

16 June 2023

Tēnā koe

On 21 April 2023, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

- *Please supply the following information under the Official Information Act: Copies of all advice, reports, suggested initiatives etc the Minister received since 2017 about assisting long-term Jobseeker Support recipients into paid work.*

The Ministry provides a multitude of work programmes that support clients in receipt of a number of assistances into paid work. You can read about the different types of assistance that we offer to support people into work on the Work and Income website, here: <https://www.workandincome.govt.nz/products/a-z-benefits/index.html>

On 4 May 2023, the Ministry emailed you to advise that your request was broad in scope and asked if you would consider refining your request. The Ministry suggested that you refine both the timeframe and the scope of your request, for example, by requesting information about a specific work programme.

You responded on 4 May 2023 with the following refinement:

- *Please supply the following information under the Official Information Act: Copies of all advice, reports, suggested initiatives etc the Minister received since April 2021 about assisting long-term Jobseeker Support recipients into paid work.*

The Ministry has interpreted your request to include information only about assisting long-term Jobseeker Support recipients into paid work.

Please find attached the following reports:

- **REP/22/4/286** - Monthly Reporting Suite Summary – 14 April 2022
- **REP/22/1/001** – Monthly Reporting Suite Summary – 28 January 2022
- **REP/22/5/431** – Improving the Effectiveness of Our Employment Investment – 13 May 2022
- **REP/22/4/303** - New Employment and Social Outcomes Investment Strategy – April 2022

There are two published papers relevant to your request. You can find these papers at the following links:

- <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2022/msd-employment-services.html>
- <https://msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/investment-approach/index.html>

If you would like to receive information about specific work programmes that serve recipients of a number of assistance types, please contact the Ministry.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding advice, reports and suggested initiatives about assisting long-term Jobseeker Support recipients into paid work, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'Harriet Miller', is positioned above the printed name.

Harriet Miller
Manager
Employment and Housing Policy



Report

Date: 28 January 2022

Security Level: IN CONFIDENCE

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

Monthly Reporting Suite Summary

Purpose of the report

This memo provides you with the Monthly Reporting Suite (Reporting Suite) covering activity in the financial year to December 2021. It also identifies the key changes to the Reporting Suite as well as a deep dive analysis on a different topic each quarter. The items covered are:

- Mana in Mahi
- Flexi Wage Expansion
- New Zealand Seasonal Worker Scheme / \$5k to Work
- Seasonal Employment
- Construction Accord
- Employment Products and Services Overview

Recommended actions

It is recommended that you:

Note the contents of this summary report and supporting documentation


188

Viv Rickard
Deputy Chief Executive
Service Delivery

28/01/2022

Date

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date



Report

Date: 28 January 2022

Security Level: IN CONFIDENCE

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

Monthly Reporting Suite Summary

Purpose of the report

This memo provides you with the Monthly Reporting Suite (Reporting Suite) covering activity in the financial year to December 2021. It also identifies the key changes to the Reporting Suite as well as a deep dive analysis on a different topic each quarter. The items covered are:

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- Flexi Wage Expansion
- New Zealand Seasonal Worker Scheme / \$5k to Work
- Seasonal Employment
- Construction Accord
- Employment Products and Services Overview

Recommended actions

It is recommended that you:

Note the contents of this summary report and supporting documentation

Viv Rickard
Deputy Chief Executive
Service Delivery

Date

30 January 2022

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Date

Deep Dive: Long Term Benefit Receipt

- 1 MSD provides employment support to a number of key demographic groups, one of these priority groups is anyone who has been in continuous receipt of a main benefit for over one year. This deep dive will address some key figures about the access this priority group has had to employment services and supports over the pandemic period.
- 2 This analysis focuses primarily on Jobseeker Work Ready (JS WR) clients with duration one year plus.
- 3 At the end of December 2021 there were 106,362 people in receipt of JS WR, 52% of which had been on benefit for more than one year. This is an increase from prior to the pandemic, as many of these clients found obtaining work difficult in the early stages of this period due to the high volume of recently employed, skilled, and qualified workers entering the labour market.
- 4 Around 17% of JS WR clients accumulated some of their duration on a different benefit type. For example, a client may spend over a year on Sole Parent Support before moving on Jobseeker Work Ready. In effect, this means that not all Jobseekers with one year plus duration have been Jobseekers the entire time.
 - The numbers increased in the first year following lockdown, but from December 2020 have decreased slightly in the last twelve months. This indicates that the impacts on this client group were mostly felt earlier in the pandemic and the number of clients 'ageing into' this group is now in equilibrium with the number exiting.
 - There are over 33,000 clients with benefit duration more than a year in active employment case management, 64% of which are JS WR.
- 5 In the twelve months ending December 2021, almost 22,000 clients with durations over one year on benefit exited into employment, this is roughly double what we normally saw pre-pandemic.
 - MSD placed nearly 8,000 clients with over one year duration into vacancies listed with the Ministry during the same period, a 77% increase from pre-pandemic levels.
- 6 The Ministry has a higher rate of involvement with clients who have over one year duration exiting into employment compared to shorter term clients, as many people new to benefit have recent employment history and quickly find their own work with minimal assistance.
 - Clients who exit into employment within three months tend to do so without significant Ministry involvement, with around only 17% of those exits being supported by an employment program.
 - For JS WR clients with over one year duration, the Ministry provided employment support to 32% of clients who exit into work.
 - These figures only account for programmes and services provided, not the act of case management itself as this is difficult to accurately quantify. But many more clients are likely to have benefited from interactions with their Case Manager without receiving a contracted service.
- 7 Despite the impact of the lockdowns around 11,000 clients with over one year duration have been supported through contracted employment or training

programmes last year, slightly higher than pre-pandemic levels. This represented 42% of all clients supported, and included:

