



27 May 2024

Tēnā koe

### **Official Information Act Request**

Thank you for your email of 7 May 2024, requesting the Initial Briefing on Employment REP/23/11/894. I have considered your request under the Official Information Act 1982 (the Act). Please find my decision set out below.

Please find the attached documents in scope of your request:

- *Report-Initial Briefing on Employment, REP/23/11/894*
- *REP/23/11/894 Appendix 1: MSD's Employment Investment Approach*

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.

Please also note that some information is withheld under section 9(2)(g)(i) of the Act to protect the effective conduct of public affairs through the free and frank expression of opinions. I believe the greater public interest is in the ability of individuals to express opinions in the course of their duty.

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](mailto: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](http://www.ombudsman.parliament.nz) or 0800 802 602.

Ngā mihi nui

pp.

Magnus O'Neill  
**General Manager**  
**Ministerial and Executive Services**

# Appendix 1: MSD's Employment Investment Approach

The Employment and Social Outcomes Investment Strategy seeks to achieve sustainable employment and improve equity for groups that consistently experience poor labour market outcomes. The strategy informs national and regional decisions about MSD's public employment services. The strategy provides significant flexibility allowing for regional/local need and labour market conditions to be considered when making investment decisions. MSD takes the strategy and applies it to case management where we offer a differential service model which flows into to our national and regional funding through client referrals.

**Minister Priorities**

Priorities may change over time and can inform adjustments to the investment approach.

Changes to the people we work with can be made quickly while changes to the programmes we invest in can take longer due to contractual arrangements.

## Employment and Social Outcomes Investment Strategy 2022-2025

The 2022-25 Employment and Social Outcomes Investment Strategy sets the priorities to ensure we support clients most in need.

At the core of the 2022 - 2025 strategy are four Investment changes MSD will consider

- A** **Increasing the cost-effectiveness of its job placement investment.**
- B** **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.**
- C** **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.**
- D** **Increasing the share of investment in evidence-based interventions to support disabled people, including those with health conditions, into employment.**

## Our People

The purpose of Case Management is to get clients into employment. Client allocations are informed by the investment strategies priorities. This is currently achieved by utilising the multi priority cohort approach ensuring investment reaches those who need it most.

Multi-priority groups have been developed to reflect the Employment and Social Outcomes Investment Strategy. Cohorts are categorised into two tiers and selected clients must be in three groups of which two must be from Tier One.

<b>Multi-Priority</b> * Be in at least three total groups AND * At least two groups from tier one	<b>Tier ONE</b> Māori, Pacific Peoples, 1 Year Plus (continuous duration on benefit), Female, and a Sole Parent	<b>Tier TWO</b> Health Condition or Disability (HCD), Youth, and With Children
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The current allocation requires 55% of clients in case management to be Multi Priority. The remaining 45% are clients who are closer to the labour market to meet employer needs. These proportions are flexible and can be rebalanced due to changing priorities and economic factors.

**60,000 clients in Case Management**

<b>511</b> Employment Case Managers	<b>55%</b> are multi-priority cohort clients
<b>50,000</b> In Case Management	

**Broader Case Management**

<b>78</b> Integrated Services Case Managers	<b>10,000</b> In Case Management
<b>104</b> Housing Integrated Services Case Managers	
<b>21</b> Supporting offenders into employment	

## Contracted Employment Programmes and Products

MSD contracts employment programmes and products with Community Providers and Employers to support people to prepare for and find work. This provision is targeted and aligned to the Investment strategy to ensure that it matches the needs of those that need it most.

Regional teams complete an annual business and purchase plan to ensure the needs of local communities are balanced with investment priorities. This is complemented by nationally administered programmes that have a targeted focus such as He Poutama Rangatahi and LSV (Youth).

The Employment and Social Outcomes Multi Category Appropriation (MCA) totals \$1.269b. The \$169.4m recognised below relates only to the MCA employment products that are managed at a regional level (Exclusive of any operational costs such as FTE or overheads). This portion is highlighted as it is the component of funding that can be prioritised for the investment of employment products in line with the principles of the Employment Investment Strategy.

### \$169.4m F24 Regional Investment

**\$51m** Invested in regional contracts, **21,415** Places Purchased

<b>JSWR 53%</b>	<b>SPS 24%</b>	<b>HCID 24%</b>
<b>Māori 52%</b>	<b>Pacific Peoples 11%</b>	<b>Youth 31%</b>
<b>Female 51%</b>	<b>Clients with children 34%</b>	<b>1 Year+ on benefit 57%</b>

**\$11.6m** Invested with Industry Partnerships  
Additional funding: **\$106.8m** Invested in employment products e.g Flexi-Wage

**Economic Factors**

**Re-balance and Adjust**

### Evaluation and Effectiveness

**94.5%** Of rateable investment is rated effective or promising

### Operational Performance Monitoring

Operational performance is regularly monitored ensuring objectives are being met

# Report



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

**Date:** 29 November 2023

**Security  
Level:**

IN CONFIDENCE

**To:** Hon Louise Upston, Minister for Social Development and  
Employment

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## Initial Briefing on Employment

### Purpose of this briefing

- 1 This briefing provides advice on how the Ministry of Social Development (MSD) can support the Government's employment priorities.

