MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Flexi-Wage Expansion - Detailed Policy Advice

Date:	21 January 2021	**Report no.:**	REP/21/01/REP/21/1/015
Security level:	IN CONFIDENCE	**Priority:**	Medium

Action Sought

Hon Grant Robertson Minister of Finance	Agree	27 January 2021
Hon Carmel Sepuloni Minister for Social Development	Agree	27 January 2021

Contact for telephone discussion

Name	Position	Telephone	1st Contact
Hayley Hamilton	GM Employment and Housing Policy	9(2)(a)	☑
9(2)(a)			

Report prepared by: 9(2)(a)

Other departments consulted: The Treasury, the Ministry of Business, Innovation and Employment, Inland Revenue, the Department of the Prime Minister and Cabinet, the Ministry of Education, Te Puni Kōkiri, the Office for Seniors, the Office for Disability Issues

Minister's office comments

- ☑ Noted
- ☑ Seen
- ☑ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to (specify)

Comments

(MOF copies sent to MSD 28/1/21

Date received from MSD

22 JAN 2021

Date returned to MSD

29 JAN 2021

The Aurora Centre, 56 The Terrace, PO Box 1556, Wellington – Telephone 04-916 3300 – Facsimile 04-918 0099

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Report

Date: 21 January 2021 **Security Level:** IN CONFIDENCE

To: Hon Grant Robertson, Minister of Finance

Hon Carmel Sepuloni, Minister for Social Development and Employment

Flexi-Wage Expansion - Detailed Policy Advice

Purpose of the report

1 This paper seeks agreement to the detailed policy decisions needed for the Ministry of Social Development (MSD) to shift the expanded Flexi-Wage into a tailor-made Welfare Programme.

Executive summary

2 The Flexi-Wage is a proven intervention that supports clients into sustainable employment through a wage subsidy or other assistance until they meet the entry level criteria for that job.

3 On 30 November 2020, Cabinet agreed to the broad policy settings for expanding the Flexi-Wage [CAB-20-MIN-0493]. Specifically, that the expansion:

- be flexible, adapt overtime, and target people disadvantaged in the labour market
- include a small number of set rates
- be shifted into a tailor-made Welfare Programme.

Recommended actions

It is recommended that you:

1 **note** that, except from decisions sought here, the intent is to retain the current Flexi-Wage policy as set out in the Employment and Work Readiness Assistance Programme and operational guidance

2 **note** that, while the intention is to carry through existing Flexi-Wage policy settings into the new Welfare Programme, we may need to provide you with further advice should existing settings need clarification

Decisions are needed on eligibility for the expanded Flexi-Wage

Eligibility criteria

3 **note** the Flexi-Wage is currently available for people who are assessed by MSD as 'at risk of long-term benefit receipt' which is defined in the Employment and Work Readiness Assistance Programme with further guidance in operational guidance which contains a series of considerations and factors

4 **note** that people who are disadvantaged in the labour market are not eligible for a Flexi-Wage unless they are also at risk of long-term benefit receipt

5 **note** Cabinet agreed that the expanded Flexi-Wage would be available to people who are assessed as disadvantaged in the labour market

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

6 **agree** eligibility for the expanded Flexi-Wage be a person:

6.1 who is assessed as at risk of long-term benefit receipt, and/or

6.2 who is assessed as disadvantaged in the labour market

Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

7 **agree** at risk of long-term benefit receipt has the same meaning as in the Employment and Work Readiness Assistance Programme, which means "in relation to a person, means the risk that the person will receive or continue to receive a main benefit under the Act for an indefinite period"

Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

8 **agree** to define disadvantaged in the labour market as meaning people who have, or are expected to have, difficulty in obtaining or retaining sustainable employment and include people who are:

8.1 experiencing significant barriers to employment

8.2 experiencing low job security or are underemployed

8.3 have or are expected to experience extended displacement due to an economic disruption to their occupation, industry or region

8.4 are in a group of people who are identified as a priority cohort as agreed by the Minister of Social Development and Employment

Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

9 **note** that, in assessing an individual, MSD will still need to consider a rage of factors including whether the individual will benefit from Flexi-Wage assistance and whether Flexi-Wage is suitable for their needs

Young people aged 16 and over

10 **note** younger people should generally be steered towards an education or training focused intervention, but there may be some who would benefit from a Flexi-Wage over another intervention

11 **note** that the current Flexi-Wage is available for people who are working age, which excludes young people aged 16 and 17 year olds

12 **agree** the age requirements for the Flexi-Wage be people aged 16 and over

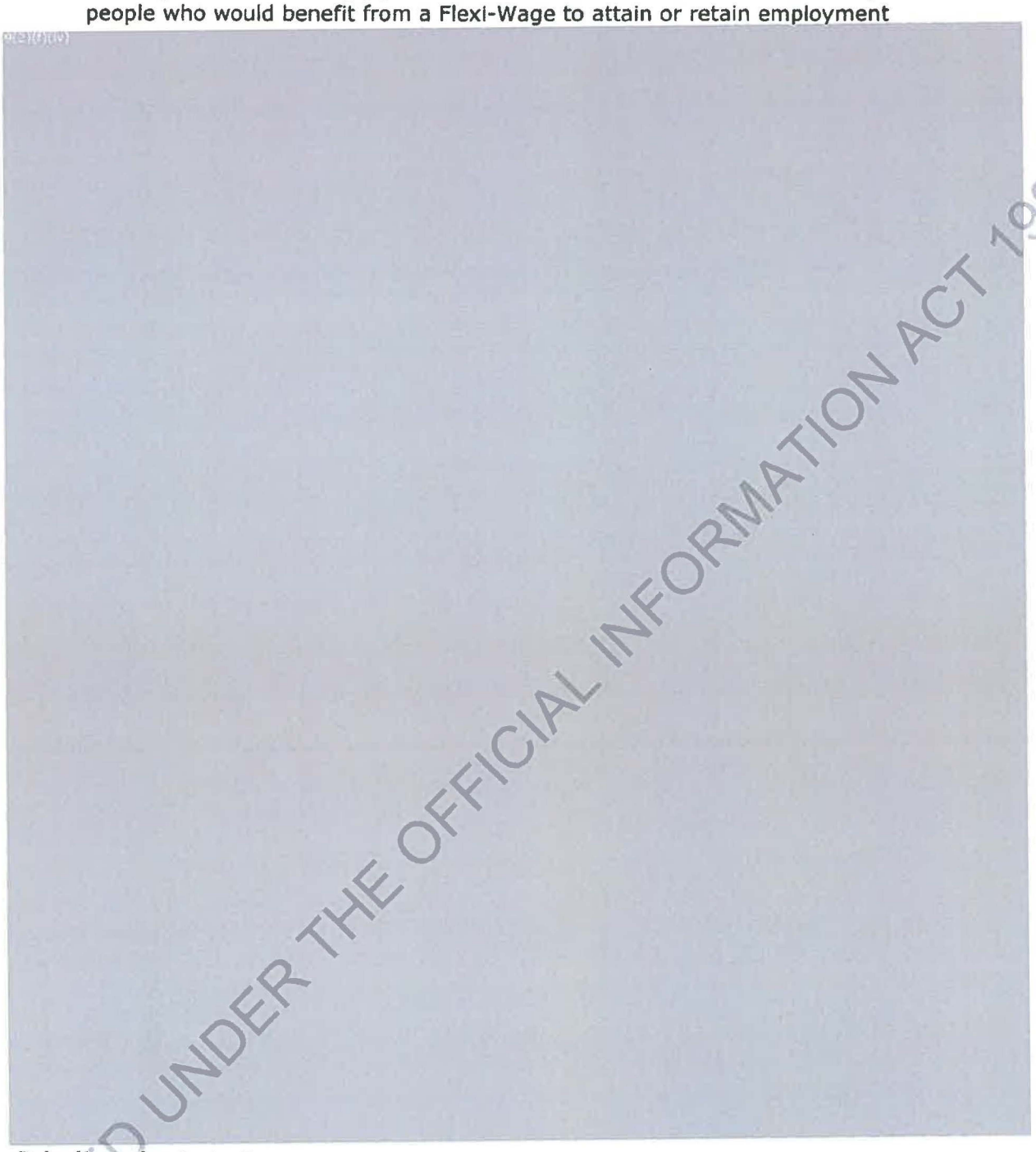
Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

Eligible for New Zealand Superannuation

13 **note** that currently people who are eligible for New Zealand Superannuation or Veterans Pension are not eligible for support under the Employment and Work Readiness Assistance Programme (EWRAP) which includes the Flexi-Wage (except for those who become eligible for New Zealand Superannuation or Veteran's Pension while receiving support)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

14 **note** age is an increasingly poor indicator of need and that there are many older people who would benefit from a Flexi-Wage to attain or retain employment