- Over 4,000 through regionally contracted employment placement initiatives
 - Around 1,600 through Skills for Industry
 - Around 2,500 placed in Work Preparation Services
- 8 Additionally, one of our key form of employment placement assistance, Flexi Wage, has assisted over 3,500 clients with one year or more duration into jobs so far during the expansion era, roughly double pre-pandemic levels. Only 10% of these clients exited their contract early and returned to benefit.
- 9 Although Mana in Mahi is primarily targeted at younger people, it has still supported around 600 clients with over one year duration since its inception, around 14% of total participation. Of these clients 21% have returned to benefit having finished their contract early.

File ref: REP/22/1/001

Author: (Aaron Orr, Principal Analyst, Employment)

Responsible manager: (Hugh Miller, Group General Manager, Employment)



Report

Date: 14 April 2022

Security Level: IN CONFIDENCE

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

Monthly Reporting Suite Summary

Purpose of the report

This memo provides you with the Monthly Reporting Suite (Reporting Suite) covering activity in the financial year to March 2022. It also identifies the key changes to the Reporting Suite as well as analysis on a different topic each quarter. The items covered are:

- Employment products and services overview
- Construction Accord
- Mana in Mahi
- Flexi Wage expansion
- Seasonal employment
- 5K to Work / Seasonal Work Scheme
- He Poutama Rangitahi

Recommended actions

It is recommended that you:

Note the contents of this summary report and supporting documentation

Amy Henare
Acting Group General Manager, Employment
Service Delivery

14.4.22

Date

Hon Carmel Sepuloni
Minister for Social Development and
Employment

24/4/22

Date

Deep Dive: Long Term Benefit Receipt

- 1 Analysis will cover the implications of the pandemic on long-term jobseeker benefit receipt and the Ministry's response to improve outcomes for this group.
- 2 For the purposes of this analysis, long-term benefit receipt is assessed as 'in continuous receipt of a main benefit for over one year', and employment support includes MCA funded contracted services, Flexi-wage, Mana in Mahi, and placements into vacancies sourced by the Ministry.

Executive Summary

- 3 Over the past two years, there has been an 18 percent increase of clients with over one year benefit duration. This equates to approximately 40,000 more clients than at the start of the pandemic¹.
- 4 The most affected group are those who entered benefit in the lead up to the pandemic. This group are those with a duration of 2-3 years on benefit, which saw an increase of 46 percent.
- 5 However long-term exits did increase from pre-pandemic levels of around 18,000 to 25,000. Long-term exits for the current year have already exceeded the total for 2020/21, with 30,000 long-term work exits in the current year to March.
- 6 As a result, MSD has increased the number of long-term clients assisted through employment programmes by 6,000 (41 percent increase). Employment and Work Readiness contracts have seen the most significant shift towards long-term clients, with 52 percent of placements being to long-term clients so far this year, compared to around 33 percent pre-pandemic. Almost as many long-duration clients placed in the three quarters of 2021/22 as there was in all of the previous year

Drivers of the increase

- 7 Overall benefit numbers increased by almost 56,000 between the first two March quarter-ends of the pandemic, of which Jobseeker Support accounted for 61 percent of the growth and had started to increase before the lockdown in March 2020, likely due to early impacts of COVID overseas on industries dependant on foreign trade, like Forestry. This is in contrast to most other benefit types which had been holding relatively stable in the years prior to the pandemic.
 - Jobseeker Support Work Ready (JS WR) experienced a significant surge in both short and long-term clients in the first year of the pandemic. In the second year, short-term duration client volumes reduced back to similar levels to the start of the pandemic, while long-term duration experienced a smaller reduction and remain 26 percent higher than the start of the pandemic.
 - Jobseeker Health Conditions and Disabilities (JS HCD) saw a very different pattern of activity with only small increases in short-term clients in the first year, followed by a significant reduction in the second year. At the same time, long-term duration JS HCD clients have seen sustained growth over the period and have not experienced the year two reduction seen in JS WR long-term. This is likely due to policy decisions during the early stages of the pandemic where

¹ Start of the pandemic defined as March 2020 when the first lockdown occurred

access to GP's was limited, so the Ministry elected to grant people JS WR instead of HCD until such time as the client's medical status could be confirmed.

- 8 The record exits into employment seen during 2020/21 were mainly driven by short-term clients, although long-term exits did increase from pre-pandemic levels of around 18,000 to 25,000.
 - Short-term duration exits in the year to-date will be high again, although likely lower than last year. Conversely, long-term duration exits for the current year have already exceeded the total for 2020/21, with 30,000 long-term work exits in the current year to March.
- 9 The inflection point for increasing long term duration seems to be at the 2 year mark. Comparing the March quarter benefit levels for this year and last, we see a reduction in short-term and 1-2 year duration clients, but increases across all duration bands above 2 years.

