



1 October 2025

Tēnā koe

Official Information Act request

On 1 August 2025, the Ministry of Business, Innovation & Employment transferred your request for official information to the Ministry of Social Development (the Ministry to respond to).

You requested the following information:

With regard to the ALMP documents, we have with us the first briefing (dated 1 September 2021) of the review of ALMP. Could we please get:

- 1. A copy of the literature review that informed the 1 September 2021 briefing;*
- 2. A copy of the population analysis which informed all of the reviews;*
- 3. Copies of Briefings 2 and 3, which are signalled in the first review?*

Thank you for your email of 21 August 2025 in which you confirmed you were requesting the literature scan for the 23 September 2021 report.

I have considered your request under the Official Information Act 1982 (the Act). Please refer to appendices 1-4 in response to your request which have been enclosed with this letter.

Please note appendices 1-2 were created as internal working documents and did not go through the Ministry's quality assurance process. Information in these appendices were used in compilation of appendix 3.

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 nui

A handwritten signature in black ink, appearing to read "Anna Graham".

Anna Graham
General Manager
Ministerial and Executive Services

Literature review

Active Labour Market Programmes: Effectiveness evidence

ALMPs: definition and criteria

- 1 Active Labour Market Programmes (ALMPs) are often broadly defined and can refer to a range of interventions. The ALMP Working Group classify ALMPs as government funded or provided interventions that actively assist people into employment, increase their earning capacity, and improve the functioning of the labour market. The Working Group categorise them as follows:
 - a. **Information and advice**, including careers advice, job search techniques, and assistance with writing a CV
 - b. **Job brokerage and placement/matching**, including employment-related case management and wraparound services
 - c. **Work-related education and training**, including work readiness and mid-career upskilling or retraining
 - d. **Financial support**, including grants to individuals that remove barriers to work or training, and wage or training subsidies to employers
 - e. **Job Creation**¹ initiatives, including self-employment start-up support
 - f. **Vocational rehabilitation programmes**. These are based on individual needs and defined as any goods or services an individual might need to be employable (e.g. assessments, counselling, training, placement, work accommodations and long-term supports needed to support employment).
- 2 The ALMP Working Group are using the following principles to demarcate ALMPs from other kinds of policies or programmes:
 - a. ALMPs have a labour market objective as a primary purpose
 - b. are designed for and targeted to support people who are at risk of poor labour market outcomes
 - c. exert an influence on, or effect a change in, known distributional issues in the labour market
 - d. exert an influence on or effect a change in the recipient's ability to find and keep a job
 - e. are not generally available in the private labour market for people who are at risk of poor outcomes or are disadvantaged in the labour market because of affordability or market failure.

¹ Note that ALMPs, both internationally and domestically, appear to predominantly focus on assisting people to get into existing jobs rather than on actively developing jobs. This illustrates that the problem tends to be framed as that of individual, rather than structural market, deficiencies.

Assessing effectiveness

- 3 Conclusions from international ALMP research should be drawn with caution given the difficulties in assessing ALMP effectiveness. These difficulties include:
 - a. Varying ALMP aims, definitions and categorisations
 - b. Diverse cultural, social and economic contexts²
 - c. Differences in implementation
 - d. Evaluation limitations, including varying evaluation metrics, time periods for assessment, and sample sizes
 - e. Varying Government objectives.³
- 4 Together, these factors lead to a caveated, complex and occasionally contradictory academic literature. It is therefore possible to reach different conclusions about the extent to which ALMPs will be effective.
- 5 Caveats notwithstanding, this discussion document summarises and synthesises empirical and qualitative research in reference to the working group's ALMP categorisations. In doing so, it aims to provide a broad idea of the kinds of ALMPs that make for effective outcomes for particular groups in particular circumstances.
- 6 Research used in this scan includes empirical studies, ALMP meta-analyses and OECD reports. Analysis of the literature is drawn in part from a Treasury Report entitled "Active Labour Market Policies: International Evidence" (Kirkham, 2020). This document also looks specifically at the New Zealand context, drawing largely on a report by de Boer and Ku (2021 – forthcoming) that assesses the effectiveness of Ministry of Social Development (MSD) employment assistance products.⁴

Findings for ALMP effectiveness

All ALMPs

- 7 The composition of ALMPs, as well as practical issues of programme design and implementation, each inform what is effective for particular groups at different points of the economic cycle.
- 8 Where ALMPs are assessed to be beneficial, the impact is usually modest in absolute terms once deadweight and displacement effects are taken into account, and given the intractability of the labour market attachment issues they attempt to address (Martin, 2015; Card et al, 2015). Any benefits must also be considered against the costs of the programme.

² This includes a range of factors, including the kinds of requirements in place for people to participate in ALMPs, the levels of financial assistance offered, employment legislation, stages in the economic cycle, and access to ALMPs.

³ The way objectives are framed has implications for which ALMPs get implemented and how effective they are. For example, "work first" objectives may see more people getting into employment in the first instance but can be ineffective in the longer term if workers are not sufficiently upskilled.

⁴ It is important to note that effectiveness ratings are not static and can change year to year. This is influenced by both changes to service design and delivery, and by updates that can involve extending the follow-up period for measuring interventions' impacts and improving or correcting the methodology for how interventions are rated.

- 9 In OECD countries ALMPs, with the exception of training, seem to be more effective in reducing the unemployment rate of the low skilled than that of the overall population (Escudero, 2018). ALMPs are also more effective in reducing unemployment, including for training interventions, where more resources are allocated to programme administration (Escudero, 2018).
- 10 Card, Kluve and Weber's (2018) meta-analysis of over 200 studies of ALMPs find, for studies that model the probability of employment, that:
 - a. average impacts are close to zero in the short run, but become more positive 2-3 years after completion of the programme
 - b. the time profile of impacts varies by type of programme, with larger average gains for programmes that emphasise human capital accumulation, and
 - c. ALMP impacts vary across participant groups, with generally larger impacts for females and the long-term unemployed.
- 11 McGirr and Earle (2019) find that successful interventions for youth share a range of characteristics including:
 - a. work experience or on-the-job training component
 - b. including job seeking assistance
 - c. being tightly targeted to the needs of a certain group, and
 - d. being aligned to specific skill shortages for identified industries or locations.
- 12 Any mix of ALMPs needs to be accompanied by robust systems to evaluate effectiveness; to redesign, retarget or close poorly performing programmes; and to move resources to better-performing alternatives.

Information and advice

Information and advice interventions refer to career advice, information on job search techniques, and assistance with CV preparation for job seekers.

International evidence⁵

- 13 Job search programmes tend to be the most cost-effective form of ALMP (though this will be relative to the levels of welfare assistance available). There is some evidence that job search assistance has been found to be effective in terms of employment and earnings (Higgins, 2003). Malo (2018) finds that job search assistance programmes have favourable short-term programme impacts and can be effective in increasing employment probability. McGirr and Earle (2019) find that such programmes are effective in improving long-term employment outcomes too.
- 14 Job search outcomes for youth are more positive when integrated with other interventions and services. For example, Higgins (2003) finds that young people tend to require additional assistance alongside job search programmes. Youth often face multiple barriers in the labour market and programmes that add complementary services to the main intervention (e.g. pastoral care, coaching and mentoring) tend to do better.
- 15 Programmes featuring job-search monitoring and sanctions (such as benefit revocation) tend to yield positive employment effects – but at the same time, overly

⁵ International assessments of “information and advice” interventions are sparse, which is why this section exclusively references job search assistance programmes.

demanding or punitive criteria can exclude some intended recipients from financial support and the employment services associated with them (Immervoll and Knotz, 2018).

- 16 The need for job search programmes and associated spending is higher in countries with low unemployment insurance or welfare assistance (OECD, 2018).

New Zealand evidence

- 17 Different kinds of job search and information service interventions have variable levels of effectiveness. It is not clear what differentiates those that are effective and those that are not (de Boer and Ku, 2021).
- 18 Job Search Initiatives⁶ are rated as effective, potentially because they require active participation from clients. High client uptake and engagement might be partially explained by the significant financial incentive for people to find and enter into paid work in New Zealand: main benefit amounts are low relative to full-time wages.
 - a. **Job Search Initiatives** (\$7.3 million)⁷: initiatives designed to improve the job search skills of participants, and to ensure that job seekers, especially short-term job seekers, are actively looking for work. The content of these programmes is generic and can vary between service centres. Participation is compulsory for people with work obligations. This programme is rated as **effective**.

Job brokerage and placement / matching

Job brokerage and placement includes employment-related case management services that match individuals to specific work opportunities and provide coaching through the job application process.

International evidence

- 19 Generally speaking, there is very little academic research on the effectiveness of job brokerage or placement services.
- 20 International research on case management suggests, first, that targeting assistance to job seekers at risk of long-term unemployment is more beneficial than broadly covering a wider group of job seekers (given that many job seekers in the wider group would have found work anyway) (Higgins, 2003). Secondly, it suggests that the skill of case managers at matching job seekers with the right intervention can influence the success of case management (Joyce and Pettigrew, 2002).

New Zealand evidence

- 21 Job placement and case management initiatives are generally effective (de Boer and Ku, 2021). However, this optimistic assessment has to be balanced by consideration of the negative effects these interventions can have on non-participants through substitution or displacement effects.
- 22 Different kinds of placement programmes have different effectiveness ratings. For example, work experience with private sector firms is more likely to be rated as

⁶ Other information and advice services, such as the Information Services Initiative and Job Search Seminars, are not rated or are not feasible to rate.

