



Employment and Social Outcomes Investment Strategy

2018–2021



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

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Foreword

Over the past seven years, the Ministry of Social Development (MSD) has developed and implemented an investment approach to improve employment and social outcomes for people on working-age benefits.

MSD's investment approach has been developed in the evolving context of broader government approaches to social investment and investing for social wellbeing that now extend across other social sector portfolios such as health, justice and education.

A key part of MSD's investment approach has been the development of an Employment and Social Outcomes Investment Strategy (the 'Investment Strategy'). Broadly speaking, the Investment Strategy outlines the areas that we will focus on as a priority to achieve improved employment and social outcomes for people who are receiving, or are likely to receive, a working age benefit.

The development of the Investment Strategy is a constant learning process that includes consideration of a range of evidence to identify potential opportunities and the work or approach that could achieve improved outcomes. Results from impact evaluation and performance monitoring are critical inputs, along with other evidence such as modelling forecasts, Government priorities, MSD's new strategic direction Te Pae Tawhiti – Our Future, and engagement and feedback from clients, staff and stakeholders. This structured and evidence-based approach ensures the priorities adopted for the Investment Strategy are the best priorities to improve employment and social outcomes.

This latest Investment Strategy outlines seven priorities that we consider would be most likely to achieve the best possible outcomes over the next four years. In other words, the Strategy sets the direction of travel.

The purpose of making the Investment Strategy public is to inform a wide variety of stakeholders of our priorities and to provide the opportunity for external organisations to get in contact with MSD with ideas, to share feedback so we can learn and improve, and attract interest from external organisations to work collaboratively with MSD. This will help us better understand the complexities faced by our clients and contribute towards developing new services aimed at achieving sustainable outcomes.

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Executive summary

The Employment and Social Outcomes Investment Strategy (the 'Investment Strategy') sets high-level priorities to guide allocation of resources over the next four years to achieve the best possible employment and social outcomes for people receiving, or who are likely to receive, a working-age benefit.

Priorities



1. Increase effectiveness of support to enhance the employment potential of young people



2. Embedding approaches that are more effective for Māori into all services



3. Increasing effectiveness of employment support for people with health conditions or disabilities



4. Expanding employment support to all clients with dependent children



5. Improving the sustainability of employment outcomes



6. Better aligning education and training towards sustainable employment



7. Enhancing our regional focus to better support regional employment growth opportunities

Introduction

The overall objective of the Investment Strategy is to maximise the impact of MSD's programmes and activities to achieve the best possible employment and social outcomes for people receiving, or who are likely to receive, a working-age benefit.

Scope of the Strategy

The Investment Strategy covers resources both directly allocated to MSD and those where there may be opportunities for collaboration or influence (for example appropriations in other Votes that are related to the welfare system). The main source of funding from Vote Social Development is the Improved Employment and Social Outcomes Support Multi-Category Appropriation (MCA).

The MCA supports our role in administering income support (benefits) and improving employment outcomes and work-readiness. It funds case management services and contracted programmes and services.

Depending on the situation for each priority, this additional support could involve one or more of:

- new research, for example new analyses to improve understanding of what works (and what doesn't)
- developing and trialling new programmes and services
- improving understanding of the cost-effectiveness of existing support options, with a view to changing the support mix
- expanding successful existing programmes and services
- improving the effectiveness of existing programmes and services, and stopping unsuccessful ones
- capability development, for example up-skilling MSD staff to enable more productive interactions with clients with complex needs
- new or intensified cross-government collaboration.

Underpinning the Investment Strategy is an internal work programme that identifies the specific programmes and activities that will help achieve our outcomes and impacts – in other words, a more detailed plan to put the strategy into practice.

Process for Developing this Investment Strategy



People

The strategy covers working-age people on, or at risk of going on, a benefit

- On a main benefit
- On supplementary benefits only
- Recently exited from a main benefit
- At risk of entering (or re-entering) the benefit system



Resources

The strategy covers resources both directly allocated to MSD and those where there may be opportunities for collaboration or influence

- Improved Employment and Social Outcomes Support Multi-Category Appropriation (MCA)
- Appropriations in other Votes that are related to the welfare system (collaboration/influence)
- New money (budget bids)



Considerations

The strategy considers a range of inputs to ensure the selection of the best of all possible priorities

- Government priorities
- Evidence base, including 2017 Benefit Systems Report, MSD Employment Assistance Cost Effectiveness Report, and internal modeling and analysis.
- Principles of Te Tiriti o Waitangi
- MSD's outcomes, impacts, and new strategic direction: Te Pae Tawhiti - Our Future
- Engagement and feedback
- Monitoring and performance of decisions arising from previous strategies



Priorities

The strategy sets priorities, selected on the grounds that they are expected to lead to the best possible employment and social outcomes

- Identifies priority areas where MSD will provide increased support
- Links priorities to MSD outcomes and impacts



Implementation

The strategy is used to inform decision-making relating to the various levers that can be used to improve outcomes for each priority

- Case management
- Employment and work-readiness programmes
- Research, including data analysis, pilots and trials
- Policy/legislation settings
- Communication (raising awareness, provision of information)
- Capability development
- Cross-government collaboration

Time horizon for the Strategy

Changes in emphasis and resource use can take time – in many cases a lot longer than the 12-month period covered by previous versions of the Investment Strategy. As a result, this Investment Strategy covers a four year time horizon, but still with an emphasis on short-term work (ie over the next 12 months) to make timely progress.

Background

How employment services work at MSD

MSD's employment service delivery model is made up of internal and external (contracted) case management services that range in intensity and client focus. For a majority of jobseeker clients, services are focused on matching people with known job vacancies, including using in-house work brokers that can partner with employers to fill vacancies. Work brokers can also utilise Flexi-Wage (a wage subsidy) that supports clients who are disadvantaged in the job market.

For clients with more complex needs, services are increasingly focused using an active case management approach, with differentiated services to support priority groups. An increasing feature of MSD's service mix is an intensive client approach, with recent evaluations showing trials of this approach to be effective at improving off-benefit outcomes for higher-need clients.

We contract external providers to deliver more specific work-related services such as Training for Work and Work Readiness courses. MSD also partners with employers by using the Skills for Industry service to form programmes that offer on the job training with an employment outcome.

Priority groups identified through previous investment strategies have allowed for the targeting of expenditure, notably contract expenditure through regional purchasing plans.

Investing for Social Wellbeing

On 7 May 2018, the Social Investment Agency began a public engagement process on the Government's proposed new approach to social investment – Investing for Social Wellbeing.

“In the past the focus has been too narrow, concentrated on reducing costs to government. An approach premised on fiscal restraint and reducing future liabilities provides a limited insight into what are often complex and enduring social challenges, and the range of solutions that might be found.