### Executive Summary

- 2 MSD provides New Zealand's public employment service as part of the social welfare system, to help people at risk of long-term benefit receipt to prepare for, get into and stay in employment. Employment services, alongside income support and work obligations and sanctions, can help overcome barriers to work for some people.
- 3 The range of employment services we provide includes:
  - early-response services such as careers advice and job search support
  - matching clients to employers with job opportunities and industry-based training, supported by subsidies if needed
  - help with work-readiness and skills development (including financial assistance to access training or retraining)
  - case management
  - supporting disabled people (including people with mental health and other conditions) through integrated health and employment services
  - supporting young people to gain the skills they need to successfully transition into work.
- 4 We provide policy advice on the labour market and the role of public employment services within it. This includes through joint portfolio advice with the Ministry of Business, Innovation and Employment (MBIE), and

working with other agencies such as the Ministry of Education (MoE) and the Tertiary Education Commission. We understand that following your meeting with MBIE officials, you are interested in a deep dive on employment matters. We will work with MBIE colleagues to provide this.

- 5 We can help support Government priorities by providing you with advice on:
  - obligations and sanctions, enhanced support including job coaches, case management and targeted incentives with a specific focus on young people aged 18 to 24 years
  - work-related training active labour market programmes (ALMPs) that are provided across government, to address barriers to work and support Kiwis to have the skills needed to succeed in the workforce
  - driver licensing support services that are helping New Zealanders to get a driver licence, including people who have the most barriers to accessing a licence
  - supporting people with mental health and addiction issues into work, noting that suitable work can improve health outcomes (there are opportunities for further collaboration with the health sector and Minister for Mental Health to expand this support)
  - our information and analytic capabilities and current approach to employment investment, including opportunities to use this to more effectively target services to those in greatest need.
- 6 Te Pae Tawhiti transformation programme includes investment in a digital employment service. This investment will support your priorities by:
  - enhancing our ability to match clients to jobs and training
  - providing staff with greater functionality to help clients find work and meet their obligations
  - providing clients and employers with more options to self-serve.
- 7 Other Government priorities that may impact MSD's employment service include changing immigration settings to address labour shortages and amending employment legislation to restore 90-day trials to all employers (the latter of which is in the 100-day plan).
- 8 As Minister for Social Development and Employment, you are responsible for providing policy direction on investment priorities. Current settings provide some flexibility in how funding is used to support Government priorities, target different needs and respond to different labour market conditions.
- 9 These settings also mean that when main benefit numbers or administration requirements increase, funding is more heavily directed to income support system needs leaving fewer resources for employment activities. Demand-

driven employment programmes, contract commitments with external providers, time-limited funding and an increase in ring-fenced programmes all impact the degree of flexibility available within current settings. Taken together, these factors may require you to make choices about where investment is targeted.

- 10 The funding approach enabled through MSD's legislative and policy framework is accompanied by assurance reporting that supports Ministerial oversight, including reporting on employment investment effectiveness. Our advice to you on investment choices is informed by a rich evidence base. Opportunities exist to build on current evidence along with other data sources to ensure investment supports the most effective suite of programmes that will address our clients' range of needs. We can provide further advice about these opportunities.
- 11 Officials are available to discuss the contents of this briefing and your priorities for receiving further advice on employment matters.

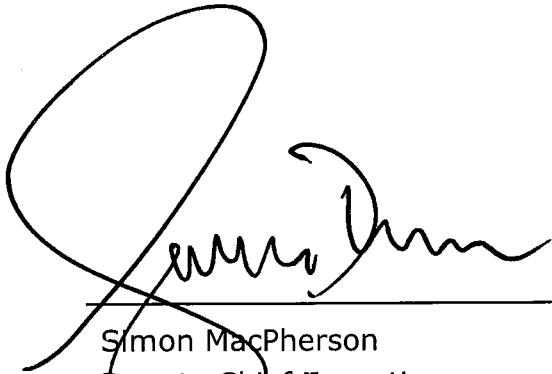
## Recommended actions

It is recommended that you:

- 1 **note** that we will provide advice by March 2024 on obligations and sanctions in the welfare system, including initial decisions on introducing the Traffic Light System (building on Welfare that Works for young jobseekers) [REP/23/11/893 refers] and mandatory training and community work
- 2 **note** that the Ministry of Education is currently reviewing the Apprenticeship Boost Initiative (which is administered by MSD) with a report-back due to Cabinet in February 2024
- 3 **note** you will receive further advice about:
  - 3.1 opportunities to <sup>s9(2)(f)(iv)</sup> [REDACTED] including ALMPs, to support rebuilding the economy by helping Kiwis to have the skills needed to succeed in the workforce
  - 3.2 <sup>s9(2)(f)(iv)</sup> [REDACTED]
  - 3.3 helping to achieve better health outcomes through employment supports for people with mental health and addiction issues
  - 3.4 flow-on impacts of restoring the 90-day trial to all employers, including access to MSD wage subsidies
  - 3.5 opportunities to build on MSD's information, analysis and evaluation capabilities to ensure investment is targeted to the most effective types of employment assistance to meet our clients' needs

4 **discuss** with officials your priorities for receiving advice noted in recommendation 3, and any further information or advice you would like on employment.

