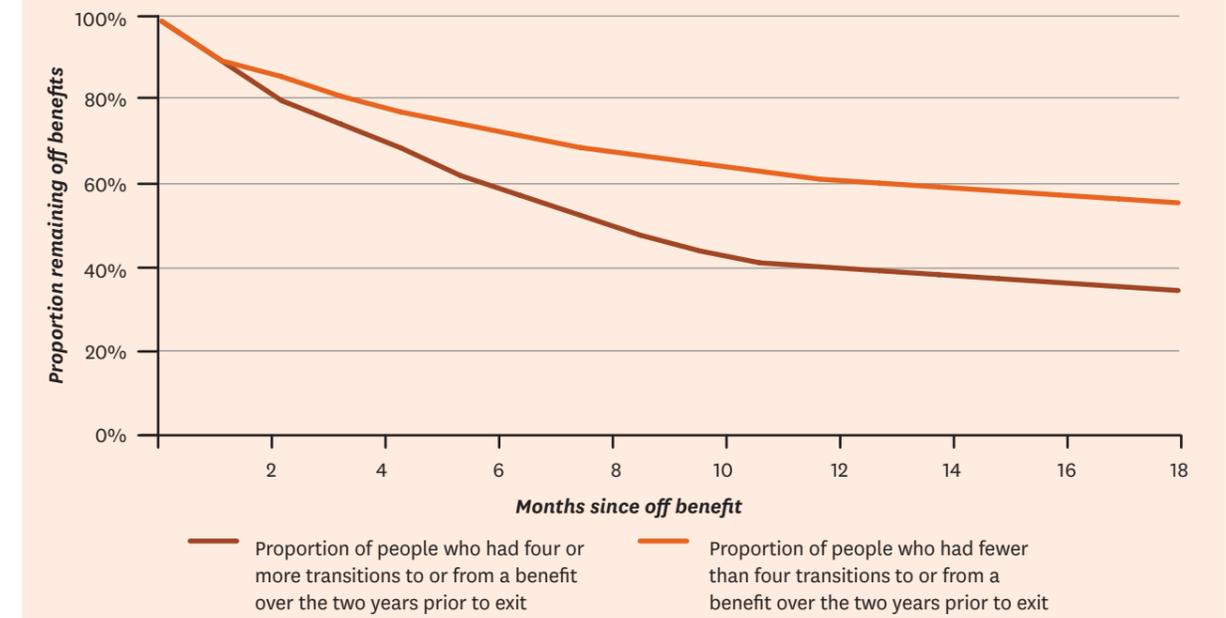
A significantly higher proportion of people with a history of multiple benefit spells exited to employment in the manufacturing and agriculture, forestry and fishing industries. It is not surprising that agriculture, forestry and fishing (which have high rates of seasonal work) attract people with multiple past benefit spells and is likely to be a key reason why these beneficiaries tend to have multiple spells.

On the other hand a higher proportion of people who did not have multiple transitions on and off benefit over the last two years were placed into retail trade, health care and social assistance services and accommodation and food services. Those people placed into the first two of these industry groups also have higher proportion of people who were able to sustain substantial earnings over the 18-month post exit period.

8.4 How long people who transition off benefit remain off benefit

We have looked at how sustainable spells off benefit have been for people with a history of multiple benefit spells over the last two years. Figure 8.8 below shows the difference in likelihood of a return to benefit for those people who had exited and returned to benefit two or more times in the two years prior to the latest exit compared to those who had not. Only people whose first receipt of benefit was before the two-year period have been compared for this analysis.

Figure 8.8: How history of multiple benefit spells impacts off-benefit sustainability



As expected, the likelihood of return to benefit within 18 months is significantly higher for those with a history of multiple benefit spells than for those without. It is likely that spells in seasonal work are impacting this, but we have not been able to quantify that with the data available.

9. Next steps

This report has been largely descriptive in nature looking at two fundamental outcomes:

1. the probability that clients exit benefits; and
2. what happens to those who exit for a period after they have left the benefit.

To date the work has been performed on two cohorts: those who left a benefit during the year ended 30 June 2011, and those who left a benefit during the year ended 30 June 2014.

9.1 Widen the scope of the population analysed

The analysis to date has focused on people who had more than a short-term spell on benefit. This was done by excluding any people exiting benefit that had not received benefit payments in each of the three months prior to exit.

To allow for matching with monthly earnings data from IRD anyone who did not remain off benefit for a full calendar month was also excluded.