⁷ All references to spend in this document refer to the 2019/2020 financial year.

effective. On the other hand, community or environmental placements where participants remain on benefit tend not to be effective (de Boer and Ku, 2021).

23 MSD's placement and matching services are summarised as follows:

- Vacancy Placement full time** (\$16.3 million) and **Vacancy Placement part time** (\$2.7 million): Free MSD vacancy placement services where employers can lodge vacancies. Work brokers then select and profile potential candidates for the employer. Work brokers have the option of providing further assistance in the form of training or a hiring subsidy. These programmes are rated as **effective**.
- Employment Placement or Assistance Initiative** (\$24 million): contracted services to place participants into employment and help them remain in work. Contracts are performance-based, so some of the payments are paid when participants achieve exits to work with additional payments for remaining in employment for specified periods (usually around three months). These programmes are rated as **promising**.

24 MSD's Youth Service comprises case management services for young people who are at risk of being not in employment, education or training; young people receiving the Youth Payment; and young people receiving the Young Parent Payment. The Youth Service (NEET) is evaluated as follows:

- Youth Service (NEET)** (\$15.4m): a case management service that targets young people transitioning from school who are at risk of not participating in education, training, or employment. Initial analysis by The Treasury (Dixon & Crichton, 2016) found it did achieve the goals of increasing education retention and increasing NZQF Level 2 qualifications gained. However, these did not translate into improvements in later outcomes and has been rated **negative**. The programme has since been redesigned, with new contracts issued at the start of 2020. However, it is too soon to assess whether these changes have improved the performance of the service.

25 Case management for people with health conditions or disabilities has so far had limited impacts on returning people to work, with Work Focused Case Management – Health and Disability (WFCM-HCD) (which provides specialised case management and employment support for people with health conditions or disabilities) achieving only a small reduction in the time participants spent on the main benefits (Welfare Expert Advisory Group, 2019). It should be noted, however, that in these instances the amount of case management people received was low. Case management is likely to be a necessary – but not, on its own, a sufficient – measure to assist disabled people into paid employment.

Education and training programmes

Education and training programmes teach participants skills required to work in particular industries.

International evidence

26 Education and training programmes appear to have limited effectiveness in OECD countries, though most studies tend to find that their effectiveness can become more positive over time. For example, Malo (2018) finds that although in the short term they are often completely or almost ineffective, they have clear positive impacts in the medium term.

- 27 Training interventions tend not to be as effective among low-skilled groups as other ALMPs. However, Escudero (2018) finds that raising the allocation of resources to the administration of training programmes can lower the unemployment rate in OECD countries both overall and among the low skilled.
- 28 Such findings need to be interpreted in the context of a country's economic conditions. Investing in training is likely to be more effective in an economic downturn, where new employment opportunities are scarce. This is particularly the case for young people, who tend to be more equipped to gain the necessary skills for high quality work when economic conditions lift (OECD, 2018).
- 29 Classroom training appears to benefit job seekers who have a base level of education but are not so highly educated that they will receive no further benefit. Given that they are among the most expensive programmes, where offered, they need to be appropriately targeted, small scale, result in qualification/certificates valued by the market, and include an on-the-job component (Johri, de Boer et al, 2004; Grubb, 2001).
- 30 Formal classroom training appears to be most useful for women, particularly those re-entering the labour market (Biewen et al, 2014; Grubb, 2001; Lechner, Miquel, and Wunsch 2007). One study finds that even within the same occupational field, in two out of three cases, women benefit significantly more from retraining than men (Kruppe and Lang, 2018).
- 31 Layard (2003) suggests that classroom training is most likely to succeed when linked to a job that has already been secured. This suggests that general, non-job specific training programmes are not effective (Johri, et al, 2004) – a conclusion reinforced in Immervoll and Scarpetta's (2012) study, which found that on-the-job programmes perform better than basic education classes.

New Zealand evidence

- 32 McGirr and Earle (2019) find that for youth at risk of limited employment, skills training programmes that are not combined with other interventions (such as mentoring or case management) are ineffective and can have negative lock-in effects. This finding was reaffirmed in the evidence drawn from recent consultation with stakeholders for the Long-Term Insights Briefing on youth at risk of limited employment, where respondents emphasised the value of holistic services that addressed multiple barriers to employment, alternative education methods, and the need to incorporate general skills relevant to the labour market (such as financial literacy, life skills and soft skills).
- 33 Older MSD programmes such as Training Opportunities and Foundation Focused Training had **mixed** effectiveness ratings. The programmes included longer-term training and had more general (rather than tailored) subject-matter reach, which led to longer lock-in effects and more variable performance.
- 34 More recent contracted training programmes, such as Training for Work, are more effective (de Boer and Ku, 2021). These effective programmes tend to include an on-the-job component, provide specific training for skill requirements identified by industry, are short-term, and can include culturally appropriate environments for training to take place.
 - a. **Training for Work (TFW)** (\$5.3 million) contracts short duration training courses for people who are likely to be on main benefit long term. TFW courses run for a maximum duration of 13 weeks, and on completion include job placement and post-placement support for participants. Training is provided in a

variety of learning environments including polytechnics, marae, private training establishments and workplaces. TFW is rated as **effective**.

- b. **Skills for Industry** (\$40.1 million) provides short-term job-focused training for people on income support who require up-skilling for specific requirements identified by industry. The programmes are short- to medium-term and tailored to job-specific requirements for particular vacancies (e.g. retail skills, hospitality skills, etc). Skills for Industry is rated as **effective**.

35 The effectiveness of the Training Incentive Allowance (TIA) appears to have decreased over the last 14 years. This might be because between the late 1990s to 2020, there was a decrease in the level of study funded through TIA. In 2010, TIA could only be granted for courses at NZQF Level 3 and below (i.e. secondary school level). From July 2021, eligibility for study up to NZQF Level 7 was reinstated and eligibility was extended to include sole parents on Jobseeker Support main benefits. The effectiveness of this expanded programme can only be assessed at least 24 months from this date.

- a. **Training Incentive Allowance (TIA)** (\$1.2 million) provides financial assistance to sole parents and people with a long-term health condition or disability who are receiving the Supported Living Payment or the Supported Living Payment – Caring For. TIA covers the necessary and reasonable costs of attending a course and includes transport, childcare, course fees, equipment and books. TIA's effectiveness is rated as **mixed**.

Financial support

Financial support includes wage and training subsidies for employers and training or employment-related grants and allowances for individuals.

1 Financial support for employers

International evidence

36 In some cases, subsidised employment has been found to cause displacement of regular employment which, in turn, can make net gains in employment low (Immervoll and Scarpetta, 2012; Grubb, 2001). Subsidies can raise gains, however, through time-limited, well-designed and targeted hiring subsidies, which have been found to reduce unemployment, strengthen the employability of workers and support the most vulnerable population groups (Malo, 2018; IZA and Germany, 2015; Kluge, 2010). These schemes are also easier to scale up operationally than many other types of ALMPs (OECD, 2021).

37 The general assessment across the literature seems to be that wage subsidies are more effective in relation to the long-term unemployed (Card et al, 2018), but there is evidence in Sweden that general wage subsidies, available for all unemployed, can also be effective (Fredriksson, 2020; Forslund, Johansson, & Lindqvist, 2004). As wage subsidies appear to be beneficial for both employers and the unemployed, increased resources devoted to wage subsidies can be expected to be associated with reduced unemployment rates (Fredriksson, 2020).

38 Malo (2018) notes that effectiveness can potentially wane over time. In the short term, subsidised employment and wage subsidies can be effective in placing people into employment, but it is less clear whether subsidies improve work outcomes in the medium and long terms (Malo, 2018).

New Zealand evidence

39 There is evidence that New Zealand wage subsidies, such as Flexi-Wage, largely improve labour market outcomes for jobseekers in the domains of employment, income and lower benefit dependence (Crichton and Mare, 2013). In one study, impacts were still found to be evident after 72 months (Crichton and Mare, 2013).

a. Flexi-Wage is rated as an **effective/promising** employment assistance **intervention**, with positive impacts on employment and net-income. For the 2019/20 financial year, 5,284 Flexi-Wage contracts were approved. Of these, 66% were for Jobseeker Work Ready clients, and 23% of these were for Jobseeker Work Ready clients who had been on benefit for three months or less.

40 Employers have noted, through experience with the COVID-19 Wage Subsidies, Mana in Mahi, and Apprenticeship Boost, that they value certainty in the amounts they will receive; being paid in advance; schemes with a clear purpose and explicit legal framework; and schemes with clearly defined eligibility and associated criteria (REP 20-11-1138).

2 *Financial support for individuals*

International evidence

41 There are a wide range of financial support products available for different circumstances, including work relocation allowances, support to transition into new work, and support to meet the costs of other roles held by jobseekers such as childcare and caring responsibilities.

42 Lack of affordable childcare is a well-documented barrier to employment, particularly for women (Martin, 2014). In the New Zealand context, Māori women – who tend to be less employed, less likely to be promoted, and held to higher standards in the work place than European women – are also significantly more likely to provide family care than other ethnic groups (Alpass, Keeling and Pond, 2014).

43 Hemerijck et al (2016) notes that ALMPs for parents are most effective in promoting employment when combined with early-childhood assistance that “eases the combination of work and family” (p. 48). The availability and quality of childcare services is a relevant factor in assessing the effectiveness of such services (West et al, 2020).

