



28 August 2024

Tēnā koe

Official Information Act request

Thank you for your email of 31 July 2024, requesting copies of REP24/5/458 and REP/24/5/443. I have considered your request under the Official Information Act 1982 (the Act).

Please find the following aide-memoires attached to this letter:

- REP/24/5/458 - *Aide-memoire to support Jobseeker Reduction Target A3*

Some information is withheld under section 9(2)(f)(iv) of the Act to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials. The release of this information is likely to prejudice the ability of government to consider advice and the wider public interest of effective government would not be served.

- REP/24/5/443 - *Aide-memoire – Meeting with Aotearoa Disability Enterprises*

Some information is withheld under section 9(2)(ba)(i) of the Act as it is subject to an obligation of confidence, and if released, could prejudice the supply of similar information in the future. The greater public interest is in ensuring that such information can continue to be supplied.

I will be publishing this decision letter, with your personal details deleted, on the Ministry's website in due course. 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 my decision on your request, 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

pp.

Magnus O'Neill
General Manager
Ministerial and Executive Services

Aide-mémoire



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Meeting

Date: 21 May 2024 **Security Level:** In confidence

For: Hon Louise Upston, Minister for Social Development and
Employment, Minister for Disability Issues

File Reference: REP/24/5/443

Meeting with Aotearoa Disability Enterprises

Meeting details 8:00 – 8:30am, Tuesday 21 May 2024, Virtual Meeting

Expected attendees Aotearoa Disability Enterprises:

- Martin Wylie, Chair
- Michael Toothill, Secretary
- Neil Fynn, Manager - Achievement House Cambridge

MSD Officials are to attend available at your request:

- Sarah Palmer, Policy Manager
- Lucy Langston, Manager Disability and OSCAR
- Ally Quatermass, Graduate Policy Analyst

Purpose of meeting You are meeting with Aotearoa Disability Enterprises (ADE) to discuss their work and nine key priorities.

Background ADE represent 12 Business Enterprises across New Zealand. Their purpose statement is to unlock the potential of disabled people, empowering them to live purposeful lives through employment. The Business Enterprises they represent provide sheltered and segregated employment opportunities for disabled people. Many Business Enterprises pay their disabled employees less than the minimum wage via

Minimum Wage Exemption (MWE) permits, enabled through section 8 of the Minimum Wage Act 1983. As such, most of their disabled employees continue to receive a benefit (usually Supported Living Payment) while working.

The Ministry of Social Development (MSD) has quarterly meetings with ADE as a sector representative.

In 2023, the United Nations Committee on the Rights of Persons with Disabilities (the UNCRPD) recommended that New Zealand repeal section 8 of the Minimum Wage Act and ensure a transition from segregated employment to the open labour market.

Key issues

MSD is not responsible for MWE permits, but worked on developing the wage supplement to replace them

The Ministry for Business, Innovation and Employment are responsible for the Minimum Wage Act 1983 and issuing MWE permits.

MSD provides funding to 13 Business Enterprises as a contribution to the costs of additional support and supervision required for their disabled employees. Most of the disabled employees of Business Enterprises that MSD provides contributory funding to utilise MWE permits. MSD does not fund Business Enterprises to hire disabled people with MWE permits. MSD currently plays no role in the existing MWE permit scheme.

Under the previous Government, MSD worked on introducing a wage supplement to replace MWE permits. In December 2023, you decided to discontinue this work and return funding to the centre. As such, the development of a wage supplement has stopped and the MWE permit scheme will continue for the foreseeable future.

Officials are continuing to consider what MSD's role is in supporting segregated employment settings and will provide further advice in due course.

ADE want to expand their services, including by increasing the number of people with MWE permits

ADE believe that the MWE permit scheme is a vital incentive to employers that allows work to become a reality for people with an intellectual disability or similar.

ADE have nine key priorities that they would like to discuss with you, which aim to expand and enhance ADE services across New Zealand. These are:

s9(2)(ba)(i)

[REDACTED]

ADE would like to discuss how they can be involved in shaping these changes, as well as any future decisions that impact employment opportunities for people with intellectual disabilities.

