

Security classification – In Confidence

Chair, Cabinet Social Wellbeing Committee

## **PHASE TWO POLICY SETTINGS FOR MANA IN MAHI – STRENGTH IN WORK**

### **Proposal**

1. This paper outlines the proposed policy settings for Phase Two of Mana in Mahi – Strength in Work.
2. I propose that the eligibility criteria for Phase Two of Mana in Mahi – Strength in Work be expanded, and that the programme (currently available to people on a main benefit) is provided for people who are ‘at-risk’ of long-term benefit receipt, including some people who are not currently receiving a main benefit.

### **Executive Summary**

3. Mana in Mahi – Strength in Work (Mana in Mahi) was launched by the Prime Minister in August 2018. A phased approach was taken to implement Mana in Mahi. The Phase One prototype was intended to support at least 150 participants, who are in receipt of a main benefit, into sustainable and meaningful work.
4. Phase One has been successful and the targeted number of participant placements has now been exceeded. As at the end of June 2019, 247 people have been placed into Mana in Mahi roles. I aim to build on the success of Phase One by making some improvements to Mana in Mahi in Phase Two.
5. In Phase Two, the primary aim of Mana in Mahi is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people. Providing a formal industry training pathway will support participants to gain the skills and experience needed to become competitive in the labour market, develop a meaningful career, and achieve sustainable employment.
6. Ministry of Social Development staff delivering Phase One found that the current eligibility criteria restricts some suitable young people from accessing Mana in Mahi. I am proposing that in Phase Two the eligibility criteria is expanded, and that the programme (currently available to people on a main benefit) is provided for people who are ‘at-risk’ of long-term benefit receipt, including some people who are not currently receiving a main benefit.
7. The young people targeted by Mana in Mahi face multiple challenges and will require additional supports to achieve sustainable employment. This includes pre-employment training, pastoral care and additional support from employment pathway programmes (such as He Poutama Rangatahi<sup>1</sup>).

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<sup>1</sup> He Poutama Rangatahi is an initiative led by the Ministry of Business, Innovation and Employment that supports rangatahi aged 15-24 who are most at risk of long-term unemployment and who are not in education, employment or training.

8. I have agreed to adjust some of the policy and design settings for Phase Two, so that Mana in Mahi is more effective at supporting young people into an industry training pathway and sustainable work. In Phase Two:
  - 8.1. the wage subsidy will decrease slightly to \$9,580 (GST exclusive) to better reflect the forecasted annual Jobseeker Support rate in the coming years
  - 8.2. incentive payments will be improved to better support participants to stay in work and progress towards completing an apprenticeship or industry training qualification
  - 8.3. a more intensive menu of support services will be offered to provide pastoral care for both participants and employers
  - 8.4. Mana in Mahi will be made available for some employers who offer part-time contracts to young people who are unable to work full-time.

## **Background**

9. Mana in Mahi – Strength in Work (Mana in Mahi) was launched by the Prime Minister in August 2018 to support young people into sustainable and meaningful work. Mana in Mahi pays a wage subsidy to participating employers, and provides additional supports including funding for pre-employment training and pastoral care (for both young people and employers).
10. Employers contracted to the Mana in Mahi programme must commit to supporting participants through a formal industry training qualification and provide them with sustainable on-going work.
11. A phased approach was taken to implement Mana in Mahi. The Phase One prototype was intended to support at least 150 participants currently on a main benefit, into sustainable work [SWC-18-MIN-0084 refers]. Phase One has been successful and the targeted number of participant placements has now been exceeded. As at the end of June 2019, 247 people have been placed into Mana in Mahi roles, of which 49 per cent identify as Māori and nine per cent identify as Pacific.
12. Cabinet has approved the Budget 2019 package for the expansion of Mana in Mahi in Phase Two [CAB-19-MIN-0174.36 refers]. This includes funding for 1,850 additional places in the programme over four years.
13. Phase One has enabled the Ministry of Social Development (MSD) to test the preferred policy and design settings for the full implementation of Mana in Mahi in Phase Two.
14. Phase Two began in July 2019 and the delivery of Mana in Mahi will continue under the current model while the Phase Two settings and operational supports continue to be confirmed and implemented.