New Zealand evidence

44 The effectiveness of financial support products in New Zealand are difficult to measure. This might be explained by the fact that some such supports are already tied to guaranteed employment, such as \$5k to Work and Transition to Work allowances. Grants and allowances like the Business Training and Advice Grant and Course Participation Assistance are rated as having “no difference”, given that the small number of participants make them difficult to identify whether the intervention has had a positive impact on outcomes. Childcare assistance products are “not feasible” to rate currently.

Job creation

Job creation programmes stimulate demand for labour by creating new employment opportunities or supporting individuals to become self-employed.

International evidence

45 The rationale for job creation schemes is that retaining a link to the labour market is important for future employment, especially among vulnerable groups such as the long-term unemployed.

46 However, international literature seems to find that job creation schemes largely fall short of this objective. Malo (2018) finds that job creation in the public sector tend to have small or even negative average impacts in the short, medium and long term, though they may have positive net social benefits. Immervoll and Scarpetta (2012) find that public sector job creation programmes have mostly produced negative labour-market effects. Grubb (2001) concludes too that direct job creation measures do little to help unemployed people get permanent jobs in the open job market and, where used, should be of short duration and targeted to those most disadvantaged.

47 Created jobs may need to resemble regular employment to be beneficial for individuals (Fredriksson, 2020). However, any positive outcomes from these would need to be balanced by likely large displacement and substitution effects (Fredriksson, 2020).

48 Despite these findings, the extent to which public job creation provide meaningful jobs varies across countries and labour market regimes (Fredriksson, 2020). Liberal regimes – for example, Australia and the United Kingdom – have relied largely on workfare (Dingeldey, 2007), whereas some Social Democratic regimes have created more advanced jobs with market-level wages (Wadensjö, 2007). To varying degrees, job creation programmes may be able to impart both basic employability as well as occupational and social skills (Fredriksson, 2020).

49 Interventions to support transitions from unemployment into self-employment, while reducing unemployment in the short run, may have little additional job creation impacts. This is because self-employed workers tend not to employ others: according to the International Labour Organisation, an average of only 31% of self-employed workers hire other staff across developed countries. Furthermore, and as noted by Congregado, Golpe and Carmona (2010), such measures can be ill-targeted and attract people who are not well suited to self-employment. This thus may result in only temporary employment effects (Cowling and Wooding, 2019).

New Zealand evidence

50 Self-employment financial assistance (**Flexi-wage Self-employment**, \$2.1 million) had a **negative** impact on net-income and reduced the time in employment (though the latter trend is statistically insignificant). An earlier self-employment subsidy programme called Enterprise Allowance also significantly reduced net income and made no significant difference to the time in employment over a 16 year follow up period. The negative impact for self-employment assistance on income may reflect the tax efficiency of self-employment relative to receiving wages or salary. It also may reflect the fact that the failure rate for starting new businesses is generally high.

51 Under the Flexi-wage Expansion starting in 2021, MSD is undertaking pilots to test the right mix of pastoral care, mentoring and business support needed to help people to start their own business. MSD has also increased the amount of Business Training and Advice Grant payable from up to \$1,000 to up to \$5,000. Flexi-wage Self-employment will continue to be monitored and evaluative using an iterative approach to see if these changes translate to improvements in its effectiveness.

Vocational rehabilitation programmes

52 Vocational rehabilitation is a managed process that provides an appropriate level of assistance for individuals, based on assessed needs, to achieve a meaningful and

sustainable employment outcome. This commonly involves assessments, counselling, training, placement and long-term supports.

International evidence

- 53 Individual Placement and Support (IPS) is an approach to employment support for people with severe mental illness and/or addiction. It usually involves employment specialists co-locating and working in an integrated way with a publicly funded specialist mental health or addiction treatment team. It emphasises rapid placement into employment aligned to the jobseekers' preferences. Both the jobseeker and the employer receive support to sustain employment.
- 54 IPS has consistently demonstrated significantly greater effectiveness than other vocational approaches in helping adults and young adults with severe mental illness into work (Bond et al, 2016; Modini et al, 2016). There is emerging evidence that IPS can be effective for groups other than those with severe mental illness, including people with anxiety, depression, post-traumatic stress disorder (PTSD), spinal cord injury, and substance use disorders (Fadyl et al, 2020; Bond, Drake, & Pogue, 2019).
- 55 There is, however, little evidence on the effectiveness of IPS for indigenous people, ethnic minorities, or culturally-specific or adapted support models. New Zealand is currently exploring how the IPS model could be designed in a way that meets the needs of Māori.
- 56 Besides IPS, integrated health and employment models have been found to be effective for other groups, including those with addictions, autism spectrum disorder or chronic pain (Welfare Expert Advisory Group, 2019).
- 57 There is also evidence that multi-domain interventions comprising, for example, healthcare provision, service coordination and work accommodation components, are effective for people with musculoskeletal or pain-related conditions and mental health conditions (Welfare Expert Advisory Group, 2019; Cullen et al, 2017).
- 58 Vocational rehabilitation is not necessary for all disabled people outside the labour market.⁸ However, for those facing multiple, complex barriers to returning to work alongside their health conditions or disabilities, individualised, evidence-based vocational rehabilitation interventions can offer nuanced support to address their range of barriers (Welfare Expert Advisory Group, 2019).
- 59 Across the OECD there has been a rise in the number of people claiming health and disability benefits, particularly for common mental health conditions such as depression and anxiety. Evidence of what works to support return to work for this group is more limited (Fadyl, Anstiss and Reed, 2020).

New Zealand evidence

- 60 The Accident Compensation Corporation (ACC) provides integrated return-to-work assistance but only to earners who have had accidents. This support has a strong focus on early intervention, medical and occupational assessment, vocational rehabilitation and a fast return to work. There is evidence that the approach taken by

⁸ For example, a person's health condition or disability may not be the main barrier to their getting a job (e.g. a lack of educational qualifications may be the main barrier). Others may just need time to recover from illnesses and can then quickly return to work.

ACC is effective in returning earners to work. One study finds that earnings-related compensation and rehabilitative support, available to injured people via ACC, largely prevents the downward spiral into poverty and ill health (Welfare Expert Advisory Group, 2019 citing McAllister et al, 2013; Paul et al, 2013).

61 IPS services have been piloted and are operating in some areas of New Zealand, such as Auckland, but are not available in many District Health Boards (DHBs). They are also not available at sufficient scale to meet demand in several areas (Lockett, Waghorn, & Kydd, 2018; Welfare Expert Advisory Group, 2019). Increasing the scale and improving access to evidence-based integrated approaches has been recommended in several reports, including the 2018 OECD country report Mental Health and Work: New Zealand (OECD, 2018) and the report of the Welfare Expert Advisory Group (2019).

Additional factors that influence ALMP effectiveness

Employer behaviour and involvement

62 Several studies find that there is a need to involve employers and employer organisations in the policy process in order to make ALMPs effective and responsive to the demands of the labour market (Bredgaard, 2018; Bredgaard and Halkjær, 2016; Martin and Swank, 2012).

63 For instance, training and education programmes are most effective when coupled with an “on the job” component. Such programmes rely on employers who are willing to participate and engage positively. In other situations, changes to recruitment practices may be necessary to open up the labour market for qualified and motivated unemployed jobseekers (such as refugees and disabled people) (Bredgaard, 2018).

64 Bredgaard’s (2018) study set in Denmark, which has a high proportion of employers engaged in ALMPs, finds that of the 1,499 employers who responded to his survey, the majority were not involved in ALMPs and had negative attitudes about them. Over a third of respondents were “passive” – i.e. they did not participate in ALMPs but had positive opinions as to the ability of such interventions to work. This implies that more can be done to increase ALMP demand by emphasising the relevance of ALMPs to employers and building awareness of these interventions.

ALMP effectiveness is dependent on the broader economic and structural context

65 The Government’s intended direction for the economy will have an impact on the mix of ALMPs selected and the kinds of outcomes sought. For example, objectives to reduce unemployment rates in absolute terms will likely require high investment in ALMPs that provide job search assistance backed with client obligations and sanctions. More nuanced objectives to assist people into higher quality employment may mean prioritising training and re-training initiatives, investing in long-term coaching and mentoring services, and creating jobs that suit a diverse labour force.

66 The fact that net impacts of ALMPs in aggregate tend to be modest indicates the impact of broader issues – including market drivers of labour demand, firms’ ability to hire, and jobseekers’ availability for work – on the causes and impacts of changing unemployment. Providing appropriate support for jobseekers to find new work is one important component to limiting negative long-term economic impacts, but success is not guaranteed.

67 ALMPs that are less successful in periods of high employment may be more successful in an economic downturn, and vice-versa, due to the differing likelihoods

of indirect impacts such as the displacement effect. In a downturn it can be more advantageous to invest in longer-term training to raise human capital while new job opportunities are low. Furthermore, lock-in effects usually associated with training programmes are less of an issue during times of weak labour demand (OECD, 2021). On the other hand, in periods of economic growth, the Government may wish to prioritise moving people quickly into work.