We do not recommend that you discuss the wage supplement to replace MWE permits with ADE

Any proposed changes to MSD’s current practice are likely to affect ADE and other Business Enterprises because of the

¹ Article 27 – Work and Employment states that “States Parties recognise the right of persons with disabilities to work, on an equal basis with others; this includes the right to the opportunity to gain a living by work freely chosen or accepted in a labour market and work environment that is open, inclusive, and accessible to persons with disabilities”.

nature of the employment that they provide. Until we have a clearer view of what MSD's role in supporting segregated employment is, MSD will not be purchasing additional places with existing providers or supporting new providers.

The decision to cease work on replacing MWE permits with a wage supplement is budget sensitive. As such, we do not recommend that you discuss MWE permits or the future of the MWE work with ADE. We recommend that the conversation focuses on your employment priorities.

Talking Points

- Thank you for your work in supporting disabled people and people with disabilities into employment – this is one of my key priorities.
- It I was interested to see your nine priorities. I can't speak to many of these directly but understand you have a strong relationship with MSD so I will leave these to MSD to consider.
- A key priority for me is getting people into employment and meeting the Jobseeker targets. The target is to have 50,000 fewer people on Jobseeker Support by 2030. This includes people on JSHCD.
- I'm interested in businesses, communities, and the Government continuing to work closely together. I recognise the important role of businesses to support better employment outcomes for disabled people.
- I'm interested to learn more about the work you do to support disabled people achieve employment outcomes.

Next Steps

Advise MSD of any actions you wish to be followed up that arise from your meeting.

Author: Ally Quatermass, Graduate Policy Analyst, Disability Policy

Responsible manager: Sarah Palmer, Manager, Disability Policy

Aide-mémoire



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Meeting

Date: 17 May 2024 **Security Level:** CABINET
SENSITIVE

For: Hon Louise Upston, Minister of Social Development and
Employment

File Reference: REP/24/5/458

Aide-mémoire to support Jobseeker Reduction Target A3

**Cabinet
Committee** Cabinet Strategy Committee (STR)

**Date of
meeting** 11.30am, Tuesday 21 May 2024

**What you can
expect at STR** You will be attending STR to discuss your progress on and
plan for achieving *Target 5: reducing number of people on
Jobseeker Benefit*. The Committee will have received the
supporting A3.

**Officials who
will support** **Officials from MSD:**

- Debbie Power, Chief Executive
- Jayne Russell, Deputy Chief Executive Service
Delivery (Acting)
- Simon MacPherson, Deputy Chief Executive Policy

Background**Government has set an ambitious target for reducing the number of people on the Jobseeker Support benefit.**

- 1 As part of wider public sector targets, an ambitious target of 50,000 fewer people on the Jobseeker Support benefit has been established for MSD. The target sees Jobseeker Support Benefit numbers reducing from 190,000 people to 140,000 by December 2029. Further details on the target including interim targets and sub measures are included in your talking points.
- 2 MSD have provided an A3 outlining our strategic approach and plan for achieving this target, which will be provided to your Cabinet colleagues. It gives a high-level overview of our plan and the steps we are taking to achieve the target.

Key issues**MSD has a comprehensive plan to reach the target**

- 3 In order to reach the target, MSD has worked to provide a comprehensive plan that will ensure the welfare system is set up to achieve results. Parts of the plan can be broadly grouped into three categories which are reflected in the A3:
 - 3.1 **Prioritisation** is the use of MSD's resources and effective interventions such as Case Management and directing them to cohorts of Jobseekers where we can have the greatest impact on the target.
 - 3.2 **Settings** are the broader changes to how the welfare system operates, including introducing legislation for 26-week reapplications.
 - 3.3 **Engagement** will involve increasing and building on the relationships between MSD and employers, communities, and local government to promote the employment of Jobseekers and contribute towards reaching the target.
- 4 MSD have identified five key regions that have the highest number of Jobseekers and will have the greatest impact on the target. Taking a regional focus is a key aspect of MSD's strategic approach to planning,

as differing labour markets, demographics and forecasts require locally-led approaches. The five key regions are:

4.1 Auckland (32.3% of the target)

4.2 Bay of Plenty (10.7% of the target)

4.3 Canterbury (10.1% of the target)

4.4 Wellington (9.4% of the target)

4.5 Waikato (8.3% of the target)

5 South Auckland will be one of the most important regions, and further information is provided in your talking points below.