Future analysis will be performed on all people leaving benefit for a period greater than 14 days (to match the Ministry's definition for continuous duration for official reporting). Thought will need to be given to how to allocate reasons for exit where the period off benefit does not span a full calendar month.

9.2 Assess the impacts of labour market conditions

Further analysis could be performed:

1. Repeat the analysis for all years for which data is available to create a time series of exit outcomes and survival rates. This could be done in quarterly periods to enable effects of seasonal impacts on the employment market to be more apparent.
2. Perform regression analysis to attempt to assess the impact of labour market conditions on these outcomes (both exit and survival rates).

Some of the questions to consider would include:

- how sensitive are overall exit and survival rates to local labour market conditions?
- which measures of labour market conditions are particularly important for these outcomes (eg overall unemployment vs. vacancies or relevant sector employment growth)?
- how does the importance of labour market conditions for these outcomes vary across benefit types?
- how does the importance of labour market conditions for these outcomes vary across individuals (eg groups based on age, gender, ethnicity or existing educational qualifications)?
- is there any empirical evidence that local area characteristics affect these same outcomes beyond our measures of labour market conditions (ie do geographic differences in these outcomes persist even after we've controlled for our local labour market measures)?

Appendix 1: Data and method

The analysis for this report was undertaken using data from Statistics New Zealand's Integrated Data Infrastructure (IDI). The IDI integrates together longitudinal data from a variety of government ministries, departments and agencies.

Statistics New Zealand 'matches' the data provided and generates unique identifiers which are added to all data tables. This allows us to link (de-identified) individuals data across all datasets.

Statistics New Zealand regularly updates these data-sets with new data provided by agencies to provide longitudinal views of individuals' interactions with multiple government services. When these updates are generated, new matched data-sets are created which mean it is difficult to make exact comparisons with prior investigations. To allow for this, we have re-run whatever aspects of the 2010-2011 analysis we needed for comparisons on the new data-sets.

We have followed a similar methodology to that outlined in the Superu report.

The following sections outline the data and methodology used and identifies where we have made changes to the method adopted.

1.1 Data sources used

The IDI datasets used were:

- Benefit Dynamics Datasets: this provided details of benefit receipt for all people who received a benefit.
- Employer Monthly Schedule: earnings and tax details from all employers .
- Deaths data from Department of Internal Affairs.
- Departure and arrivals data from Ministry of Business, Innovation and Employment for arrivals and departures to and from New Zealand.
- Major management data from Department of Corrections.
- Tertiary education and targeted training data from Ministry of Education.
- Working for Families data from IRD for partnering information.

1.2 Calendar months as the base unit of analysis

Calendar months are the base unit of analysis for the work underlining this report. The criteria for being 'on benefit' in any particular month is receipt of any benefit for any period during that month. The method adopted has some shortfalls, but is consistent with the method adopted for the analysis underlying the prior report, enabling comparisons of results to be made. While Ministry data would allow for more exact transition dates to be used, many other data tables used are recorded in calendar months which make this approach appropriate. In particular, earnings data from IRD Employer Monthly Schedule table is available on a calendar month basis.

1.3 Definitions

1.3.1 Exits

A person is only deemed to have transitioned off benefit in the first calendar month where no benefit is received. This means on average a beneficiary will have been off benefit for six weeks before being defined as an exit, it also means:

- if a beneficiary spell ends on the first of the month, this beneficiary will not be classed as an exit until eight weeks later (ie after a full calendar month off benefit)
- if a beneficiary spell ends on first of the month, and a new spell starts on the last day of the following month, this beneficiary is never classed as an exit, despite being off benefit for almost as long as the person above
- if a beneficiary exits from benefit at the end of the month, say the 29th, they would not be classified as an exit until the following month, assuming they remain off benefit

1.3.2 Triggers

We have modified the trigger definition from that used in the Superu report to include:

- a wider source of earnings data in determining the employment trigger (withholding payments from Employer Monthly Schedule table)
- the use of Working For Family Tax information and Ministry reason codes to identify partnering as a reason for exit
- used pension earnings data to identify additional retirement exits
- have split the other > \$100 category into a > \$1,180 and between \$100 and \$1,180.

Trigger definitions are shown in Table 3.1 in section 3.2 of the report.

Previously in 2016, the employment trigger was defined by those who have earned a substantial amount on the first month and also had experienced increase earnings over the average of the two months prior to them exiting.