AGREE / DISAGREE



Simon MacPherson  
Deputy Chief Executive  
Policy

29/11/23

Date



Hon Louise Upston  
Minister for Social Development and  
Employment

20231208

Date

RELEASED UNDER THE OFFICIAL INFORMATION ACT

## MSD's public employment service operates within the welfare system to support people into work

- 12 Employment improves both social and economic outcomes – it lifts incomes and living standards and drives and supports economic growth. Children living in households with employed adults are also less likely to experience poverty. New Zealand has a relatively flexible and efficient labour market which functions well for many people. However, some people need additional support to enter, re-enter, move within or remain in work.<sup>1</sup>
- 13 We provide New Zealand's public employment service as part of the social welfare system. We provide a range of ALMPs<sup>2</sup> that enhance motivation and incentives to seek work, improve work readiness and help people find suitable employment. They do this by addressing barriers to work, improving job matching and expanding job opportunities (for example through hiring incentives such as wage subsidies or self-employment supports).
- 14 This employment service accompanies work obligations and sanctions, acknowledging that aspects of the income support system can pose a job search disincentive for some people, making employment support a useful component of the total package of welfare assistance.
- 15 Our employment services are enabled and governed by the Social Security Act 2018, which is underpinned by the principle that "work in paid employment offers the best opportunity for people to achieve social and economic well-being".<sup>3</sup>
- 16 We help people who are at risk of long-term benefit receipt to address barriers they face to achieving sustainable employment. Our support continues for some people while they are in work to ensure their transition is successful and sustained. We also work with people to prevent them

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<sup>1</sup> Perry, B (2022). *Child Poverty in New Zealand*. MSD. [www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/index.html); OECD (2018). *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*. OECD Publishing, Paris. [www.oecd.org/publications/good-jobs-for-all-in-a-changing-world-of-work-9789264308817-en.htm](http://www.oecd.org/publications/good-jobs-for-all-in-a-changing-world-of-work-9789264308817-en.htm).

<sup>2</sup> Definitions of ALMPs vary internationally. The definition broadly used in New Zealand is 'Government funded or provided interventions that actively assist people into employment (including removing barriers to their ability to get or retain a job, or to move between jobs), increases earning capacity and improves the functioning of the labour market'.

<sup>3</sup> Refer to section 4(a) in the Social Security Act 2018.

coming onto a main benefit, recognising the complex factors behind risk of long-term benefit receipt and the importance of early intervention.<sup>4</sup>

- 17 Generally, people who are closer to the labour market (e.g. have recently lost their job) can be supported back to work through relatively simple, less tailored (and therefore lower cost) interventions. People with more complex barriers who may have been on a main benefit for a longer time may need more tailored, wrap-around support.

### **We provide a range of products and services to help people prepare for and find work**

- 18 In 2022/2023, 84,100 people exited a main benefit into work. Employment services are provided either directly by MSD or through contracts with providers and partners. Some products and services are targeted to specific groups such as youth or disabled people, while others are offered broadly. MSD is also developing a stronger digital delivery option, as part of the Te Pae Tawhiti Programme, through which clients and employers will be able to self-serve (additional detail is provided in paragraphs 64 to 67).
- 19 We work with employers to match and place clients into sustainable employment through our recruitment services, including vacancy management and work brokerage. For clients who need additional support, we help with work-readiness and training opportunities and dedicated case management. Employers can be supported to take on clients with less experience through wage subsidies and training programmes.
- 20 MSD also supports people when they are at risk of, or have experienced, job loss. We do this by providing access to several early response services including careers advice, job search support and retraining.
- 21 The employment service delivery function is supported nationally and regionally through working with other government agencies and building and maintaining relationships with employers, industry partners, iwi, local government, community service providers and other stakeholders. This collaborative approach enables MSD to respond to local labour market conditions including in response to emergency events. Our Industry Partnership Programmes provide support for workforce development and training across many sectors, linking jobseekers to the training and skills development that industry has identified.

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<sup>4</sup> Refer to SWC-22-MIN-0091 Minute of Decision. *Confirming the role and direction for the Ministry of Social Development's employment services.* [www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2022/msd-employment-services.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2022/msd-employment-services.html).



## **We will provide further advice on how MSD can support delivery of the Government's priorities**

22 We know that helping people get off benefit and into work is a priority for Government with a particular focus on young jobseekers, and that a key mechanism for doing this will be a Traffic Light System, which builds on Welfare that Works. We are providing separate advice across a range of income support settings relevant to this system [REP/23/11/893 refers], including:

- the use of obligations and sanctions (including mandatory training and community work)
- financial incentives to work
- money management
- case management and job coaches.

23 Helping main benefit recipients into work will contribute to achieving the Government's priority to rebuild the economy, specifically in supporting Kiwis to have the skills needed to succeed in the workforce. This includes making it easier for New Zealanders to get driver licences. There is also opportunity to use ALMPs to contribute to achieving better health outcomes for people experiencing mental health and addiction issues.

### **Employment supports to get young people off benefit and into work – Welfare that Works**

24 The number of people aged 18 to 24 on a main benefit has been declining since 2018, but still sits at around 55,000 (as of September 2023). This cohort has the highest rate of Jobseeker Support – Work Ready benefit receipt as a proportion of their population.

