



# Report

**Date:** 4 May 2020 **Security Level:** IN CONFIDENCE  
**To:** Hon Willie Jackson, Minister of Employment  
**CC:** Hon Carmel Sepuloni, Minister for Social Development  
**File Ref:** REP/20/4/449

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## Options for Mana in Mahi COVID-19 supports

### Purpose of the report

- 1 The purpose of this report is to provide you with an update on potential options for extending supports in the Mana in Mahi - Strength in Work (Mana in Mahi) programme, for existing and future Mana in Mahi placements, due to the effects of the novel coronavirus (COVID-19).

### Background

#### *Mana in Mahi supports young people into sustainable employment*

- 2 Mana in Mahi was launched in August 2018, as part of the Government's commitment to support young people into sustainable and meaningful employment.
- 3 The Mana in Mahi Wage Subsidy of \$9,580 (GST exclusive) is provided by the Ministry of Social Development (MSD) to an employer who is willing to hire an at-risk young person and offer them both an industry training pathway (including apprenticeships) and permanent work. While Mana in Mahi is targeted towards young people who are between 18 and 24 years old, the programme is available to people of all ages, including Māori, Pacific and disabled people.
- 4 Although Mana in Mahi was originally designed to support at risk youth, the programme has the potential to support other at-risk cohorts into a training pathway and sustainable employment in the COVID-19 environment, where the potential for long-term displacement in the labour market is high.
- 5 Prior to COVID-19, work was underway to look at how Mana in Mahi could be adapted to meet the needs of a mature cohort aged between 40-60 years-old. Co-design workshops had been held in Nelson, New Plymouth, and Porirua to gather voice from this cohort on what supports they would want to see from this programme. The outcome of the initial co-design was that many of the supports that are offered in Mana in Mahi currently would be valuable to an older cohort. Mana in Mahi has the flexibility to support different cohorts to overcome their varied barriers to employers.

#### *Mana in Mahi's current service offering*

- 6 Mana in Mahi's current service is designed around supporting at risk people into an apprenticeship or training pathway, with the aim of leading to sustainable employment. The twelve-month programme consists of; a wage subsidy which is

provided to employers while the participant is in the programme, funding of up to \$2,000 per participant for pre-employment training, three incentive payments of \$1,000 for participants paid at attendance and training milestones and a menu of support services provided for both employers and participants.

## **Enhancements to Mana in Mahi could be made to better support current and new participants in a post COVID-19 environment**

*The current Mana in Mahi service offering has been successful*

- 7 Mana in Mahi's current service offering has been well received by both young people and employers. Placements have already exceeded the 2019/20 target of 300, with 446 placements filled in the 2019/20 year at the end of March 2020, bringing the total to 717. Retention has dropped 1 percent from end of February 2020 but remains improved compared to Phase One and early Phase Two.

*MSD plans to build on existing supports for current participants*

- 8 We plan to build on the existing supports that Mana in Mahi offers which have proven effective for a group who often have complex barriers to employment.
- 9 Young people who are eligible for, or are in Mana in Mahi placements currently, are generally distanced from the labour market and are therefore vulnerable in the current economic climate where employers are having to let their staff go. Employer input has told us that while they are receiving the Government Wage Subsidy, non-MSD funded regional support and the Mana in Mahi subsidy, many are intending on keeping their Mana in Mahi placements on but there are concerns for the future.<sup>1</sup>
- 10 We want to minimise the risk of young people who are currently in the programme from moving on to benefit. We plan to do this by supporting them to sustain their existing employment or supporting them into another employment opportunity where their existing employment is unsustainable. Apprenticeships are being looked at more broadly across relevant government agencies, who we will engage with as we continue to explore the additional supports but we anticipate that the proposed menu of supports will align with this work.
- 11 There is a need to continue to provide adequate and relevant support in a time where economic conditions are difficult. Providing employers with support to retain their employees in the programme will give security to these young people to continue with their placements and progress their industry training pathway.

*There is an opportunity to support more people into sustainable employment*

- 12 Mana in Mahi provides an opportunity for people to join a programme which supports them into a training pathway and employment.
- 13 In the current economic conditions, there are other cohorts that are left vulnerable in the employment market such as:
  - recently displaced workers
  - people who are soon to be displaced or who are in insecure employment due to their industry no longer being viable
  - people in training pathways where on the job training is required and cannot be undertaken due to the COVID-19 alert levels
  - people in training pathways where there is unlikely to be employment at the completion of their course.

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<sup>1</sup> An example of non-MSD funded regional support is the small and medium sized business and community financial relief that is being provided by Tauranga City Council.