MSD's response to long-term benefit duration

- 10 This analysis looks at how the Ministry has utilised Flexi-wage, Mana in Mahi, Multi-Category Appropriation contracts, and direct client placements into employment vacancies. These programmes make up the majority of the Ministry's proactive response options to move people into employment.
- 11 Prior to the pandemic, MSD had been placing around 50,000 people a year into various employment products and services, of which around 15,000 (30 percent) were long-term duration.
- 12 Following the start of the pandemic and the increased funding for products and services, MSD placed almost 78,000 people on employment related programmes and services in the financial year following the pandemic, an increase of 56 percent.
 - The proportion of long-term clients placed in these services decreased during 2020/21 as the Ministry placed an emphasis on redeploying the recently unemployed to prevent the chance of becoming long term benefit receipt.
 - The actual number of long-term clients assisted through employment programmes increased by 6,000 (41 percent).
- 13 The Ministry's products and services were used in a wide variety of ways to respond to the changing duration dynamics
 - Flexi-wage was utilised more frequently as a redeployment product, preventing the need for people to enter benefit at all. Small increases in uptake were seen in the 1-2 and 2-3 year duration bands, but little additional assistance to the higher bands.
 - Mana in Mahi is aimed at youth clients, and although the expansion of eligibility did allow some longer duration clients to participate, as youth have generally lower durations by default, this programme is still used almost exclusively for short duration clients.
 - Vacancy placements are trending more towards long duration clients with almost as many long-duration clients placed in the three quarters of 2021/22 as there was in all of the previous year.
 - Employment and Work Readiness contracts have seen the most significant shift towards long-term clients, with 52 percent of placements being to long-term clients so far this year, compared to around 33 percent pre-pandemic.

- 14 In summary, although the number of people in receipt of long-term benefit has increased throughout the pandemic, the Ministry has and will continue to provide employment support to long-term clients, increasing our overall investment in this group throughout the pandemic.

File ref: REP/22/4/286

Author: (Aaron Orr, Principal Analyst, Employment)

Responsible manager: (Amy Henare, Acting Group General Manager, Employment)



Report

Date: 13 May 2022

**Security
Level:**

IN CONFIDENCE

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

Improving the Effectiveness of Our Employment Investment

Purpose of the report

- 1 The Ministry of Social Development (MSD) has recently completed a number of pieces of work relating to the focus of its investment in employment services, and has identified potential opportunities to increase the effectiveness of its spend. This report provides you with advice on MSD's approach to employment programmes that have been assessed as having lower effectiveness or value for money.

Executive summary

- 2 In response to the economic impact of the pandemic, MSD moved some of its employment focus away from traditional priority groups in order to meet the unprecedented demand for income support services. There was also a need to ensure that the people coming onto benefit were supported to quickly return to employment in order to avoid becoming entrenched, as occurred following the Global Financial Crisis.
- 3 MSD is now refocusing to more proactively support people at risk of long-term benefit receipt and other priority cohorts, consistent with proposals being developed for Cabinet on the role and future direction of MSD's employment services. This focus is being reflected in changes to the way MSD provides its services and programmes, including focusing its active case management service on priority clients, providing more tailored tools and analysis to regions, and shifting investment in employment programmes in line with Government policy and MSD's Employment and Social Outcomes Investment Strategy (the Investment Strategy).
- 4 At the core of the Investment Strategy are four investment shifts, intended to promote sustainable employment and equity for groups that consistently

experience poor labour market outcomes. MSD intends to shift its employment spending in line with this direction over time, and towards programmes supported by evidence of effectiveness.

- 5 MSD has identified an initial list of programmes where information or evidence raises questions about their value for money and/or the results participants are getting. This suggests these programmes are worthy of further analysis, but caution is needed in drawing immediate conclusions about such programmes on the basis of effectiveness ratings alone.
- 6 For example, several larger programmes have been identified as having lower effectiveness ratings or value for money, including the Youth Service and Limited Service Volunteers. For both programmes, however, changes have been made since the period the evaluation findings cover, and some of the potential benefits of these programmes may also not be captured by the evaluation method. We do not recommend that changes to these programmes be made now, but rather that they continue to be monitored into the future to ensure they are achieving results.
- 7 Care is needed in making decisions about individual programmes, and MSD intends to take an incremental approach to shifting investment over time. We expect the process for shifting expenditure will include:
 - **identifying and prioritising programmes or programme types where action may be required.** Criteria for the prioritisation of programmes will include the programme's level of cost, effectiveness and impact, and value for money; who the programme is targeted towards, and whether it appears to be in line with the overarching direction of the Investment strategy and wider Government policy
 - **better understanding the programme(s), taking into account a range of relevant factors.** This includes a more thorough assessment of the programme and how well it is working, as well as considering other factors such as the local context the programme operates in
 - **for identified programmes, considering the best way forward.** This includes taking different options based on the unique circumstances of each programme – for example, whether to evaluate the programme further, improve/redevelop the programme, or withdraw from the programme (immediately or over time)
 - **determining the process for engagement and decision-making on each programme.** Where appropriate, MSD will engage with you and with other relevant Ministers on any significant changes, and in some cases may also consult with key external stakeholders and affected parties.
- 8 MSD also intends to report on shifts in investment over time, and will provide you with regular updates on where our expenditure lies. In addition to reporting on the *effectiveness* of our investments, MSD will also aim to report on the *targeting* of investment towards different population groups, including

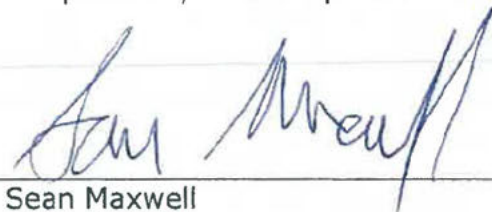
long-term beneficiaries and other client groups, such as sole parents, people with health conditions and disabilities, and young people.

