



23 May 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:

I am wanting to request some information about the Flexi-Wage for Self Employment program as per below:

- *how much was granted specifically for the self employment part of the flexi-wage scheme (in \$) and what was this as a percentage of the total for the entire flexi-wage scheme*
- *the total number of people who received financial assistance under flexi-wage for self employment and the average amount received by these people (in \$)*
- *the break-down of regions where flexi-wage for self employment was granted to clients, preferably in \$ and number of clients in each region but one or the other is acceptable*
- *how many days from referral to the scheme to approval of financial assistance and then approval to first payment made to successful clients*
- *number of referrals and applicants to the scheme*
- *how many clients are referred to but do not apply, how many apply and are declined and percentages of referred, declined and accepted clients*
- *approval criteria*
- *is there an exact requirement for approval for assistance and is there space in this requirement for some flexibility*
- *reason/s for declining applications if possible*
- *the industries of successful applicants (retail, manufacture, hospitality etc)*

On 28 April 2023, the Ministry wrote to you to refine your request. We recommended refining your request to data from the most recent financial year (1 April 2022 to 31 March 2023). You replied on 30 April 2023, agreeing to this refinement of your request.

I will respond to each part of your request – some parts may be grouped together for clarity.

You requested:

- *approval criteria*
- *is there an exact requirement for approval for assistance and is there space in this requirement for some flexibility*
- *reason/s for declining applications if possible*

An overview of the approval criteria for Flexi-Wage Self-Employment is publicly available on the Work and Income website at this link: <https://www.workandincome.govt.nz/products/a-z-benefits/flexi-wage-self-employment.html>.

While there is no definitive list of criteria for determining if a business idea should be approved, the viability and suitability of a business is considered on a case-by-case basis, providing flexibility to support new business ideas that are likely to be successful. For factors in determining suitability for assistance, more detail on approval criteria, please refer to **Appendix one** for information on Flexi-Wage Self-Employment and approval criteria. An application will be declined if it does not meet the criteria stated in **Appendix one**.

You requested:

- *how much was granted specifically for the self employment part of the flexi-wage scheme (in \$) and what was this as a percentage of the total for the entire flexi-wage scheme*
- *the total number of people who received financial assistance under flexi-wage for self employment and the average amount received by these people (in \$)*
- *the break-down of regions where flexi-wage for self employment was granted to clients, preferably in \$ and number of clients in each region but one or the other is acceptable.*

Please refer to **Appendix two** for data on the Number of Flexi-Wage Self-Employment contracts approved during the period 1 April 2022 to 31 March 2023.

You requested:

- *how many days from referral to the scheme to approval of financial assistance and then approval to first payment made to successful clients*
- *number of referrals and applicants to the scheme*
- *how many clients are referred to but do not apply, how many apply and are declined and percentages of referred, declined and accepted clients*

I am unable to provide you with this information as it is held in notes on individual case files. In order to provide you with this information, Ministry staff would have to manually review a substantial number of files. As such, I refuse your request under section 18(f) of the Act. The greater public interest is in the effective and efficient administration of the public service.

I have considered whether the Ministry would be able to respond to your request given extra time, or the ability to charge for the information requested. I have concluded that, in either case, the Ministry's ability to undertake its work would still be prejudiced.

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 Flexi-Wage Self-Employment, 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 'A. Orr', with a large, sweeping flourish at the end.

Aaron Orr
Director Employment

Appendix one

Flexi-Wage Self Employment Eligibility Criteria

To qualify for Flexi-Wage Self Employment (FWSE) a person must meet the client, employment, and business criteria.

Client eligibility criteria

The client must:

- be aged 18 or older and ineligible for New Zealand Superannuation, and
- not be insolvent*, and
- be unemployed (unless exceptions apply), and
- be at risk of long-term benefit receipt, and
- be disadvantaged in the labour market, and
- be ordinarily resident and present in New Zealand at the time of their application, and
- be a New Zealand citizen or hold a residence class visa that allows them to work in New Zealand, or
- be recognised as a refugee or protected person, or
- hold a temporary entry visa that allows them to work in New Zealand, and
 - be awaiting the outcome of their claim for recognition as a refugee or protected person, or
 - be applying for a residence class visa and be compelled to remain in New Zealand because of unforeseen circumstances.

**Insolvent means a person who is currently bankrupt or subject to any other insolvency procedure such as a No Asset Procedure. If a person has previously been insolvent, consider whether it is reasonable and feasible for them to manage their business finances.*

Unemployed – exceptions

There are two exceptions to the requirement to be unemployed. These are when the client is already running a business that is either:

- casual or part time and they want to increase their participation, or
- in the early stages of development and they are not yet self-sufficient.

In both cases, MSD must be confident that:

- without FWSE, the client would need to stop the business and would become unemployed as result, and
- the business will be able to generate enough income for the client to support themselves in the future without the need for a main benefit.