- 14 The framework of Mana in Mahi is adaptable and could be further customised to target specific employment arrangements of the above vulnerable cohorts. Mana in Mahi provides an employment intervention which can support these cohorts into viable industries and training pathways leading to sustainable employment.

### **There are a number of options available to support current and future Mana in Mahi placements in the current economic climate**

- 15 In response to the economic impact on employers due to COVID-19, we have devised a menu of possible support options to help support employers to retain their Mana in Mahi participants and where possible incentivise new employers to take on a wider range of Mana in Mahi participants.
- 16 Anecdotally, we are aware that Mana in Mahi has a positive perception in the market, so we expect the proposed expansion to be received positively by employers who work with us currently. It also provides MSD with an opportunity to support the recruitment needs of a wider pool of employers.
- 17 The menu of additional supports for both current and future Mana in Mahi placements is suggested to initially be offered to employers for a period up to a six-months. This will provide employers with further support and security during a difficult economic period, which will minimise the risk that current participants in the programme will be let go. Further, we anticipate that the additional supports will appeal to employers in viable industries to take on a new Mana in Mahi placement and support more people into a viable employment and training pathway.
- 18 The menu of additional supports is designed with the intention of:
- supporting current Mana in Mahi participants to stay attached to their employer, reducing the risk of displacement
  - encouraging new employers to take on Mana in Mahi placements to support wider cohorts into a training pathway and sustainable employment.
- 19 The menu of additional supports can be tailored to meet an employer's and participant's needs. This will allow an MSD Work Broker to provide some or all of the different components of the packages, dependent on the needs of both the participant and employer.










### ***Changes to the programme will have cost implications***

- 20 The proposed menu of support options will require a greater financial investment in the programme to allow for flexibility to address and support the various barriers to employment that the different at-risk cohorts face.
- 21 We understand that the Minister for Social Development has a current Budget 20 initiative aimed at scaling up MSD's employment services in response to COVID-19. This initiative highlights Mana in Mahi as a programme for potential expansion. However, depending on the scale of the proposed Mana in Mahi enhancements, this may require seeking additional funding in a further budget round.
- 22 If additional funding is not secured through Budget 20 and reallocation of funding is required this may have implications for the targeted total number of placements to be achieved, as current funding allocation was based on a certain spend per individual.

### **Initial proposed menu of additional supports for current and new Mana in Mahi placements**

- 23 The following table presents a menu of additional support options for current and new Mana in Mahi placements. The proposed menu of supports builds on earlier work undertaken with Mana in Mahi employers to understand their needs in taking

on an at-risk young person. We anticipate that further support will be needed for employers in hard hit industries as a result of the impact from COVID-19. An overview of the menu of supports are provided below but note the detail of these options require additional work.

| Mana in Mahi menu of additional supports  |  | Current supports | Proposed supports for current clients | Proposed supports for new clients |
|---|--|------------------|---------------------------------------|-----------------------------------|
| <b>Training</b>   |  |                  |                                       |                                   |
|    | <b>Pay for course fees</b>   | x                | ✓                                     | ✓                                 |
|    | <b>Extend placement past 12 months to 18 months for existing placements</b>  | x                | ✓<br>opt in only                      | x                                 |
|    | <b>Begin a new placement</b><br>Where a young person's placement is no longer viable due to their being no work available, they will have the option to be redeployed to a placement in a viable industry.   | x                | ✓                                     | x                                 |
| <b>Payments</b>   |  |                  |                                       |                                   |
|  | <b>Payment for technology WFH set-up</b><br>Provide a lump sum payment of \$2,000 to purchase equipment that would allow a young person to work or study from home such as a laptop, desk and chair.   | x                | ✓                                     | ✓<br>opt in only                  |
|  | <b>Support with pre-employment / on the job training for their employee \$2000</b>   | ✓                | ✓                                     | ✓                                 |
|  | <b>Client incentive payment \$3000</b>   | ✓                | ✓                                     | ✓                                 |
|  | <b>Mana in Mahi Wage subsidy</b>   | ✓                | ✓                                     | ✓                                 |
| <b>Mana in Mahi menu of supports</b>  |  | Current supports | Proposed supports for current clients | Proposed supports for new clients |
|  | <b>Blanket increase of subsidy amount by approximately 15%</b>   | x                | ✓                                     | ✓<br>opt in only                  |
|  | <b>MIM employers would be entitled to an increase in the subsidy amount up to double of the current rate, if they meet the 30% decline in revenue criteria.</b><br>Small to medium (49 employees or less) MIM employers would be entitled to an increase in the subsidy amount up to double of the current rate, if they meet the criteria of a 30% decline in revenue due to the effects of COVID-19. | x                | ✓                                     | ✓<br>opt in only                  |