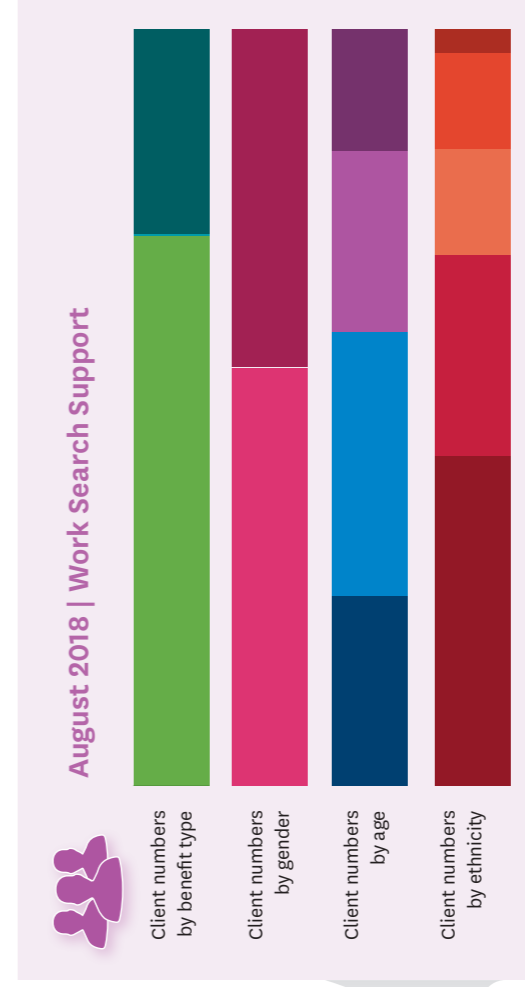
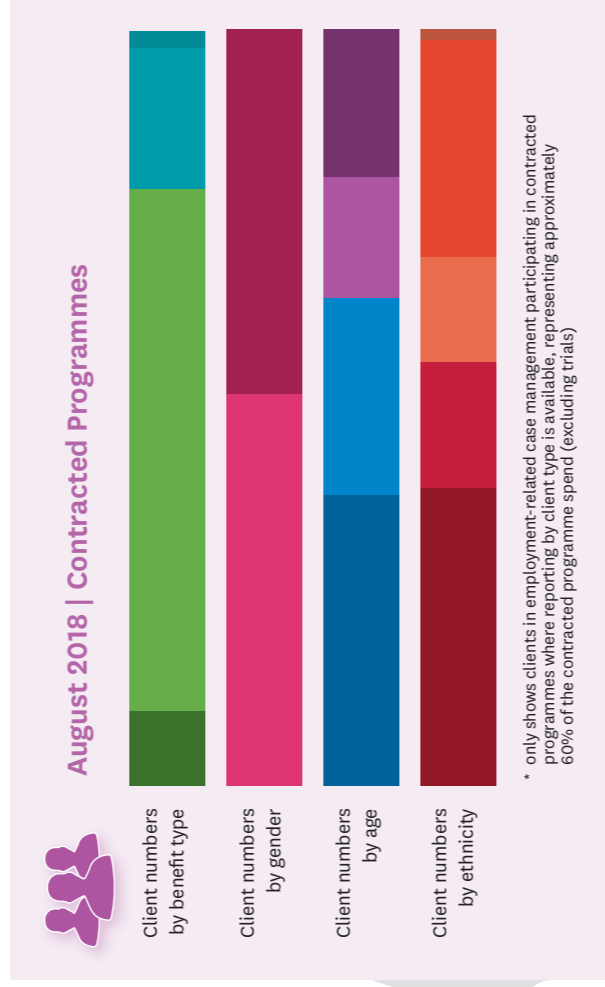
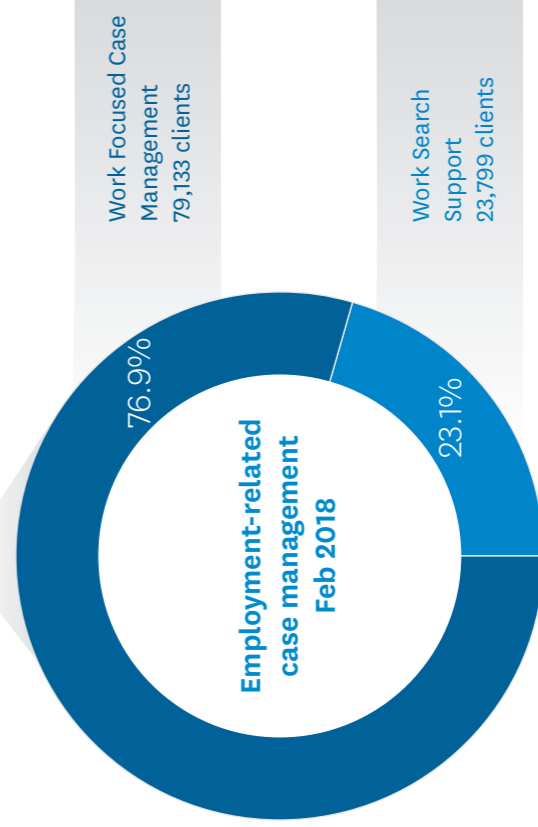
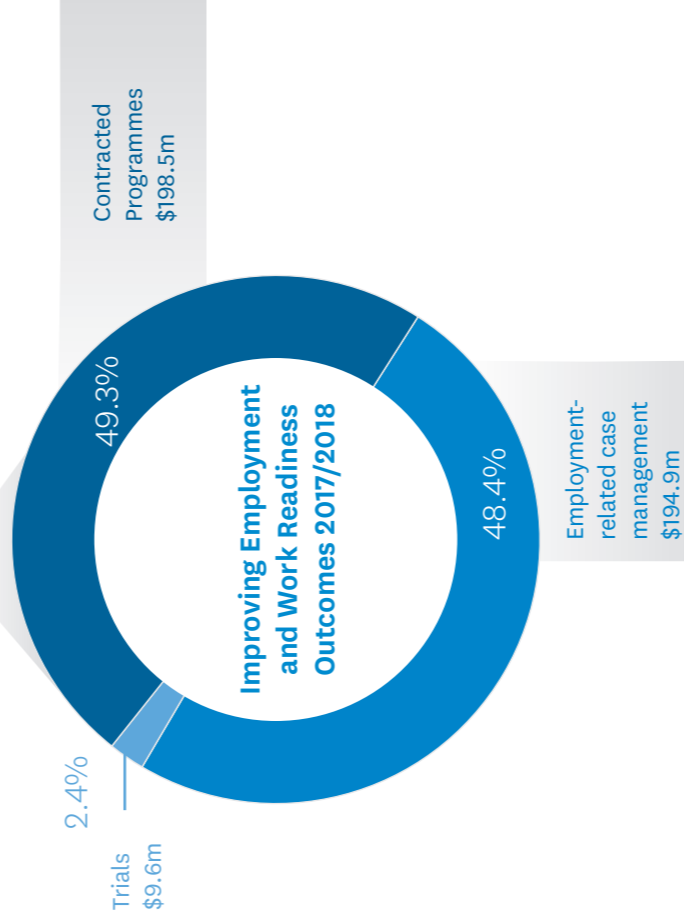
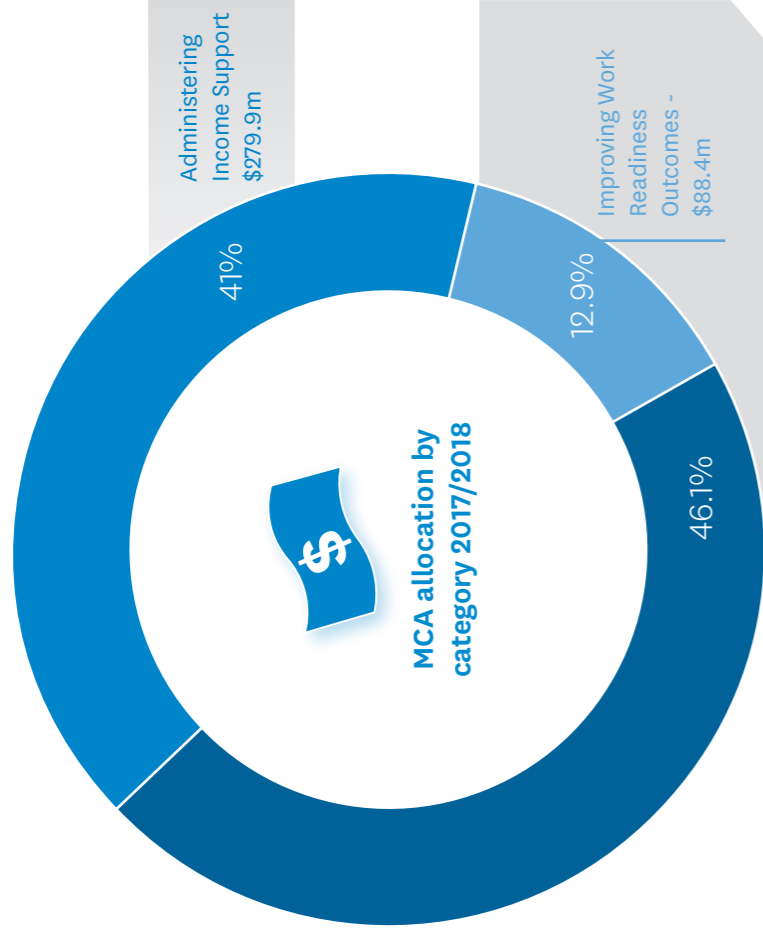
... Investing for social wellbeing means supporting and resourcing people to improve theirs and others' wellbeing which, in turn, will contribute to broader positive social outcomes. This approach is centred on an attempt to understand, and the need to appreciate, the complexities in people's lives as well as their ability to build resilience and fulfil their potential in different ways.” – Cabinet Paper: Towards Investing for Social Wellbeing (March, 2018)

Working toward achieving these broader aims has meant evolving our investment approach. Over the past seven years, MSD had developed a social investment approach that used annual modelling work to estimate the measured future lifetime cost of providing client support (among other analysis). We are broadening this approach to include:

- new modelling that enhances our knowledge about a range of social outcomes, including better understanding of outcomes once people leave the benefit system
- broadening of effectiveness evaluation to include outcomes in other social domains
- a new outcomes framework
- a focus on partnering as part of our new strategy, Te Pae Tawhiti – Our Future.