- 68 Large scale labour market changes may increase the need for ALMPs. Climate change, automation, globalisation and demographic changes are megatrends already affecting the labour market in both the tasks and kinds of skills needed. The International Labour Organisation sees ALMPs as one of several critical levers in transitioning to a fit-for-purpose, greener economy (ILO, 2017).
- 69 Large scale labour market changes can also highlight weaknesses in the existing mix of ALMPs and prompt adaptation. COVID-19 has highlighted the need to adapt how ALMPs are delivered (Eichhorst, Marx and Rinne, 2020). This could be, for example, by utilising digital tools to better support workers and firms in job search support, placement and training interventions, as well as looking at ways to better link earning and retraining interventions to better support those at risk of losing their jobs.
- 70 Targeted skill development strategies to cater for structural changes will need to support adaptation and in-work reskilling within affected industries as well as supporting displaced workers to transition into sustainable sectors (ILO, 2018). In addition, ensuring people have fundamental, lifelong skills through education and training will position them well to adapt to the changing nature of work (ILO, 2017).
- 71 Additionally, expected demographic changes are likely to affect the skills requirements of the ageing labour force, including increased technological competencies and the skills required to face increased demand in caring professions (ILO, 2018).
- 72 Such shifts can result in skills mismatches and a labour force that is ill equipped to meet industry needs. ALMPs will be needed to assist with upskilling, reskilling, and to provide coordinated and tailored job matching support. It will also be important for ALMPs to continue to support people who need to acquire key foundational skills such as job-readiness, literacy, numeracy, digital skills and interpersonal skills, to enable a workforce that is flexible and adaptable to change (ILO, 2018).
- 73 ALMPs cannot be seen in isolation from passive labour market policies (or out-of-work income support). Increased spending on unemployment insurance and ALMPs appears to incentivise individuals to remain in the labour force (ILO, 2019). This might be because participation in ALMPs is compulsory for the receipt of unemployment insurance.
- 74 In welfare and insurance contexts, income support settings can enhance return to work. For people with health conditions and disabilities, settings that encourage people to use remaining work capacity are beneficial such as settings that encourage part-time work. These settings can be used in conjunction with ALMPs (Viikari-Juntura, Virta, et al, 2017).

Wider, whānau-focused supports are valued by jobseekers

- 75 ALMPs can have multiple outcomes and features. Insights into the value of such features from those who have participated in ALMPs first-hand provide useful evidence to complement empirical data.
- 76 Consultation from a range of stakeholders on MSD's employment investment strategy and the long-term insights briefing about youth at risk of limited employment has identified the importance of:

- a. recognising employment is a means of supporting whole whānau or family well-being, not just individuals
- b. the impact of intergenerational dependency, or intergenerational low-level employment and earnings
- c. ensuring programme design and funding reflect recognition of employment that supports wider wellbeing, such as positive mental health outcomes
- d. building supports, both for employers and employees, that help people stay in work
- e. the value of wrap-around programmes, and adequate funding of these
- f. ensuring contracts allow services the flexibility to support non-employment outcomes while helping people to stay in work
- g. working with industry to plan for future employment needs
- h. the value of “earn while you learn” initiatives, school-based traineeships and youth employability programmes provided while at school, with mentors or coaches that stick with young people from school into employment
- i. navigator services and careers support
- j. foundational support for general life skills and building confidence, e.g. driver licensing, financial literacy, personal health and hygiene, keeping a routine, motivation and developing a growth mindset.

Implications for policy

77 Broader takeaways for future policy development can be summarised as follows:

- a. **Targeting is important.** Most analyses conclude that ALMPs are successful when highly targeted, designed with the specific needs of the target cohort in mind, and with appropriate complementary support measures. This reflects the range of possible barriers that individuals face in relation to labour market attachment. These can range from skills gaps, reduced ability to engage in job searches, and motivational issues to discrimination and health or disability considerations.
- b. **ALMPs with an “on the job” component are more likely to be effective.** The higher the relevance of the ALMP to the needs of employers, the more likely it will have a positive impact on labour market participation.
- c. **Classroom based ALMP training measures often have poor outcomes.** This is likely due to a lack of relevance between the training offered and the needs of employers, as well as the length of the courses. COVID-19 has reinforced the need to consider other means of delivering training that better meet people’s learning styles and circumstances.
- d. **On the other hand, skills-focused, culturally appropriate training can be effective.** New Zealand programmes that include an on-the-job component, provide specific training for skill requirements identified by industry, are short-term, and take place on locations such as marae tend to perform well.
- e. **Considering the cultural appropriateness of all ALMPs is important.** More work needs to be done on understanding and implementing ALMPs that suit different ethnic and cultural groups.
- f. **While ALMPs tend to have modest impacts, they play an important role in increasing access to employment for those furthest from the labour market.** The longer that individuals are unemployed or out of work, the less

likely it is for them to find jobs without assistance. As such, ALMPs will be needed at some point or another to support entry or return to work for the long-term unemployed.

- g. **Programmes that integrate several interventions and supports are most effective for those with multiple barriers in the labour market.** Such interventions could range from training to counselling, pastoral care, coaching, and income support.
- h. **Coaches and mentors that stay in a young person's life through school and into employment are important.** Consultation with a range of stakeholders identified the importance of services that offer consistent mentorship and support over a long period of time to retain motivation.
- i. **Employer behaviour and involvement is critical to ensure ALMPs are effective and responsive to the demands of the labour market.** Wider outreach to increase employer participation in ALMPs and ensure workplaces are inclusive and supportive can improve ALMP effectiveness.
- j. **All findings should be interpreted in light of a country's economic conditions and the levels of welfare assistance available.** The broader context of how much or how little welfare support exists is relevant to what initiatives are prioritised and what will be effective.
- k. **A coherent, cross-government approach is beneficial.** Given the interrelation between ALMPs and broader employment, education and other social policies, a complementary cross-government response will help improve outcomes.

78 Given the range of possible effects from ALMPs, any programme needs to be supported by strong evaluation frameworks. This helps to ensure that more poorly performing systems can be redesigned and improved, or else closed to free up resources for more effective programmes. This recommendation has previously been made by the Productivity Commission (2020). A trial-based approach, as used by the Ministry of Social Development, is also appropriate when rolling out new programmes.

Cohorts analysis – work in progress [SOURCES ADDED 4/11/21. BEFORE SHARING CONSIDER WHETHER SOURCE INDICATIONS SHOULD BE REMOVED EG IN CONFIDENCE BRIEFINGS]

Work is underway in response to recommendation 35 of the Welfare Expert Advisory Group¹ to identify the characteristics of people most likely to need support to get or retain employment in the next five years. Preliminary insights from this work advise that:

- The people with the greatest need for employment support are concentrated in the benefit system.
- Young people have 'very high' potential need for employment support. This is probably driven by high rates of multiple other indicators of need.
- People on Job Seeker-Work Ready benefit with sustained low incomes include high proportions of those with housing need, Oranga Tamariki history, and Corrections history.
- People on Job Seeker-Health conditions and Disabilities benefits are rated as having a 'very high' potential need for employment support. This may reflect the significant barriers that health conditions present to gaining and sustaining employment.
- People on Supported Living Payment include about 20 percent of recent users of specialist mental health and addiction services.
- There are probably some working-age people not on main benefits who could benefit from employment support. These people are relatively more likely to have histories of mixed or sustained low incomes.
- Sizeable proportions of those with recent main benefit history, or intergenerational benefit history, are currently not on main benefits and have at least some income.
- Similarly, sizeable proportions of those with Care and Protection history, or Youth Justice history, are currently not on main benefits and have at least some income.

Note there are limitations in the data analysis that is the source of this advice, including that it is based on IDI data readily available so does not capture everything pertinent to someone's need for employment support, and it does not take into account partnering (or family circumstances). It is also noted that people in the groups described above will go on to experience a range of employment (and other) outcomes – being in a particular group is not determinative of someone's future outcomes. [Sourced from MSD Employment Investment work as at September 2021]

Note the table outlines the needs of cohorts, but individuals may fall into more than one cohort and therefore face multiple forms of disadvantage.

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
Young people (15–24)	<p>Younger workers are generally overrepresented in non-permanent forms of employment, including casual, temporary, fixed term and seasonal working arrangements.</p> <p>Younger people are more likely than other groups to hold multiple jobs.</p> <p>Part-time work arrangements are disproportionately held by women and younger and disabled workers.</p> <p>Young people have 'very high' potential need for employment support. This is probably driven by high rates of multiple other indicators of need.</p>	<p>Job brokerage and placement/matching</p> <ul style="list-style-type: none"> • There are several MSD intensive services aimed at young people who are NEET, with evaluations showing mixed to negative results. MSD's largest case management service for youth, Youth Service (NEET) is currently assessed as negative. • Other agencies provide similar services to NEETs and young people generally, suggesting potential for coordination across agencies to ensure 'best fit' for clients, and to improve effectiveness of some services. • Employers' capacity to take on participants in work placement schemes, such as Mana in Mahi may be impacted by COVID-19. <p>Work-related education and training</p> <ul style="list-style-type: none"> • Young people leaving school have access to universally available tertiary education 	<p>Labour market outcomes and issues⁴</p> <ul style="list-style-type: none"> • General employment patterns for young people are following the same trend as after the GFC. • Employment rates for 15–19 and 20–24 age groups have increased, participation rates have remained relatively constant. • NEET rates have fallen (10.8 per cent compared to 11.8 in June 2020 and 11.1 in June 2019). • There has been a strong uptick in the number of young people employed and in education. • Young people have been disproportionately impacted by past recessions and appear to be affected in greater numbers by the current recession. YP and YPP uptake has increased since COVID-19 and YP make up the majority of the recent increase in benefit numbers. • Māori are overrepresented amongst young people on main benefits. 	<p>Societal and economic factors contributing to disadvantage⁵</p> <ul style="list-style-type: none"> • Young people are entering a labour market in conditions markedly different from previous generations. • Fewer stable and secure career pathways available, particularly for school leavers without further training or education. • Employers increasingly expect employees to have 'soft skills' as well as qualifications. • Extended periods of unemployment at a young age can increase future labour market disadvantage. 	<p>Barriers to employment that could be experienced by individuals in this group⁶</p> <ul style="list-style-type: none"> • Early disengagement from education • Limited work experience. • Mental health and disability-related barriers. • Employer reluctance to hire younger workers – could be to do with, for example, recent increases in minimum wage levels extending adult rates down to lower age levels might be barriers for at least some youth in acquiring early work experience; negative employer perceptions about young people's attitude to work. • Caring responsibilities for children or other family members (especially for young mothers). • Barriers related to socio-economic disadvantage, e.g. poor health, housing, location, transport. • Lack of driver licence. 	<p>The Youth Employment Action Plan has been developed with actions to:</p> <ul style="list-style-type: none"> • prevent young people falling into limited employment and non-participation in education and training • support people to make informed choices through complexity • support people to overcome barriers to employment. <p>Opportunities to improve young people's outcomes, identified in the action plan, include:</p> <ul style="list-style-type: none"> • increasing driver license uptake • effective pastoral care / 'whole-of-person' services • incentives for employers to hire younger workers • work experience and on-the-job training • career assistance and job brokering

Commented [JM1]: This came from an EET document, July 2020. NO evidence in our stocktake.