25 We will provide advice about how we can support delivery of:

- Welfare that Works and the traffic light system and seek your direction about different delivery approaches –

s9(2)(f)(iv)

s9(2)(f)(iv)

s9(2)(f)(iv)

These approaches could help manage current workforce capacity, reduce costs, and build up

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<sup>5</sup> Youth Service currently targets people aged 17-18 years who are unable to live with their parents or guardians, with a focus on achieving education and training outcomes in preparation for work.

<sup>6</sup> He Poutama Rangatahi supports people aged 18-24 years with pastoral care, work-readiness, and training opportunities. It currently works with 82 community providers across New Zealand.

capability over time, allowing Government to invest further where there is evidence of good outcomes and value for money.

- an \$1,000 incentive payment for young people who stay in work for more than 12 months – currently, incentive payments form part of two services (In-Work Support and Mana in Mahi), and evidence shows that incentive payments can make a key difference to clients with different ways to pay it (e.g. one-off lump sum payment or regular bonus payments).

### **Growing skills to help people get into work, meet business needs and boost productivity – 100-point economic plan**

- 26 New Zealand faces a tight labour market and demand for skilled workers. At the same time the number of people receiving a main benefit has grown. High numbers of unemployed people can coexist with high levels of unmet demand for labour in certain occupations, sectors, or regions due to skills mismatches.
- 27 Significant labour market trends, including technological change and the shift to a low-emissions economy, emphasise the need for strong, targeted investment in work-related training to develop skills that meet industry needs, support people into sustainable employment and boost productivity.
- 28 We fund, deliver, and support the uptake of work-related training so that people at risk of long-term benefit receipt can grow their skills and improve their work readiness, while also supporting employer capability and productivity. Investment across government in work-related training has increased significantly in recent years. A significant portion of this funding increase was to support part of the COVID-19 recovery, some of which is time-limited.
- 29 Work-related training and skills development will support Kiwis to have the skills needed to succeed in the workforce, supporting Government's priority to rebuild the economy. This includes continuing to support apprenticeships, to increase skills and in particular address worker shortages in the building and construction sector.

s9(2)(f)(iv)

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## ***Supporting people into trades training and apprenticeships***

- 31 We currently provide targeted employment supports that could help meet this training objective, including Skills for Industry, Mana in Mahi and He Poutama Rangatahi.<sup>7</sup> We also partner with the Construction and Infrastructure industry through Jobs and Skills Hubs to upskill and recruit job seekers for major projects.
- 32 As Minister for Social Development and Employment, you are also responsible for the appropriations for the Apprenticeship Boost Initiative (ABI), through Vote Social Development. We administer payments and review and recover ineligible payments. The Minister for Education is responsible for ABI policy settings. The Ministry of Education are currently reviewing the ABI including how it is administered and the outcomes it is achieving, with a report-back to Cabinet due in February 2024.

## **Making it easier for New Zealanders to get driver licences**

- 33 The Coalition Agreement between New Zealand National Party and New Zealand First includes the commitment to make it easier for New Zealanders, including prisoners, to get driver licences and better support existing programmes that are delivering positive outcomes. Not having a driver licence can limit employment opportunities<sup>8</sup> as well as impact access to services and communities and increase risk of criminalisation. Having a driver licence increases economic participation and social cohesion and improves road safety and for all New Zealanders.

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- 35 Agencies have been working together since mid-2022 to promote access to driver licensing through the Driver Licence Improvement Programme (DLIP) led by Waka Kotahi. This programme:

- is expected to: increase participation in the driver licensing system; improve access to driver licensing and improve road safety; and reduce numbers in the justice system for driving while unlicensed
- was funded in Budget 2022, with \$69.54 million allocated to Vote Social Development to stabilise and expand contracted driver licence support

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<sup>7</sup> Some products are wage and training subsidies to support employers to offer job (and training) opportunities to MSD clients.

<sup>8</sup> Shaw and Gates report that seventy percent of jobs require at least a restricted driver licence. Refer to Shaw and Gates (2014) *Young Drivers: Licensing and Employability*. Presentation to TRAFINZ Conference, Auckland, September, 2014.

services, reaching up to 64,000 people over four years with outyears funding of \$20 million per year. While we are the primary funder for these services, other agencies fund specialised areas such as refugees and prisoner reintegration (Department of Corrections).

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## Achieving better health outcomes and supporting people with mental health and addiction issues

- 37 Approximately 92,000 people a main health or disability related benefit have mental health or addiction issues recorded as an incapacity (as at June 2023), an increase of 19 percent since 2019. This includes people experiencing mental distress and concerning substance use patterns through to ongoing mental illness and addiction. In addition, approximately 57 percent of Jobseeker Support – Health Condition or Disability (JS-HCD) recipients with recorded mental health and addiction issues (26,000 people) have been on benefit for more than two years – up 42 percent since 2019.
- 38 These issues are disproportionately pronounced among young people, with 77 percent of JS-HCD recipients aged 18 to 24 having mental health or addiction issues recorded as an incapacity as at June 2023.<sup>9</sup>
- 39 Targeted services that integrate health and employment supports to help people into, and to maintain, suitable work can improve mental health and move people off benefit. Comparatively, New Zealand spends less than many overseas jurisdictions on ALMPs, particularly on those focused on disabled people, including people with mental health and addiction issues.<sup>10</sup>
- 40 We deliver a range of relevant support, including general provision of employment supports, specialist contracted services and initiatives that collaborate with health, community, and Māori organisations to provide integrated health and employment services. However, most targeted programmes are small-scale with limited reach and short-term funding.
- 41 We can provide advice on enhancing employment support for people experiencing mental health and addiction issues, including potential opportunities for further collaboration with the health sector and other

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<sup>9</sup> Of those young people aged 18-24 accessing JS-HCD only 1 percent have addiction as a primary incapacity.