**In Phase Two, the primary aim of Mana in Mahi is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people**

15. The primary aim of Mana in Mahi Phase Two is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people who are 'at-risk' of long-term benefit receipt.
16. Although existing employment programmes may be effective for some, they do not always offer sustainable employment options for young people. While the overall unemployment rate is low at 4.2 per cent, there is still work to do for young people who are furthest from the labour market. As of March 2019, 13.2 per cent of young people aged 15-24 were not in employment, education or training (NEET).
17. Providing a formal industry training pathway will support participants to gain the skills and experience needed to become competitive in the labour market, develop a meaningful career, and ultimately achieve sustainable employment. On average, higher qualifications (including vocational training and apprenticeships) are generally related to greater earnings in the long-run.
18. In Phase Two, Mana in Mahi will continue to be available to employers across a diverse range of industries. The programme will remain part of the Construction Skills Action Plan, and MSD staff will continue to work with industry stakeholders and employers across different sectors, to broaden the opportunities and career paths available to eligible young people.
19. The expansion of Mana in Mahi in Phase Two may also reassure some industry stakeholders about the Government's on-going commitment to formal work-based training such as apprenticeships, in the transition to a reformed vocational education system.

**I seek Cabinet agreement to provide Mana in Mahi to people 'at-risk' of long-term benefit receipt, including some people who are not receiving a main benefit**

20. In Phase One, Mana in Mahi is only available to people who are in receipt of a main benefit<sup>2</sup> [SWC- 18-MIN-0084 refers]. Feedback from both MSD staff and young people has highlighted that there are some groups of 'at-risk' young people, such as those who are part of MSD's NEET Youth Service, who would benefit from Mana in Mahi but are not currently on a main benefit.
21. In Phase Two, I propose that Mana in Mahi is provided for people who are 'at-risk' of long-term benefit receipt. This may include young people who are not currently receiving a main benefit, in a minority of cases, as I do not want these young people to have to go on to a main benefit before they can access Mana in Mahi. This would expose young people to the welfare system unnecessarily.
22. MSD data suggests that those most 'at-risk' of long-term benefit receipt include, but are not limited to, people who have:
  - 22.1. low educational attainment

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<sup>2</sup> These are Jobseeker Support (including Jobseeker Support – Health Condition, Injury or Disability), Sole Parent Support, Supported Living Payment, Youth Payment, and Young Parent Payment.

- 22.2. previous benefit history and intergenerational welfare dependence
  - 22.3. past interactions with Oranga Tamariki – Ministry for Children and its predecessors
  - 22.4. criminal convictions
  - 22.5. a health condition or disability
  - 22.6. caring responsibilities, such as sole/young parents.
23. The young people targeted by Mana in Mahi face multiple challenges and will require additional supports to achieve sustainable employment. This includes pre-employment training, pastoral care, provision of reasonable accommodations for disabled people, and additional support from employment pathway programmes (such as He Poutama Rangatahi). The proposed improvements to Phase Two will support 'at-risk' young people to gain and maintain employment, and will help to reduce the level of attrition in the programme.
24. By providing Mana in Mahi to 'at-risk' young people, MSD will be able to take an early intervention approach. As barriers to work generally increase with time on a benefit, providing employment interventions before someone spends a significant amount of time in the welfare system can often provide the best chance of success. Research by the OECD also indicates that the best way of promoting an inclusive labour market is by addressing problems before they arise.

*In Phase Two I propose targeting a broader range of 'at-risk' young people*

25. In Phase Two, I propose accessing additional referral pathways, which may include some 'at-risk' young people who are not currently on a main benefit. This includes, but is not limited to:
- 25.1. young people who are in, or transitioning from, Oranga Tamariki care or youth justice
  - 25.2. those who are part of the NEET Youth Service
  - 25.3. young people who have participated in pre-employment or employment pathway training through He Poutama Rangatahi.
26. This will support the Employment Strategy that I have developed. This strategy includes a series of action plans, the first of which (the Youth Employment Action Plan) has a specific focus on improving education, training and employment outcomes for young people.