- 9 We expect that the improvements in targeting and effectiveness outlined in this paper will translate to a gradual improvement in the impact of our programmes. Improving effectiveness will, however, take time, both to shift investment itself, and also for the impact of any changes to show up in client outcomes.

Recommended actions

It is recommended that you:

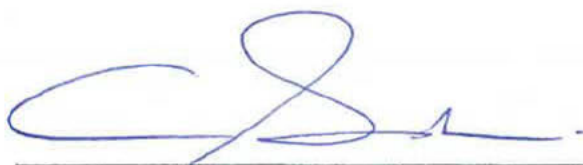
- 1 **note** that MSD intends to shift its investment in employment programmes over time, in line with Government policy, MSD's Employment and Social Outcomes Investment Strategy, and evidence about effectiveness
- 2 **note** that MSD does not recommend that changes to the Youth Service and Limited Service Volunteer programmes be made now, but that they continue to be monitored into the future to ensure they are achieving results
- 3 **note** that MSD intends take a case-by-case approach to improving the effectiveness of programmes that responds to their unique circumstances
- 4 **note** that, where appropriate, MSD will engage with you on any substantial changes we propose to our programmes as a result of these processes
- 5 **note** that MSD intends to regularly report on shifts in investment, and will provide you with updates on where our expenditure lies.



Sean Maxwell
Co-Director
Strategic Issues and Investment

13/5/22

Date



Hon Carmel Sepuloni
Minister for Social Development and
Employment

16/5/22

Date

Background

- 10 MSD has recently completed or is nearing completion of a number of pieces of work relating to the focus of its investment in employment services:
- Proposals for a new purpose and prioritisation framework have been developed for a paper that seeks Cabinet's agreement on the role and future direction of MSD's employment services.
 - MSD's new Investment Strategy will soon be published, which will inform how funding available in MSD's multi-category appropriation will be used to purchase different employment programmes to further promote sustainable employment outcomes and labour market equity.
 - MSD has recently published the results of its evaluation activity, including its annual summary report on the effectiveness of its employment assistance, which looks at the impact of its expenditure up to the end of the 2019/2020 financial year. The Employment Assistance Evidence Catalogue provides information about individual employment interventions.
- 11 Analysis undertaken to support these pieces of work has identified potential opportunities to increase the effectiveness of our investment. You have indicated an interest in having a conversation with MSD officials about which programmes are not working and what action should be taken, and to support that discussion this report provides you with an overview of our planned approach.

Setting the direction for investment

MSD is shifting its provision of services and programmes to focus on clients at risk of long-term benefit receipt and other priority cohorts

- 12 In recent years, MSD strengthened its employment services to support both people at risk of poor labour market outcomes and also those closer to the labour market, so they could return to employment quickly. These actions were an important part of the Government's response to the economic uncertainty of COVID-19, providing employment support to many people who found themselves suddenly out of work, and helping New Zealand's economy bounce back quickly.
- 13 MSD is now shifting the primary focus of the provision of its services and programmes back to clients at risk of long-term benefit receipt and other priority cohorts. Cabinet will soon consider proposals for the role and future direction of the MSD's employment services. It is proposed that MSD's core objective is to proactively support people at risk of poor labour market outcomes to prepare for, find and retain suitable employment that improves their long-term wellbeing.

- 14 Given limited resources, MSD's employment services will:
- refocus support on people with a high likelihood of long-term benefit receipt and other priority cohorts, whether they are currently on a main benefit or not
 - continue to support other people on benefit who have fewer barriers to employment, with a level of service proportionate to their needs
 - identify specific opportunities to support people who are not on benefit and may be at risk of, or experiencing, poor labour market outcomes other than long-term benefit receipt, to be determined by future policy, legislative and funding decisions.
- 15 In line with this focus, MSD is re-orientating the provision of its services and programmes. Changes underway within MSD to ensure a greater focus on priority clients includes:
- clarifying the Service Delivery Operating Model for employment, with changes to be rolled out from July 2022 that will ensure case management, work brokerage, and Job Connect services are focused on priority client groups
 - shifting its investment in employment programmes towards groups that consistently experience poor labour market outcomes, informed by the Investment Strategy
 - providing analysis to support regional purchasing decisions, including insights on the local labour market, the characteristics of benefit recipients, and what works to support these clients into employment
 - exploring what additional tools would help frontline staff to inform their decisions on what support to provide for clients, including information about client need.
- 16 We expect this activity will see a shift in the focus on, and impact for, clients with longer-duration benefit receipt and will continue to monitor and report to you on it.

The Ministry's new Employment and Social Outcomes Investment Strategy will inform its investment decisions and help improve the value of its investment

- 17 We recently discussed with you a final draft of the Ministry's Investment Strategy, which sets out how funding will be used to purchase different employment programmes. At the core of the Investment Strategy are four investment shifts, which are:
- increasing the cost-effectiveness of its job placement investment
 - increasing the overall share of investment in cost-effective programmes with work readiness components, particularly training – including for investment targeting young people, Māori and Pacific peoples
 - increasing the share of investment targeted towards women, older workers, and those over 45 on Jobseeker Support – Health Condition and

Disability (JS-HCD), particularly through investment in cost-effective programmes with work readiness components

- increasing the share of investment in evidence-based interventions to support disabled people, including those with health conditions, into employment.
- 18 Because these are intended to promote sustainable employment and equity for groups that consistently experience poor labour market outcomes, the strategy aligns with this focus on long-term benefit receipt and longer duration clients.
- 19 The Ministry is developing a work programme to apply these shifts, at regional and national levels. Some of the key actions to implement the Investment Strategy will include:
- at the national level, undertaking a systematic all-of-Ministry approach to considering programme level/performance issues
 - at the regional level, supporting investment decisions by providing more accessible information and analysis about what services are effective, and the mix of spending across different cohorts of clients within regions.
- 20 The remainder of this paper focuses primarily on what the Ministry will be doing to improve effectiveness at the national level, including responding to programmes that existing analyses suggest are not effective and/or shifting investment over time.