Priority cohorts to focus on

19 **note** Cabinet agreed the expanded Flexi-Wage would support people who would most benefit from a Flexi-Wage so that they can obtain and retain employment, with the ability to prioritise key cohorts

20 **note** priority cohorts will be included through the definition of disadvantaged in the labour market

21 **note** MSD already focuses on key cohorts through previous investment strategies and will continue to focus on priority cohorts through regional purchasing plans and the refreshed investment strategy, which are:

21.1 Māori

21.2 Pacific

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

21.3 youth

21.4 people with a health condition and/or disability

21.5 sole parents

22 **note** these will continue to be priority cohorts for the Flexi-Wage expansion and will monitor the impact of the Flexi-Wage on these cohorts

23 **note** other cohorts, such as women (sole parents in particular), former refugees and ethnic minorities, the working poor, over 50's and seniors, displaced workers who need to re-train and those with a corrections history, largely overlap with both the definition of disadvantage in the labour market and the cohorts identified above

Paying Flexi-Wage through a small number of set bands and other assistance

24 **note** that, currently, a Flexi-Wage can be paid as a weekly amount not more than the minimum rate of payable to an adult worker paid by the hour for employment of 30 hours in a week (GST inclusive), but this can be exceeded in exceptional circumstances

25 **note** Cabinet agreed to introduce a small number of set rates, or bands, to provide certainty to employers on the level of support available as well as retaining the discretionary cap of up to $22,000

26 **agree** the expanded Flexi-Wage will have three bands:

26.1 band one: $240 per week for 24 weeks ($4,800 in total) will be the default band for eligible people because they are disadvantaged in the labour market

26.2 band two: $240 per week for 36 weeks ($8,640 in total) will be for eligible people who are at risk of long-term benefit receipt

26.3 band three: a discretionary rate that can be used when negotiating with employers to support our most complex clients or to tailor the Flexi-Wage to meet the individual's specific circumstances, capped at $22,000.

Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

27 **note** that these rates are for people working full-time (ie, 30 hours or more) and will be provided at a pro-rata rate for people working part-time (ie, 29 hours or less)

28 **agree** to retain the additional assistance available to meet other costs associated with that job such as work-related education or training; work-related material and equipment; in work support/pastoral care; or work-related reasonable accommodations for people with a health condition or disability

Minister of Finance	**Minister for Social Development and Employment**
agree / disagree	**agree / disagree**

29 **note** the total support provided to any individual will not exceed $22,000 in a 52-week period except in exceptional circumstances

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Other decisions

30 **agree** that the Flexi-Wage expansion will be reviewed after two years (ie, March 2023) with a view on whether the intervention should transition back into the Employment and Work Readiness Assistance Programme

Minister of Finance	Minister for Social Development and Employment
agree / disagree	agree / disagree

31 **agree** that to retain the setting that, for an employer to be eligible to receive a Flexi-Wage on behalf of an employee, they need to be a legal entity, based/operating in New Zealand, viable, appropriate, and acceptable to the wider community

Minister of Finance	Minister for Social Development and Employment
agree / disagree	agree / disagree

32 **agree** that the employer must pay at least the legal adult minimum wage

Minister of Finance	Minister for Social Development and Employment
agree / disagree	agree / disagree

33 **agree** for MSD to undertake targeted stakeholder engagement on the proposed policy changes, specifically with Council of Trade Unions and BusinessNZ prior to the announcement

Minister of Finance	Minister for Social Development and Employment
agree / disagree	agree / disagree

34 **note** MSD will undertake regular monitoring and report on uptake and outcomes to you and joint Ministers

MSD will draft a new Welfare Programme

35 **note** MSD will draft a tailor-made Welfare Programme under the Social Security Act 2018 to administer expanded Flexi-Wage

36 **note** MSD will continue to promulgate guidance to assist MSD employees in exercising delegated authority

Minister for Social Development and Employment only

37 **approve** and establish a Welfare Programme pursuant to s 101 of the Social Security Act 2018 for the purpose of granting special assistance known as the expanded Flexi-Wage Assistance Programme

Minister for Social Development and Employment
yes / no

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

38 **agree** to waive the 28-day rule for the notification of the Flexi-Wage Assistance Programme which provides for the new programme to come into force on Monday, 22 February 2021, or other date as agreed in discussion with you

Minister for Social Development and Employment

agree / disagree

39 **indicate** whether you would like to take an oral item to Social Wellbeing Committee ahead of the Flexi-Wage announcement, particularly should you want to extend eligibility to people eligible for New Zealand Superannuation

Minister for Social Development and Employment

yes / no

40 **agree** to forward this paper to the Prime Minister for her information

Minister for Social Development and Employment

agree / disagree

Next steps

41 **note** the following timeline:

41.1 week commencing 25 January 2021 – Subject to ministerial agreement, MSD will undertake targeted stakeholder engagement on the proposed policy changes, specifically with Council of Trade Unions and BusinessNZ

41.2 Week commencing 8 February 2021 – Report on transitional arrangements and implementation detail

41.3 Week commencing 8 February 2021 – Welfare Programme provided to the Minister of Social Development and Employment to sign

41.4 Thursday 11 February 2021 – Report with talking points, press-release, and event briefing ahead of the Flexi-Wage expansion being announced

41.5 Thursday 18 February 2021 – Flexi-Wage expansion announced

41.6 Monday 22 February 2021 – Flexi-Wage expansion go live

41.7 [redacted]

pp MA Beecroft — 21/1/21

Hayley Hamilton
General Manager
Employment and Housing

Date

Hon Grant Robertson
Minister of Finance

Date

24/1/21

Hon Carmel Sepuloni
Minister for Social Development and Employment

Date

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Background

The Flexi-Wage is an intervention focused on helping clients into sustainable employment

4 The Flexi-Wage invests in individuals who are disadvantaged in the labour market by making a temporary contribution to their wages and/or providing other assistance (such as training, mentoring or in-work support) that employers needs to hire clients and help them reach the entry level required for that job. The expectation is that the participant will remain in employment when the subsidy ends.

5 The Welfare Expert Advisory Group report in 2019 recommended improving and expanding MSD's role in providing employment support including by helping people who are unemployed or out of the labour market and supporting workers who are at risk of falling out of employment to find and maintain meaningful, sustainable work.

6 Following the Welfare Expert Advisory Group report, MSD has been working towards providing employment assistance to New Zealanders who need it by proactively supporting people experiencing difficulty in finding or staying in employment. The key groups, identified included:

- More people who are receiving income support
- Young people at risk of long-term poor employment outcomes
- People at risk of not maintaining their employment
- People who need early support to stay in or return to employment, such as those who may be made redundant
- Unemployed or underemployed people not eligible for a main benefit.

Expanding the Flexi-Wage is a Government priority

7 Specifically, this Government is committed to supporting New Zealand's economic recovery from COVID-19 by assisting businesses to hire up to an additional 40,000 New Zealanders into work or to start their own business by:

- investing an additional $300 million to increase the average subsidy to $7,500 and enable up to 40,000 people to take advantage of the programme (with the maximum subsidy being $22,000)
- amending the scheme to provide greater flexibility for employers and employees
- ring-fencing $30 million to support people to start a new business through Flexi-Wage Self-Employment.

8 On 30 November 2020, Cabinet agreed to your proposal for expanding the Flexi-Wage [CAB-20-MIN-0493]. Specifically, that the expansion will:

- need to be flexible, adapt overtime, and target people disadvantaged in the labour market who would most benefit from Flexi-Wage so that they can access and maintain employment, with the ability to target key cohorts
- include a small number of set rates to provide certainty for employers, as well as a discretionary rate capped at $22,000 that can be used when negotiating with employers to take on those most at risk and
- be shifted from the Employment and Work Readiness Welfare Programme (EWRAP) into a new tailor-made welfare programme.

9 Cabinet also agreed that Flexi-Wage Self-Employment would continue to sit outside the new Welfare Programme and that the ring-fenced funding would be used to undertake pilots. Advice on Flexi-Wage Self-Employed will be provided to you separately [MSD REP/21/1/067 refers].

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

While the economy is doing better than anticipated, there is still a need to help people into employment

10 Economic conditions have improved compared with previous fiscal updates (BEFU/PREFU/HYEFU), with reduced unemployment forecasts, a faster recovery in labour force participation, and industries faring better than expected.[1]

11 However, the unemployment rate is still expected to increase further over the coming quarters as fiscal support measures ease and border restrictions remain in place, although by how much remains uncertain.

The expansion will be announced on 18 February 2021

12 We understand that the expanded Flexi-Wage will be a joint minister's announcement (Prime Minister and Minister for Social Development and Employment) on Thursday 18 February 2021 in Auckland.

Decisions on key policy settings are needed to implement the Flexi-Wage expansion

13 As part of the 30 November Cabinet paper, officials committed to providing you with advice on the detailed policy decisions, including the phased approach to implementation, and minor policy decisions as necessary.