| Mana in Mahi menu of additional supports   | Current supports | Proposed supports for current clients | Proposed supports for new clients |
|--|------------------|---------------------------------------|-----------------------------------|
| Supports   |                  |                                       |                                   |
| <b>In-Work-Support</b>   | ✓                | ✓                                     | ✓                                 |
| <b>Whitiki Tauā</b>  | ✓                | ✓                                     | ✓                                 |
| <b>Puāwāitanga</b>   | ✓                | ✓                                     | ✓                                 |
| <b>Te Heke Mai</b>   | ✓                | ✓                                     | ✓                                 |
| <b>Extensive comms plan</b>  |                  |                                       |                                   |
| Market the programme to both existing and new participants and employers to increase awareness of existing in work supports and uptake of the programme. | ✓                | ✓                                     | ✓                                 |

## Next steps

- 24 The Ministry will continue to develop the menu of support options and explore the expansion of Mana in Mahi to other cohorts. We will report back to you by the 18<sup>th</sup> of May with detailed recommendations. Some of the proposed options may require changes to current policy settings which may require a report back to Cabinet.

## Recommended actions

It is recommended that you:

- 1 **note** that the post COVID-19 economic climate has the potential to adversely impact on the employment opportunities of young people and other at-risk cohorts in the labour market
- 2 **note** the Ministry of Social Development (MSD) has designed a menu of potential support options with some initial employer input
- 3 **note** that some of the proposed options may require either additional budget funding or reallocation of funding from outer years (which may have implications for the targeted number of placements to be achieved)
- 4 **agree** that MSD continues to explore the proposed menu of supports for the current target cohort to understand any policy design and fiscal implications

**agree/disagree**

- 5 **agree** that MSD continues to explore the supports required by other cohorts

**agree/disagree**

- 6 **note** that any substantive changes to the policy settings may require an update to Cabinet

APPROVED BY EMAIL

Jayne Russell  
Group General Manager Employment  
Service Delivery

04/05/2020

Date

Hon Willie Jackson  
Minister of Employment

Date

## Appendix 1- Personas

Note: Key for 'Supports participants would receive' section, is outlined in Mana in Mahi menu of supports table enclosed in the paper.

### Participant Story 1

**Gender** Male

**Age** 23

**Days in Programme** 340

**Status** Active



The client has been on and off benefit since 2015. Has been in and out of work since leaving school early. He started some tertiary study but didn't complete the work experience component. He has now made great progress in the Mana in Mahi programme in a construction company and has been in the programme for almost a year. He has begun a training pathway and has been receiving support from the IWS team.

Client has been anxious about the end of the placement as his employer has mentioned it might be hard to keep people on during this time as the work isn't there and they don't know when it will pick up.

Employer will get a 15% increase in the Mana in Mahi wage subsidy and can extend the placement for six months to help keep the client in work and on their training pathway.

**Supports participant 1 would receive**



### Participant story 2

**Gender** Female

**Age** 18

**Days in Programme** 61

**Status** Active



The client has recently moved out of the family house to live by herself. She has had casual employment that ended in January but found work though attending a Mana in Mahi seminar and got a job in food services. The client has been struggling to pay for bills and accommodation.

The client is currently very anxious about her future; their employer has indicated they can keep them on until the end of the wage subsidy but are unsure how work will continue after then, as the employer won't be able to return to work until alert level 2. The employer originally agreed to pay for the client's training but won't be able to now. Work and Income can pay for course fees and increase the wage subsidy by 15% to help the employer retain their employee. The client indicated that they will be able to do more training from home if they had a desk and mouse, this can be paid for by the work from home set-up payment.

**Supports participant 2 would receive**



### Participant Story 3

Gender Male

Age 20

Days in Programme 0

Status not yet participating



Client was let go from his job in March and is looking for new work. He saw an Instagram advert for Mana in Mahi and found out they can get into construction, have their tools paid for, their course fees paid for and work between different employers. s9(2)(f)(iv) OIA

Employer of a small business is happy to offer a placement and can apply for double the wage subsidy as they meet the eligibility criteria and can also get the training pathway of this client paid for as part of Mana in Mahi.

Supports participant 1 would receive



File ref: REP/20/4/449

Author: s9(2)(a)OIA Advisor, Employment Service Delivery)

Responsible manager: s9(2)(a)OIA Director of Service Design and Development, Service Delivery)



# Report

**Date:** 21 May 2020 **Security Level:** IN CONFIDENCE  
**To:** Hon Willie Jackson, Minister of Employment  
**CC:** Hon Carmel Sepuloni, Minister for Social Development  
**File Ref:** REP/20/5/518

## Mana in Mahi Menu of Additional Supports Report Back

### Purpose of the report

- 1 The purpose of this report is to provide you with further detail on the Mana in Mahi – Strength in Work (Mana in Mahi) menu of additional support options [Rep/20/4/449 refers], for existing and future Mana in Mahi placements, in response to the economic impact of COVID-19.