<sup>10</sup> The OECD notes there are large gaps in provision of timely and integrated health and employment services in New Zealand. Refer to OECD (2018) *Mental health and work: New Zealand*. OECD Publishing, Paris. [www.oecd.org/newzealand/mental-health-and-work-new-zealand-9789264307315-en.htm](http://www.oecd.org/newzealand/mental-health-and-work-new-zealand-9789264307315-en.htm)

relevant agencies as well as working alongside the Minister for Mental Health. This approach is consistent with the Government's intention to improve mental health outcomes by applying a whole-of-government lens to investment in, and delivery of, mental health and addiction services.

## **We can also provide advice on other Government priorities that impact your portfolio**

### **Changes to the immigration system**

- 42 The 100-point economic plan describes a smarter immigration system. Actions across the Coalition Government agreements and plans include improvements to the Accredited Employer Work visa (AEWV), removing the median wage requirements (which has been a proxy for high-skilled roles) for Skilled Migrant Category visas, making it easier for family members of visa holders to work in New Zealand (beginning with Skilled Migrant Category visa holders) and increasing the Recognised Seasonal Employer (RSE) scheme cap.
- 43 These changes will attract the workers and skills New Zealand needs. However, relaxing some immigration settings impacts on MSD's responsibilities. More migrant workers filling lower-skilled jobs that New Zealanders could do is likely to reduce our ability to move people off benefit and into work. Increasing the number of workers coming from overseas also puts more pressure on housing availability. It is therefore important to take a system-wide view when considering immigration setting changes to minimise undesirable impacts.
- 44 MBIE is the lead agency for advice on, and implementation of immigration policy settings. We engage with MBIE on the immigration system and as set out earlier in this briefing, provide the main public employment service to help people at risk of long-term benefit receipt to prepare for, get into and stay in employment.
- 45 Prior to the introduction of the AEWV and median wage threshold, MSD provided advice to Immigration New Zealand (MBIE) through the Skills Match Report. This identified whether we had suitable clients available for roles that employers were proposing to recruit migrants for. <sup>s9(2)(g)(i)</sup>  
<sup>s9(2)(g)(i)</sup>
- 46 It is not feasible for MSD to fill all lower-skill roles with people on benefit. <sup>s9(2)(g)(i)</sup>  
<sup>s9(2)(g)(i)</sup> We are working with MBIE to understand and <sup>s9(2)(g)(i)</sup>  
<sup>s9(2)(g)(i)</sup> and the potential impact any changes to median wage

requirements may have on our ability to move people off benefit and into work.

- 47 We understand that you have a strong interest in how immigration settings affect our work and would like to discuss this with us. We look forward to discussing the immigration system <sup>s9(2)(g)(i)</sup> and opportunities to strengthen how the Social Development and Employment portfolio supports and influences the immigration system. <sup>s9(2)(g)(i)</sup>

<sup>s9(2)(g)(i)</sup>

### **Restoring 90-day trials for businesses with more than twenty staff**

- 48 The 100-day plan includes introducing legislation to restore 90-day trials for all businesses. MBIE are the lead agency for providing advice on this issue. We will provide input on how this impacts use of and policy settings for wage subsidies, and how we continue to support people into sustainable employment.

### **Your policy direction determines how we prioritise and target investment**

- 49 MSD's employment services are primarily funded and managed through the Improved Employment and Social Outcomes Multi-Category Appropriation (the MCA) through Vote Social Development. The purpose of the MCA is "to operate the benefit system and associated interventions to improve client outcomes by moving them closer to independence, with a focus on those at risk of long-term benefit receipt".<sup>11</sup>

- 50 Use of the MCA is governed by welfare programmes established by the Minister under section 101 of the Social Security Act 2018 (such as the Employment and Work Readiness Assistance Programme (EWRAP)) as well as by Cabinet and Ministerial directives.

- 51 As Minister for Social Development and Employment you are responsible for providing policy direction on investment priorities, including establishing and amending welfare programmes when needed. The Chief Executive is responsible for achieving the targets and outcomes agreed with you, and ensuring operational practices give effect to the priorities you set.