At risk of long-term benefit receipt

This means the risk that the person will receive or continue to receive main benefit under the Social Security Act 2018 for an indefinite period.

Generally, a person at risk of long-term benefit receipt is either:

- receiving or is eligible to receive a main benefit, or
- is the partner of a person receiving or eligible to receive a main benefit.

However, this is not always the case, and some people who are not receiving a main benefit will be at risk of long-term benefit receipt. This is likely limited to a person who is:

- unemployed, and
- has a partner who is employed, and
- the partner is underemployed¹ or has low job security², and
- they would qualify for a main benefit if not for their partner's employment, and
- they and/or their partner have a recent or extensive history of main benefit receipt.

Disadvantaged in the labour market

This means a person who has, or is expected to have, difficulty in obtaining or retaining unsubsidised employment, including a person who:

- is experiencing significant barriers to obtaining or retaining employment, or
- has experienced extended displacement due to an economic disruption to their occupation, industry, or region.

Employment eligibility criteria

The employment must be:

- permanent, and
- 30 hours or more per week for people with full-time work obligations, or
- 15 hours or more per week for people with part time work obligations or a deferral from work obligations who can work at least 15 hours per week. They must be able to fully support themselves from their business without a main benefit in the future.

Business eligibility criteria

The business must:

- be based and operating in New Zealand, and
- be viable*, and

¹ Meaning the person is able and willing to work full-time but is working part-time because there are no full-time opportunities available to them.

² Meaning there is a high chance the person will lose their job or they have no guarantee of on-going employment e.g. at risk of redundancy or in casual or fixed-term employment.

- be supported by business plan that has been vetted by independent assessor, and
- not be an inappropriate business or unsuitable industry, and
- generally not be a business currently or previously operated by the client, unless specific circumstances exist.

**Viable means the business has a high potential for long-term survival and the ability to sustain profits over a long period of time. There are several factors that can indicate whether a business is potentially viable, including:*

- *the strength of the business plan (including information from the independent vetting assessment)*
- *the client's motivation and capability to run a business*
- *whether there is demand for the product or service the client is intending to provide*
- *levels of market saturation and competition*
- *whether there is a point of difference with the product or service the client is intending to provide that would give them an advantage in a competitive market*
- *whether the business is able and likely to provide a regular income stream to support the client*
- *any relevant factors about the client and their situation that indicate whether they are likely to be successful in running a business e.g., whether they have previously been insolvent.*

Business plan vetted by independent assessor

Before FWSE can be approved, the client's business plan must be vetted by an independent vetting assessor and a vetting report provided to MSD. This is to ensure MSD receives impartial advice on the business plan to support a decision on whether the business is likely to be viable.

Inappropriate business and unsuitable industries

FWSE cannot be paid for a business that is inappropriate or in an industry that is unsuitable. This includes a business or industry that:

- cannot provide sustainable employment, that is a regular income stream that the client can adequately and reliably support themselves from
- risks MSD's reputation as a trusted organisation connecting people to support and services that are right for them.

Inappropriate businesses and unsuitable industries include (but are not limited to):

- speculative services
- high-interest money lending including pay-day loans and title loans
- paramilitary services
- multi-level marketing enterprises and pyramid schemes
- sex workers

Business currently operated by the client

When FWSE is being considered for a client who already owns and operates a business in one of the below situations, the requirement to be unemployed does not apply. However, MSD must be confident that without FWSE support the client would need to stop the business and would become unemployed as a result.

Casual or part-time business

FWSE may be used when a client is operating an existing casual or part-time business and there is clear potential for the client to increase their participation, which would result in the business generating enough income for the client to support themselves in the future without the need for a main benefit.

To determine whether paying FWSE is appropriate in this situation, consider what prevented the client from participating in the business full-time to begin with and what has changed, or will change, that will enable them to do this. MSD must be confident that the client has a clear plan in place to address any barriers that would prevent them from participating in their business full-time before FWSE can be approved.

MSD must also consider whether FWSE is the most appropriate product to support the client to expand their business. In some cases, the client may not need on-going wage support and would benefit more from a Business Training and Advice Grant so they can access services to help them gain additional business skills and support to successfully expand their business.

Business in early stages of development

FWSE may be used when a client is operating an existing business that is in the early stages of development and the client is not yet self-sufficient. This would only be where the client started the business without receiving any self-employment financial support from MSD, it cannot be used in a situation where the client was previously declined self-employment support but proceeded with the business anyway.

To determine whether paying FWSE is appropriate in this situation, we must consider what has prevented the client from becoming self-sufficient, what their plans are to increase their income through the business, and the likelihood of them being able to achieve this. MSD must be confident that the client will be able to generate enough income from the business to support themselves in the future without the need for a main benefit before FWSE can be approved.