### Recommended actions

It is recommended that you:

- 1 **note** you recently received a report proposing a menu of additional supports for Mana in Mahi
- 2 **note** that Mana in Mahi targeted participants (current and future) are among those who are most 'at risk' of adverse employment outcomes in the current economic downturn, and further investment is needed to support this cohort to gain and maintain employment
- 3 **note** that there is a large amount of new support for apprenticeships across government and that changes to the policy settings will need to compliment these broader initiatives
- 4 **note** that we recommend expanding the Mana in Mahi product offering in the following ways:
  - Increasing the wage subsidy from the existing rate of \$184 per week to \$304 per week per participant (an increase of \$120 per week).
  - Extending the period of time that current Mana in Mahi participants will be supported through the programme from 12 months up to 24 months depending on the length of a participant's training pathway
  - Paying for course fees for a participant's training pathway, where participants are not eligible for other government support, up to a total of \$16,000 over two years.
  - Providing additional education support up to \$2000 per year to cover the cost of required literacy and numeracy training or equipment to work or study from home.

5

99(2)(iv)OIA

**Agree / Disagree**

- 6 **agree** to expand the focus of Mana in Mahi beyond young people to include all cohorts that are left vulnerable in the employment market between the ages of 18-60

**Agree / Disagree**

- 7 **note** that the total cost of the proposed changes is \$42.194 million over four years  
8 **note** that if limited funding is able, we recommend prioritising an increase in the subsidy rate  
9 **note** that there are a range of options for funding the expansion of Mana in Mahi  
10 **agree** to work with officials to pursue potential funding options

**Agree / Disagree**

- 11 **note** that the expansion of Mana in Mahi will require further Cabinet approval and that we will work with you to prepare a Cabinet paper seeking agreement to these changes.

*Jayne Russell*

Jayne Russell  
Group General Manager  
Employment, Service Delivery

*21/5/2020*

Date


Hon Willie Jackson  
Minister of Employment

Date

## Background

- 2 On 4 May 2020, you received a report outlining the need to better support existing and future Mana in Mahi participants following the economic impact of COVID-19 [Rep/20/4/449 refers].
- 3 The report outlined an initial menu of options for extending supports in the Mana in Mahi programme in a post COVID-19 environment. With expected higher unemployment and lower demand for workers, trainees and apprentices are at a greater risk in the labour market and will have lower job security than more experienced staff due to their relative lack of productivity and work experience.
- 4 Expanding Mana in Mahi will support some of New Zealand's most vulnerable current (and future) apprentices to progress toward achieving an industry qualification and sustainable employment.
- 5 This report provides further detail on expanding the programme and provides advice on how the expansion could be funded.

## Expanding Mana in Mahi will complement the Government's recent investment in Apprenticeships

- 6 There is a large amount of new support for apprenticeships across government. As part of Budget 2020 the Government has invested heavily into trades and training to support the COVID-19 economic recovery, including a \$1.6 billion Trades and Apprenticeships Training Package. The package includes funding such as:
  - \$320m targeted investment support for free trades training in critical industries
  - \$412m support for employers to retain and keep training their apprentices (which may include an apprentice wage subsidy)
  - \$50m for a Māori Apprenticeships Fund
  - \$19m for group training schemes to retain apprentices
- 7 There has also been a further \$40 million set aside through the PGF to support apprenticeships.
- 8 The range of Budget 2020 initiatives is aimed at keeping people attached to their employer, retraining and redeploying where possible, and is focused on slowing and minimising the expected sharp rise in unemployment. This investment highlights the importance placed by Government on supporting those who are learning a trade and the value of industry-based training to the New Zealand economy.
- 9 Mana in Mahi will complement these broader initiatives by providing additional targeted support to those who are most vulnerable in the labour market, particularly those who are 'at risk' of long-term benefit receipt.
- 10 In addition to this, we will explore how Mana in Mahi participants can benefit from new social procurement guidelines. s3(2)(b)DIA  


## We propose that changes are made to the current Mana in Mahi offering

*Increasing the wage subsidy rate per participant, from the existing rate of \$184 per week to \$304 per week*

- 11 During a recession, apprentices and those completing other industry training qualifications are at a higher risk of displacement due to their vulnerability in the workplace. Supporting an employee through industry training or an apprenticeship is a long-term commitment for most employers, and feedback from employers suggests that apprentices often take a number of years of training before they support the overall productivity of a firm. In the current economic environment employers are

therefore more likely to let go of apprentices and trainees, in favour of more experienced staff.