Improved Employment and Social Outcomes Support MCA

- A snapshot



Key



Current performance

The effectiveness of employment services and programmes

MSD's employment and income support activities are largely funded through the Improving Employment and Social Outcomes Multi-Category Appropriation (MCA). The funding flexibility provided by the MCA structure and the delegation of decision-making rights to our Chief Executive remain key components to the investment approach. Understanding the effectiveness of the current spend under the MCA allows us to shift funding to where it will have the highest impact for clients. Sometimes these shifts are difficult or take time to occur, but the information is essential to knowing what direction needs to be taken to improve the social outcomes we can achieve from available funding.



The diagrams provide a visual of the effectiveness of MSD's case management services and some of the larger employment assistance programmes in the 2016/17 financial year.

Understanding the data

- The colour of the circle relates to effectiveness.
- The size of the circle indicates the total yearly cost.
- The position of the circle indicates the average cost per client, with the lowest on the left and the highest on the right.

Explaining the assessment

Programmes and services are assessed for impacts on employment, income and independence of welfare (with plans to add other wellbeing factors).

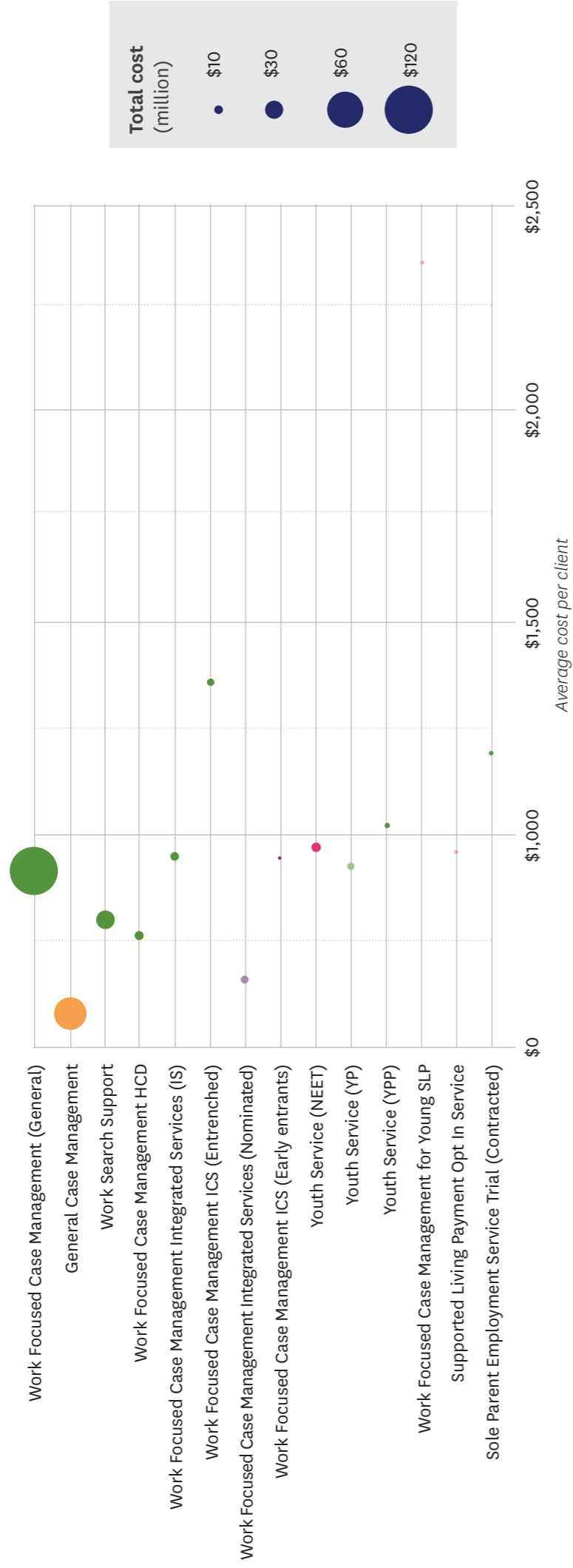
The assessments are an overall rating (eg 'effective', 'promising', 'negative', etc) based on whether interventions have statistically-significant impacts (+ve or -ve) for employment, income and independence.

At this time, the impacts are not quantified or valued (in terms of how valuable the impacts are for wellbeing), and a small impact is treated the same as a large impact (just recognising either positive or negative effect).

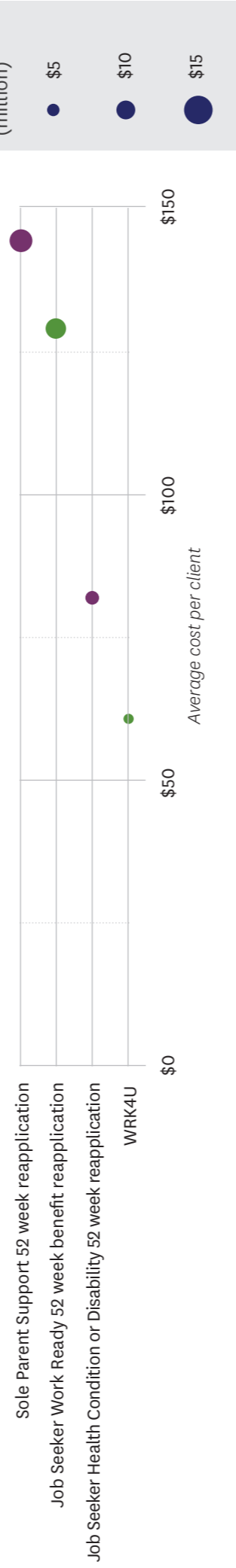
As such, it is not possible from this assessment to accurately determine the cost-effectiveness of interventions (though some broad inferences are possible, such as for interventions that are both 'effective' and low cost).

The effectiveness and costs of key services and programmes are an important Strategy consideration