¹ Recommendation 35: Establish an effective employment service of the Ministry of Social Development so it is better able to assist people to obtain and keep good, sustainable work

² Source [IN CONFIDENCE] DPMC Briefing of 25/6/2020/21-1131

³ Source EET Cohort analysis report to EET DCEs 6/7/2020

⁴ Sourced by MBIE

⁵ Sourced from MSD Employment Investment work as at September 2021

⁶ ibid

⁷ ibid

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
		<p>courses and financial assistance. We expect tertiary enrolments to rise, reflecting an increase in unemployment. The fees-free trades training schemes for construction, agriculture and community work may also contribute to the expected increase in uptake.</p> <p>Job creation</p> <ul style="list-style-type: none"> Employment opportunities for tertiary students nearing the end of their study are likely to decrease over the course of the recession. Employment available through job creation schemes may not be well suited to graduates' skills. <p>Financial support</p> <ul style="list-style-type: none"> Sectors employing young people showed high uptake of the wage subsidy scheme, but underemployment and job insecurity are likely to increase as this support winds up. The student hardship fund was established to support students to stay connected to study. 	<ul style="list-style-type: none"> In almost all years (excluding 2017), young people aged 15-24 were the greatest number of people economically displaced. Young Maori are a particularly high proportion of this group in all years. 			<ul style="list-style-type: none"> addressing barriers to employment for young disabled workers.
Disabled people, including those with health conditions	<p>Disabled people and people with health conditions are overrepresented in the benefit system.</p> <p><u>Māori are disproportionately likely to leave work due to a health condition or disability.</u></p> <p>Part-time work arrangements are disproportionately held by women and younger and disabled workers.</p> <p><u>Most tend to spend a longer time between spells of employment than economically displaced workers, with a greater proportion spending more than 12 months between jobs. However, there is still a small but substantial number who are reemployed in less</u></p>	<p>Job brokerage and placement/matching</p> <ul style="list-style-type: none"> Case management is beneficial for benefit recipients with complex needs but face to face employment support services within the welfare system are currently under considerable pressure as a result of increased demand for income support. <p>Vocational rehabilitation</p> <ul style="list-style-type: none"> There are currently no evidence based integrated employment and health services available at scale. (There have been small-scale moves – in 2021 supported employment services for young people with mental health conditions were rolled out, including the establishment of "E Ara E – Rise Up!" in Auckland and the 	<ul style="list-style-type: none"> <u>Disabled people generally have poorer labour market outcomes.</u> <u>People who leave work due to their own illness or injury appear to be particularly vulnerable and are generally worse off than those who are economically displaced.⁸</u> <ul style="list-style-type: none"> Around 42.5% of disabled people are employed, compared to 78.9% of non-disabled people. The gap in employment rates has remained roughly the same in the five years StatsNZ has collected this data. Part-time work arrangements are disproportionately held by disabled workers (as well as women and young people). 	<ul style="list-style-type: none"> Under the social model of disability (which underpins the United Nations Convention on the Rights of Persons with Disabilities and the New Zealand Disability Strategy), disability is what happens when people with impairments face barriers in society. Societal attitudes and beliefs concerning the employment of disabled people have only relatively recently started to change. Negative attitudes about the potential of disabled people underlie many of the barriers that disabled people face. 	<ul style="list-style-type: none"> Lack of work experience for young people (e.g. after-school jobs). Low expectations from others about their ability to work. Limited access to career guidance. Prejudice and discrimination (e.g. from employers, landlords, people in other institutions). Lack of access to support and services needed to secure and sustain employment. 	<p>The New Zealand Disability Strategy 2016 – 2026 identifies 'employment and economic security' as one of its outcome areas.</p> <p>A Disability Employment Action Plan has been developed. Its long-term aspiration is to ensure disabled people and those with health conditions have equal opportunity to access good work.</p> <p>Relevant priorities include:</p> <ul style="list-style-type: none"> More and better employment services. Information and support for employers. Career pathways at all stages of life and for diverse needs and aspirations.

⁸ Source [IN CONFIDENCE] DPMC Briefing of 25/6/21 2020/21-1131

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
	<p>than 3 months (12%) and between 3 and 6 months (8%). They are also most likely to be in couple households, and therefore less likely to be eligible for benefit payments.</p>	<p>expansion of “Take Charge” in Canterbury)</p> <ul style="list-style-type: none"> Outside of the ACC system, access to vocational rehabilitation to support employment retention is limited. <p>Work-related education and training</p> <ul style="list-style-type: none"> Longer-term training and education while on benefit is discouraged through existing system settings, apart from settings for sole parent support. <p>Job creation</p> <ul style="list-style-type: none"> Jobs requiring considerable physical work will not be suitable for many health and disability benefit recipients. It is unclear how many job creation initiatives support part-time work which can better suit many people with a health condition and disabled people. <p>Financial support</p> <ul style="list-style-type: none"> Disabled people often face additional costs entering employment. Support available may not be sufficient to meet these costs. 				<p>The Disability Employment Action Plan highlights:</p> <ul style="list-style-type: none"> timely, personalised and flexible employment services, particularly with a strengths focus. place-based and community or industry driven initiatives and partnerships.
Māori	<p>Māori workers are generally overrepresented in non-permanent forms of employment, including casual, temporary, fixed term and seasonal working arrangements. Māori men make up nearly one-third of seasonal workers.</p>	<p>Work-related education and training</p> <ul style="list-style-type: none"> Targeted Initiatives are mostly pathways to trades, rather than into university level education and professions. Longer-term training and education while on benefit is generally discouraged through existing system settings, apart from settings for sole parent support Mainstream EET interventions could be reviewed to assess whether they are responsive to Māori and work for Māori. 	<ul style="list-style-type: none"> Māori have poor labour market outcomes and are overrepresented on benefit, in part, because, on average, Māori have lower educational attainment and are overrepresented in lower-skilled industries and occupations that are typically more adversely affected in an economic downturn (WEAG, 2019). COVID-19 is having large and disproportionate impacts on Māori. Māori have tended to be affected by economic displacement at higher levels than Asian or Pacific people⁸ 	<ul style="list-style-type: none"> Many Māori migrated from rural areas to cities in the mid-20th century to take up expanding work opportunities. Despite increasing education levels and movement into higher-skilled occupations, Māori continue to be more likely to work in lower-skilled occupations and ones which are more vulnerable to technological and economic changes. Māori also experience higher levels of socio-economic disadvantage, related to the ongoing impacts of colonisation. 	<ul style="list-style-type: none"> Mismatch between skills/education and labour demand. Location – particularly in less urbanised regions. Barriers related to socio-economic disadvantage, e.g. poor health, housing, location, transport. Prejudice and discrimination (e.g. from employers, landlords, people in other institutions). Māori also experience higher rates of disability (see also ‘disabled people’). See also ‘young people’. 	<p>A Māori Employment Action Plan is being developed.</p> <p><i>He Kai Kei Aku Ringa, the Crown-Māori Economic Growth Partnership</i>, was refreshed in 2017 and its goals include growing and upskilling the Māori workforce. It seeks to reduce Māori unemployment and NEET rates and increase incomes.</p> <p>MSD has a Māori Strategy, Te Pae Tata.</p>