6 MSD's planned actions are separated into completed, short-term, and long-term actions in the A3. While 2024 settings have been decided, 2025 and 2026 timeframes are draft.

7 Further information is provided in the talking points below about these actions including:

7.1 The differences between Let's talk Work - Kōrero Mahi, 26-Week Work Check-Ins, s9(2)(f)(iv), and 26-Week reapplications.

7.2 How we are resetting and progressing a social investment approach to case management.

7.3 The legislative programme to implement key changes in the welfare system.

7.4 How the Digital Employment Service as part of Te Pae Tawhiti will support MSD to reach the target.

7.5 How we will know our interventions are working.

8 There are a number of broader factors and issues that you may wish to discuss, included as talking points below:

8.1 How the immigration system may impact MSD's ability to reach the target, including actions taken to promote the employment of jobseekers in the AEWV process.

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- 8.2 Challenges and supports for the Jobseeker – Health Condition and Disability cohort, specifically in terms of mental health support.
 - 8.3 How the economic outlook will impact capacity to reach the target.
 - 8.4 Key cross-agency relationships that will contribute towards the target.

Next steps

Indicate any actual or suggested next steps or follow-up actions that may be required.

Author: (James Gluck, Senior Advisor Employment, Service Delivery)

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

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Appendix 1 – Talking points

Further details on the Jobseeker Reduction Target

- The target has interim milestones on the path to December 2029. Jobseeker Support Benefit numbers are targeted to reduce from 190,000 to 180,000 by June-25 and 170,000 by June-26.
- Currently, as of March-24, there are 187,986 people on Jobseeker Support benefit. Jobseeker Support numbers are forecast to continue rising to 198,500 in January 2025.
- Jobseeker Benefit numbers are comprised of 108,294 Jobseeker Work Ready (JS-WR) and 79,692 on Jobseeker Health Condition or Disability (JS-HCD).
- Alongside the target, there are supporting indicators that MSD will monitor:
 - The number of children (aged 0-17) living in benefit dependent households
 - The number of people receiving the Jobseeker Support benefit for more than 12 months
 - The number of young people (aged 16-24) on welfare, including Jobseeker Support, Young Parent Payment, and Youth Payment.
- Currently, as of March-24, there are 218,283 children living in benefit dependent households, 109,887 people receiving Jobseeker Support for more than 12 months and 42,498 youth (18-24) beneficiaries.

Regional differences will have an impact on reaching the target

- The target has been allocated across the 11 MSD regions, based on the number of clients in JS-WR and JS-HCD. This allocation goes further to each of MSD's 123 service centres, ensuring everyone engaging with clients knows their part to play in reaching the target.
- Across regions with the greatest potential impact on reaching the target there are differing labour markets, demographics, and forecasts. MSD's regional teams build expertise to fully understand the nuances and differences within their region. This can include the impact of seasonality on Jobseeker numbers as well as growth industries.

- The below table shows the current benefit numbers in the regions and their reduction target.