14 The decisions sought through this paper focus on the decisions needed for MSD to begin drafting the new Welfare Programme ahead of announcement on 18 February 2021. Should further policy decision be required for the new Welfare Programme, we will seek these from you at pace.

Decisions are needed on eligibility for the expanded Flexi-Wage

Eligibility criteria for the expanded Flexi-Wage

15 The Flexi-Wage is available for those who are assessed as at risk of long-term benefit dependency in the job market, by making a temporary contribution to their wages or by providing other assistance a person might need so they can access and maintain sustainable employment. The policy intent is to provide support until they meet the entry level requirements for that job.

16 How MSD assesses at risk of long-term benefit receipt is set out in operational guidance and includes several considerations and factors such as:

- demographic information such as age, gender, ethnicity and location
- level of skills, employment experience and education
- specific barriers to employment such as medical conditions, Corrections history
- benefit status and history
- previous receipt of, or participation in, MSD employment programmes and services.

17 Cabinet agreed that the expanded Flexi-Wage will continue to support those who are assessed as at risk of long-term benefit receipt but will be extended to include those who are assessed as disadvantaged in the labour market, with ability to target priority cohorts.

18 We propose eligibility for the expanded Flexi-Wage be a person:

- who is assessed as at risk of long-term benefit receipt, and/or
- who is assessed as disadvantaged in the labour market.

[1] Treasury's Half year Economic Fiscal Update 2020 (16 December 2020) https://www.treasury.govt.nz/system/files/2020-12/hyefu20.pdf

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

19 A definition of at risk of long-term benefit receipt is currently set out in the EWRAP – "in relation to a person, means the risk that the person will receive or continue to receive a main benefit under the Act for an indefinite period". We propose maintaining this definition for the expansion as it is consistent with current and effective practice and with other employment services offered by MSD.

20 Disadvantaged in the labour market, however, does not have a definition within the EWRAP, although operational guidance does set out considerations and factors that indicate a client is disadvantaged in the labour market.

21 As such, we are proposing to define disadvantaged in the labour market as:

- people who have, or are expected to have, difficulty in obtaining or retaining sustainable employment such as people who:
    - experiencing significant barriers to employment
    - experience low job security or are underemployed
    - have or are expected to experience extended displacement due to a disruption to their occupation, industry or region caused by an economic disruption
    - are in a group of people who come under the priority cohorts as agreed by the Minister of Social Development and Employment.

22 MSD will still need to assess a person's eligibility for a Flexi-Wage and consider whether a Flexi-Wage or other support is most suited to their individual circumstances and suitability of the job being considered.

23 This will enable the Flexi-Wage to be used in a range of different circumstances, including people who are under-utilised and at risk of losing their job, people working two or even three jobs who can be supported into more sustainable employment, and people who are unemployed but not on a benefit.

24 Those not eligible for a Flexi-Wage under the expansion will include people who are not eligible under the proposed definition, such as not at risk of long-term benefit receipt and not disadvantaged in the labour market; are not under-utilised or at risk of losing their job; do meet the entry level criteria for that job because they are newly unemployed or are returning to New Zealand and have worked and seeking employment in that field.

Supporting young people aged 16 and over

25 While young people aged 15 and over are eligible for support under the EWRAP. Operational guidance sets out that a person needs to be working age be eligible for a Flexi-Wage.

26 We propose that the Flexi-Wage be available for people aged 16 and over. This is consistent with the legal age that a young person can start full-time work and earn a minimum wage or starting out wage, as well as when they can leave school.

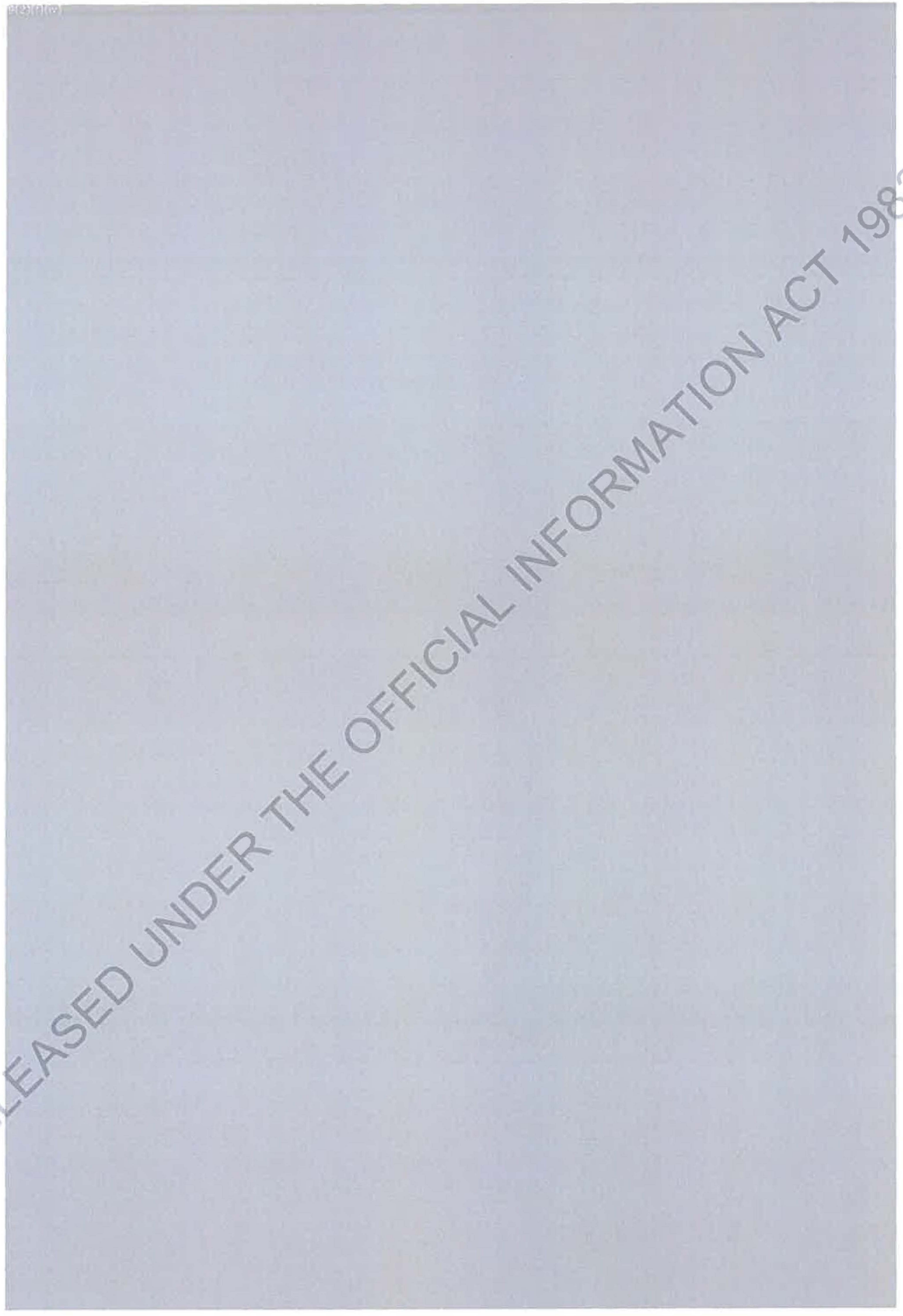
27 While a person this young people will be eligible for the Flexi-Wage, they should be encouraged to remain in education or steered towards a training focused intervention, such as Mana in Mahi.

9(2)(f)(iv)

28 The Flexi-Wage is not available for people who are eligible for New Zealand Superannuation or Veteran's Pension (NZS). This policy is a setting within the EWRAP and applies across many of the employment services and products offered by MSD.

29 9(2)(f)(iv)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982



RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Priority cohorts for the expansion

Cohorts to prioritise through the expansion

36 Cabinet agreed the expanded Flexi-Wage would support people who would most benefit from a Flexi-Wage so that they can obtain and retain employment, with the ability to prioritise key cohorts.

37 The ability to focus on priority cohorts is being included through the proposed definition of disadvantage (paragraph 21). The purpose of expanding eligibility beyond 'at risk of long-term benefit dependency' to 'and/or disadvantaged in the labour market' is to ensure the prioritisation of these cohorts- as people who may experience disadvantage in labour markets and may face more significant barriers to accessing employment opportunities.

38 Being in a priority cohort will not mean a person is eligible for a Flexi-Wage as they will still need to meet the eligibility criteria of being at risk of long-term benefit receipt or disadvantaged in the labour market. Rather, ensuring the expanded eligibility is consistent with priority cohorts outlined in the investment strategy will enable Flexi-Wage to offer appropriate and targeted levels of support to those most disadvantaged.