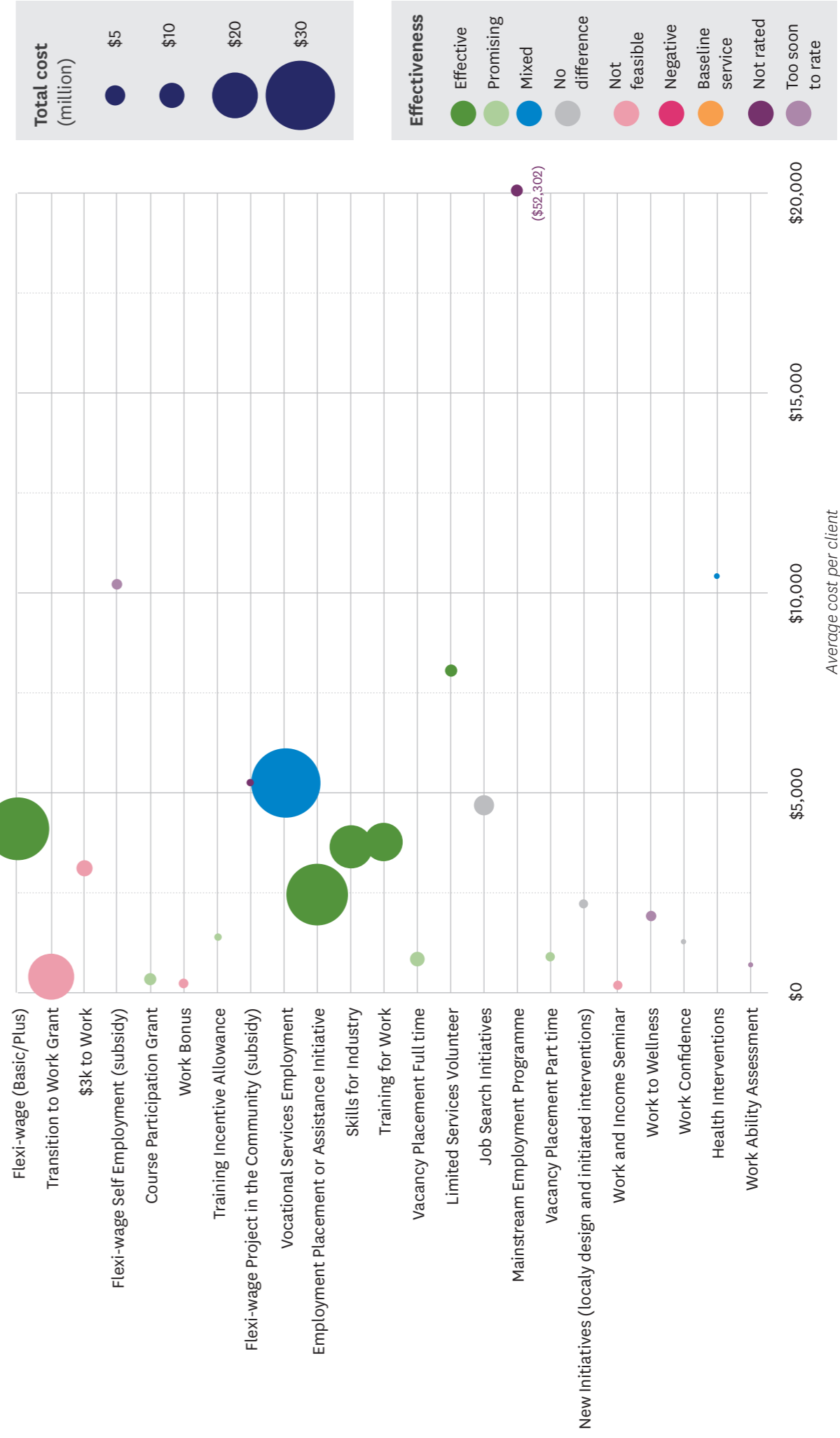
Case management – active support



Compliance related assistance



Employment assistance



* Note: some subsidy employment subsidy programmes are not included in this graph as it is not feasible to assess their effectiveness in a comparative way to other interventions. These include Child Care Subsidy (\$209m), OSCAR Provider Assistance (\$18m), Flexible Childcare Assistance (\$0.3m), Earthquake Support (\$17m). Interventions with a total expenditure of less than \$200,000 are also not included.
 * Note: Only interventions with a total cost of more than \$700,000 have been included. For a full copy of all interventions please refer to the Cost-effectiveness of MSD employment assistance summary report 2016/17.



Priority One:

Increase effectiveness of support to enhance the employment potential of young people

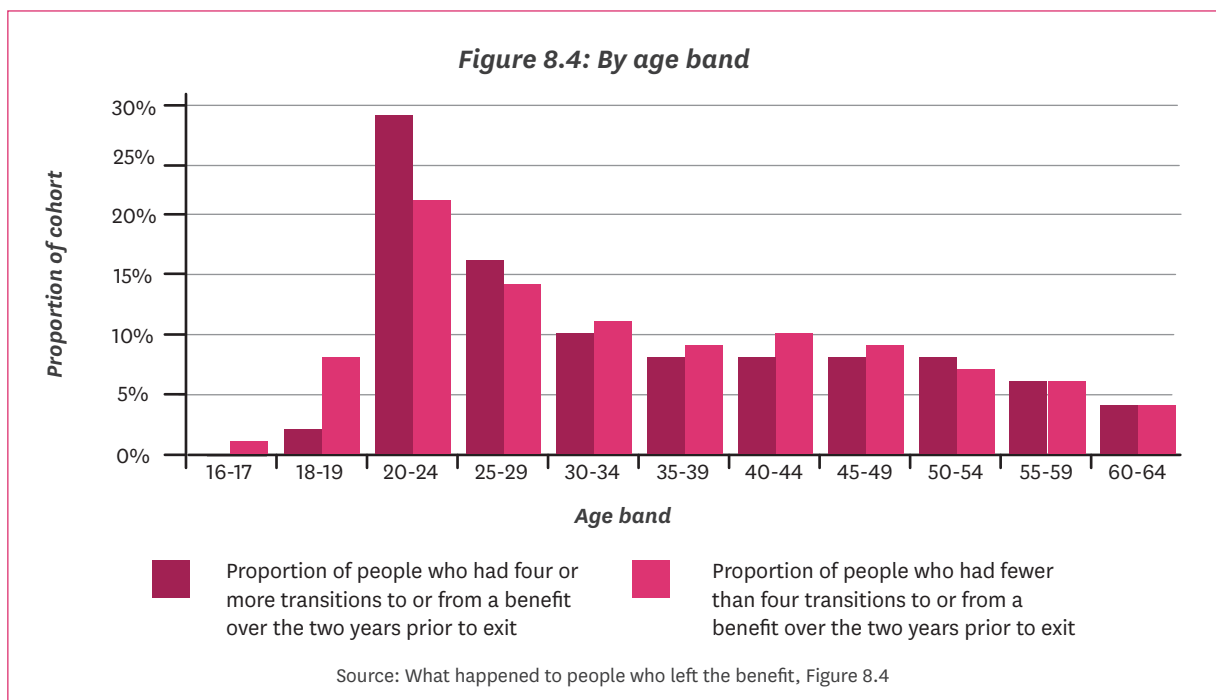
Why is this important?

Despite increased investment over recent years and a strong labour market, long-term employment outcomes for young clients remain poor relative to other age groups.

The number of young New Zealanders aged 16 to 19 years, who start receiving the Youth Payment (YP) or Youth Parent Payment (YPP) has reduced since 2013, primarily due to a strong decline in the teen birth rate. However, those that do continue to come onto YP and YPP have the highest predicted future years receiving a benefit (15.2 years). MSD modelling highlights that young Māori and young people who have interacted with child protection services face the most prolonged challenges in achieving sustainable outcomes.¹

The majority of YP/YPP benefit recipients transition to the working-age benefit, when their eligibility for YP/YPP runs out. Analysis shows that the exit rates for those who entered as teenagers continue to be about 5 percentage points lower than those who entered over the age of 20.²

Even for those who did exit, outcomes are not currently expected to be sustained. A recent report by MSD examining what happened of recipients of benefits who left the benefit in 2014 found that young people aged 20 to 24 did not have sustained outcomes and often had multiple spells on benefit.³



1 2017 Benefit System Performance Report, p 38-40 <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/2017-benefit-system-performance-report-june-2018.pdf>

2 Ibid, p. 40.

3 What happened to people who left benefit system during the year ended 30 June 2014, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/people-leaving-benefit-system-print.pdf>

Indicative work to address this priority in 2018/19

- Maximise impact of current initiatives and continue to support those in development
- MSD led review of Youth Service, including an evaluation of its cost-effectiveness.
- Make the most of new programmes for youth provided by He Poutama Rangatahi and broader Government initiatives, such as the Provincial Growth Fund.
- Implementation of Mana in Mahi, to increase the number of youth in apprenticeships.

Indicative work over the following years

Work from 2018/19 and new insights will inform our decisions on the best ways to enhance support.