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<sup>11</sup> Refer to paragraph 12 in SOC Min (13) 20/1 Cabinet Social Policy Committee Minute of Decision. *Implementation of a Multi-Category Appropriation for the Investment Approach.*

## Changes have been made to the MCA since it was established

- 52 The MCA was established in 2013. The policy intent is to enable MSD to make investment shifts to meet Government priorities, and to trial, stop or expand programmes and services in response to changes in the labour market (including increased demand during emergencies such as extreme weather events) and evidence of programme effectiveness.<sup>12</sup>
- 53 Because the MCA is designed to fund both employment and income support, when there are more people on benefit, or increased administration requirements for the benefit system, funding is more heavily directed toward administering income support. This is because frontline case management is more heavily focussed on meeting clients' immediate needs and fewer resources are available to support work-readiness and employment activities.<sup>13</sup>
- 54 Since the MCA was established, new categories ring-fenced for spending on specific employment-related programmes have been created:
- Flexi-wage
  - Māori Trades and Training Fund
  - He Poutama Rangatahi
  - Jobs and Skills Hubs.<sup>14</sup>
- 55 Additionally, some employment products are demand driven with eligibility criteria that, if met, entitle a person to access them, so increases in the costs of these programmes may be out of MSD's control. Many of MSD's products and services are delivered through contracts with external service providers, creating financial commitments that from one to three years long.
- 56 Some funding within the MCA is time-limited, including several large spending initiatives where funding will come to an end in coming years, such as the Flexi-wage Expansion which is due to end in the 2024/2025

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<sup>12</sup> Refer to SOC (13) 117 and SOC Min (13) 20/1. *Implementation of a Multi-Category Appropriation for the Investment Approach.*

<sup>13</sup> Costs associated with Work Brokers are generally funded through the Employment Outcomes Category, while Case Management costs are split between the Work Readiness and Administering Income Support categories based on the time spent on each activity. Any reduction in staff time for employment also limits the provision of employment products and services that rely on case managers to refer people to them.

<sup>14</sup> These programmes have unique delivery models and/or broader outcomes than catered for in the EWRAP.

financial year.<sup>15</sup> We expect MCA spending to continue to fall into the medium-term as other time limited funding also drops out.

- 57 These factors together create tension within the MCA that constrains the flexibility to shift investment to meet changing needs.

### **We use an investment strategy and a rich evidence base to guide investment priorities within the flexibility of the MCA, giving effect to Ministerial priorities**

- 58 MSD uses its Employment and Social Outcomes Investment Strategy to guide decisions at a national and regional level, giving effect to Ministerial priorities. A portion of the MCA is currently allocated to the regions to provide them with the flexibility to deliver or contract services that meet the needs and circumstances of their local communities and labour markets. Appendix 1 provides more detail about this approach. We can provide you with additional information about our employment products and the MCA categories from which they are funded.
- 59 We use a Social Outcomes Model with data from multiple agencies (in the Integrated Data Infrastructure<sup>16</sup>) to provide a rich understanding of the mix of services New Zealanders have used in the past or are currently using. This can support co-ordination and decisions on investment and social issues that span Government priorities and agencies.
- 60 Evidence-based investment in and targeting of employment services recognises that individual needs vary and that some groups of people are more likely to need support than others. We use a range of approaches to evaluate employment products and services that help guide decisions about the mix of employment supports we provide. Refer to Appendix 2 for more detail about our evaluation practices.
- 61 The flexible funding approach enabled through the MCA is accompanied by assurance reporting that supports Ministerial oversight of performance. For example, reporting on employment investment effectiveness, reporting on core operational activities (including benefit numbers) and reporting on client employment outcomes (off-benefit reports). This reporting is made possible by quality information and analysis capabilities we have developed

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<sup>15</sup> In the 2022/2023 Financial Year, Flexi-wage expansion cost \$52 million on top of normal Flexi-wage spending.

<sup>16</sup> The Integrated Data Infrastructure (IDI) is a large research database that holds de-identified microdata about people and households. The data is about life events like education, income, benefits, health, and comes from government agencies, Stats NZ surveys, and non-government organisations. The data is linked together to form the IDI.



over time and which help inform and target investments and monitor the impact these have.

- 62 Our advice to you on investment choices is informed by a long-standing approach to research, monitoring and evaluation, as outlined in Appendix 3. This includes effectiveness monitoring using IDI data. In 2022/2023 we could rate the effectiveness of \$359 million (49.6 percent of total expenditure) of MSD's employment assistance expenditure using this form of analysis.<sup>17</sup> In this financial year, 94.5 percent of the evaluated employment assistance expenditure was rated as 'effective' or 'promising' (\$339 million out of \$359 million). Work is underway to rate more of the expenditure using this approach. For most of the remaining programmes where it is not possible to assess impact, we use an existing evidence base drawn from similar programmes domestically and internationally, which indicate that spending on these programmes is sensible.
- 63 Opportunities exist to build on our existing rich evidence base along with other data sources to ensure investment supports the most effective suite of programmes that will address clients' range of needs and support Government's priorities. There is also opportunity to consider whether the current policy and legislative settings remain fit for purpose. We can provide further advice about these opportunities.

### **Te Pae Tawhiti Transformation Programme – planned digital employment service to be implemented from 2025**

- 64 Through Te Pae Tawhiti Transformation Programme, we will deliver changes to our public employment service through the introduction of a digital employment service from early 2025.
- 65 We currently lack a meaningful digital employment service and this limits our effectiveness for clients and reduces the capacity to provide intensive services to those who are most at-risk of long-term benefit receipt. RecruitMe, a core component of MSD's technology for employment, and the Find a Job website were decommissioned in May 2023 as they were end-of-life products based on outdated technology and limited functionality. An interim replacement (Kimi Mahi Mai) has been put in place but it has similar functionality limitations.
- 66 Digital public employment services are recognised globally to enhance the effectiveness and reach of services to help people into sustainable work.