Region	Reduction Target		Benefit Numbers			
	Target	% of Target	JS-WR	JS-HCD	JS total	Youth
Auckland	16,150	32.3%	36,700	29,700	66,400	12,421
Bay of Plenty	5,330	10.7%	12,200	7,200	19,400	4,061
Canterbury	5,050	10.1%	9,200	8,200	17,500	4,080
Central	2,330	4.7%	5,500	4,300	9,800	2,181
East Coast	2,880	5.8%	6,200	3,000	9,200	1,985
Nelson	1,480	3.0%	2,800	3,200	5,900	991
Northland	2,620	5.2%	6,500	5,100	11,600	2,166
Southern	2,800	5.6%	5,600	4,000	9,600	2,426
Taranaki	2,450	4.9%	5,800	2,900	8,700	1,995
Waikato	4,160	8.3%	9,300	7,300	16,600	3,652
Wellington	4,700	9.4%	9,700	5,100	14,900	3,634

South Auckland will be a vital focus of MSD's plan

- The Auckland region will have a significant impact on achieving the reduction in benefit numbers. This is due to the size of both the population and labour market. The health of Auckland's labour market is reasonably consistent, and our ability to support clients into employment opportunities in Auckland are fundamental to national success.
- Auckland is divided into three MSD regions, like the Auckland region at a national level the success of South Auckland will be critical in achieving a reduction in benefit numbers. Of Auckland's approximately 69,000 people on Jobseeker, South Auckland accounts for 30,000 of those, approximately 43%. These clients are spread over 10 service centres, with a range of complex needs, and significant benefit dependency with over 17,000 clients being on benefit for more than one year.
- To be successful a collective response across South Auckland and the wider Auckland region is needed, supported by agencies, community and employers working in sync with MSD.

Differences between Kōrero Mahi, 26-week Work Check-Ins, 26-week reapplications for the benefit, s9(2)(f)(iv)

Activity	Purpose	Service offering
Let's Talk Work - Korero Mahi	Engage more frequently with jobseekers	<p>Held within two weeks of someone's New Application Appointment.</p> <p>The seminar component is delivered in a group setting, followed by 1:1 engagement and activity setting with MSD staff.</p> <p>At the Kōrero Mahi appointment jobseekers agree to the next actions they will take to find work. MSD will help the jobseeker figure out any barriers to work they have and offer support to overcome them. Failing to attend this appointment without a good and sufficient reason could result in an obligation failure, and the potential to be sanctioned. Across Kōrero Mahi and the 26-week check-in, there will be 105,000 expected engagements per year. Around 11,000 have participated since February.</p>
26-week work check-ins	Provide MSD greater opportunities to reassess the needs, assistance, and support available to jobseekers	As an interim measure before 26-week reapplications, these check-ins will focus on ensuring jobseekers are taking sufficient steps to find work in line with their obligations and will tailor employment support. These checks could include things like evaluating the effort they have made to date to find work, where they can be upskilled to move into specific job vacancies and referred to programmes, providers or job opportunities, and a reinforcement of obligations while on benefit.
s9(2)(f)(iv)	s9(2)(f)(iv)	s9(2)(f)(iv)
s9(2)(f)(iv)	s9(2)(f)(iv)	s9(2)(f)(iv)
26-week Jobseeker Support re-applications	This will require jobseekers to reapply to benefit every six months, by confirming their eligibility to benefit and they are meeting their work or work prep obligations.	

How we know our interventions are working

- We already have robust data to a granular level, right down to our 123 Service Centres. This includes weekly, monthly and quarterly reporting on benefit numbers and trends to track progress towards the target and supporting indicators.
- We will track and monitor activity metrics, such as employment case management activity, seminar attendance, job and programme referral numbers, sanctions and outcomes.
- Robust effectiveness monitoring ensures that employment programme investment is getting the right support to the right people and tracking what works for target cohorts.

How we are resetting our approach to case management, and will build on a social investment approach in the future

- The recent decisions on case management caseloads will be a key lever towards reaching the target by focusing this effective intervention on Jobseekers who are more likely to move into work quickly.
- This is supported by capacity for an additional 4,000 youth (to a total of 64,000) through the reprioritisation of resources into a phone based virtual case management service.
- In addition, the development and implementation of an Employment Investment Strategy Framework will support the system to shift funding in line with a social investment approach.