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
				<ul style="list-style-type: none"> Māori are a youthful population. Proportionally more Māori young people are employed compared to other ethnic groups, suggesting that many seek employment upon leaving school rather than undertake further study or training. 	<ul style="list-style-type: none"> Māori are a youthful population. Proportionally more Māori young people are employed compared to other ethnic groups, suggesting that many seek employment upon leaving school rather than undertake further study or training. 	<ul style="list-style-type: none"> Māori are a youthful population. Proportionally more Māori young people are employed compared to other ethnic groups, suggesting that many seek employment upon leaving school rather than undertake further study or training.
Pacific peoples	Pacific workers are generally overrepresented in non-permanent forms of employment, including casual, temporary, fixed term and seasonal working arrangements.	<p>Work-related education and training</p> <ul style="list-style-type: none"> Pacific peoples are concentrated in low paying jobs. Targeted Initiatives are more likely to be pathways to trades, rather than into higher education and higher skilled/paid professions. Mainstream EET interventions could be reviewed to assess whether they are responsive to Pacific Peoples and work for Pacific Peoples. <p>Job creation</p> <ul style="list-style-type: none"> Job creation initiatives targeting Māori are concentrated in primary industries and the environment. 	<ul style="list-style-type: none"> Poorer labour market outcomes when compared to the total population: <ul style="list-style-type: none"> Higher unemployment rates Lower employment rates Higher underutilisation rates Along with Māori, Pacific people have been more heavily affected by COVID-19, and labour market outcomes are both below the total population and have not recovered to pre-COVID levels for Pacific People. 	<ul style="list-style-type: none"> Many Pacific peoples migrated to New Zealand to work in the expanding manufacturing sector in the mid-20th century. The majority of the population is now New Zealand-born. Despite increasing education levels and movement into higher-skilled occupations, Pacific peoples still, on average, have lower levels of educational qualification and are more likely to be employed in lower-skilled occupations and those more vulnerable to technological and economic changes. Related to this, Pacific peoples experience higher levels of socio-economic disadvantage. Pacific peoples are also a youthful population. 	<ul style="list-style-type: none"> Mismatch between skills/education and labour demand. Barriers related to socio-economic disadvantage, e.g. poor health, housing, location, transport. Significant commitments outside of paid work (e.g. caring and volunteering). Prejudice and discrimination (e.g. from employers, landlords, people in other institutions). See also 'young people', 'disabled people', and 'refugees, recent migrants and ethnic communities'. 	<ul style="list-style-type: none"> 'Prosperous Pacific communities' is a goal identified in the <i>Pacific Aotearoa – Lalanga Fou</i> report which articulates a shared vision for Pacific Aotearoa. This includes improving Pacific peoples' participation in the labour market. It highlights the importance of Pacific-led solutions. A Pacific Employment Action Plan is being developed and will provide further policy direction. An All-of-Government Pacific Wellbeing Strategy is also being developed. MSD has a Pacific strategy, Pacific Prosperity.
Older workers (50+)	<p>Older people who are on JobSeeker Support Benefit are overrepresented as long-term benefit recipients.</p> <p>Also see description of labour market outcomes and issues.</p>	<p>Job creation</p> <ul style="list-style-type: none"> Job creation initiatives are targeted at certain sectors. Older jobseekers may not be able to participate in jobs requiring a high degree of physical work. <p>Vocational rehabilitation</p> <ul style="list-style-type: none"> As people age, they are more at risk of developing a health condition or a disability that impacts on their work capacity. Outside of the ACC system, access to vocational rehabilitation is limited. Some people who develop a health condition or a disability may need to retrain as they can no 	<ul style="list-style-type: none"> There have not been signs of displacement for older workers since COVID-19 There continues to be growing participation and employment for workers over 65 years. Older workers (55-64 years and 65 years and older) make up a greater proportion of people displaced due to HCD.¹⁰ Underutilisation is lower for older workers than other age groups across all ethnicities and both sexes but is a continuing problem for some older workers. Underutilisation rates are higher for older Māori and 	<ul style="list-style-type: none"> Employment is becoming increasingly important for older workers as a source of financial security, especially as home ownership declines. Some older workers re-entering the labour market find their skills do not match current labour market demand. Societal attitudes concerning age can mean that employers are reluctant to hire older workers, and many workplaces are not well-suited to the needs of some older workers. 	<ul style="list-style-type: none"> Mismatch between skills and labour demand, with limited opportunities to upskill. Barriers relating to age- or work-related injuries or disabilities (see also 'disabled people'). Prejudice and discrimination (e.g. from employers, landlords, people in other institutions). Potentially lower geographic mobility Digital exclusion. Significant commitments outside of paid work. 	<p>An older workers employment action plan is being developed.</p> <p>'Achieving financial security and economic participation' is an action area of the <i>Better Later Life – He Oranga Kaumātua</i> strategy, identifies the need for:</p> <ul style="list-style-type: none"> working environments that provide support through upskilling, retraining, flexible work environments, and providing opportunities for learning and development regardless of age ageism, discrimination, negative stereotypes and attitudes towards older workers are confronted

¹⁰ Source [IN CONFIDENCE] DPMC Briefing of 25/6/21 2020/21-1131

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
		longer undertake their previous employment.	<p>Pacific workers, and for older women over older men.</p> <ul style="list-style-type: none"> The effects of displacement can have a greater impact for older workers on re-employment rates and earnings impacts. Displacement can also affect retirement, as most retirement saving is done after age 50. Older workers are overrepresented as long-term recipients on Job-Seeker Support. 		<ul style="list-style-type: none"> older workers who are looking for work, wanting to be self-employed or need to upskill or retrain are supported. 	
Refugees, recent migrants, and ethnic communities	<p>Former refugees, recent migrants and ethnic communities face barriers to employment as employers may not recognise their prior work experience and skills while also requiring New Zealand work experience. Understanding and adjusting to the New Zealand workplace are other significant challenges to employment.</p> <p>Convention refugees do not have access to the same wrap around support that quota refugees receive so may be in greater need of employment support.</p> <p>Recent migrants also experience challenges in the workforce due to exploitation.</p> <p>The diversity within ethnic communities in New Zealand creates a challenge for collecting and monitoring data for this group as whole.</p>	<p>Work-related education and training</p> <ul style="list-style-type: none"> Interventions aimed at migrants and former refugees are focused on short-term skills building. 	<ul style="list-style-type: none"> Around 40-50% of refugee arrivals are in paid work by the five-year mark of being in the country (2018 data). Over the last decade, the speed in which refugees enter into paid employment has increased As at 31 May 2021, there were 275,800 recent migrants in NZ (of which 32% are on resident visas). 75% of resident recent migrants are of working age population Employment rates for recent migrants in the year ended June 2018 were similar to the total population (69% vs 68% for total). In the 2018 Migrant Survey, 85% of recent migrants reported working for a wage or salary Particular groups that may face labour market challenges are recent Pacific migrants and secondary migrants. The latter are more likely to be female. Migrant consultations in 2018 found that employment was an area where migrants experienced the most challenges while settling in NZ. This included pursuing employment opportunities and understanding and adjusting to the NZ workplace. Employers identified workplace culture and communication as key barriers. There are data gaps for ethnic communities on outcomes and 	<ul style="list-style-type: none"> Migration has been a significant source of labour for New Zealand. While those in skilled resident or temporary labour migrants have good employment outcomes, those in non-labour market tested categories may experience challenges. The nature of labour market challenges that migrants experience will likely relate to a number of factors including English language proficiency, prior employment experiences and qualifications etc. 	<ul style="list-style-type: none"> English proficiency may be a barrier for some. Lack of familiarity with New Zealand culture. Lack of recognition of skills and experience gained overseas. Challenges navigating the New Zealand labour market. Prejudice and discrimination (eg from employers, landlords, people in other institutions). 	<p>An action plan for refugees, new migrants and ethnic communities is under development.</p> <p>The <i>New Zealand Refugee Resettlement Strategy</i> includes a goal of self-sufficiency – “all working-age refugees are in paid work or are supported by a family member in paid work.”</p> <p>One of its priorities through to 2020 is to connect refugees to employment, including the following actions:</p> <ul style="list-style-type: none"> Explore the Work and Income case management process, and assess how these can be more closely tailored to people from refugee-backgrounds. Identify models of good practice for refugees, including refugee youth, to access skills training (eg government and privately-funded apprenticeships/internship) and continued learning

Commented [JM2]: How many people is this, per annum?

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
			barriers, but research suggest skills and experience, discrimination and cultural differences and financial and social capital barriers play a role in limited access to the labour market.			
Women	Women are generally overrepresented in non-permanent forms of employment, including casual, temporary, fixed term and seasonal working arrangements. Women are more likely than other groups to hold multiple jobs. Part-time work arrangements are disproportionately held by women and younger and disabled workers.	Job brokerage and placement/matching <ul style="list-style-type: none"> Case management is beneficial for sole parent benefit recipients with complex needs but face to face employment support services within the welfare system are currently under considerable pressure as a result of increased demand for income support. Work-related education and training <ul style="list-style-type: none"> Apprenticeships are trades focused and predominantly employ men. Take up of apprenticeships for women could be improved (e.g. women represented 13.6% of participants in 2019). Job creation <ul style="list-style-type: none"> Women are employed in high numbers in industries disproportionately impacted by COVID-19. Job creation initiatives are concentrated in industries where women have a low representation. More specific consideration could be given to the employment needs/barriers of those with caring responsibilities that may not be addressed through broad-based job creation initiatives. May need additional support to participate in created jobs (e.g. flexible work arrangements) Financial support <ul style="list-style-type: none"> Sole parents within the benefit system have access to targeted financial support to assist with study. 	<ul style="list-style-type: none"> The COVID-19 response has had a significant impact for women workers, which (while still playing out) has affected administrative and support services; professional, scientific and technical services; and retail trade, in addition to manufacturing and construction. However, employment outcome gaps between men and women have narrowed since the start of the pandemic. <ul style="list-style-type: none"> The initial gap at the start of the pandemic appears to have been mainly due to seasonal issues Structural issues remain: Women in general have higher rates of unemployment and underutilisation, and lower employment and participation rates. 	<ul style="list-style-type: none"> Patterns of employment in New Zealand have a gendered dimension. Women take on a disproportionate share of unpaid caring work and family responsibilities, including breaks from the workforce to raise children. Caring responsibilities were heightened during 2020 lockdown. These issues particularly affect sole mothers, who are also more likely to experience socio-economic disadvantage. Women are historically concentrated in certain industries and more likely to work in lower-skilled, part-time, casual and insecure employment. The COVID-19 pandemic disproportionately affected retail, accommodation, hospitality and recreational sectors, where many women work. 	<p>A women's employment action plan is being developed. Some of the issues likely to be considered are:</p> <ul style="list-style-type: none"> Childcare The relationship between paid and unpaid work Women's labour force attachment Addressing low pay Supporting women in business and entrepreneurship Future trends affecting female-dominated sectors. 	