- 12 While there are a number of other new initiatives aimed at providing 'broad brush' funding for apprentices, such as the upcoming apprentice wage subsidy, Mana in Mahi is designed to specifically target the people who are most disadvantaged in the local labour market and at risk of long-term benefit dependency. In order to incentivise employers to invest into some of New Zealand's most vulnerable workers and jobseekers, it is important that the Mana in Mahi offering is relevant and viable in the current economic climate, to support apprentices and trainees.
- 13 We therefore recommend increasing the wage subsidy from the existing rate of \$184.23 to \$304.23 per week for each participant, an increase of \$120 per week. An increase in the overall rate per participant will help to offset the productivity loss experienced by employers and will continue to support them to support the development of skills amongst participants.
- 14 Based on the offering provided in other potential new apprenticeship initiatives across government, such as the apprentice wage subsidy, an altered wage subsidy rate could be considered.

*Extending the period of time that current Mana in Mahi participants will be supported through the programme from 12 months up to 24 months*

- 15 Given the current widespread economic uncertainty, it will be difficult for business owners to keep their Mana in Mahi participants attached to the workforce and in formal training while the recessionary conditions persist.
- 16 Completing an industry training qualification often takes longer than one year to complete. However, participants in the Mana in Mahi programme are currently only covered by a subsidy and incentive payments for 12 months. In the current economic conditions, there is a need to support participants for a greater length of time to bring them closer to their goal of completing their industry training qualification and apprenticeship.
- 17 This extension will also better align Mana in Mahi with other apprenticeship and vocational training initiatives across government.
- 18 We recommend that the subsidy and incentive payments are extended for participants while they remain registered in formal industry training, up to total of two years. Payments would stop either when a participant:
  - finishes their qualification (if this happens within the second year of the programme), or
  - once they complete two years in the Mana in Mahi programme.
- 19 If a participant was to remain in formal training for the full two year duration, the maximum payments available for the wage subsidy would be \$31,640 per participant, and the maximum amount of incentive payments would be \$6,000 per participant.
- 20 All pastoral care and wrap around support services would continue for the full two years regardless of the duration of the industry training qualification.

*Supporting employers to pay for a participant's industry training course fees*

- 21 Feedback from employers in Phase Two of Mana in Mahi has highlighted that expecting employers to pay for course fees was a barrier for them taking on a participant. Not only are course fees an additional cost for employers, taking on an apprentice or trainee requires a heavy time investment.
- 22 There has been some funding made available through Budget 2020 Targeted Training and Apprenticeship Fund, for industry training fees in select skill shortage sectors (such as construction and agriculture). However, there are many other industry sectors and courses (such as Hair and Beauty) that Mana in Mahi participants are working in that are not covered by this new funding.

- 23 We recommend that optional funding is provided to Mana in Mahi employers to support them to cover participants course fees, up to a total of \$16,000 over two years. The maximum amounts available would be \$8,000 within the first 12 months, \$12,000 within 18 months, and \$16,000 within 24 months. Employers would be eligible for this optional payment, while their participant remains in an industry training qualification.
- 24 Employers would only be able to access this fund if they are not able to access funding for course fees through Fees Free or the Targeted Training and Apprenticeship Fund.

*Payment for additional educational supports*

- 25 We initially proposed a lump sum payment of \$2000 should be paid to participants to purchase equipment that would allow them to work or study from home. We know that some participants also require literacy and numeracy support to assist with their required course work as part of their training pathway.
- 26 Many of the current Mana in Mahi participants are some of the most at-risk young people and often have a low level of educational attainment. Navigating the commitment of both studying and working is difficult for many participants, but especially if studying is something a participant has previously struggled with.
- 27 Offering tutoring to those who have a low level of literacy and numeracy would aid with participant's self-confidence which in turn supports strengthened resilience. Further, this would assist with creating better relationships in the workplace, increased engagement with training pathways and a more skilled workforce.
- 28 To allow for participants to access the educational support they require, we recommend expanding the purpose of the payment beyond just paying for a work or study from home set-up to also allow for literacy and numeracy support.

**We also propose that further changes are made to the Mana in Mahi policy settings**

s9(2)(f)(iv)OIA



### *Widening the target cohort for Mana in Mahi*

- 33 Mana in Mahi currently targets young people between the ages of 18 – 24, however people of all ages can access the programme.
- 34 In the current economic downturn, we expect that displacement of workers will be widespread, and many people of all ages will be required to retrain in other industries. Lessons learned from the GFC indicate that people of all ages (including older people) can become in danger of long-term benefit receipt if they become embedded in the welfare system.
- 35 There is also a need to take an early intervention approach for some unemployed people. This may mean that capturing and redeploying some jobseekers before they reach the benefit system will give them the best chance of remaining off a benefit in the long run.
- 36 There is therefore a need to expand the focus of Mana in Mahi to include people of all ages, including older people and those who need additional support to retrain. We recommend that the target group is expanded to all cohorts between the ages of 18-60.