The legislative programme and timeframe to implement key changes in the benefit system

- We are supporting you to progress legislation later in 2024 to introduce enabling provisions for the traffic light system, 26-week re-applications and some elements of welfare that works.
- s9(2)(f)(iv)

How the Digital Employment Service as part of Te Pae Tawhiti will support MSD to reach the target

- As part of Te Pae Tawhiti, work is underway to implement a Digital Employment Service that will deliver improved processes and outcomes for job seekers and employers. New self-service options, which can also be supported by staff, will provide an easier-to-use

service with more effective job matching that better meets the needs of job seekers, employers, and staff.

- Functionality will also support greater visibility of client's job seeking activity to staff, supporting them to have more focused and effective employment conversations.
- Work on the Digital Employment Service is progressing toward its a launch date in 2025, with final functionality and timing subject to completion of discovery with the platform supplier.

How the immigration system may impact MSD's ability to reach the target, including actions taken to promote the employment of jobseekers in the AEWV process

- The recent record high net migration of 126,000 as of Dec-23 and 56% of AEWV visas being granted for entry level and lower-skilled roles has impacted MSD's ability to place clients into the local labour market.
- Recent changes to the settings of the AEWV will help reduce immigration at the lower-skilled end of the labour market, improving MSD's ability to obtain vacancies and place people in the labour market.
- These changes have included, reintroducing MSD into the AEWV labour market test for lower-skilled roles. To date 1,369 positions have been listed, 849 referrals made and 7 positions filled.
- Further changes will be required long term to strengthen the labour market test, change employer behaviours and incentivise them to take on local labour.

Challenges and supports for the Jobseeker – Health Condition and Disability cohort, specifically in terms of mental health support.

- 42% of people on Jobseeker Support are JS-HCD, approximately 50% of whom have a psychological or psychiatric condition. In MSD's biggest region Auckland, this proportion is higher with 45% of the Jobseeker population being on JS-HCD.
- There are relatively fewer services specifically designed to support JS – HCD clients into work, partly as most JS – HCD clients have deferred work obligations. There are opportunities to provide more tailored support to this group.
- Useful ways to support JS – HCD clients into work include:
 - Early intervention (conversations to understand their needs and assessment of work capacity).

- Integrating employment support and healthcare (wraparound services) like Oranga Mahi and Individual Placement Support (IPS) that involve intensive and tailored support. For example, A recent MSD study found that people out of work who received IPS had significantly higher rates of employment after 12 months compared to matched controls (27.3 percent compared with 17.5 percent).
- Keeping people in work to maintain attachment to the labour market. Early interventions like like Oranga Mahi's Here Toitū Early Response work with the health system to support people as soon as health barriers become apparent.
- We will need system level change in the long term to impact this group as MSD currently has a limited number of services that address this cohort, which are more expensive to deliver.

How the economic outlook will impact capacity to reach the target

- Rebuilding the economy will be vital to reach the target. Macroeconomic factors can have significant impacts on Jobseeker Support Benefit numbers with forecasts currently indicating that the number of people on Jobseeker Support will continue to increase through to a peak of 198,500 in January-25.
- Any further shocks or difficulties in the economy, or a prolonged downturn will present further challenges to reducing Jobseeker Support benefit numbers.
- Labour market intelligence is crucial to responding to economic conditions. The National Job Growth by FY28 chart in the A3 gives an example of the kind of information we utilise.
- In the long-term MSD will need to adapt and upskill our clients in line with the changing future of work and potential impacts on lower and medium skilled roles.

Key cross-agency relationships that will contribute towards the target

- Settings and actions in other portfolios will also support progress towards the target.
- Progress within the Health and Education system to improve capacity will help to reduce barriers to work, changes to the Tax system will impact financial incentives to work, and work by the economic agencies to build a healthy economy will provide opportunities.
- The Labour Market Ministers group is a forum that will support this cross-agency collaboration.

- In addition, some agencies also act as large employers such as Waka Kotahi, and ensuring large scale infrastructure projects like roading are aligned with social procurement will offer opportunities for jobseekers.

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