39 We recommend focusing on the priority cohorts that have been identified through previous investment strategies that have allowed for the targeting of expenditure, notably contract expenditure through regional purchasing plans. These include:

- Māori
- Pacific
- Youth
- People with a health condition and/or disability
- Sole parents.

40 These cohorts are recommended as they are consistent with current commitments in social investment, operational guidance, and current practice across the regions.

41 MSD will monitor the delivery of Flexi-Wage to ensure these priority groups are captured in the targeting of those who are disadvantaged in the labour market with the ability to review and amend operational guidance as necessary. This ensures the expansion can adapt as new evidence of the economic impact of COVID-19 comes available as well as to retain the high level of discretion that currently exists.

42 However, many other groups that face barriers to the labour market include women (sole parents in particular), former refugees and ethnic minorities, the working poor, over 50's and seniors, displaced workers who need to re-train and those with a corrections history. These groups largely overlap with both the eligibility criteria of at risk and disadvantaged and the priority cohorts identified above, so will likely be eligible for the expansion. Ongoing monitoring will help us establish if further specification is required to capture these groups. While these groups are not currently identified as priority cohorts, people in these groups will likely be eligible on grounds of being at risk of long-term benefit receipt or because they are disadvantaged in the labour market.

43 There may be grounds for including them as priority cohorts in future, following finalisation of the investment strategy and

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Specific industries will be targeted through communications and proactive staff engagement

44 Cabinet agreed that specific industries would be targeted through the Flexi-Wage. This was to improve longer term client outcomes by supporting them into sustainable employment in growth and recovering industries. This targeting was to also facilitate reallocation of workers away from jobs that are no-longer viable because of the impact of COVID-19 on that industry.

45 This will be enacted through targeted communications or proactively reaching out and developing relationships with employers and people working in these industries. People in these industries will still be expected to meet the eligibility criteria for the expanded Flexi-Wage (paragraph 18).

Paying Flexi-Wage through a small number of set bands

46 Currently the duration and total amount paid is based on each client's needs, their barriers to employment, and the level of assistance they need to reach the entry-level requirements of that job. The expected outcome is that the job seeker remains employed well after the subsidy period has expired.

47 Cabinet agreed that the expanded Flexi-Wage would include a:

- small number of set rates to provide certainty to employers on the level of support available
- discretionary rate capped at $22,000 that can be used when negotiating with employers to take on those most at risk.

48 We are proposing to provide the Flexi-Wage Basic component intervention as three bands:

- Band one: $240[5] per week for 20 weeks ($4,800 in total) for eligible people who are disadvantaged in the labour market
- Band two: $240 per week for 36 weeks ($8,640 in total) for eligible people who are at risk of long-term benefit receipt
- Band three: a discretionary rate capped at $22,000 that can be used when negotiating with employers to support our most complex clients, as well as provide for Flexi-Wage products provided for specific employment situations including through Project in the Community, Next Step, and Retention.

49 These are set at 40 percent of the adult minimum wage (following the increase in April 2021 to $20 per hour) and are less than the amount provided for Mana in Mahi ($310 per week).

50 These bands will be available for people working full-time at 30 hours or more. People working less than this, will receive a pro-rata rate. For all bands, there will still be an expectation that the job is sustainable, and that the person will continue to be employed after the subsidy ends.

51 The Flexi-Wage, through Flexi-Wage Plus, can be used to pay for a range of additional assistance aimed at helping clients meet other costs associated with that job. These are generally discussed and agreed between MSD and the employer and should fund supports that are not traditionally met by the employer as part of their standard on-boarding processes.

52 These additional supports include work-related education or training; work-related material and equipment; in work support/pastoral care; or work-related reasonable accommodation for people with a health condition or disability. The ability to pay for

[5] This is exclusive of GST, the total amount provided will be $276 which includes $36 for GST.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

these services will be retained for the expansion and can be provided on top of the proposed bands or on its own.

53 The total support provided to any individual will not exceed $22,000 in a 52 week-period, except in exceptional circumstances. This is a new maximum of support for the Flexi-Wage but is consistent with Government priority and the Cabinet agreement.

54 $300 million was provided to fund the expansion, with $30 million of that ring-fenced for Flexi-Wage Self-Employment. As such, $270 million is available for the broader expansion. The proposed bands fit within this amount.

Application of the bands

55 In practice, work brokers will still need to use their discretion when deciding which band to provide for an eligible person.

56 The intention is that people who are eligible because they are disadvantaged in the labour market, will be guided into band one, while those who are at risk of long-term benefit receipt will be guided into band two.

57 People with more complex needs, such as a criminal history, low to no NCEA qualifications, or have been receiving other employment services provided by MSD, will be guided to a discretionary band. This enable MSD's frontline staff to spend most of their time working with and tailoring support to people who need the most support to obtain and retain employment.

58 Internal guidance will provide support to work brokers on the factors and considerations that indicate which band a person should be supported through.

Improved Employment and Social Outcomes Support MCA

59 The single overarching purpose of the Improved Employment and Social Outcomes Support MCA is to operate the welfare system and associated interventions in such a way as to improve client outcomes (employment and social) by moving them closer to independence, with a focus on those at risk of long-term benefit receipt.

60 The funding provided to for the Flexi-Wage expansion ($300 million) has been established as its own category under this appropriation, "limited to providing Flexi-Wage employment assistance, for eligible people to help them move into and retain sustainable employment, in accordance with criteria set out by Cabinet or approved by the Minister or in delegated legislation made under the Social Security Act 2018".

61 The tailor-made Welfare Programme will set out the high-level rules and govern MSD's decision making for the expansion, with additional guidance for MSD's frontline staff provided for under operational guidelines.

Other required decisions

62 The Flexi-Wage expansion is a two-year intervention, with the expectation that 40,000 people will have started on a Flexi-Wage by the end of 2022. While we will need to continue paying employers who took on an expanded Flexi-Wage recipient into early 2023, there is a need to signal what will happen with the expansion now

[redacted]

63 Some employers and jobs will not be eligible for an expanded Flexi-Wage. For an employer to be eligible to receive a Flexi-Wage on behalf of an employee, they need to be a legal entity, based/operating in New Zealand, viable, appropriate, pay the legal adult minimum wage, and acceptable to the wider community. This is an existing policy setting and will be carried through into the expansion.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Implementation

MSD will draft a welfare programme

64 To enable MSD to implement the broadened eligibility criteria and other policy changes, we seek agreement that a welfare programme be established under section 101 of the Social Security Act 2018 as the legal mechanism for payment of the expanded Flexi-Wage.

65 A Welfare Programme can apply to any specified class or classes of people and enables access to the rules contained within the Social Security Act 2018 for reviews of decisions, information sharing, overpayments and recovery of debts. Bringing in existing rules would enable MSD to use existing processes making implementation of the Flexi-Wage simpler and quicker.

66 As the Flexi-Wage is an existing programme paid out of the EWRAP, the expansion will retain many of the existing settings and policies and carry those them through to the new Welfare Programme or refer to them in EWRAP, as it is important to retain a high level of consistency across MSD's employment services and products.

67 Once established, all Flexi-Wage products (other than Flexi-Wage Self-Employment) will be provided for under the new Welfare Programme. We will provide you with report on transitioning to the expansion the week commencing 8 February 2021.

68 The changes sought by changing the Flexi-Wage policy will ensure that more New Zealander's who are disadvantaged in labour markets are supported into employment. This can be achieved by clearly outlining eligibility criteria for the Flexi Wage, enabling the development of operational guidelines to ensure greater standardisation in practice, and can specify entitlements for the scheme for eligible employers and employees through the introduction of set rates, additional supports they may be entitled to under the EWRAP, and the duration they are able to receive support for.

69 [redacted]

70 Any amendments made as a result of this review may require further amendments to this new Flexi-wage Welfare Programme.

A waiver for the 28-day rule is required to immediately enact a new Welfare Programme

71 A Welfare Programme approved and established pursuant to s 101 of the Social Security Act is a legislative instrument. Pursuant to the Cabinet Manual, legislative instruments must not come into force until at least 28 days after they have been notified in the *Gazette*.

72 The Cabinet Manual provides that where a legislative instrument confers only benefits on the public, a waiver to the 28-day rule may be sought. The new Welfare Programme has this effect.

73 A legislative instrument that is required to approved by a Cabinet Legislative Committee requires Cabinet approval of a waiver of the 28-day rule. However, because s 101 of the Social Security Act requires your approval only to the establishment of a Welfare Programme, approval of the waiver of the 28-day rule by the Cabinet Legislative Committee is not required.

74 We therefore recommend that you approve the waiver of the 28-day rule so that the Welfare Programme comes into force on 22 February 2021, or other date as agreed in discussion with you.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

The five existing Flexi-Wage products will continue to be offered under the new Welfare Programme

75 The two set rates and discretionary rate that will form Flexi-Wage Basic and the ability to pay for other assistance through Flexi-Wage Plus will be provided for under the Welfare Programme.