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<sup>17</sup> In the Employment Assistance Effectiveness report, we round expenditure values to the nearest million for values over 10 million and to the nearest \$100,000 for values under 10 million.

Although we offer a wide range of public employment services through a combination of outdated systems with substantial manual processes, New Zealand is well behind international counterparts in providing digital public employment services.

67 Investment in a digital employment service will, together with the Service Experience Platform, deliver an integrated view across income and employment supports, services and obligations and:

- transform our ability to match clients to jobs and training
- provide staff with better tools for monitoring and supporting clients' job search activities, and
- improve the efficiency of employment services so that staff can focus more on those for whom face-to-face conversations are most effective.

## **The labour market and impact on the welfare system**

68 New Zealand economic output grew by 3.2 percent over the year ending June 2023, however economic forecasts suggest that growth will be substantially lower over the next 18 months. Treasury has forecast an increase in the unemployment rate peaking at 5.4 percent in early 2025<sup>18</sup> and we forecast that working age main benefit numbers will rise to around 382,900 in January 2025.

69 Unemployment is likely to increase hardship for many families and create demand for assistance. Possible consequences of the forecasted economic slowdown could be compounded by the rising cost of living.

70 The timing and magnitude of a slowing in economic activity is difficult to predict, and sectors and regions may be affected in different ways. Young people, those with few qualifications, disabled people, sole parents who can only work limited hours, Māori, and Pacific Peoples all tend to be disproportionately affected in an economic slowdown.

71 We use the flexibility within the MCA during changing economic circumstances to shift the mix of investment towards more early intervention services that support people before they require more intensive support, or to products and services that help develop skills and prepare people for employment as the economy recovers.

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<sup>18</sup> The unemployment rate is a measure of those people who were actively seeking work in the previous four weeks. This does not include people who do not have, and are not seeking, work.

## **Preparing for and responding to the changing nature of work and other labour market challenges**

- 72 New Zealand's labour market efficiency is being impacted long-term by macro issues such as skill shortages and large scale, globally experienced trends such as technology changes including use of artificial intelligence (AI), demographic changes and the shift to a low-emissions economy. These trends are already impacting the labour market, creating both risks and opportunities for New Zealand. However, the impacts are not evenly spread and most significantly affect people at risk of poor labour market outcomes, who are often in lower income roles in jobs and industries that are changing because of these megatrends. Our employment and training services will need to continue to adapt to meet these challenges to prevent long-term disengagement from the labour market.
- 73 We will provide separate advice about work under the Climate Change Response Act 2002 and Emissions Reduction Plan to manage the social and economic impacts of climate change and shifting to a low-emissions economy. You, along with the Minister of Economic Development, have choices around the scope and direction of this work, including how much the work focuses on ways to support businesses and workers through these impacts.
- 74 There are choices about the work we do, and the types of employment products and services funded to prepare and respond to other changes impacting the economy and labour market. We can provide further advice about the impact of these issues on supporting people at risk of long-term benefit receipt.

## **Opportunities for a more joined- up system**

- 75 People in the social welfare system often interact with a range of services across government, and policies created by other agencies can have a flow-on impact to those people and to our services. Joined-up system approaches can help to ensure alignment across government work programmes, and ensure labour market interventions are effective, including through smooth referral pathways and good relationships with non-government partners.
- 76 We work with MBIE to provide you with advice across the Social Development and Employment portfolio. We understand that following your meeting with MBIE officials, you are interested in a deep dive on employment matters. We will work with MBIE colleagues to provide this.
- 77 We also work with MBIE and other agencies such as MoE and the Tertiary Education Commission to develop policy advice on shared interests. We

contribute to advice led by other agencies and may provide you with advice on how policy settings impact MSD clients and service.

- 78 Cross-sector institutional arrangements that bring government agencies together on a regular basis, and support strategic engagement with strategic engagement with business, non-government and iwi representative groups can support Government to deliver effectively. We can provide you with advice on opportunities to establish and strengthen joined up approaches that can deliver value for money.

## **Next steps**

- 79 We look forward to the opportunity of discussing your priorities with you and providing further information or advice that can help you to achieve these.

## **Appendix**

- 80 Appendix 1: MSD's Employment Investment Approach.
- 81 Appendix 2: MSD's approach to research, monitoring and evaluation of its employment service.

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# Investment Approach



Minister Priorities



Priorities may change over time and can inform adjustments to the investment approach.

Changes to the people we work with can be made quickly while changes to the programmes we invest in can take longer due to contractual arrangements.

## Employment and Investment Strategy

The 2022-25 Employment Investment Strategy sets out how we support clients most effectively.

At the core of the 2022 - 2025 Investment changes MSD will focus on:

- A Increase of its job opportunities
- B Increase investment in programmes and products – including targeted Pacific programmes
- C Increase targeted workers' Jobseeker Conditions particularly cost-effective work reactivation
- D Increase in evidence to support including conditions

...ustainable employment and improve equity for groups... national and regional decisions about MSD's public... onal/local need and labour market conditions to... applies it to case management where we offer a... through client referrals.