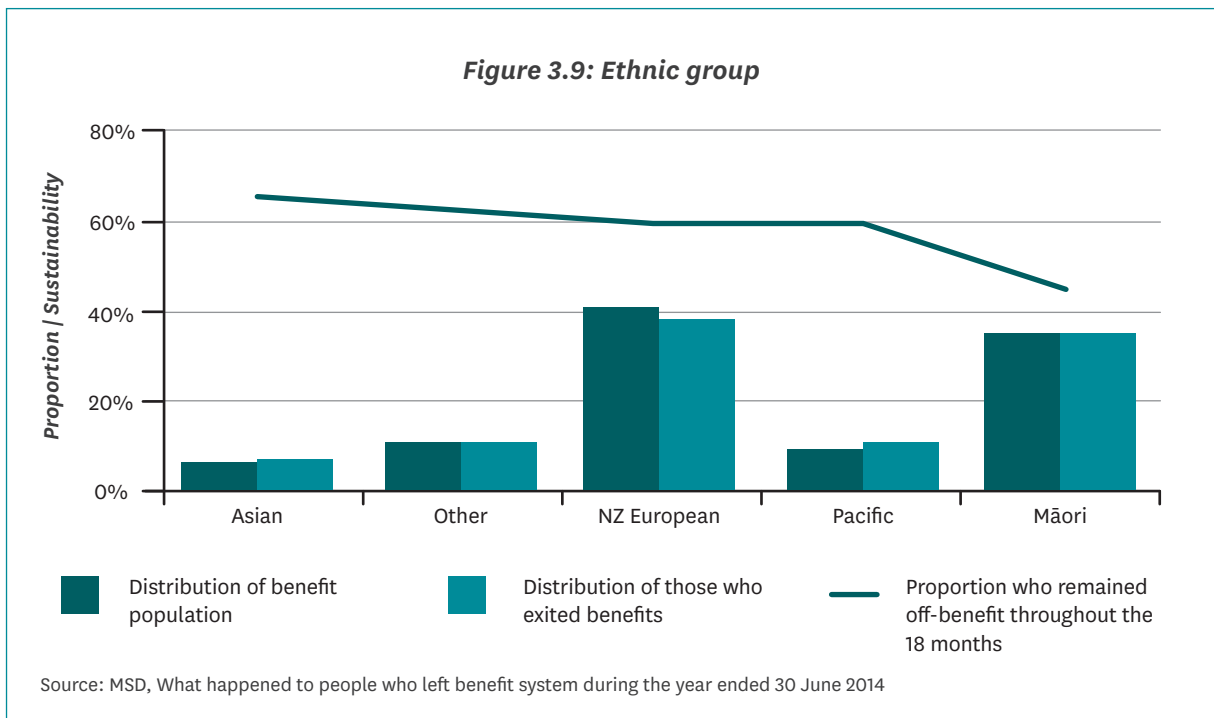
Priority two:

Embedding approaches that are more effective for Māori into all services

Why is this important?

We can and must do better to support Māori clients. While there are many programmes and services that are successful in achieving positive outcomes for Māori clients, the outcomes gap between Māori and non-Māori is getting worse. This is reflected in total client numbers: non-Māori client numbers have decreased by 21percent since 2009, whereas Māori client numbers have decreased by only 6percent.⁴

A recent report by MSD examining off-benefit outcomes shows Māori clients as having the highest likelihood of returning to a benefit or to sustain earnings of at least \$1,180 per month. While Māori clients were more likely to exit into education than other ethnic groups, they were also more likely to return to receiving benefit following education (2 out of 3 returned to benefit, compared to 1 in 2 for others). Possible reasons may be the distribution of Māori population in regions of high seasonal work or weaker job markets, further work is needed to better understand the drivers of these outcomes, including at a regional level.



4 MSD administrative data, as at February 2018.

Indicative work to address this priority in 2018/19

Develop and deliver on work programmes across three areas to enhance our responsiveness to Māori clients:

- internal capability
- client-facing relationships
- iwi/government partnerships

Indicative work over the following years

Use an improved understanding of factors that contribute to successful outcomes for Māori clients, including those who have succeeded despite significant challenges, to develop specific and practical changes that can start to make a difference for Māori clients.



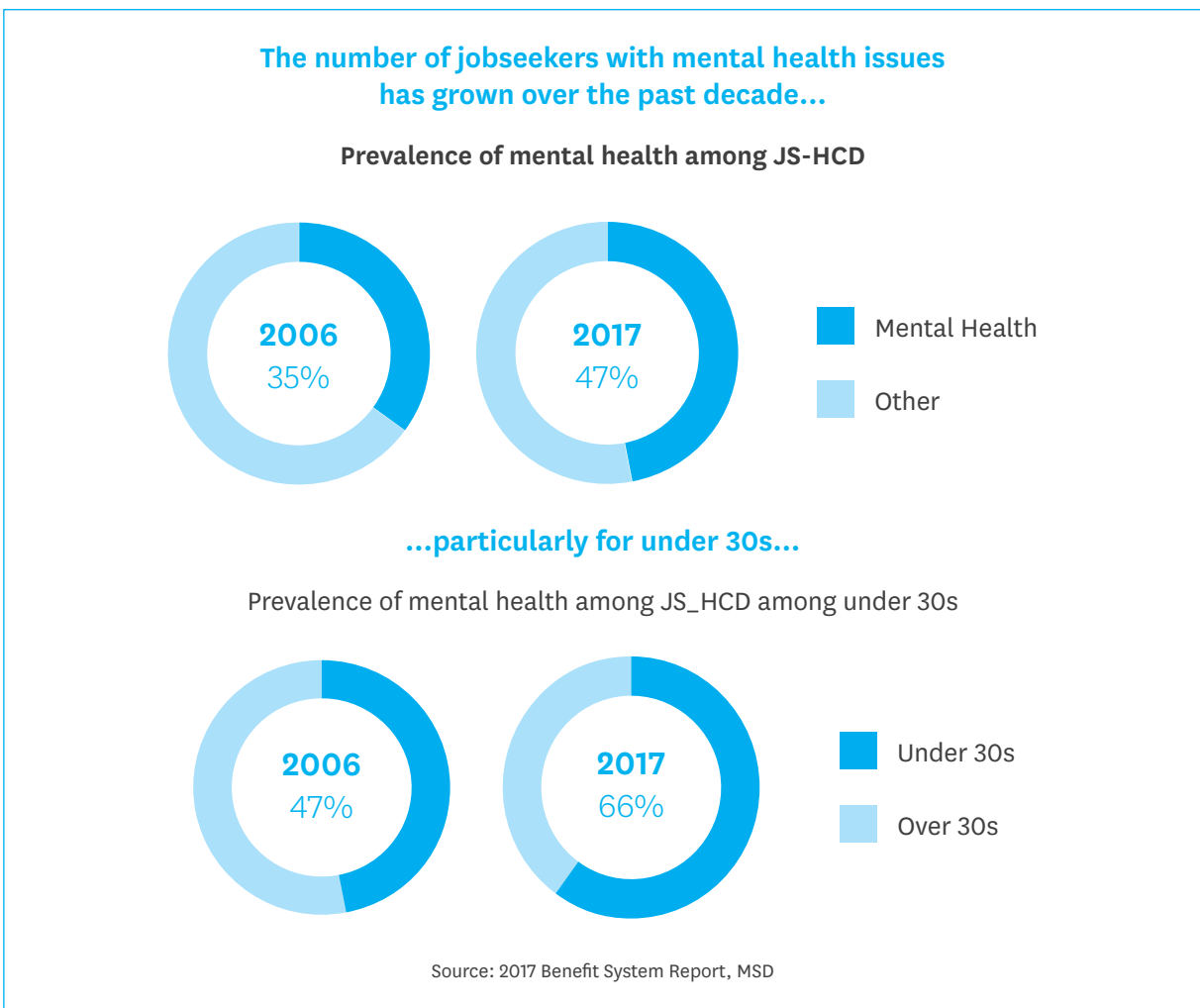
Priority three:

Increasing effectiveness of employment support for people with health conditions or disabilities

Why is this important?

Disabled people and people with health conditions continue to experience high levels of unemployment and long-term unemployment which leads to significantly poorer economic, social and health outcomes.