Assessing effectiveness and value for money

MSD needs to do further work to assess programmes that existing analyses suggest are not effective.

- 21 The Ministry's ongoing evaluation of its employment programmes and services highlights examples of programmes that may not represent value-for-money and/or be achieving their intended results.
- 22 In March 2022, we published MSD's annual Employment Assistance Effectiveness summary report, which reports the impact of our expenditure on a range of outcomes in the 2019/20 year. The method uses administrative data to assess whether our different interventions improve participant outcomes relative to a comparison group. Outcomes include employment, income, justice, qualifications, and welfare.
- 23 A high-level picture of this is shown below. Overall, the 2019/20 reporting indicates the following:
- Of the \$435m MSD spends on employment interventions, around \$218.5m or roughly half can be rated in terms of effectiveness. For the

remainder, evaluation is not technically feasible, has not been undertaken, or cannot be reported yet.¹

- Of the \$218.5m that can be rated, \$172.2m or around 80% is either effective or promising. Of the \$46.2m or 20% in rateable expenditure not in those categories, \$19.2m is rated as making no measured difference, \$17.5m as having a negative impact on outcomes, and \$9.5m is rated as having a mixed impact on outcomes (positive and negative).

- 24 It takes time (generally two years) to assess the effectiveness of programmes. Subsequent reporting is likely to include COVID-19 response measures such as the expansion of Flexi-wage.²

Fig 1. 2019/20 employment expenditure by effectiveness rating

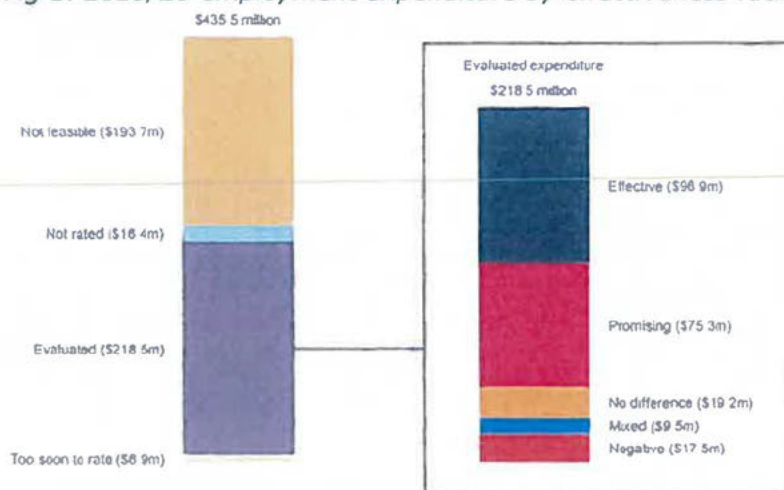


Fig 2. 2019/20 Programmes and interventions by effectiveness rating

Effective/Promising	Mixed/No difference/Negative
EFFECTIVE (\$96.9m) Employment Participation and Inclusion services (\$29.6m) Employment Placement or Assistance Initiative (\$24.5m) Vacancy Placement Full time (\$16.3m) Jobseeker Support Work Ready 52-week benefit reapplication (\$8.3m) Job Search Initiatives (\$7.3m) Training for Work (\$5.3m) Vacancy Placement Part time (\$2.7m) Training Incentive Allowance (\$1.2m) Work Confidence (\$1m) WRK4U (\$0.5m) Sole Parent Support Study Assistance (\$0.1m)	MIXED (\$9.5m) Limited Services Volunteer (\$9.5m)
PROMISING (\$75.3m) Skills for Industry (\$40.1m) Flexi-wage (\$24.6m) Youth Service (YP) (\$9.3m) Work to Wellness (\$1.4m)	NO DIFFERENCE (\$19.2m) Youth Service (YPP) (\$6.3m) New Initiative (\$5.8m) Course Participation Assistance (\$3.1m) Work Preparation Services (\$1.6m) Activity in the Community (\$1m) In-Work Support (IWS) trial (\$0.4m) Work Ability Assessment (\$0.3m) Be Your Own Boss (\$0.3m) Health Interventions (\$0.3m) Business Training And Advice Grant (\$0.2m)
	NEGATIVE (\$17.5m) Youth Service (NEET) (\$15.4m) Flexi-Wage Self-Employment (\$2.1m)

a. Values are nominal (not CPI-adjusted)

b. Interventions with less than \$100,000 of expenditure in the financial year are suppressed.

c. These results cover all EA interventions irrespective of funding source, for this reason, the expenditure reported here is higher than reported in MSD's annual report EA effectiveness performance measure that covers interventions funded through the Improved Employment and Social Outcomes Support MCA.

¹A substantial proportion of the expenditure that cannot be rated is for childcare and Out-of-School Care and Recreation (OSCAR), which make up \$166 million of the \$217 million that cannot be rated. If these are excluded, around 80% of employment expenditure can be rated (\$218m of \$269m).

² The Mana in Mahi programme was in the not rateable category for 2019/20 due to being 'too soon to rate'. The report noted that early findings showed Mana in Mahi increases time in employment and total income, but MSD did not yet have information on the impact of the programme on study and qualifications gained because of lags in education data. The programme is now rated as effective.