### *There are potential challenges with extending the programme due to the uncertainty of the current economic climate*

- 37 Some challenges may remain due to the current economic climate, particularly if the economy does not rebound sufficiently. Low business confidence could result in employers not taking on new apprentices/trainees or current Mana in Mahi placements being let go, which in turn will impact programme targets and outcomes.

### **There are cost implications associated with expanding Mana in Mahi**

- 38 There are cost implications associated with making changes to the Mana in Mahi product offering. The estimated costs of expanding Mana in Mahi is **\$42.194 million** over four years (excluding any new placements in year four).

### *There are four potential options for funding the expansion of Mana in Mahi*

- 39 There was \$49.9m received through Budget 2019, to fund the delivery of Mana in Mahi in Phase Two. This funding is currently committed to provide the existing product offering (including participant placements and the additional wrap around supports) through to 2022/23. Therefore, there is very limited funding or underspend available for making further changes to the programme.
- 40 We consider that funding could be pursued in one or more of the following four ways:
  - **Pursue additional funding through the Trades and Apprenticeships contingency** – Through Budget 20, \$412m was allocated to support the development of new and existing apprentices. While this funding has been set aside with the primary aim of developing the new Apprentice Subsidy, there may be some funding available to support the expansion of Mana in Mahi. We have had initial conversations with the Ministry of Education (MOE), who have indicated that this is a possibility, however further negotiation with the Minister of Education is needed.
  - **Bring forward funding from future years** – There is an option to bring forward some funding from future years to implement the changes in the short-term. However, there is a significant risk that if further funding is not secured, the placement targets in out years would not be achieved. Further Cabinet agreement would be needed before these funds could be brought forward.
  - **Seek funding through a further budget round** – If funding cannot be secured through existing mechanisms, seeking funding in Wave 3 of Budget 2020 may be required. Pursuing further budget funding would mean that the full costs of the

Mana in Mahi expansion could be sought, however this is likely to delay the time in which any changes could be implemented.

- **Seek to allocate funding from MSD's Improved Employment and Social Outcomes Support Appropriation (MCA)** – As part of Budget 2020, MSD received an additional \$150m aimed at expanding MSD's employment support services. This Budget initiative highlighted Mana in Mahi as a programme for potential expansion. We suggest that you discuss with the Minister for Social Development whether any of this funding could be allocated to the expansion of Mana in Mahi.

- 41 We can work with you to determine the best approach to pursuing funding for these changes.

*If only limited funding is available, we recommend prioritising an increase in the subsidy rate*

- 42 If only limited funding is available, we recommend prioritising the increase in subsidy rate over the other proposed changes. The total cost of this would be **\$21.680 million** over four years.
- 43 Given the challenging economic conditions faced by employers, and the risk of displacement of vulnerable Mana in Mahi employees, we suggest that this is the best investment in supporting the target cohort to secure and maintain employment.

### **Cabinet agreement is needed to implement the proposed expansion of Mana in Mahi**

- 44 As the proposed changes to the Mana in Mahi offering and policy settings outside the scope of the original Cabinet mandate [SWC-19-MIN-0091 refers], further cabinet agreement is required. We can work with you to prepare a Cabinet paper seeking approval for these changes.
- 45 Based on the changes that are pursued, some small legislative amendments may also need to be made to MSD's Employment and Work Readiness Assistance Programme.

### **Next steps**

- 46 We will work with you to pursue funding options for the proposed expansion of Mana in Mahi. We will also work with you to prepare a Cabinet paper seeking agreement to these changes.

File ref: REP/20/5/518

Author: [REDACTED] Advisor, Employment

Responsible manager: Hugh Miller, Director Employment



# Report

**Date:** 21 May 2020 **Security Level:** IN CONFIDENCE  
**To:** Hon Willie Jackson, Minister of Employment  
**CC:** Hon Carmel Sepuloni, Minister for Social Development  
**File Ref:** REP/20/5/518

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### Purpose of the report

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### Recommended actions

It is recommended that you:

- 1 **note** you recently received a report proposing a menu of additional supports for Mana in Mahi
- 2 **note** that Mana in Mahi targeted participants (current and future) are among those who are most 'at risk' of adverse employment outcomes in the current economic downturn, and further investment is needed to support this cohort to gain and maintain employment
- 3 **note** that there is a large amount of new support for apprenticeships across government and that changes to the policy settings will need to compliment these broader initiatives
- 4 **note** that we recommend expanding the Mana in Mahi product offering in the following ways:
  - Increasing the wage subsidy from the existing rate of \$184 per week to \$304 per week per participant (an increase of \$120 per week).
  - Extending the period of time that current Mana in Mahi participants will be supported through the programme from 12 months up to 24 months depending on the length of a participant's training pathway
  - Paying for course fees for a participant's training pathway, where participants are not eligible for other government support, up to a total of \$16,000 over two years.
  - Providing additional education support up to \$2000 per year to cover the cost of required literacy and numeracy training or equipment to work or study from home.