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
		<ul style="list-style-type: none"> Childcare costs and availability are a strong determinant of parents' ability to return to work, particularly for sole parents, lower wage workers and those with children under 3 years who are not eligible to receive 20 hours ECE 				
Newly economically displaced and those at risk of economic displacement (note – those at risk of displacement due to a disability or health condition are included in the second cohort in this table)	<p>The profile of workers who faced economic displacement (they were made redundant, laid off, or when their employer's business closed) varies depending on the nature of economic shocks faced, but overall:</p> <ul style="list-style-type: none"> a) Maori are disproportionately likely to face economic displacement. b) Young people (15-24 years) are a significant proportion of people economically displaced. c) Most people who are economically displaced are on lower incomes. The median average wage from their previous job is just above the minimum adult wage. d) Re-employment is reasonably fast for a significant proportion, with 24% unemployed for less than 3 months and a further 18% for between 3 and 6 months. e) Most people who are economically displaced are in couple households, and therefore less likely to be eligible for benefit payments. <p>[Source; DPMC Briefing of 25/6/21 2020/21-1131]</p>	<p>Work-related education and training</p> <ul style="list-style-type: none"> People who are displaced may be eligible for work related programmes available through MSD (where eligible); or will generally need to access the standard tertiary education offerings available in their region. <p>Job brokerage and placement/matching</p> <ul style="list-style-type: none"> There is currently little counselling and career guidance available for newly displaced adult workers, including skills identification and information on the range of options available (including government support available for retraining or upskilling). The movement to more web-based services may not meet the needs of workers with low digital literacy, or who would benefit from face-to-face guidance such as through a case manager. In regional areas, MBIE's Skills Hubs may help to fill this need. <p>Job creation</p> <ul style="list-style-type: none"> The majority of job creation initiatives have been in environmental protection, whereas the largest job losses are in the Agriculture, Forestry and Fishing, Accommodation and Food Services and Manufacturing and Professional, Scientific and Technical Services sectors. 	<p>[MBIE advice]</p>	<ul style="list-style-type: none"> Men are consistently displaced in higher numbers than women, reflecting their higher rates of employment In almost all years, young people aged 15-24 were the greatest number of people economically displaced. Young Māori are a particularly high proportion of this group in all years. 	<ul style="list-style-type: none"> Particular economic downturns affect different industries, which in turn leads to differences in the profile of workers most affected. Men were more affected by the 2009 global financial crisis because it had a strong impact on the manufacturing and construction sectors, which remain more heavily male-dominated. However, the COVID-19 response has had a greater impact for women workers, which has affected administrative and support services; professional, scientific and technical services; and retail trade, in addition to manufacturing and construction. Many in this cohort are currently on one of the wage subsidies, which is a time-limited scheme. The question remains of what supports are/should be in place over the short and longer term to help prevent further displacement if possible, or ameliorate the most negative effects of displacement. Some workers will receive redundancy payments but around half will not and may only receive one- or two-weeks' notice of their redundancy. The COVID Income Relief Payment (now discontinued) was designed to assist those who have been displaced and are facing an income shock, by providing temporary income relief and time to adjust living costs and seek new employment. For those who don't apply for a benefit, access to employment supports is generally limited. Evidence suggests that between half and 2/3 of workers displaced do not go on a main benefit, and only a small number will have contact with MSD after their displacement, at least at an initial stage. This may be because they are ineligible due to an earning partner, or for other reasons or barriers such as perceived stigma about welfare take-up. 	<p>A Social Unemployment Insurance scheme is being considered by a cross-agency working group. This work was recommended by the Future of Work Tripartite Forum, which has called for investigation of support for displaced workers.</p>

Cohorts	Characteristics ²	ALMP categories ³	Labour market outcomes and issues ⁴	Societal and economic factors contributing to disadvantage ⁵	Barriers to employment that could be experienced by individuals in this group ⁶	Government policy direction ⁷
	<ul style="list-style-type: none"> Again, the programmes here largely look to support younger people able to relocate, those able and willing to work outdoors in primary sector roles, construction or regional environmental jobs, and/or people in a position to be able to take advantage of longer term training opportunities (i.e. not in households reliant on their earnings to meet household costs). Direct job creation schemes may not be the optimal means of achieving improved employment outcomes for this cohort. <p>[Source EET Cohort analysis to DCEs 6/7/2020]</p>					

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Report

Date:

9 December 2021

Security Level:

IN CONFIDENCE

To:

Hon Chris Hipkins, Minister of Education (Co-Chair)
Hon Carmel Sepuloni, Minister for Social Development and Employment (Co-Chair)
Hon Grant Robertson, Deputy Prime Minister, Minister of Finance
Hon Damien O'Connor, Minister of Agriculture
Hon Stuart Nash, Minister for Economic and Regional Development, Tourism
Hon Kris Faafoi, Minister of Immigration
Hon Willie Jackson, Minister for Māori Development
Hon Jan Tinetti, Minister for Women
Hon Michael Wood, Minister of Workplace Relations and Safety

Review of Active Labour Market Programmes – Gaps Analysis and Investment Principles

Purpose of the report

1 This paper provides an analysis of current Active Labour Market Programmes (ALMPs), identifies gaps in meeting the needs of people who are disadvantaged in the labour market now and in the future, and proposes principles to guide future investment.

Executive summary

2 This is the second of three briefings on the Review of ALMPs. The first briefing covered the definition and categories of ALMPs used for the Review, provided findings from a targeted scan of international and domestic literature, and offered initial insights from a stocktake of ALMPs across government. The third briefing is planned for early 2022 and will address issues of data collection and reporting, and advice about how to improve monitoring and evaluation of ALMPs across government.

3 While many people can navigate the labour market using their own networks and resources, government has a role in supporting people who experience barriers to employment to find and retain sustainable work. This helps to overcome market failures and contribute to a more equitable and efficient labour market.

4 New Zealand's ALMP system has been the subject of discussion in several reports including from the Welfare Expert Advisory Group (WEAG) and the Productivity Commission, as well as the OECD. By OECD measures, New Zealand's spending on ALMPs is at the lower end of that reported across OECD countries but higher than other "Anglosphere" countries – the United States, Australia, and Canada. New

Zealand also has low expenditure on employment supports that integrate health, employment, and other services relative to countries such as Denmark, Finland, and Switzerland.

- 5 A stocktake of ALMPs across 13 government agencies has identified 124 ALMPs that fall within scope of our working definition. Of these, 14 programmes began in 2020 as a direct response to the impact of COVID-19 on the labour market. This means the 'stable' portfolio of ALMPs stands at 110 programmes across nine agencies. Of these, 21 programmes are small in scale, or at a 'pilot' stage, with an investment of less than \$1m each.
- 6 This paper largely focuses on nationally provided ALMPs, however, we recognise that many ALMPs, including those managed from a national level appropriation, are delivered in local communities through regional contracting including partnerships with iwi, hapū and Māori businesses.
- 7 Our analysis found:
 - 7.1 A gap in initiatives specifically responding to economic displacement, including early intervention ahead of displacement and support for retraining or upskilling.
 - 7.2 A gap in initiatives that provide one-to-one, personalised career guidance and support to navigate information about training or retraining. In particular, there will be a gap in regionally available face-to-face, phone and video call career guidance services when current funding for the Direct Career Guidance service ends in June 2022.
 - 7.3 Insufficient interventions for disabled people and people with health conditions who have multiple barriers to employment (noting that some disabled people will be supported through general provision ALMPs).
 - 7.4 A gap in early response interventions for people experiencing mental health deterioration, and integrated health and employment supports for people with mental health conditions.
 - 7.5 A focus on tailored packages of support within agencies, but a need for more to be done across agencies to facilitate users' seamless access to different programmes.
 - 7.6 A gap in support for women, Māori, Pacific People, and youth to move into training and work opportunities that will lead to higher-skilled roles and industries, including improving women's participation in trades. Note that supporting disadvantaged groups into sustainable work is a significant focus of the seven Employment Action Plans and that some proposed actions include establishment or expansion of ALMPs.
 - 7.7 Some overlap in purpose and targeting of apprenticeship and trades-training programmes, and potential for ALMPs to work better alongside the education system to increase opportunities and occupations for work-based learning.
 - 7.8 The number of ALMPs currently available raises a question as to whether there is scope to rationalise or consolidate the current suite of programmes. There is an option to use the draft investment principles to address this question in future.
 - 7.9 There is a need to improve consistency of data collection, reporting and of evaluation for all ALMP programmes.
- 8 Note that there is a range of other work underway, that is likely to address some of the issues identified through our analysis. This includes work on MSD's employment service (welfare overhaul work programme), the review of childcare assistance, the Income Insurance Scheme, the Reform of Vocational Education (RoVE), and the

Employment Action Plans that support the Government’s Employment Strategy (refer Appendix three).