Improving how we support disabled people and health conditions will improve outcomes for clients, and make it easier for them to lead fulfilling lives – including through employment where it is viable.





With over 100,000 SLP clients (including partners and carers), it is highly likely that some would be willing and able to work part-time.

A recent trial by the Ministry showed that with the right support and services, young SLP clients who want to work can enter work. Encouraging and supporting more SLP clients into meaningful and sustainable employment, as best practice, would likely boost SLP clients' social and economic wellbeing.

Indicative work to address this priority in 2018/19

- Continue to support a large suite of trials and partnerships to improve our understanding of how to support clients with health conditions and disabilities and how to develop more effective service interventions.
- Consider options for enhancing existing disability employment services and supports to align them with best practice and improve their effectiveness.
- Ensure mainstream employment services are inclusive of disabled people and people with health conditions, including new initiatives primarily focused on youth.
- Scope options for further supporting clients who want to work but do not have work obligations.

Indicative work over the following years

We will be in a good position to improve service design and make changes to the range and/or mix of interventions by continuing to evaluate trials and consider the cost-effectiveness of existing interventions along, with the above scoping work.



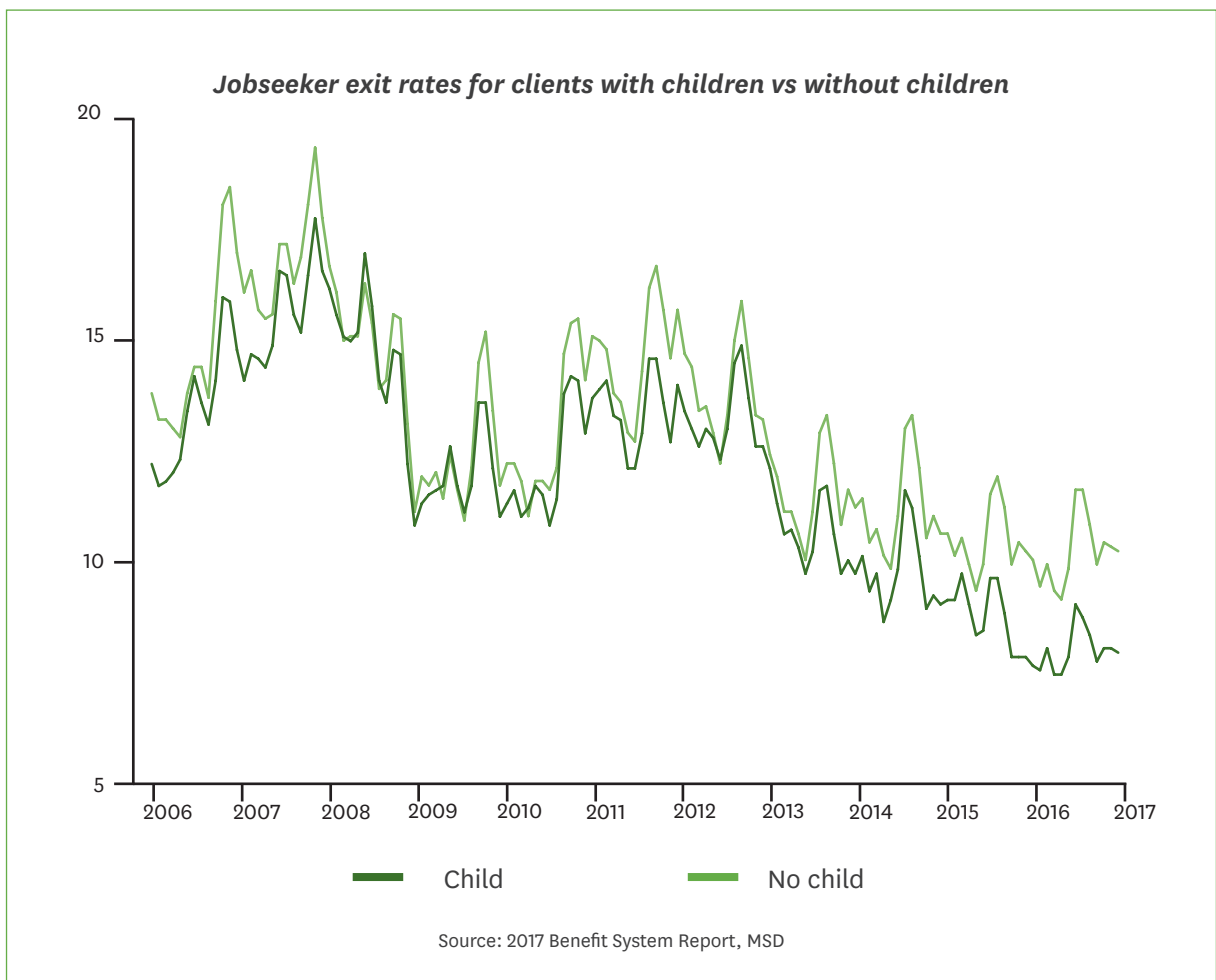
Priority four:

Expanding employment support to all clients with dependent children

Why is this important?

While the Families Package takes a significant step to improve income adequacy of families who receive benefits, as at the end of January 2018, there were approximately 174,700 children living in a benefit dependent household, including 60,300 receiving Sole Parent Payment (SPS) and 1,700 receiving YPP. The group of clients with children on benefits other than SPS or YPP has not, to date, been a particular focus for us.

As the figure below shows, exit rates to employment for Job Seeker-Work Ready clients with children have declined relative to those without children. This is partly explained by changes in benefit policy that allows clients with children to earn higher levels of income before they become ineligible to receive benefits. However, additional analysis is required to determine if this group is in need of additional support services. Higher levels of employment in families with children would likely support multiple objectives across the social sector, including improving health and education outcomes and reducing pressure on public housing. The priority would also clearly support the Government's focus on reducing child poverty and lifting child wellbeing.



Indicative work to address this priority in 2018/19

Assess the features of the current support for sole parents that have been successful for this group and consider what could feasibly be expanded to improve outcomes for other clients with children. This should be complemented by looking at what has worked internationally.

Indicative work over the following years

Any future focus on this priority will depend on the outcome of the analyses in 2018/19. Assessments of the effectiveness of the Families Package should also inform future direction.



Priority five:

Improving the sustainability of employment outcomes

Why is this important?

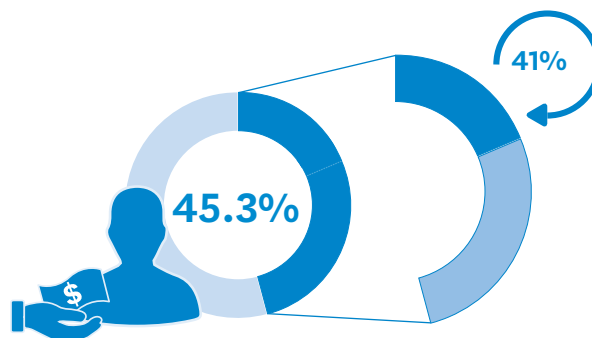
Improving the sustainability of clients moving off benefit to employment has been a priority in previous strategies, resulting in trials that have successfully been scaled up, such as In-Work Support service. Overall performance in this area, however, does not seem to be improving (except for sole parents).

MSD's recently released report 'What happened to people who left the benefit system' showed that the rate of return to benefit for those who leave the system is relatively high, especially those who left to complete tertiary study.

Although there is much previous and ongoing work in this space within MSD, formalising a priority brings added impetus and focus to this work, getting us ahead on this important topic more quickly and meaningfully than may otherwise be the case.