76 Flexi-Wage Next Step, Retention, and Project in the Community will also be provided for under the Welfare Programme. These will remain as discretionary payments, so that they can be tailored to suit the needs of the individual.

77 The only exception is Flexi-Wage Self-Employment, which will continue sit outside the Welfare Programme.

We will start accepting applications for the expanded Flexi-Wage from Monday 22 February 2021 (subject to your agreement)

78 We understand that you intend to announce the detail of the expanded Flexi-Wage on Thursday 18 February 2021.

79 As the exact time and location of the announcement have yet to be decided on, we recommend that the expansion go live from Monday 22 February 2021. On this date, all new applications and starts will be counted as an 'expanded Flexi-Wage'.

80 This date is contingent on receiving a waiver to the 28-day rule for the new Welfare Programme. While some changes can be made under existing settings, others are contingent (or come with a level of risk) on the new Welfare Programme. This includes shifting to providing bands, expanding better support to a wider group who are disadvantaged in the labour market, and providing for priority cohorts. Without a waiver, these changes will not be able to come into effect until approximately 18 March 2021.

81 Ahead of the announcement, MSD will start communicating changes, update training and promote the scheme internally, so that frontline staff are prepared to meet an increase in demand from 22 February 2021. This will include guidance on the different bands and to aid frontline staff in exercising their discretion when supporting an eligible person into work.

82 Cabinet agreed to a phased implementation for the Flexi-Wage expansion. MSD has already introduced an email address for employers and jobseekers to contact us. Further service and system improvements will be phased in once the new Welfare Programme comes into force. These improvements include providing funding in bands, changing to upfront payments, and providing an online form for employers and jobseekers to contact MSD.

Checks and balances will be updated as necessary

83 The expansion will retain the current checks, auditing, and debt recovery settings. The legal framework for these is set out in the EWRAP, which refers to the Social Security Act 2018. Many of these steps are based on the work brokers assessment of the job seeker, the employer, the job, and the provision of post placement support, as well as the internal checks and balances that each application goes through.

84 As MSD undertakes service enhancements and improvements, we will assess these checks and balances so that they remain for purpose and ensure that we are mitigating the risks wherever possible. This will include adapting as necessary to the increased uptake.

Evaluation and ongoing monitoring

85 The current Flexi-Wage is rated as effective by increasing the net income and time in employment by participants and reduces overall income support costs. However, the Flexi-Wage expansion represents a rapid increase in the scale of the programme which increases the risk of compromising the programme's fidelity.

86 Three Flexi-Wage expansion will be evaluated to assess three important aspects of the programme's fidelity:

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

- Effectiveness of flexi-wage expansion
- Targeting of people disadvantaged in the labour market
- Employer's use of the programme as intended

87 Evaluative activities will be primarily focused on using Stats NZ's Integrated Data Infrastructure (IDI) to estimate the impact of the Flexi-Wage expansion, participant take up rates, employer utilisation, and dependencies.

88 Monitoring activities will also be undertaken to provide you with regular updates on:

- client demographics, such as priority groups, age, gender, ethnicity, benefit
- uptake over time, per set rate, by region
- agreement type, such as Basic, Project in the Community, Next Step,
- employer industry and occupation
- Contract Commitment, overall spend, and contract status (such as Active/Finished Early/Completed).

89 Reports will be provided to you monthly and quarterly to the Employment, Education and Training Ministerial Group. This information will be used to assess the how the expansion is progressing and whether adjustments (such as adjusting priority cohorts) are needed. The first iteration of this report is attached in Appendix One.

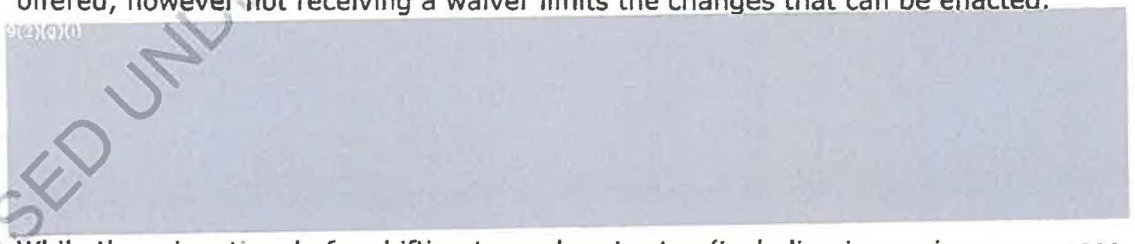
90 Monitoring and reporting on Flexi-Wage Self-Employment will be included in this. However, a different evaluation approach is due to the different approach, as set out in the accompanying paper [MSD REP/21/1/067 refers].

Risks and mitigations

91 There is a potential trade-off between achieving scale targets and ensuring that the expanded Flexi-Wage is used to support those who need the assistance to find sustainable employment. With the economy faring better than anticipated, fewer people may be eligible for the expansion, which may mean that the aim of supporting up to 40,000 people into employment is not met.

92 Similarly, with the economic impact of COVID-19 and the subsequent recession not being as deep as anticipate, the rate of uptake may be slower than anticipated. This leads to a risk that the Flexi-Wage is provided to those who don't need the support so that the target of supporting up to 40,000 people into employment over the next two years is met.

93 As referenced earlier, there is a risk if a waiver to the 28-day rule for the Welfare Programme is not granted. Flexi-Wage is an existing product and will continue to be offered, however not receiving a waiver limits the changes that can be enacted.

94 

95 While there is rationale for shifting towards set rates (including improving awareness and providing certainty to the public, administrative efficiency, and increasing consistency with other proven supports), the full impact of shifting from an entirely discretionary approach is unknown.

96 Increased awareness and prominence of the Flexi-Wage may increase likelihood that employers will seek to misuse or game the Flexi-Wage. This could be employers firing an existing employee to take on a Flexi-Wage recipient, or employers seek a Flexi-Wage for a person they already intend to hire. This is an existing risk that is currently managed through work brokers use of discretion and judgement when negotiating a Flexi-Wage with the employer. Updated operational guidance and training, as well as

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

proactive messaging that the Flexi-Wage is for clients who will need to be assessed by MSD will further mitigate this risk through the expansion.

Next steps

97 We recommend that you forward this paper on to the Prime Minister for her information.

98 Subject to your agreement to this paper, we will report back to you on:

- Week commencing 25 January 2021 – Subject to ministerial agreement, MSD will undertake consultation with CTU and Business NZ
- Week commencing 8 February 2021 – Report on transitional arrangements and implementation detail
- Thursday 11 February 2021 – Report with talking points, press-release, and event briefing ahead of the flexi-Wage expansion being announced
- Week commencing 8 February 2021 – Welfare Programme provided to the Minister of Social Development and Employment to sign
- Thursday 18 February 2021 – Flexi-Wage expansion announced
- Monday 22 February 2021 – Flexi-Wage expansion go live
- 9(2)(f)(iv)
-

99 This paper focuses on the key policy decision required from you to enable MSD to draft the new Welfare Programme. Should further decisions be required, we will seek these from you at pace.

File ref: REP/21/1/015

9(2)(a)

9(2)(a)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

9(2)(g)(ii)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Flexi-wage Employment Assistance Welfare Programme and Amendments to the Employment and Work Readiness Assistance Programme

Date: 5 February 2021 **Report no.:** REP/21/2/063

Security level: IN CONFIDENCE **Priority:** Medium

Action Sought

Hon Carmel Sepuloni Minister for Social Development	Agree and sign	5 February 2021

Contact for telephone discussion

Name	Position	Telephone	1st Contact
9(2)(a)			☑
9(2)(a)			

Report prepared by: 9(2)(a)

Minister's office comments

- ☐ Noted
- ☐ Seen
- ☐ Approved
- ☐ Needs change
- ☐ Withdrawn
- ☐ Not seen by Minister
- ☐ Overtaken by events
- ☐ Referred to (specify)

Comments

Date received from MSD ***Date returned to MSD***

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Report

Date: 5 February 2021 **Security Level:** IN CONFIDENCE

To: Hon Carmel Sepuloni, Minister for Social Development and Employment

---

Flexi-wage Employment Assistance Welfare Programme and Amendments to the Employment and Work Readiness Assistance Programme

Purpose of the report

1 This paper:

- seeks your approval to establish the Flexi-wage Employment Assistance Programme under section 101 of the Social Security Act 2018
- seeks your approval to amend the Employment and Work Readiness Assistance Programme to increase the Business Training and Advice Grant limit
- updates you on the eligibility details and operational matters required to announce the Flexi-wage expansion (including Flexi-wage Self-Employment) on 11 February 2021, which will go-live on 15 February 2021.