This is still the definition used for the employment trigger, however, we have included 'Other: Earn ≥ \$1,180' in analysis of people who exited benefit into employment. Earnings have been inflated to December 2015 dollars for calculating the trigger.

1.3.2.1 Comparison with the Ministry exit reason code

Table 1.1 shows how people would be re-allocated across triggers if Ministry exit reason codes had been used to allocate benefit exits instead of the definitions used for this study. Table 1.1: Comparison of definition of reason for exit to Ministry exit codes

Ministry exit reason	Death	Age > 65	Overseas	In detention	Training course	Full-time study	Part-time study	Employment	Other: Earn ≥ \$1,180	Partner (WFF)	Partner (MSD)	Other: Earn \$100 – \$1,180	Other: Earn < \$100	Total
Death	2,211	72	0	0	0	0	0	0	0	0	0	0	297	2,580
Age 65	18	6,261	0	0	0	0	0	0	0	0	0	0	57	6,336
Overseas	0	576	5,493	0	6	18	15	138	27	12	0	60	2,871	9,216
Detention	0	0	0	2,580	0	0	0	30	12	0	0	12	366	3,000
Education	0	0	63	12	54	6,192	921	105	21	21	0	120	1,020	8,529
Employment	12	48	951	57	1,614	1,083	1,041	45,156	3,996	387	0	3,165	7,221	64,131
Not eligible (partner)	0	18	105	6	33	243	135	579	105	3,828	2,391	0	0	7,443
Not eligible (obligations)	27	60	777	414	168	414	195	4,671	630	186	0	1,125	6,663	15,330
Not eligible (medical)	0	0	6	0	0	0	0	15	0	0	0	0	30	51
Not eligible (other circumstances)	0	12	24	18	9	45	12	99	24	6	0	51	345	645
Transfer	0	606	48	12	12	621	129	294	24	102	0	78	672	2,598
Other	114	216	786	243	183	762	273	4,383	759	444	0	894	4,440	13,497
Total	2,382	7,869	8,253	3,342	2,079	9,378	2,721	55,470	4,998	4,986	2,391	5,505	23,982	133,356

1.3.2.2 Effect of changing priority for assigning to education and employment triggers

The priority order used for assigning exits to a trigger places education and training before employment. Some people who are allocated to education or training trigger would also qualify under the conditions of the employment trigger. Table 1.2 shows how people would be re-allocated across triggers if the priority order for employment was placed before the education triggers. Table 1.2: Allocation of exits if employment triggers are applied before education and training

Exit reason	Death	Age > 65	Overseas	In detention	Training course	Employment	Full-time study	Part-time study	Other:			Total
									Earn ≥ \$1,180	Earn \$100 – \$1,180	Other: Earn < \$100	
Death	2,385	-	-	-	-	-	-	-	-	-	-	2,385
Age > 65	-	7,875	-	-	-	-	-	-	-	-	-	7,875
Overseas	-	-	8,271	-	-	-	-	-	-	-	-	8,271
In detention	-	-	-	3,348	-	-	-	-	-	-	-	3,348
Training course	-	-	-	-	453	1,623	-	-	-	-	-	2,076
Full-time study	-	-	-	-	-	969	8,418	-	-	-	-	9,387
Part-time study	-	-	-	-	-	951	-	1,767	-	-	-	2,718
Employment	-	-	-	-	-	55,476	-	-	-	-	-	55,476
Other: Earn ≥ \$1,180	-	-	-	-	-	-	-	-	5,007	-	-	5,007
Other: Partner	-	-	-	-	-	-	-	-	-	7,389	-	7,389
Other: Earn \$100 – \$1,180	-	-	-	-	-	-	-	-	-	-	5,511	5,511
Other: Earn < \$100	-	-	-	-	-	-	-	-	-	-	23,985	23,985
Total	2,385	7,875	8,271	3,348	453	59,019	8,418	1,767	5,007	7,389	5,511	133,428

Changing the allocation order by testing for employment before the education triggers adds an additional 3,500 people to the employment reason for exit.

It is worth bearing in mind that the allocation order only impacts how we define the sub-cohorts of ‘employment’ and ‘education/training’. It doesn’t have any impact on how we measure substantial earnings sustainability in this report. This is because we have carefully defined substantial earnings sustainability solely on whether one continuously earns substantial earnings over time, regardless of their activities over time.