We have identified an initial list of programmes worthy of further analysis.

- 25 Programme types where initial information raises questions about impact and/or value for money include those that our evaluation activity currently rates as either having a mixed impact on outcomes, making no measurable difference or having a negative impact. These include:
- the Limited Service Volunteer Programme, a six-week residential course delivered by New Zealand Defence Force aimed at improving self-discipline, self-confidence and motivation
 - voluntary and mandatory contracted case management programmes for young people (listed separately as Youth Service NEET, Youth Service YP, and Youth Service YPP)
 - programmes that assist people to prepare for self-employment and/or start their own business, including Be Your Own Boss, Business Training and Advice Grant, and Flexi-Wage self-employment
 - several programmes funded to assist people with health conditions and disabilities, including work preparation services, work ability assessment, and health interventions
 - non-financial assistance to help people who have recently transitioned from benefit into employment (In Work Support).
- 26 It is important to note that these information sources do not represent an exhaustive picture of programme effectiveness and so before acting on this information, MSD needs to do further investigatory work. Further, the fact that certain types of intervention currently funded by MSD do not initially appear to be having an impact (eg self-employment) does not necessarily mean that all programmes of this type will be ineffective.
- 27 In addition to undertaking further work to assess the impact the programme is having, we also need to explore whether there are examples of programmes of this kind that are effective, and whether changes can and should be made.
- 28 Finally, while these programmes are a natural place to start, they make up a relatively small proportion of overall spend (around \$45m of MSD's \$435m spend in 2019/20). There are other programmes that should be prioritised for further assessment in the future:
- a significant number of programmes have not been evaluated at all, along with some where the specific impact on employment and earnings has not been evaluated, or not examined by sub-group
 - it is likely that at least some of the larger programmes or intervention categories that have 'effective' or 'promising' ratings may have the potential to have a greater impact.

Considering the future direction of identified programmes

We will continue to monitor the impact of the Youth Service and Limited Services Volunteers, and do not recommend taking action now.

- 29 We have identified two programmes that receive significant investment by MSD (ie more than \$5m per annum) and which have an effectiveness rating that suggests they merit closer scrutiny. The headline ratings for these programmes, however, do not necessarily reflect how these programmes are *currently* performing, given changes in recent years:
- The **Youth Service (NEET)** is currently the main intervention in the negative category, because participants had lower attainment of qualifications and were projected to have reduced time in employment and lower income, relative to the comparison group. The rating for the service is based on participants in 2018, whereas changes were made to the programme in 2020 to improve its performance. These included targeting young people most in need of intensive support, a reduction in caseloads, and the introduction of pastoral care up to six months after starting employment. It is too soon to assess the impact of these changes on the performance of the service.
 - The **Limited Services Volunteers** programme has shown positive impacts on income and employment outcomes, but has a 'mixed' effectiveness rating because of its impact on qualifications. This rating, however, is based on participants in 2016. Past reviews of the programme indicate a key element of whether the programme works is how well LSV participants exiting the programme are supported into job opportunities, and MSD has had a significant focus on improving this type of support in recent years.
- 30 These programmes may also be impacted by more general challenges with these evaluations:
- some expected benefits, such as improved self-motivation, can be harder to monitor, though over time they may translate into measurable employment outcomes
 - some programmes may not work in isolation, but be part of a staircasing process where subsequent training/support may not have been as effective without the previous programme.
- 31 We do not recommend that changes be made to these programmes now, but rather that these programmes continue to be monitored to ensure they are achieving results. As noted above, MSD would normally wait until it has two years of impacts to assess whether any programme changes have been successful in improving effectiveness. The wider context of COVID-19 may complicate making an assessment on this timeframe, however, so even more time may be needed.

MSD will establish a process for improving effectiveness and, where necessary, shifting investment.

- 32 MSD will be establishing a process for considering the future of programmes where we have information or evidence that raises questions about their value for money and/or the results participants are getting. This process could be applied to individual programmes (eg Be Your Own Boss) or to broader types of programmes (self-employment programmes).
- 33 The process for shifting spending over time will include:
- **identifying and prioritising programmes, or types of programmes, where further analysis is required** – this will include:
 - the extent to which the programme(s) are aligned with the overall direction and, where relevant, the key shifts in the Investment Strategy and the Ministry's proposed focus on people at risk of long-term benefit receipt
 - the programme's level of expenditure; its impact on outcomes related to income, employment, and other areas; value for money and cost-effectiveness; and so on
 - **better understanding the programme(s), taking into account a range of relevant factors** – this includes a more thorough assessment of the programme and how it is working, including local and international evidence, as well as other factors such as who the programme is targeted towards, and the regional and local context the programme operates in
 - **considering how best to respond to any performance / effectiveness issues** – MSD intends to take a case-by-case approach, which could include applying different options such as:
 - evaluating the programme(s) further, to better understand its impact on different outcomes and/or how the programme can be improved
 - re-orienting or redeveloping the programme(s) to improve its effectiveness, including changes to targeting and/or working with providers to make changes to the delivery approach or lift capability
 - withdrawing from the programme(s), which could be immediate or over time. Funding could be reprioritised for other programmes to support MSD's intended investment direction
 - considering an alternative funding source (eg if the programme contributes to outcomes more appropriately funded from a different appropriation)
 - **determining the process for engagement and decision-making for each programme** – when making changes to a programme, the appropriate level of decision-making, and the requisite level of Ministerial or Cabinet engagement, will vary from programme to programme.