Recommended actions

It is recommended that you:

2 **note** that on 30 November 2020 Cabinet agreed to the broad policy settings for expanding the Flexi-wage [CAB-20-MIN-0493] and that you and the Minister of Finance agreed detailed design decisions on 27 January 2021[REP/21/01/015]

A new welfare programme to enable the Flexi-wage expansion is attached for approval

3 **note** that the Flexi-wage currently operates under the Employment and Work Readiness Assistance Programme (EWRAP) and that you agreed for the expansion to be shifted into a tailor-made welfare programme

4 **approve and sign** the attached *Flexi-wage Employment Assistance Programme*

agree / disagree

The amended EWRAP for Flexi-wage Self-Employment is attached for approval

5 **note** that you agreed to increase the level of the Business Training and Advice Grant to up to $5,000, which requires an amendment to the *Employment Work and Readiness Assistance Programme* to reflect this

6 **approve and sign** the attached amendment to the *Employment Work and Readiness Assistance Programme*

agree / disagree

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

7 **note** that this amendment also makes a minor and technical change to the NZ Seasonal Work Scheme administered under the *Employment Work and Readiness Assistance Programme* that does not change the policy intent.

8 **note** that you agreed to waive the 28-day rule for the notification of the *Flexi-wage Assistance Programme* and amendment to the *Employment and Work Readiness Assistance Programme* which provides for the new programmes to come into force on Monday, 15 February 2021

9 **direct** your Office to arrange for a copy of the two instruments to be tabled in the House of Representatives once you have signed it and no later than 26 February 2021 to formalise your approval and establishment of the Welfare Programme

Key matters of note for the new Flexi-wage Welfare Programme

10 [redacted]

10.1 [redacted]

10.2 [redacted]

11 **note** that the priority cohorts, which are linked to the Investment Strategy, and have been shifted from the definition of disadvantaged to be a matter that MSD must consider when exercising discretion (clause 11 (b))

12 **agree** that the same Income Test Limit as the Housing Support Assistance Programme is used to ensure that only people on a low income are eligible for a Flexi-wage (currently set at $57,668.00 per annum):

Income limit, in the case of a person who is not in receipt of a main benefit, has income (including the income of their spouse or partner) equal to or less than the amount of income that would prevent payment of an accommodation supplement to a single person without dependent children (under regulation 18 of the Social Security Regulations 2018), as if the person were single without dependent children, if the person resided in Area 1 (as defined in Part 7 of Schedule 4 of the Act)

agree / disagree

Aligning Flexi-wage Self-Employment with the EWRAP

13 **agree** that Flexi-wage Self Employment (FWSE) has the following residency criteria (consistent with the EWRAP):

To qualify, a person must be ordinarily resident in New Zealand and is either-

(i) a New Zealand citizen or is a person who holds or is deemed to hold a residence class visa under the Immigration Act 2009 that permits the holder to work in New Zealand; or

(ii) a person recognised as a refugee or protected person under that Act; or

(iii) a person holding a temporary class visa under that Act that permits the person to work in New Zealand and who is-

(a) awaiting the outcome of his or her claim for recognition as a refugee or a protected person (within the meaning of that Act); or

(b) a person applying for a residence class visa under that Act who is compelled to remain in New Zealand because of unforeseen circumstances; and

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

(iv) ordinarily resident in New Zealand

agree / disagree

Next steps

14 **note** that the Flexi-wage Expansion and Self-Employment will be announced on 11 February 2021 and the changes will go-live on 15 February 2021

15 **forward** this paper to the Prime Minister and Minister of Finance for their information

agree / disagree



5 February 2021

Hayley Hamilton
General Manager
Employment and Housing Policy

Date

Hon Carmel Sepuloni
Minister for Social Development and Employment

Date

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Background

16 The Flexi-wage is a proven intervention that supports clients into sustainable employment through a wage subsidy and associated support until they meet the entry level criteria for that job.

17 The Flexi-wage will be shifted to a new tailor-made welfare programme so that it can be used to support people who are disadvantaged in labour markets and to assist with an inclusive economic recovery from COVID-19.

The new Flexi-wage Welfare Programme is attached for your approval

18 The Ministry of Social Development (MSD) has drafted the attached instrument 'Flexi-wage Employment Assistance Programme' (Appendix 1) to enable the Flexi-wage expansion.

19 As previously agreed, the 28-day rule will need to be waived (under the exemption that the Flexi-wage only confers benefits on the public) so that the Welfare Programme can be in place when applications open from 15 February 2021

20 MSD seeks your approval and signature of the attached instruments before 10 February 2021 to approve and establish the programme prior to the public announcement of the Flexi-wage expansion on 11 February 2021.

21 Once you have signed the instrument, your Office will arrange for a copy of it to be tabled in the House of Representatives. Officials will also arrange for publication of the instrument on the MSD's external website and notify the making of the instrument in the New Zealand Gazette. Completing these steps will meet the requirements of section 101 of the Social Security Act 2018 and section 41 of the Legislation Act 2012.

We have modelled the Flexi-wage Assistance Programme on the EWRAP to minimise changes and enable a swift roll-out

22 The Flexi-wage is currently enabled by the EWRAP with the policy and operational detail set out in guidance.

23 The attached Flexi-wage welfare programme has been modelled on the EWRAP and updated to reflect current operational practice. This approach has been taken as the Flexi-wage is an existing product and it minimises administrative disruption as we shift to the expansion, but allows for the new programme to contain more detail than the EWRAP.

24 [redacted]

25 Key changes include:

- [redacted]

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

- **Eligibility criteria**: This section has been simplified and refined to reflect:

  - that all people aged 16 and over are eligible for a Flexi-wage, except if they are eligible for New Zealand superannuation or veterans pension

  - to include people with specific employment situations needs to enable Flexi-wage Retention, Next Step, and Project in the Community which may not neatly fit into Band One or Band Two.

- **An eligibility test for people who are not receiving a main benefit**: The Flexi-wage is being expanded to include people who are disadvantaged in the labour market. This means that some people who are not on benefit will now be eligible. As such, we need an appropriate test that appropriately captures this group (i.e., the working poor). We recommend using the same Income Test Limit as the Housing Support Assistance Programme uses to determine eligibility as it is an existing test, recognised by both staff and clients:

  - in the case of a person who is not in receipt of a main benefit, has income (including the income of their spouse or partner) equal to or less than the amount of income that would prevent payment of an accommodation supplement to a single person without dependent children (under regulation 18 of the Social Security Regulations 2018), as if the person were single without dependent children, if the person resided in Area 1 (as defined in Part 7 of Schedule 4 of the Act).

- **Assistance payable to employers**: Section 7 is new, reflecting that we pay the Flexi-wage to employers. It sets out what we expect of employers, including that they be solvent (i.e., viable) and that the employment lasts longer than the subsidy period.

- **The definition of disadvantaged in labour market:** Priority cohorts as agreed by you have shifted from the definition of disadvantaged to be a matter that MSD must consider when exercising discretion (clause 11 (b)) and will be reflected in the Ministry's Investment Strategy (which flows through into regional purchase plans), this will not make a difference to the policy intent.

- **Assistance available:** This section sets out the amount provided through the three bands and is now GST inclusive. This means the new totals are:

  - Band one: $276 GST inclusive per week for 24 weeks ($6,624 in total) for eligible people who are disadvantaged in the labour market

  - Band two: $276 GST inclusive per week for 36 weeks ($9,936 in total) for eligible people who are at risk of long-term benefit receipt and disadvantaged in labour markets

  - Band three: a discretionary rate that can be used when negotiating with employers to support our most complex clients or to tailor the Flexi-wage to meet the individual's specific circumstances, capped at $22,000 GST inclusive.

26 MSD will continue to provide guidance for frontline staff on administering the Flexi-wage and to support them in using their discretion under the new settings.

Revise the residency requirements for Flexi-wage Self-Employment

27 There is an inconsistency between the residency requirements for the Flexi-wage Self Employment (FWSE) wage subsidy and the Business Training and Advice Grant (BTAG) and Self-Employment Start-Up (SESU). The BTAG and SESU are paid under the EWRAP

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

which has a wider residency criteria than the FWSE wage subsidy and is inclusive of refugees, protected persons and those applying for a residence class visa who are compelled to remain in New Zealand due to unforeseen circumstances (and are ordinarily resident in New Zealand).