## Background

- 2 On 4 May 2020, you received a report outlining the need to better support existing and future Mana in Mahi participants following the economic impact of COVID-19 [Rep/20/4/449 refers].
- 3 The report outlined an initial menu of options for extending supports in the Mana in Mahi programme in a post COVID-19 environment. With expected higher unemployment and lower demand for workers, trainees and apprentices are at a greater risk in the labour market and will have lower job security than more experienced staff due to their relative lack of productivity and work experience.
- 4 Expanding Mana in Mahi will support some of New Zealand's most vulnerable current (and future) apprentices to progress toward achieving an industry qualification and sustainable employment.
- 5 This report provides further detail on expanding the programme and provides advice on how the expansion could be funded.

## Expanding Mana in Mahi will complement the Government's recent investment in Apprenticeships

- 6 There is a large amount of new support for apprenticeships across government. As part of Budget 2020 the Government has invested heavily into trades and training to support the COVID-19 economic recovery, including a \$1.6 billion Trades and Apprenticeships Training Package. The package includes funding such as:
  - \$320m targeted investment support for free trades training in critical industries
  - \$412m support for employers to retain and keep training their apprentices (which may include an apprentice wage subsidy)
  - \$50m for a Māori Apprenticeships Fund
  - \$19m for group training schemes to retain apprentices
- 7 There has also been a further \$40 million set aside through the PGF to support apprenticeships.
- 8 The range of Budget 2020 initiatives is aimed at keeping people attached to their employer, retraining and redeploying where possible, and is focused on slowing and minimising the expected sharp rise in unemployment. This investment highlights the importance placed by Government on supporting those who are learning a trade and the value of industry-based training to the New Zealand economy.
- 9 Mana in Mahi will complement these broader initiatives by providing additional targeted support to those who are most vulnerable in the labour market, particularly those who are 'at risk' of long-term benefit receipt.
- 10 In addition to this, we will explore how Mana in Mahi participants can benefit from new social procurement guidelines. This can be achieved through partnerships with other government agencies delivering Shovel Ready Projects as part of the response and recovery to the impacts of COVID-19.

## We propose that changes are made to the current Mana in Mahi offering

*Increasing the wage subsidy rate per participant, from the existing rate of \$184 per week to \$304 per week*

- 11 During a recession, apprentices and those completing other industry training qualifications are at a higher risk of displacement due to their vulnerability in the workplace. Supporting an employee through industry training or an apprenticeship is a long-term commitment for most employers, and feedback from employers suggests that apprentices often take a number of years of training before they support the overall productivity of a firm. In the current economic environment employers are

- 23 We recommend that optional funding is provided to Mana in Mahi employers to support them to cover participants course fees, up to a total of \$16,000 over two years. The maximum amounts available would be \$8,000 within the first 12 months, \$12,000 within 18 months, and \$16,000 within 24 months. Employers would be eligible for this optional payment, while their participant remains in an industry training qualification.
- 24 Employers would only be able to access this fund if they are not able to access funding for course fees through Fees Free or the Targeted Training and Apprenticeship Fund.

#### *Payment for additional educational supports*

- 25 We initially proposed a lump sum payment of \$2000 should be paid to participants to purchase equipment that would allow them to work or study from home. We know that some participants also require literacy and numeracy support to assist with their required course work as part of their training pathway.
- 26 Many of the current Mana in Mahi participants are some of the most at-risk young people and often have a low level of educational attainment. Navigating the commitment of both studying and working is difficult for many participants, but especially if studying is something a participant has previously struggled with.
- 27 Offering tutoring to those who have a low level of literacy and numeracy would aid with participant's self-confidence which in turn supports strengthened resilience. Further, this would assist with creating better relationships in the workplace, increased engagement with training pathways and a more skilled workforce.
- 28 To allow for participants to access the educational support they require, we recommend expanding the purpose of the payment beyond just paying for a work or study from home set-up to also allow for literacy and numeracy support.