Further information on this is included as Appendix One. Where appropriate, MSD will engage with you and with other relevant Ministers on any significant changes, and in some cases may also consult with key external stakeholders and affected parties.

MSD will report to you on its investment, both in terms of effectiveness and targeting

- 34 MSD intends to report on shifts in investment over time, and will provide you with regular updates on where our expenditure lies. In addition to reporting on the *effectiveness* of our investments, MSD will also aim to report on the *targeting* of investment towards different population groups, including long-term beneficiaries and other client groups such as sole parents, people with health conditions and disabilities, and young people.
- 35 We are undertaking work to confirm the optimal frequency for reporting this information (eg quarterly or six monthly reporting).

Next steps

- 36 We are scheduled to meet with you as part of the regular Employment Officials meeting on Monday 16th May. This provides you with an opportunity to discuss this paper, provide any feedback on the proposed approach, and discuss how we can keep you informed as to our progress.
- 37 We intend to keep you informed through the reporting on investment shifts. We will confirm the proposed frequency of these reports within the next two months.
- 38 We will provide any other information ahead of your Estimates Examination Hearing as required.
- 39 We will also be liaising with your office on the release of the Investment Strategy, and any associate communications that may be required.

Author: Tim Garlick, Principal Advisor, Strategic Issues and Investment

Responsible manager: Sean Maxwell, Co-Director, Strategic Issues and Investment

Appendix One: Decision-making on individual programmes

- 40 MSD's employment and income support activities are largely funded through the Improved Employment and Social Outcomes Support Multi-Category Appropriation (MCA). The MCA's purpose is to operate the benefit 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.
- 41 The MCA is governed by the Employment and Work Readiness Assistance Programme (EWRAP), which sets out the kinds and amounts of assistance that can be provided. The programme also includes high level principles that govern employment and work readiness interventions, including that resources will be allocated where the potential benefits are greatest, and that assistance will be monitored, evaluated, and where practicable, based on evidence of 'what works'.
- 42 Within this broad framework, MSD has a dual system for making decisions on this spending, comprising:
- **national programmes** (approximately \$330m per annum) – employment programmes co-ordinated nationally. A number of these programmes give effect to Ministerial or Cabinet decisions, and MSD requires Cabinet or Ministerial approval to alter the funding. For other programmes, MSD has more flexibility, and can scale these programmes up or down based on budget allocations (subject to contracts)
 - **regional programmes** (approximately \$100m per annum) – funding is allocated across regions, from which each region develops a purchase plan of employment programmes for the coming year. This involves decisions about both the types of programmes funded and the providers contacted to deliver them. National office allocates budgets and provides guidance on priorities, and each region makes decisions within these broad parameters.
- 43 When making changes to a programme, the appropriate level of decision-making, and the requisite level of Ministerial or Cabinet engagement, will vary from programme to programme. It depends on a number of factors including:
- whether the changes are to the programme itself or the level of funding allocated to it
 - consistency of any proposed changes with the MCA and EWRAP
 - past Cabinet and Ministerial decisions on the programme
 - whether aspects of the programme are enshrined in legislation or regulations
 - whether the scale, profile and/or history of the programme means engagement with the Minister is appropriate.

Report



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATU WHAKAHIATO ORA

Date: 29 April 2022

**Security
Level:**

IN CONFIDENCE

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

New Employment and Social Outcomes Investment Strategy

Purpose of the report

- 1 The purpose of this report is to engage with you and seek your feedback on the new *Ministry of Social Development Employment and Social Outcomes Investment Strategy* (the Strategy), which updates the *Employment and Social Outcomes Investment Strategy 2018 – 2021*. We plan to publish the Strategy on the Ministry of Social Development (MSD) website, subject to any feedback you may have.

Recommended actions

It is recommended that you:

- 1 **note** that the attached *Ministry of Social Development Employment and Social Outcomes Investment Strategy* (the Strategy) will inform operational decisions made by the Ministry of Social Development (MSD) on its employment investment
- 2 **note** that the Strategy seeks to contribute to sustainable employment outcomes, and improve equity for groups that consistently experience poor labour market outcomes, in line with the *All-of-Government Employment Strategy 2019*
- 3 **provide any feedback** you have on the new Strategy
- 4 **note** that the Strategy is on the agenda for the 2 May Employment Officials meeting, providing an opportunity to discuss it with officials
- 5 **note** that MSD plans to publish the Strategy on the MSD website, subject to any feedback you may have

- 6 **agree** to forward the Strategy to the Education, Employment and Training Ministers Group for their information, after we have addressed any feedback you have

Agree / Disagree

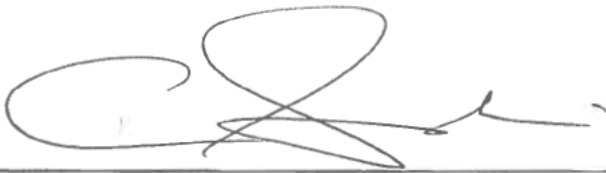
- 7 **note** that we intend to provide advice to you later in May on what work is underway to give effect to the Strategy, including supporting shifts in the overall investment mix (and reaching those who have been on benefit for longer duration), and the approach to specific programmes that have lower evaluated effectiveness (eg Youth Service).