28 We recommend the FWSE residency criteria be expanded to align with the BTAG and the SESU under the EWRAP. This definition also aligns with the residency criteria in the Flexi-wage Employment Assistance Programme and other employment supports available under the EWRAP. Should you agree to this, the following residency criteria would apply to FWSE:

to qualify, a person must be ordinarily resident in New Zealand and is either-

(i) a New Zealand citizen or is a person who holds or is deemed to hold a residence class visa under the Immigration Act 2009 that permits the holder to work in New Zealand; or

(ii) a person recognised as a refugee or protected person under that Act; or

(iii) a person holding a temporary class visa under that Act that permits the person to work in New Zealand and who is-

(c) awaiting the outcome of his or her claim for recognition as a refugee or a protected person (within the meaning of that Act); or

(d) a person applying for a residence class visa under that Act who is compelled to remain in New Zealand because of unforeseen circumstances; and

(iv) ordinarily resident in New Zealand

The increased Business Training and Advice Grant level is reflected in the attached amendments to the EWRAP

29 To ensure FWSE participants have access to the right training and mentoring supports to successfully establish their own business, yourself and the Minister of Finance agreed to increase the level of the Business Training and Advice Grant (BTAG) to up to $5,000 [REP/21/01007 refers]. To give effect to this decision we have amended the EWRAP. The amendments are attached for your approval and signature.

Next steps

30 We have revised the next steps following the decision to bring forward the announcement:

- 9 or 10 February 2021 approve and establish the Flexi-wage Employment Assistance Programme and approve the increased BTAG limit of $5,000 in the EWRAP.
- 11 February 2021- Flexi-wage Expansion announced
- 15 February 2021- Flexi-wage expansion goes live
- Table the Flexi-wage Employment Assistance Programme in the House of Representatives within 16 days of signing to formalise your approval and establishment of the Welfare Programme
- MSD to publish the Flexi-wage Employment Assistance Programme on MSD's website and in the Gazette
- [redacted]

File ref: REP/21/2/063

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Author: [redacted]

Responsible manager: [redacted]

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Appendix 1: Flexi-wage Employment Assistance Programme

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Flexi-wage Employment Assistance Programme

This welfare programme for special assistance is established and approved under section 101 of the Social Security Act 2018 by the Minister for Social Development and Employment.

I certify that this instrument is in order for signing by the Minister

Rupert Ablett-Hampson

Chief Legal Advisor

05/02/2021

Contents

1	Title	1
2	Commencement	1
3	Purpose	1
4	Interpretation	2
5	Application of the Act	3
6	Eligibility for assistance	3
7	Assistance payable to employers	5
8	Types of assistance available	5
9	Payment of assistance	5
10	Applications for assistance	6
11	Matters to be applied in the exercise of discretion	6
12	Review	7
	Schedule	8

Programme

1 Title

This programme is the Flexi-wage Employment Assistance Programme.

2 Commencement

This programme comes into force on 15 February 2021.

3 Purpose

The purpose of this programme is to provide for payments of special assistance to support people, who are at risk of long-term benefit receipt or who are disadvantaged in the labour market, to obtain or retain employment, through providing tailored wage subsidies and associated support.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

4 Interpretation

(1) In this programme, unless the context otherwise requires-

Act means the Social Security Act 2018

assistance means the special assistance available under this programme

at risk of long-term benefit receipt, in relation to a person, means the risk that the person will receive or continue to receive a main benefit under the Act for an indefinite period

contracted service provider has the meaning given to it by section 373(1) of the Act

disadvantaged in the labour market means a person who has, or is expected to have, difficulty in obtaining or retaining employment that is not subsidised by MSD, including a person who:

(a) is experiencing significant barriers to obtaining or retaining employment; or

(b) is experiencing low job security or is underemployed; or

(c) has or is expected to experience extended displacement due to an economic disruption to their occupation, industry or region

employment-related training means training designed to increase a person's skills for employment and includes job-specific, on-the-job training, or short-term training courses or programmes

GST means goods and services tax payable in accordance with the Goods and Services Tax Act 1985

programme means this Flexi-wage Employment Assistance Programme

short-term training course means a course of employment-related training of not more than 12 weeks' duration

specified assistance means a payment under the following clauses in the schedule of the Employment and Work Readiness Assistance Programme established and approved by the Minister on 6 March 2014:

(a) wage subsidies, as specified in clause 2;

(b) education and employment-related training, as specified in clause 3;

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

(c) additional assistance associated with Mana in Mahi, as specified in clause 5A;

(d) extra or specialist assistance for eligible people with a health condition, injury or disability: wage subsidies, as specified in clause 7(b);

(e) assistance to access childcare or care for people with health condition, injury, or disability or elderly people: financial assistance paid for longer education and training courses, as specified in clause 9(2)

specific employment needs in relation to a person means:

(a) the person would benefit from temporary employment to develop employment skills to obtain or retain unsubsidised employment; or

(b) the person's employment is at risk and they would benefit from undertaking temporary employment until their substantive employment is no longer at risk, but they need to develop employment skills in order to undertake the temporary employment

wage subsidy assistance means the purchase (by way of a subsidy towards the person's wages or salary) of an employment place for a person eligible to receive assistance to assist the person to gain employment skills required to obtain or retain unsubsidised employment

52-week period means a period of 52 weeks commencing from the date the assistance is approved

(2) In this programme, unless the context otherwise requires, terms used and not defined, but listed in Schedule 2 of the Act, have the meanings given to them (for the relevant provisions or purposes of the Act) by the definitions set out, or referred to, in Schedule 2 of the Act.

5 Application of the Act

(1) Sections 113, 204, 217, 290, 292, 293, 294, 298, 301, 340 and 417 of the Act apply to this programme as if the special assistance authorised by this programme was a benefit under the Act.

(2) Nothing in subclause (1) limits or affects the application of any other provision of the Act.

6 Eligibility for assistance

(1) MSD may, in its discretion, grant the assistance described in the Schedule, and the amounts payable for that assistance

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

as set out in the Schedule, in respect of a person who meets the eligibility criteria in subclause 2.

(2) A person is eligible for assistance who-

(a) is assessed by MSD as:

(i) being disadvantaged in the labour market; or

(ii) being at risk of long-term benefit receipt; or

(iii) having specific employment needs; and

(b) is 16 years of age or more; and

(c) is ordinarily resident and present in New Zealand at the time of application and is either:

(i) a New Zealand citizen or a person who holds or is deemed to hold a residence class visa under the Immigration Act 2009 that permits the holder to work in New Zealand; or

(ii) a person recognised as a refugee or protected person under that Act; or

(iii) a person holding a temporary class visa under that Act that permits the person to work in New Zealand and who is-

(A) awaiting the outcome of their claim for recognition as a refugee or a protected person (within the meaning of that Act); or

(B) a person applying for a residence class visa under that Act who is compelled to remain in New Zealand because of unforeseen circumstances; and

(d) is not entitled to receive New Zealand superannuation or a veteran's pension, in their own right; and

(e) in the case of a person who is not in receipt of a main benefit, has income (including the income of their spouse or partner) equal to or less than the amount of income that would prevent payment of an accommodation supplement to a single person without dependent children (under regulation 18 of the Social Security Regulations 2018), as if the person were single without dependent children, if the person resided in Area 1 (as defined in Part 7 of Schedule 4 of the Act); and

(f) is not receiving specified assistance for a same or similar purpose.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

(3) For the avoidance of doubt, a person who has been granted assistance and who-

(a) subsequently attains the age of 65 years; and

(b) is eligible to receive New Zealand superannuation or a veteran's pension; and

(c) who MSD is satisfied should continue to receive assistance, continues to be eligible to receive that assistance.

7 Assistance payable to employers

(1) An employer may be paid an amount of assistance if they confirm to MSD's satisfaction that they-

(a) are operating in New Zealand;

(b) comply with the prescribed minimum adult rate of wages pursuant to the Minimum Wage Act 1983;

(c) are solvent for the period they receive the assistance; and

(d) comply with the terms and conditions of any agreement they enter into with MSD in respect of assistance granted under this programme.

(2) It is a condition of any agreement entered into between MSD and an employer in respect of assistance provided for a person that the employer retains the person as their employee for a period that exceeds the period the assistance is payable.

8 Types of assistance available

The types of assistance available, and the amounts payable in respect of each type of assistance, is as described in the Schedule.

9 Payment of assistance

(1) MSD may, in its discretion, having regard to the kind of assistance, pay any assistance granted under clause 6-

(a) to an employer of a person granted assistance; or

(b) if the assistance is for the purpose of purchasing any goods or services for the person granted assistance, to the provider of the goods or services; or

(c) as a periodical payment or payment of a lump sum in advance of the period or part of the period for which it is granted; or

(d) in any other manner MSD thinks fit.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

(2) The total amount payable for all types of assistance under this programme, in respect of a person, must not exceed $22,000 over a 52-week period.

(3) For the purposes of calculating the total amount described in subclause 2, the amount must include any wage subsidies paid in respect of that person under clause 2 of the Schedule of the Employment and Work Readiness Assistance Programme established an approved by the Minister on 6 March 2014.

(4) Amounts specified in this programme are inclusive of GST.

10 Applications for assistance

(1) A person seeking assistance must provide any information to MSD that MSD reasonably requests in order to assess the person's eligibility for assistance.