1.3.3 Activities

The ‘activity’ concept appears several times in this report, for instance in Figure 3.5, Figure 4.1 and Figure 5.10. Activities are defined similarly to triggers, with the main distinction being that we could track activities over time (subject to data availability). There are also some slight technical differences in how we identified which people were receiving substantial levels of paid parental leave or ACC claim income. As these activities only make up very small proportions of our study population, we included them in the ‘Employment’ activity (as noted in section 3.6).

1.4 Impact of data refresh on 2010–2011 results

IDI refreshes regularly and this can cause small changes to the outcomes of prior analysis due to small differences in results from the matching algorithm or backdated changes to the datasets provided.

To be able to have valid comparisons with the original results for the 2010–2011 cohort, we have re-run the analysis for 2010–2011 on the refreshed datasets. Table 1.4 below compares the number of off-benefit transitions from the earlier report to the results from the refreshed dataset.

Table 1.3: Impact of data refresh

Exit reason	Original	Refreshed	Difference
Death	2,400	2,472	72
Age > 65	7,239	7,305	66
Overseas	8,940	8,922	-18
In detention	4,287	4,110	-177
Training course	2,823	2,805	-18
Full-time study	9,369	9,342	-27
Part-time study	3,324	3,315	-9
Employment	54,213	54,039	-174
Other: Earn \$100 – \$1,180	11,778	11,979	201
Other: Earn < \$100	37,689	37,500	-189
Total	142,062	141,789	-273

The differences are small and do not have any material impact on the results from the prior report. Overall there were 273 fewer off-benefit transitions identified from the refreshed dataset.

1.5 Impact of changes to trigger on 2010–2011 results

The 2010–2011 cohort has been re-analysed using the modified triggers to compare how these changes have changed the distribution of reasons for off-benefit transition. This is shown in Table 1.4.

Table 1.4: Effect of change to employment and ‘Other’ triggers

Exit Reasons (pre-modified)	Death	Age > 65	Overseas	In detention	Training course	FT Study	PT Study	Employment	Oth earn >=1180	Oth Partner	Oth earn [100, 1180)	Oth earn <100	Total
Death	2,472	-	-	-	-	-	-	-	-	-	-	-	2,472
Age > 65	-	7,308	-	-	-	-	-	-	-	-	-	-	7,308
Overseas	-	-	8,919	-	-	-	-	-	-	-	-	-	8,919
In detention	-	-	-	4,110	-	-	-	-	-	-	-	-	4,110
Training course	-	-	-	-	2,805	-	-	-	-	-	-	-	2,805
FT Study	-	-	-	-	-	9,342	-	-	-	-	-	-	9,342
PT Study	-	-	-	-	-	-	3,318	-	-	-	-	-	3,318
Employment	-	-	-	-	-	-	-	53,988	48	-	-	-	54,036
Oth earn >=100	-	12	-	-	-	-	-	492	4,668	951	5,859	-	11,982
Oth earn <100	-	168	-	-	-	-	-	1,509	183	6,789	318	28,536	37,503
Total	2,472	7,488	8,919	4,110	2,805	9,342	3,318	55,989	4,899	7,740	6,177	28,536	141,795

The main impacts from the changes to the trigger are:

- the number of people assigned to employment exit has increased by approximately 2,000 that were previously assigned to other
- an additional 180 are assigned to ageing over 65 (retirement)
- 7,700 people previously allocated to other have been identified with an exit reason of entering partnership
- 4,900 people in the other category earning more than \$1,180 per month have been separately identified and treated as meeting employment trigger for some of the later analysis in this report.

There remain a significant number (28,500 or 20 percent of all exits) that are assigned an unknown reason. Section 3.1.1 gives some further insight to these benefit exits using Ministry-recorded reason codes.

All further analysis and comparisons in the report are based on the refreshed data and the modified Trigger and activity.

Appendix 2: Glossary

ACC	Accident Compensation Corporation
EB	Emergency Benefit
FIAA	Fellow of the Institute of Actuaries of Australia
FNZSA	Fellow of the New Zealand Society of Actuaries
IDI	Integrated Data Infrastructure
IRD	Inland Revenue Department
JS-WR	Jobseeker Support — Work Ready
JS-HCD	Jobseeker Support — Health Conditions & Disabilities
NZQF	New Zealand Qualifications Framework
PPL	Paid parental leave
SLP-Carers	Supported Living Payment — Carer
SLP-HCD	Supported Living Payment — Health Conditions & Disabilities
SPS	Sole Parent Support
Superu	Social Policy Evaluation and Research Unit
YP	Youth Payment
YPP	Young Parent Payment



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