*There are some risks in extending the eligibility criteria in this way*

27. I note that offering Mana in Mahi to people not on a main benefit may increase the risk that the intervention is provided to some young people who would have found sustained employment without assistance. This would reduce both the impact of the intervention and social return on investment. There is also a risk that the estimated level of benefit savings is not achieved in the short-term.
28. These risks will be mitigated by ensuring that clear operational guidelines are given to MSD staff, to identify young people who will be considered 'at-risk'. Staff will be

required to assess young people who are referred to Mana in Mahi to ensure they meet the eligibility criteria of the programme.

### **Some policy and design settings will be improved for Phase Two of Mana in Mahi**

29. Improvements made to the following policy and design settings are within the scope of the original Cabinet mandate for Mana in Mahi [SWC-18-MIN-0084 refers].

*The wage subsidy offered to employers will be updated to better reflect the forecasted rate of the Jobseeker Support benefit*

30. In Phase One, a fixed wage subsidy is offered to employers who commit to hire a young person, provide them full-time work (on at least the minimum wage), and support them to achieve an industry training qualification. A fixed wage subsidy will continue to be offered to employers in Phase Two, however the subsidy will decrease slightly, from \$9,750 in Phase One to \$9,580 (GST exclusive) in Phase Two. This is to better reflect the forecasted rate of Jobseeker Support in the coming years.
31. I note that there are a number of risks associated with wage subsidies. One of the key risks is that some employers may take advantage of the financial payments without truly committing to the employee, and dismiss them before the subsidy ends. MSD staff have experience managing these risks and will continue to stay engaged with participating employers to monitor for any early warning signs.

*Incentive payments will be made more effective*

32. In Phase One, incentive payments are made to support Mana in Mahi participants to stay in work<sup>3</sup>. Payments are made at attendance milestones throughout the course of the programme, with three separate payments of \$1,000 at 91 days, 182 days and 365 days (total of \$3,000).
33. In Phase Two, incentive payments will be improved to motivate participants to stay in work and to make progress towards completing an apprenticeship or industry training qualification. Participation in industry training is a key part of the Mana in Mahi programme and is what distinguishes it from other MSD employment programmes.
34. Insights gained throughout Phase One implementation highlighted that incentive payments could be more effective at supporting participants to achieve sustainable employment outcomes.
35. In Phase Two, incentive payments will be structured as follows:
- 35.1. **Early payments** will support participants to stay in work, by providing financial support in the initial months of employment. Clients transitioning into work often require greater financial support when they first enter employment. In this time they are more likely to have additional expenses, such as car repairs, childcare and extra clothing.

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<sup>3</sup> Some early employer contracts also included basic measures designed to recognise participant performance at work.

- 35.2. **Later Payments** will motivate participants to progress towards achieving a formal qualification, by providing financial incentives for participation in industry training in the later months of the programme. Incentivising participation in industry training will motivate participants to make the most of the skill development opportunities available to them, and will ensure that they are supported to build a sustainable career as opposed to just working a job.

*A more intensive menu of support services will be offered to participants and employers*

36. Following insights and lessons learned from Phase One, Phase Two will include a more intensive menu of support services for both participants and employers.
37. In Phase One, a phone-based in-work support service is available to Mana in Mahi participants. Lessons learned from Phase One have further highlighted that a greater range of support services are needed for Phase Two:
- 37.1. **Phase One feedback** from both employers and MSD staff has highlighted the complex needs and barriers, faced by participating young people. These include low literacy levels, addictions, mental health issues, and lack of whānau and/or community support.
- 37.2. **Co-design insights** with young people also confirm the need for more intensive supports, as the services provided in Phase One did not address the complex needs of many young people participating in Mana in Mahi.
- 37.3. **Participant attrition** in Phase One highlights the need for a greater range of support services to be offered in Phase Two. Some participants have left employment for reasons including choosing another career path or being dismissed because of poor attendance.
38. In Phase Two, support services for participants will include proactive services such as the existing phone-based in-work support service, along with additional counselling and mentoring services. Passive pastoral care services, such as 'nudge' text messaging, will also be provided to ensure that participants can engage with in-work support on their own terms. Support services for employers will include a phone-based support service and an employer coaching platform.
39. We expect that employers contracted to Mana in Mahi would also make reasonable accommodations for disabled people participating in the programme.
40. These supports aim to mitigate some of the barriers to employment faced by young people, and will help them manage both workplace and personal issues that may arise. This will help to reduce the level of attrition in Mana in Mahi, and will support employment placements to be more sustainable in Phase Two.