(2) If MSD requires an application form to be completed in order for any specific assistance to be provided for a person, the assistance must not be granted until MSD has receive an application form completed to MSD's satisfaction by that person or on behalf of that person.

(3) MSD may waive all or part of a requirement to provide information (including information specified in an application form) if MSD is satisfied that it:

(a) already holds the information concerned; or

(b) already holds enough other information to determine the matter for which the information concerned is required.

11 Matters to be applied in the exercise of discretion

In exercising discretion under this programme, MSD must have regard to-

(a) the principles in section 4 of the Act;

(b) any key result areas, performance targets and priority cohorts as set by the Minister in relation to money appropriated by Parliament that may be used for the purpose of granting assistance;

(c) the principle that assistance will be allocated where the potential benefits are greatest;

(d) the principle that assistance should minimise adverse impacts on the labour market and should not substitute or displace people within New Zealand's workforce; and

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

(e) whether a person who may be eligible for assistance is or may be entitled to any other publicly funded assistance for the same or a similar purpose.

12 Review

This programme will be reviewed by MSD two years after the date is comes into force.

Minister for Social Development and Employment

at this day of 2021

Explanatory Note

This note is not part of the programme, but is intended to indicate its general effect.

This programme is established and approved under section 101 of the Social Security Act 2018 and comes into force on 15 February 2021.

The programme provides for the provision of special assistance for eligible people who are disadvantaged in the labour market or at risk of long-term benefit receipt by supporting them into employment or providing training or in work support until they the gain employment skills required and meet the entry level requirements of that job.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Schedule

Types and amount of assistance available under this programme

1. Wage subsidy assistance

Band one	**Amount available**
A subsidy is payable in respect of a person who: (a) is assessed by MSD as being disadvantaged in the labour market; and (b) otherwise meets the criteria in clause 6(2)(b) to (f).	$276 per week, up to a maximum of $6,624, payable over 24 consecutive weeks

Band two	**Amount available**
A subsidy is payable in respect of a person who: (a) is assessed by MSD as at risk of long-term benefit receipt; and (b) otherwise meets the criteria in clause 6(2)(b) to (f).	$276 per week, up to a maximum of $9,936, payable cover 36 consecutive weeks

Band three	**Amount available**
A subsidy is payable in respect of a person who: (a) is assessed by MSD as being disadvantaged in the labour market and at risk of long-term benefit receipt; or (b) is assessed by MSD as being disadvantaged in the labour market, at risk of long-term benefit receipt, and as having specific employment needs; and (c) otherwise meets the criteria in clause 6(2)(b) to (f).	A payment that is equivalent to a weekly amount not exceeding the minimum adult rate of wages prescribed in the Minimum Wage Act 1983, for employment of 30 hours per week, not exceeding a total amount of $22,000.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

2. **Employment-related training assistance**

Assistance for employment-related training necessary is available to assist a person, in respect of whom wage subsidy assistance is payable under this programme, to gain employment skills required to obtain or retain unsubsidised employment, as follows:

(a) The actual and reasonable fees charged by a training provider or employer not exceeding $1,000 for a short-term training course, on-the-job-training, or other short-term training as approved by MSD, that is intended to assist a person with specific employment skills deficits; and

(b) A total amount not exceeding $5,000 for the purchase, in respect of a person, of a place in a course, being a course at level 3 or below on the New Zealand Qualifications Framework, that is intended to assist a person with specific employment skills deficits.

3. **In-work support assistance**

Actual and reasonable costs are payable for a person, in respect of whom wage subsidy assistance is payable under this programme, for wrap-around support MSD considers necessary to support the person to maintain their employment including services that may be provided by a contracted service provider, as approved by MSD.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Appendix 2: Employment and Work Readiness Assistance Programme

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Employment and Work Readiness Assistance Amendment 2021

I certify that this instrument is in order for signing by the Minister

Rupert Ablett-Hampson

Chief Legal Advisor

05/02/2021

This instrument is made under section 101(1) of the Social Security Act 2018 by the Minister for Social Development and Employment.

Contents

1	Title	1
2	Commencement	1
3	Programme amended	1
4	Schedule amended	1

Instrument

1 Title

This instrument is the Employment and Work Readiness Assistance Amendment 2021.

2 Commencement

This instrument comes into force on 15 February 2021.

3 Programme amended

This instrument amends the Employment Work Readiness Assistance Programme[1] (as established and approved on 6 March 2014).

4 Schedule amended

Amend clause 6A (Incentive payments)

(1) In clause 6A, delete sub-heading "6A Incentive payments for New Zealand Seasonal Work Scheme".

(2) In clause 6A(c) , replace "current" with "currently".

Amend clause 8 (Assistance to enter self-employment)

In Clause 8(a) in the Schedule, replace "$1,000" with "$5,000".

[1] New Zealand Gazette, 13 March 2014, page 837

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Minister for Social Development and Employment

At this day of 21

Explanatory Note

This note is not part of the instrument, but is intended to indicate its general effect.

This instrument, which comes into force on 15 February 2021, amends the Employment and Work Readiness Assistance Programme.

This instrument amends the Schedule by increasing the amount of assistance available to people under Clause 8 from an amount or amounts not exceeding $1,000 to an amount or amounts not exceeding $5,000. This instrument also makes minor and technical changes relating to the New Zealand Seasonal Work Scheme administered under the Employment and Work Readiness Assistance Programme.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Aide-mémoire

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Meeting

Date: 9 February 2021 **Security Level:** IN CONFIDENCE

For: Hon Carmel Sepuloni, Minister for Social Development and Employment

File Reference: REP/21/2/080

Flexi-wage announcement at Sleepwell NZ

Meeting/visit details

- Time: 12.30pm – 1.30pm, Thursday 11 February 2021
- Address: Sleepwell NZ, 7 Lovegrove Crescent, Otara, Auckland

Car parks will be reserved on site.

You and the Prime Minister will be greeted by Regional Commissioner for Auckland South, Lynda Smardon and be escorted to the Sleepwell showroom.

There will be a general Health and Safety briefing around COVID-19, evacuation processes and signing in, provided by Sleepwell's 9(2)(a)

Key Contacts

Ministry of Social Development

- 9(2)(a)
- 9(2)(a)
- 9(2)(a)
- 9(2)(a)
- 9(2)(a)
- 9(2)(a)

Sleepwell NZ

- 9(2)(a)
- 9(2)(a)

Expected attendees

Sleepwell NZ

- 9(2)(a) Owner
- 9(2)(a) Owner
- 9(2)(a) Owner
- 9(2)(a) Factory Manager
- 9(2)(a)
- 9(2)(a)
- 9(2)(a)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

	• 9(2)(a) Ministry of Social Development • Viv Rickard, Deputy Chief Executive Service Delivery (TBC) • 9(2)(a) • 9(2)(a) • 9(2)(a) • 9(2)(a) • 9(2)(a) Auckland Business Chamber • 9(2)(a) CEO (TBC by your office) Neighbouring businesses working with MSD: • 9(2)(a) Owner of AutoBro • 9(2)(a) Owner of City Contractors • 9(2)(a) Owner of Fall-Pac • 9(2)(a) Co-Owners of MetalLink
Purpose of meeting/visit	This event is to announce the Flexi-wage expansion, meet Sleepwell NZ and their four employees with the current Flexi-wage Subsidy and be provided with a site tour. You will speak at 1.25pm for two minutes following the Prime Minster. A run sheet and Q&As are attached.
Background	Sleepwell NZ in Auckland has been as been operating since 2014 (earlier known as Lutu Beds from 2005 – 2014) providing beds to retail outlets mainly in Auckland/Waikato, and more recently Canterbury. Their manufacturing team consists of multiracial Kiwis, predominantly Pasifika working together to produce New Zealand made beds. The Directors are two brothers, 9(2)(a), who started out in a garage in Otara and then moved to Lovegrove Crescent in 2014 to a building right next door to their current factory. Between the two they have 30 years of experience in making high-quality bed bases, mattress and headboards. Their office and factory is located about 80 metres away from our Ōtara Work and Income Office.
Relationship with MSD	Sleepwell NZ have about 40 full time employees in total and have hired 7 on Flexi-wage in the past 5 months. MSD Work Broker, 9(2)(a) has been engaging regularly with Sleepwell NZ and has built a great relationship. 9(2)(a) one of their consultants is passionate about changing people's lives and believes in hiring local. The company is currently investing in upskilling its entire workforce (through Competenz NZ to get a NZQA qualification) as result of learning about another MSD product – Mana in Mahi. Sleepwell NZ Limited's philosophy is to invest in training and upskilling of their employees thereby setting them up for success.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Flexi-wage Employees

Four of the seven employees who were funded through flexi-wage and are still employed include:

9(2)(a)

9(2)(a)

9(2)(a)

9(2)(a)

9(2)(a)

Key issues There are no known issues or concerns.

9(2)(a)

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982