### **We also propose that further changes are made to the Mana in Mahi policy settings**

#### *Providing Mana in Mahi for some employers offering fixed-term contracts*

- 29 Fixed-term contracts are becoming increasingly common amongst industry-based employers. Feedback from MSD Industry Partnerships Account Managers has indicated that some employers offering sustainable employment opportunities were unable to provide permanent contracts to young people straight away.
- 30 Offering fixed-term contracts would increase the number of employers willing to participate in Mana in Mahi and would open up additional employment pathways for young people. This would align with common industry employment methods such as:
  - **Group training schemes** where apprentices are hired by industry employers and are sub-contracted to one (or multiple) smaller employers, to receive on-the-job training and work experience. These employers generally offer full-time work that lasts for the duration of the apprenticeship (approximately 2-4 years). Through Budget 2020 the Government has invested 19m into supporting these employers, which highlights their value in facilitating apprenticeship training in New Zealand.
  - **Cadetship type programmes** are often used to staircase young people into long-term employment. Employers, such as local councils, will sometimes offer fixed-term cadetships, and then look to place participants in other roles throughout the organisation upon completion.
- 31 We recommend that Mana in Mahi should be provided to some employers offering fixed-term contracts, provided that they are long enough for participants to make substantial progress towards completing an apprenticeship or industry training qualification and that participating employers intend to retain the employee long-term.
- 32 There is, however, a risk that fixed-term contracts do not provide participants as much security as a permanent contract. This risk can also be mitigated by providing

Mana in Mahi expansion could be sought, however this is likely to delay the time in which any changes could be implemented.

- **Seek to allocate funding from MSD's Improved Employment and Social Outcomes Support Appropriation (MCA)** – As part of Budget 2020, MSD received an additional \$150m aimed at expanding MSD's employment support services. This Budget initiative highlighted Mana in Mahi as a programme for potential expansion. We suggest that you discuss with the Minister for Social Development whether any of this funding could be allocated to the expansion of Mana in Mahi.

- 41 We can work with you to determine the best approach to pursuing funding for these changes.

*If only limited funding is available, we recommend prioritising an increase in the subsidy rate*

- 42 If only limited funding is available, we recommend prioritising the increase in subsidy rate over the other proposed changes. The total cost of this would be **\$21.680 million** over four years.
- 43 Given the challenging economic conditions faced by employers, and the risk of displacement of vulnerable Mana in Mahi employees, we suggest that this is the best investment in supporting the target cohort to secure and maintain employment.

### **Cabinet agreement is needed to implement the proposed expansion of Mana in Mahi**

- 44 As the proposed changes to the Mana in Mahi offering and policy settings outside the scope of the original Cabinet mandate [SWC-19-MIN-0091 refers], further cabinet agreement is required. We can work with you to prepare a Cabinet paper seeking approval for these changes.
- 45 Based on the changes that are pursued, some small legislative amendments may also need to be made to MSD's Employment and Work Readiness Assistance Programme.

### **Next steps**

- 46 We will work with you to pursue funding options for the proposed expansion of Mana in Mahi. We will also work with you to prepare a Cabinet paper seeking agreement to these changes.

File ref: REP/20/5/518

Author: Emma Hannah, Advisor, Employment

Responsible manager: Hugh Miller, Director Employment



# Report

**Date:** 25 September 2020

**Security Level:** IN CONFIDENCE

**To:** Hon Carmel Sepuloni, Minister for Social Development

**File Ref:** REP/20/9/1006

## Update on MSD Employment Product Changes

### Purpose of the report

- 1 This paper provides you with an update on changes to MSD Employment Products to better support New Zealanders to take up new employment opportunities including with seasonal work. This includes increasing the \$3k to Work grant to \$5k and enhancing the New Zealand Seasonal Work Scheme and Seasonal Work Assistance Programme.

### Recommended actions

It is recommended that you:

- 1 **note** that the changes made to these employment products will support the response to forecasted seasonal labour market shortages around New Zealand
- 2 **note** that in response to the increased costs of relocating, expected economic downturn, current demand for seasonal workers and MSD's expansion of its employment services, the \$3k to Work incentive payment will be increased from \$3,000 to \$5,000 from 1 October 2020
- 3 **note** that the current \$3k to Work incentive payment will now be renamed "\$5k to Work" in line with these changes.
- 4 **note** that the changes to the eligibility criteria for \$5k to Work include:
  - removing the express exclusion from eligibility for seasonal workers
  - confirming eligibility for people on or eligible for a main benefit
  - changing the requirement that the job is for 30 hours or more, where it is reasonable and appropriate
  - removing the focus on target groups of clients

- 5 **note** that work is being progressed to review and redesign the New Zealand Seasonal Work Scheme and the Seasonal Work Assistance Programme.

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Viv Rickard  
Deputy Chief Executive Service Delivery

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Date

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Hon Carmel Sepuloni  
Minister for Social Development

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Date

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