## Targeted Employment Programmes and Products

...employment programmes and... nity Providers and Employers to... are for and find work. This provision... to the Investment strategy to ensure... eds of those that need it most.

...ete an annual business and purchase... ds of local communities are balanced... ies. This is complemented by... d programmes that have a targeted... ama Rangatahi and LSV (Youth).

...Social Outcomes Multi Category... totals \$1.269b. The \$169.4m recognised... he MCA employment products that are... level (Exclusive of any operational... verheads). This portion is highlighted... of funding that can be prioritised for... oyment products in line with the... yment Investment Strategy.

### Targeted Investment

...al contracts, ... sed

Increase in evidence to support including conditions	24%	HCID - 24%
...s with... en 34%	11%	Youth - 31%
...s with... en 34%	1 Year-on benefit	57%

...Industry Partnerships  
**6.8m** Invested in employment products  
 e.g Flexi-Wage



Economic Factors



Re-balance and Adjust



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# Appendix 2: MSD's approach to research, monitoring and evaluation of its employment service

## We align investment to evidence-based services that meet Government priorities

- 1 Our advice to you on investment choices draws on research, monitoring, and evaluation. We use evidence-based investment to improve long-term outcomes for people at risk of poor labour market outcomes and long-term benefit receipt to deliver value for government spending.
- 2 We use a range of approaches to evaluating employment products and services that, taken together, help to guide investment decisions about the mix of employment supports we provide.

## MSD monitors effectiveness using IDI data and analyses outcomes using a range of methods

- 3 One form of evaluation MSD uses is effectiveness monitoring of many mature employment products and services. Effectiveness monitoring uses IDI data and rates programmes effective if the intervention is found to have a statistically significant positive impact in one or more primary area (income, employment, justice, qualifications, study, or independence from welfare) and have not been found to have any negative impact on any primary outcome. This analysis takes time to generate, as it relies on data on participants' experiences over time after participating in services or receiving products.

### The majority of programmes are effective or promising

- 4 In 2022/2023 we could rate the effectiveness of \$359 million (49.6 percent of total expenditure) of MSD's employment assistance expenditure using this form of analysis.<sup>11</sup> In this financial year, 94.5 percent of the evaluated employment assistance expenditure was rated as 'effective' or 'promising' (\$339 million out of \$359 million).

### Some programmes are not promising or effective

- 5 Examples of programmes not rated as promising or effective include:
  - Youth Service (NEET), rated as mixed

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<sup>11</sup>In the Employment Assistance Effectiveness report, we round expenditure values to the nearest million for values over \$10 million and to the nearest \$100,000 for values under \$10 million.

- In-Work Support Service and Activity in the Community, rated as making no difference.
- 6 Changes have been made to some of these programmes in response to their ratings. For example, from 1 April 2020 the Youth Service NEET was re-targeted to improve its effectiveness by focusing more intensively on vulnerable, high-risk young people, including those transitioning from Oranga Tamariki care. It takes time to generate evidence of the effect of changes to programmes which means that these will not be reflected in results until later in 2024.

### **Some have not yet been rated, or cannot be rated**

- 7 We use other forms of evidence to assess the rest of the spend and have work underway to rate more programmes. For example, He Poutama Rangatahi and Māori Trades Training Fund are currently not rated, but work is underway to incorporate both into our effectiveness monitoring. In the interim, both are being evaluated using outcomes-focused evaluations. Oranga Mahi has also been subject to other forms of evaluation. Taken together, these three programmes make up the majority of the not rated spend.
- 8 We also have other evidence indicating programmes that cannot be subject to effectiveness monitoring have value. For example, there is a series of evidence briefs that indicate childcare subsidies increase women's participation in the labour force. Employment-related case management approaches have also been evaluated using randomised controlled trials. These two initiatives make up the majority of the spend on programmes that cannot be rated using the effectiveness monitoring approach.
- 9 Outcomes evaluations are used to assess programmes that cannot be evaluated using IDI data or because there are questions that cannot be addressed using quantitative impact methods or administrative data (such as how a programme is operating, participant and staff perceptions and views of a programme's strengths and weaknesses). A customised evaluation could also assess the programme against a broader range of outcomes.
- 10 For newer programmes, we use other forms of analysis to indicate whether a programme is likely to deliver its intended outcomes. In other cases, international evidence can be used to indicate the potential impacts of a programme.

### **Programme-level evidence informs investment decisions**

- 11 Taken together, we use the evaluation evidence base to help shape operational decisions (e.g. to provide advice about stopping, changing or increasing different employment products and services) and to develop strategic guidance about investing in a range of services (e.g. the Employment and Social Investment Strategy).

- 12 We have a strong practice of creating and sharing evaluative information about our employment products and services, for example through the publicly available Employment Assistance Evidence catalogue. The Catalogue covers aspects such as intervention history, participant profiles, expenditure and cost, effectiveness and impacts and references to relevant reports, including more detailed evaluations. The Catalogue covers interventions from the year 2000 onwards and is updated on a regular basis.
- 13 Results of programme evaluations will be provided to you when they are available, along with an annual report on the findings from the effectiveness monitoring work, before they are made publicly available.

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