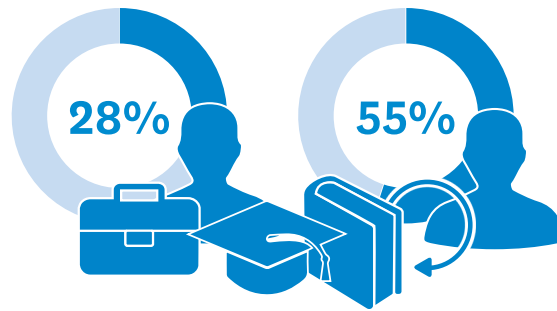


**Most people exited for good reasons (employment, education)
- but close to 1 in 2 returned to benefit within 18 months**



**45.3% went into employment with earnings of at least \$1,180 per month,
of which 41% returned to benefit**

Source: What happened to people who left the benefit system, MSD



**Of the people who went to education or training only 28% were in employment
18 months later, 55% had returned to benefit**

Source: What happened to people who left the benefit system, MSD

Indicative work to address this priority in 2018/19

- Commission new modelling that will incorporate information on desired outcomes once someone has stopped receiving a main benefit, such as employment sustainability and income growth.
- Supplement our existing data collection with information that uses qualitative interviews to identify factors that contribute to good outcomes for clients.

Indicative work over the following years

These pieces of work, coupled with our ongoing research into understanding different groups of people (such as people who cycle on and off benefit) and current services (for example, In-Work Support), will help us develop programmes and services to better support improved outcomes for clients.



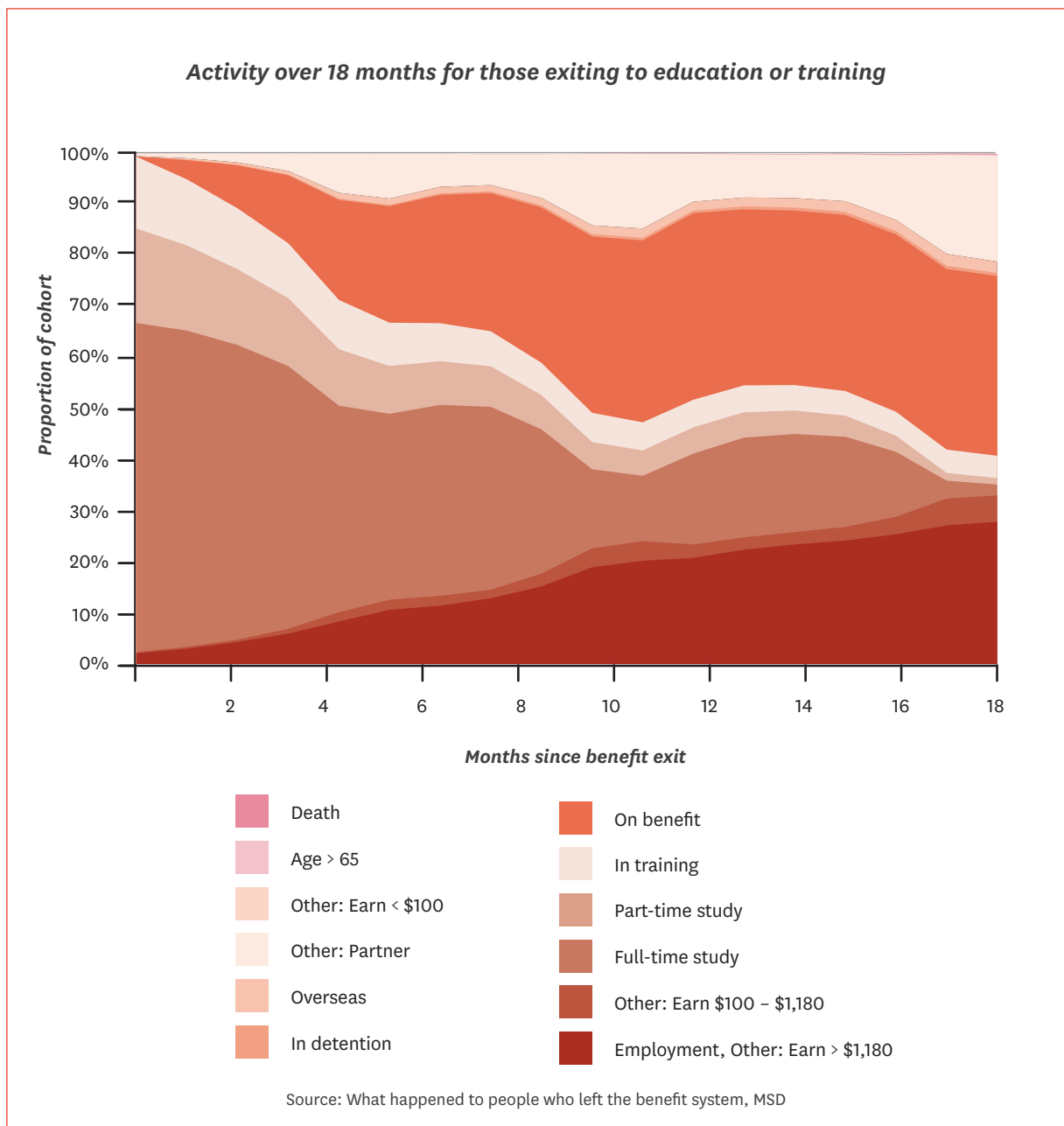
Priority six:

Better aligning education and training towards sustainable employment

Why is this important?

With an increasingly dynamic labour market, with changes in job scope (and sometimes job existence) and where people move more regularly in and out of the workforce or into other fields of employment, our support needs to be increasingly focused on helping reskilling and upskilling clients.

However, MSD's recently released report 'What happened to people who left the benefit system' showed for those clients who exit into education or training, 55percent had returned to benefit 18 months later.



Indicative work to address this priority in 2018/19

- Progress development of key Government priorities such as Mana in Mahi.
- Consider the effectiveness of current careers advice for our clients.
- Continue engaging with employers and industry, including at the regional level, to better understand workforce needs.

Indicative work over the following years

Consideration will also be given to researching programmes (including digital programmes) that can be effective in providing foundational literacy and numeracy skills effectively, in collaboration with Ministry of Education and the Tertiary Education Commission.