*Mana in Mahi will be provided for employers offering part-time roles to young people who are unable to work full-time*

41. In Phase One, Mana in Mahi is available to employers offering full-time work (30 hours per week or more). Feedback from frontline staff in Phase One indicates that this limits access to the programme for some client groups that could benefit from it.

42. In Phase Two, Mana in Mahi will be provided for part-time roles, where appropriate; for example, beneficiaries who have part-time work obligations and can still work towards an industry training qualification.
43. Many young people are unable to work full-time. These include people with a health condition or disability and people with caring responsibilities, including sole parents. These young people are often considered to be among the most 'at-risk' client groups who would benefit from the wrap-around support services provided by Mana in Mahi.
44. Similar to MSD's other wage subsidies programmes, the Mana in Mahi subsidy would be pro-rated to reflect the number of hours worked by the participant.

### **Some policy settings will remain the same for Phase Two of Mana in Mahi**

*Pre-employment training will continue to be offered to prepare young people for work*

45. In Phase One, funding of up to \$2,000 per participant is available for pre-employment work-readiness training. In Phase Two, funding for pre-employment training will continue to be available and will be paid on an as-required basis.
46. This optional funding aims to support participants to develop essential skills or qualifications needed when starting work. This is particularly helpful for some employers, especially in industries such as construction and forestry, where participants need certain qualifications before they can work on site<sup>4</sup>.

*Mana in Mahi will continue to be suitable for industry training qualifications of various levels, with a focus on supporting young people into apprenticeships*

47. Mana in Mahi operates in conjunction with the regulated tertiary education system that is quality assured by the New Zealand Qualification Authority. Employers contracted to Mana in Mahi must commit to supporting participants through an apprenticeship or formal industry qualification<sup>5</sup>.
48. We expect these qualifications to be quality assured New Zealand qualifications that are listed on the New Zealand Qualifications Framework (NZQF). In exceptional cases, participants might enrol in international qualifications delivered in New Zealand, where there is no equivalent New Zealand qualification offered.
49. Feedback received from employers in Phase One has confirmed that it is beneficial for some young people to start on a lower-level industry qualification and progress towards a higher-level qualification where appropriate.
50. Lessons learned from Phase One have highlighted further the complexities that many 'at-risk' young people face in sustaining employment and potentially achieving a formal industry training qualification. This includes low levels of literacy or numeracy, limited prior work experience, and limited life skills.

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<sup>4</sup> This includes qualifications such as a Site Safe Passport, health and safety training and a first aid certificate.

<sup>5</sup> A New Zealand Apprenticeship must include a qualification at level 4 but, in itself, is not a qualification listed on the New Zealand Qualifications Framework.

51. However, given the right support, I expect that the young people participating in Mana in Mahi will make progress towards an apprenticeship or formal industry training qualification.
52. In Phase Two, industry training qualifications of various levels will continue to be considered for Mana in Mahi.
53. Allowing qualifications of various levels will ensure that Mana in Mahi continues to be flexible enough to:
  - 53.1. **Meet the diverse needs of each participant**, which includes being able to offer an industry qualification suitable to the capability of each participant. This would give disadvantaged young people the opportunity to start on a lower-level qualification, such as a NZQF Level 2 or 3 qualification. They would then be able to build up towards an apprenticeship or a higher-level qualification, such as a NZQF Level 4 qualification, where appropriate.
  - 53.2. **Allow for the broad range of industry training pathways** recognised in each industry sector. In some industries this may include a formal New Zealand Apprenticeship and Level 4 qualification, while in other industries another pathway involving a lower-level qualification may be valued just as highly.
54. There is a risk that allowing qualifications of various levels may mean that employers do not offer some participants a qualification suited to their capability. Guidance will be given to MSD staff to help identify qualifications that would be suitable for Mana in Mahi participants.