Sean Maxwell
Co-Director
Strategic Issues & Investment

29/4/22

Date



Hon Carmel Sepuloni
Minister for Social Development and
Employment

1/5/22

Date

Background

- 2 MSD plays a key role in providing public employment services, which alongside government financial assistance, help people move into and stay in work. MSD's employment and income support activities are largely funded through the Improved Employment and Social Outcomes Support MCA (the MCA).
- 3 Under the MCA, MSD has a degree of flexibility to allocate its employment and work readiness spending in ways that improve client outcomes (employment and social). The MCA is governed by the Employment and Work Readiness Assistance Programme. Its principles include that employment or work readiness assistance resources will be allocated where the potential benefits are greatest.¹
- 4 The purpose and focus of MSD's employment services, including how they support people at high or low risk of long-term benefit receipt, are policy matters determined by Government. The Strategy supports the implementation of Government policy, by informing decisions about how employment investment is used to purchase different programmes for eligible people.
- 5 Operational decisions on MSD's employment services funded through the MCA are informed by investment strategies. The latest Strategy, attached, updates the *Employment and Social Outcomes Investment Strategy 2018 – 2021*.
- 6 The Strategy seeks to contribute to sustainable employment outcomes, and improve equity for groups that consistently experience poor labour market outcomes as defined in the *All-of-Government Employment Strategy 2019*.² It supports the implementation of Government policy objectives by helping incorporate them into MSD's investment decisions.
- 7 The Strategy is intended to help MSD use its funding flexibility to improve outcomes, within the parameters set by Government policy and by legislation. The Strategy also provides information and analysis to support a wider range of decisions, including research and evaluation priorities, policy and Budget advice, and operational decisions.
- 8 The Strategy is part of MSD's work to improve the effectiveness of its employment assistance spending. Its development drew directly from the analysis that MSD has recently published in the Employment Assistance

¹ Section 8(iii)(c)

² The *All-of-Government Employment Strategy 2019* is supported by a series of population-focused actions plans for groups that consistently experience poor employment outcomes: young people; disabled people; Māori; Pacific peoples; older workers; former refugees, recent migrants and ethnic communities; and women.

- general guidance, identifying intervention types that MSD could use to promote equity for population groups that consistently experience poor labour market outcomes. This guidance can be used when considering wider opportunities to promote equity for groups that consistently experience poor labour market outcomes.

The Strategy will support the implementation of MSD's proposed policy framework for employment services

- 14 On 18 March, officials provided you with a draft Cabinet paper on the role and future direction of MSD's employment services, for Ministerial consultation [REP 22/3/222 refers]. The draft Cabinet paper refers to the new strategy.
- 15 The Strategy has a focus on helping ensure that MSD's employment investment delivers value for money, and contributes to sustainable employment, and the promotion of equitable outcomes for population groups that consistently experience poor labour market outcomes. This aligns with the *All-of-Government Employment Strategy 2019*, and is compatible with the proposed policy direction set out in the employment services Cabinet paper.
- 16 The Cabinet paper sets out a proposed purpose and prioritisation framework for MSD's employment services. The Strategy will support the implementation of this framework by providing guidance and information to assist with those investment decisions on the MCA that MSD has the operational flexibility to make, within agreed policy and legislative parameters.
- 17 In practice, this would mean that the relative focus on those at risk of long-term benefit receipt, those on benefit but at lower risk of long-term benefit receipt, and others who may be at risk of or are experiencing poor labour market outcomes, will be determined according to the policy parameters agreed by Cabinet. Decisions about how the investment in each of these groups is used to purchase different programmes will be informed by the Strategy, in line with the four shifts set out in the Strategy and the investment principles.
- 18 As clients at risk of long-term benefit receipt include those with longer duration on benefit, the Strategy can be expected to support a focus on this group. Some of the specific ways in which the Strategy does this is through:
 - the Strategy's focus on work readiness (reflected in two investment shifts), which is likely to support those who have been on benefit for a longer duration due to their having increased barriers to work
 - the level of need of individuals who require support being a key consideration for investment decisions. The Strategy's investment principles include that each of our investment decisions should aim to apportion and target investment based on current evidence and information about the level and type of support that individuals need

- the focus on promoting equity for different population groups, which includes groups that have lower rates of exit from benefit (eg JS-HCD, SLP and older workers).
- 19 As proposed in the draft Cabinet paper, people in specific circumstances who are not on benefit and may be at risk of, or experiencing, poor labour market outcomes other than long-term benefit receipt may also be supported by MSD's employment services, but this will be determined by future policy, legislative and funding decisions.
 - 20 The Strategy provides flexibility to be used with different policy parameters, and in the case of additional groups being served by MSD employment services in future, would continue to inform investment decisions within the broader prioritisation framework and accompanying policy settings determined by Government.

Next steps

- 21 We will address any feedback you have on the Strategy and then plan to publish it on the MSD website. Publishing the strategy will help to provide transparency about what MSD considers when making employment investment decisions that are within its remit. In particular, it may help organisations interested in working with MSD to find out more about MSD's employment investment direction.
- 22 Work is underway to support application of the strategy, with an initial focus on supporting regional investment analysis and decision-making.
- 23 The Strategy is on the agenda for the 2 May Employment Officials meeting, providing an opportunity to discuss it with officials.
- 24 We also intend to provide advice to you later in May on what work is underway to give effect to the Strategy, including supporting shifts in the overall investment mix (and reaching those who have been on benefit for longer duration), and the approach to specific programmes that have lower evaluated effectiveness (eg Youth Service).
- 25 We recommend that you forward the attached Strategy to the Education, Employment and Training Ministers Group for their information, after we have addressed any feedback you have.

Appendix

Appendix 1: MSD Employment and Social Outcomes Investment Strategy

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