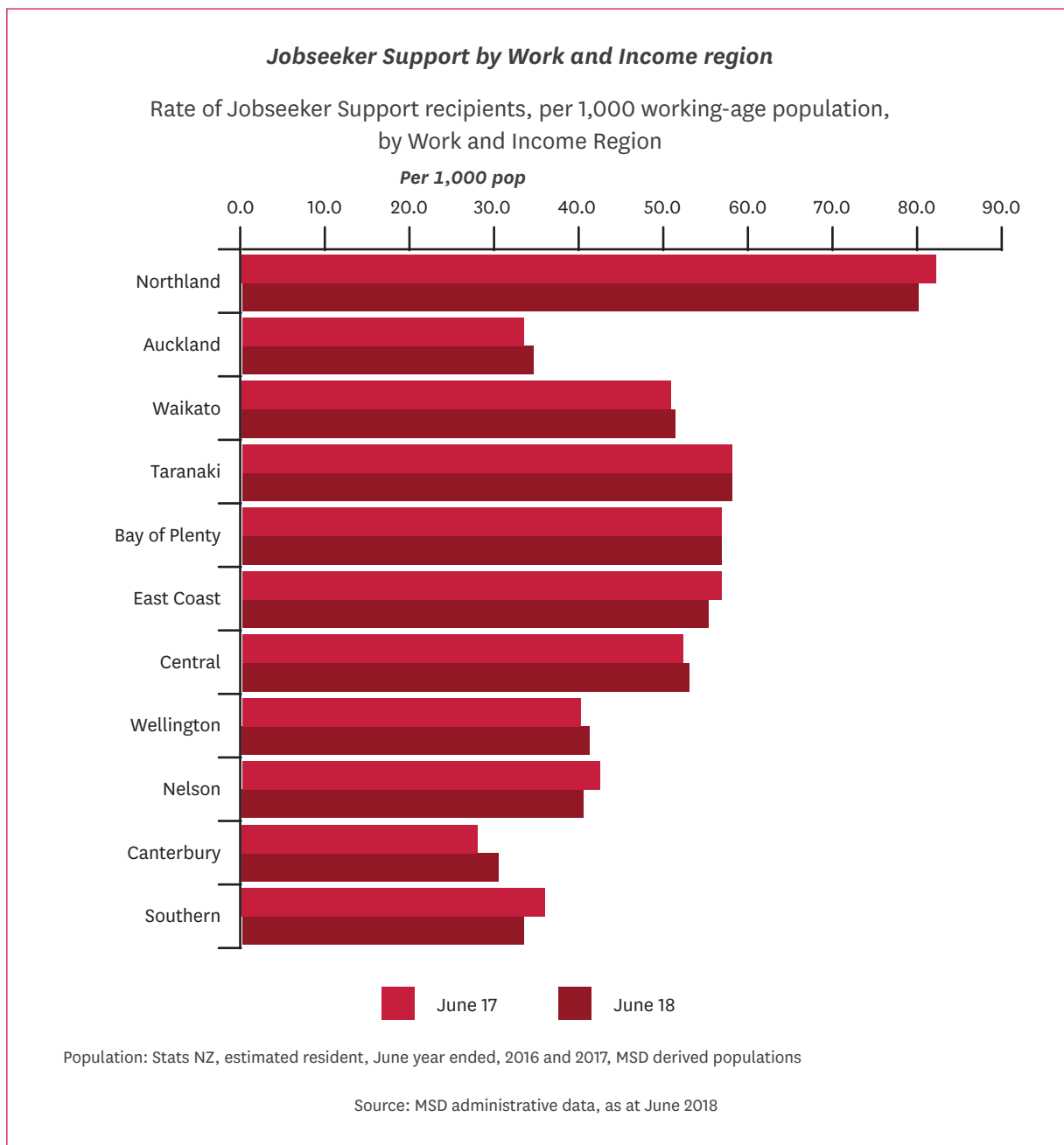


Priority seven:

Enhancing our regional focus to better support regional employment growth opportunities

Why is this important?

Where someone resides matters for life trajectories, especially for people and families with low-incomes. The recent Future of Work Commission argued that there is a strong need 'for government to use the levers available to partner with each region in New Zealand to support sustainable and decent work'.



Indicative work to address this priority in 2018/19








- Continue our extensive regionally focussed work and ensure that MSD's regional leadership is aligned to Government initiatives, such as the Provincial Growth Fund.

Indicative work over the following years

- It is likely that initiatives progressed under the Employment Strategy (currently being developed) will include a regional focus.
- Collaborative place-based approaches will also continue to be an important means to address complex problems in particular communities.

Aligning the Investment Strategy:

MSD's Outcomes, Impacts and Strategic Direction

Priority	MSD Impacts	Te Pae Tawhiti – 3 strategic shifts
 <p>Increase effectiveness of support to enhance the employment potential of young people</p>	1,3,7,9,10	3
 <p>Embedding approaches that are more effective for Māori into all services</p>	1,3,7,9,10	1,2,3
 <p>Increasing effectiveness of employment support for people with health conditions or disabilities</p>	3,8,9,10,11	2,3
 <p>Expanding employment support to all clients with dependent children</p>	3,9,10,11	2,3
 <p>Improving the sustainability of employment outcomes</p>	9,10	3
 <p>Better aligning education and training towards sustainable employment</p>	9,10	2,3
 <p>Enhancing our regional focus to better support regional employment growth opportunities</p>	1,7,9,10	2,3



Manaaki Tangata, Manaaki Whānau
 We help New Zealanders to be safe, strong and independent

Outcomes

New Zealanders get the support they require

New Zealanders are resilient and live in inclusive and supportive communities

New Zealanders participate positively in society and reach their potential

Impacts

- | | | | |
|---|---|----|---|
| 1 | Improve equity of outcomes, particularly for Māori | 7 | Improve our contribution to industry and regional development |
| 2 | Improve people's trust and confidence in the welfare system | 8 | Improve the effectiveness of connections across different providers and organisations |
| 3 | Improve effectiveness of support | 9 | Improve employment outcomes through sustainable work |
| 4 | Reduce the number of people in hardship or insecure housing | 10 | Improve people's readiness for work, including through training and education |
| 5 | Improve awareness of, and access to, support | 11 | Improve people's abilities to meaningfully participate in society |
| 6 | Reduce harm and improve strength of whānau, families, and communities | | |

Te Pae Tawhiti – Our Future

- | | | | | | |
|---|---|---|---|---|---|
| 1 | Mana manaaki
A positive experience every time | 2 | Kotahitanga
Partnering for greater impact | 3 | Kia takatū tātou
Supporting long-term social and economic development |
|---|---|---|---|---|---|

Aligning the Investment Strategy: Key government initiatives

		Priorities for MSD's Employment and Social Outcomes Investment Strategy						
		Increase effectiveness of support to enhance the employment potential of young people	Embedding approaches that are more effective for Māori into all services	Increasing effectiveness of employment support for people with health conditions and disabilities	Expanding employment support to all clients with dependent children	Improving the sustainability of employment outcomes	Better aligning education and training towards sustainable employment	Enhancing our regional focus to better support regional employment growth opportunities
Employment	Future of Work (implementing recommendations from the Report) – Minister for Workplace Relations and Safety / MBIE							
	Sector Workforce Engagement Programme – Minister for Economic Development / MBIE / MSD / MoE / TEC							
Housing	Ministerial Group on the Construction Workforce (inc. Kiwibuild) – Minister for Building and Construction / Minister for Housing & Urban Development / MBIE							
	New Zealand Housing Strategy – Minister for Housing & Urban Development / Minister for Social Development / MBIE / MSD / MHUD							
Youth and Children	He Poutama Rangatahi – Minister of Employment / MBIE / MSD							
	Child Wellbeing Strategy – Minister for Child Poverty Reduction / DPC							
Social Development	Expansion of Limited Service Volunteers – Minister for Social Development / MSD / NZDF							
	Ready for Work – Minister for Social Development / Minister of Employment / MSD							
	Mana in Mahi – Minister for Social Development / Minister of Employment / MSD							
	Welfare Overhaul / Strengthening Service Culture – Minister for Social Development / MSD							
Regional	Regional Development Strategy – Minister for Regional Economic Development / MBIE							
	Provincial Growth Fund – Minister for Regional Economic Development / MBIE							
Education	Vocational Education and Training Review – Minister for Education / TEC / MoE							
	Reform of the Institutes of Technology and Polytechnic sub-sector – Minister for Education / TEC / MoE							
	Fees Free – Minister for Education / TEC / MoE							
	Toolkit for School-leavers – Minister for Education / MoE							
Māori	He Kai Kei Aku Ringa (TPK Cadetships) – Minister for Māori Development / TPK							
	Whānau Ora Review – Minister for Whānau Ora / TPK							
Health	Mental Health Review – Minister of Health / MoH							

Implementation, monitoring and reporting

Oversight of Investment Strategy implementation will be provided by our Investment Strategy Governance Committee, while actions will be carried out by relevant MSD business groups.

Monitoring will include quarterly updates to ISGC on the progress of work under each of the priorities and performance against targets specified in the MCA as well as relevant impact indicators specified in our Outcomes Framework.

Reviews are also scheduled for the last quarter of each year to allow for consideration of new evidence in the context of emerging Government priorities. In the event of significant changes to priorities or the method by which priorities are selected, the Investment Strategy will be refreshed and re-published.

Enhancing MSD's investing for wellbeing approach

We have built comparatively strong capability through our investment approach over the past eight years, including advances in modelling and analytics and effectiveness evaluations.

However, there is always a case for continuous improvement. This is especially important with the ambitions set out by the Government to expand social investment to take account of broader wellbeing outcomes. Over the life of this new Investment Strategy, we will seek to meet these new challenges by:

1. Better clarifying what is meant by wellbeing and operationalising the concept

This will include defining a manageable set of core indicators, so that our modelling and our cost-effectiveness assessment work can expand and meet the ambitions set out by the Government.

2. Continuing to improve our investment decision-making processes

By improving the transparency and consistency of prioritisation, including the use of clear criteria and a focus on wellbeing.

3. Establishing a clearer approach for defining and processing investment options, with a view to creating a stronger pipeline of investment opportunities

So that at the margin we can be confident we are shifting resources to the best available options for improving the wellbeing of New Zealanders, drawing on the widest possible range of sources of fresh thinking.



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