## Consultation

55. The Tertiary Education Commission, the Ministry of Education, the Ministry of Business, Innovation and Employment, Oranga Tamariki, the New Zealand Qualifications Authority, Te Puni Kōkiri, the Department of Corrections, the Ministry for Women, the Ministry for Pacific Peoples, Office for Disability Issues, the Treasury, the Department of the Prime Minister and Cabinet and the Ministry of Youth Development have been consulted. The Ministry of Culture and Heritage, the Ministry for Primary Industries, the Ministry of Justice, the Ministry of Health, and the Department of Internal Affairs were informed.

## Financial Implications

56. There are no financial implications arising from this paper. Cabinet have already approved the Budget 2019 package for the expansion of Mana in Mahi in Phase Two [CAB-19-MIN-0174.36 refers]. This includes funding of \$56.933 million which will be allocated to the Improved Employment and Social Outcomes Multi-Category Appropriation. Some of this money will be returned to the Crown in savings. Total savings from Phase Two, of approximately \$7.068 million, will be returned to the Jobseeker Support and Sole Parent Support benefit payments.

## Legislative Implications

57. The policy settings for Mana in Mahi Phase Two do not have any legislative implications.

## Impact Analysis

58. No regulatory impact and compliance cost statements are required.

## Human Rights

59. The Mana in Mahi Phase Two Policy Settings are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Gender Implications

60. Mana in Mahi Phase Two may have gender implications. In Phase One, as at the end of May 2019, 73 per cent of participants identify as male and 27 per cent identify as female.

61. In Phase Two, allowing part-time contracts will make Mana in Mahi more accessible for those who are sole parents or have other caring responsibilities, the majority of whom are women.

## Disability Perspective

62. A significant portion of young people receiving Jobseeker Support (about a third) are receiving it due to a health condition or disability. Mana in Mahi targets young people who are disadvantaged in the labour market, including disabled people.

63. The wrap around support services provided in Phase Two will also support disabled people to participate in the programme. For example, in Phase Two there is a phone-based employer support service offered that provides extra support for employers who have hired someone with a health condition or disability (including mental health).

## Publicity

64. I intend to publicly announce the expansion of Mana in Mahi Phase Two after Cabinet agrees to the recommendations of this paper. I intend to coordinate the timing of this announcement with an announcement of the Employment Strategy I have developed.

## Proactive Release

65. I propose to proactively release this Cabinet paper, subject to any redactions, in accordance with the Official Information Act 1982 and under the principles in the Privacy Act 1993.

## Recommendations

66. The Minister of Employment recommends that the Committee:

1. **note** that the primary aim of Mana in Mahi Phase Two is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people

2. **agree** that in Phase Two, Mana in Mahi will be provided for people who are 'at-risk' of long-term benefit receipt, including some people who are not currently receiving a main benefit
3. **note** that there are some policy and design settings which will be improved for Phase Two:
  - The wage subsidy offered to employers will slightly decrease to \$9,580 (GST exclusive).
  - Incentive payments will be improved to better support participants to stay in work and to motivate them towards completing an apprenticeship or industry training qualification.
  - A more intensive menu of support services will be offered to provide pastoral care to participants and employers.
  - Mana in Mahi will be provided to some employers offering part-time contracts to young people who are unable to work full-time.
4. **note** that there are some policy settings which will stay the same in Phase Two:
  - Funding will continue to be available to provide pre-employment training to participants.
  - Mana in Mahi will continue to be suitable for industry training qualifications of various levels, with a focus on supporting young people into apprenticeships.
5. **note** that Phase Two began in July 2019 and the delivery of Mana in Mahi will continue under the current model while the Phase Two settings and supports continue to be confirmed and implemented.

Authorised for lodgement

Hon Willie Jackson

Minister of Employment