- 9 Both the WEAG and the Productivity Commission recommended extending provision of ALMPs to cater for the needs of displaced workers who are not entitled to MSD income support. MSD is addressing the question of broadening eligibility for its ALMPs through the welfare overhaul work programme.
- 10 We recommend that further work is done to address gaps in initiatives specifically responding to economic displacement, to ensure continued provision of one-to-one, personalised career services and to identify options for addressing the gaps in ALMPs for people with health conditions and disabilities who are not covered by ACC.
- 11 Alongside this further work, we also recommend the introduction of principles to guide investment in ALMPs. These principles align with the Government’s Employment Strategy and MSD’s employment investment work.

Recommended actions

It is recommended that you:

1. **note** that in September 2021 the EET Ministers group agreed to the definition and categories of Active Labour Market Programmes (ALMPs) to be used for this Review
2. **note** that the Review has identified gaps and inefficiencies in our current suite of ALMPs and the way they work together
3. **note** that the gaps analysis was limited by inconsistent data collection across ALMP providing agencies, and varying approaches to evaluation. A further briefing will be provided in early 2022 that explore options to address these issues
4. **agree** that further work is undertaken across relevant agencies [agencies to be confirmed] on the following priority gaps to:
 - a. understand the quantity and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance
 - b. ensure continued provision of a one-to-one, personalised career service to help people to understand the transferability of their skills and the potential occupational and training options that will provide them with a sustainable career or earnings pathway
 - c. identify options for addressing the gaps in ALMPs for people with health conditions and disabilities who are not covered by ACC
5. **note** that work is underway with ACC, MSD and MBIE to understand which ALMPs will be most beneficial alongside the proposed Income Insurance scheme, if there will be barriers to access for insurance claimants and how the interaction between ACC and ALMP providers would need to work to support insurance claimants
6. **note** that agencies’ work programmes are already stretched, and if Ministers agree to further work then officials will provide advice on the scope of the project and impacts on resourcing (including any prioritisation or sequencing)
7. **note** the draft investment principles set out in Appendix two, which are intended to make the investment decisions around individual ALMPs more robust and improve system coordination across the suite of ALMPs
8. **agree** in principle that EET Ministers ensure any future changes to the suite of ALMPs align with the investment principles

9. **note** that you will receive further advice in a briefing in early 2022 on:

- finalising the investment principles and how they could be applied will be included in our next briefing in early 2022, and
- how to improve monitoring and evaluation of ALMPs across government.

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9/12/2021

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The Review of Active Labour Market Programmes is a cross-agency work programme

- 12 On 1 July, EET Ministers agreed to the objectives, scope, and timeline for the Review of Active Labour Market Programmes (the Review). Officials from the Ministry of Social Development (MSD), the Ministry of Business, Innovation and Employment (MBIE), and the Ministry of Education (MoE) formed a cross-agency working group, supported by the Treasury (TSY), Te Puni Kōkiri (TPK) and the Employment, Education and Training (EET) Secretariat. The Accident Compensation Corporation (ACC) has also recently been involved in the working group.
- 13 This Review grew out of a First Principles Review of Active Labour Market Policies commissioned by the Labour Market Ministers Group in 2019 and has built on a cross agency gap analysis completed in May 2020 to inform the COVID-19 response and recovery programme and subsequent cohorts analyses undertaken by the EET Secretariat.
- 14 The EET Ministers group discussed an earlier briefing on 23 September 2021 [REP 21/9/982 refers]. This first briefing covered the definition and categories of Active Labour Market Programmes (ALMPs) to be used for the Review, provided findings from a targeted scan of international and domestic literature on effectiveness, and offered initial insights from a stocktake of ALMPs across government.
- 15 This briefing sets out our analysis of the current range of ALMPs, identifies gaps in the supports available to meet the needs of people seeking work now and, in the future, and makes recommendations about further work that could be undertaken on options to address those gaps. Finally, the paper presents draft principles to guide future investment in ALMPs, which EET Ministers could use to ensure there is a considered approach to any future changes to the suite of ALMPs.
- 16 Officials have consulted with BusinessNZ and the New Zealand Council of Trade Unions at key points in the Review process and include their perspectives and insights where possible. We have also consulted widely with other agencies that deliver, or have an interest in, ALMPs.

New Zealand's labour market is recovering from the impact of COVID-19 but still faces challenges

- 17 New Zealand's labour market performs well in creating and filling jobs, with generally high employment and overall labour force participation rates. The most recent Household Labour Force Survey (HLFS)¹ revealed that New Zealand's unemployment rate is at its lowest since 1986. Our unemployment rate is currently among the lowest internationally, ranking fifth equal among 38 OECD countries.
- 18 This HLFS found that employment and participation growth was strong across sectors and regions and suggests that the labour market is returning to pre-pandemic levels. The underutilisation rate, which captures the underemployed, unemployed, and potential labour force (often those most in need of support to participate in the labour market), fell to 9.2 percent.
- 19 The results were especially good for women, Pacific people, Māori and young people, who all have historically higher levels of unemployment. Although this appears a good sign, pre-pandemic labour market participation rates for Māori were disproportionately low and remain so. Similarly, for Pacific Peoples the unemployment rate fell to 5.5 percent (down 2.6 percentage points over the same period) but is still higher than the European rate of 2.6 percent. Although employment outcomes for young people have improved over the past year, young

¹ StatsNZ (August, 2021). "Labour market statistics: June 2021 quarter".

<https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2021-quarter>

people are still more vulnerable to economic shocks and the unemployment rate for young people who are not in employment, education, or training rate is 11 percent - stubbornly higher than the pre-COVID-19 rate of 10.1 percent.

20 COVID-19 has had uneven impact on the economy from a regional perspective and from industry and sector perspectives, however. These variations will impact on the level of need for ALMP supports in different parts of the country.

ALMPs help people into employment

21 There is no single internationally agreed definition of ALMPs, nor is there a consistent taxonomy for grouping different types of programmes.

22 The definition agreed for this Review 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), increase earning capacity and improve the functioning of the labour market.*'

23 We have used the following broad categories to group programmes for discussion and analysis:

- **Information and advice**, including career advice, job search techniques, and assistance with writing a CV.
- **Job brokerage and placement/matching**, including employment-related case management and wrap-around services.
- **Work-related education and training**, including work readiness and mid-career upskilling or retraining and driver licensing support.
- **Financial support**, including grants to individuals that remove barriers to work or training, and paying wage or training subsidies to employers.
- **Job Creation** including initiatives where the government creates new employment opportunities or supports individuals to become self-employed (including business start-up support).

24 The core education system is out of scope for the Review. In general, the education system does not actively assist people into employment in the short term. Some major reforms, in particular the Reform of Vocational Education (RoVE), are better at connecting the education system with the world of work. For example, as currently proposed, the vocational education system will fund providers to support learners into relevant employment and to continue their learning while they work, and Workforce Development Councils, informed by Regional Skills Leadership Groups' regional perspective on skills and labour market needs, will improve the relevance of vocational education and training. As these changes come into effect (refer Appendix three), they will have implications for the mix and targeting of ALMPs that will be needed alongside the education system.

ALMPs support people who are disadvantaged in the labour market

25 Government's provision of ALMPs helps to overcome market failures and contribute to a more equitable and efficient labour market.

26 While many people can navigate the labour market using their own networks and resources, Government has a role in supporting disadvantaged people who experience barriers to employment to find and retain sustainable work. This includes a role in helping people whose employment status is affected by Government decisions (for example, decisions to restructure the labour market to meet international climate change obligations).

- 27 We have drawn on the All-of-Government Employment Strategy to define people who are disadvantaged in the labour market, being the groups of people who have low labour market participation rates due to factors such as multiple barriers to getting and retaining a job. These factors can include unwarranted low expectations and social myths, or structural disadvantage.²
- 28 We have also applied this definition to groups of people who are currently in the workforce or in education or training who may encounter similar barriers that without assistance, are at risk of lower labour market participation or poor outcomes. This is consistent with work underway on the future direction of MSD employment services.
- 29 While ALMPs can remove some barriers to employment (such as low work readiness aptitude) and mitigate other barriers (such as access to childcare), they are not a solution to all issues that impact the functioning of the labour market (such as eliminating discrimination in employment practices). Firms and employers also play a significant role in supporting participation in the labour market through their recruitment practices and operational management
- 30 Private services such as recruitment and matching services via agencies and firms can also support labour market attachment. However, such services tend to rely on profit or cost-recovery objectives and, with the exception of services like Seek and TradeMe, can fail to reach those furthest from the labour market. There are also gaps in private service coverage and quality.

The current suite of ALMPs provide support in a range of ways

We have a wide range of ALMPs in New Zealand

- 31 ALMPs offer assistance across a continuum of intensity from self-directed supports³, grants and subsidies that help remove barriers to work or training⁴, short-term interventions that support a person to become work-ready⁵, through to intensive, tailored one-to-one services that link participants with support from multiple agencies or that work with the person to support them achieve goals in a multi-step plan.⁶ ALMPs may be used as a single intervention or in combination as a package of support provided concurrently or in succession, such as combining job placement programmes with supports such as childcare or wage subsidies and mentoring.
- 32 A stocktake of ALMPs across 13 government agencies has identified 124 ALMPs that fall within scope of our working definition. Of these, 14 programmes began in 2020 as a direct response to the impact of COVID-19 on the labour market. This means the 'stable' portfolio of ALMPs stands at just over 110 programmes across 9 agencies. Of these, 21 programmes are small in scale, or at a 'pilot' stage, with an investment of less than \$1m each.
- 33 Using the definitions agreed earlier by Minister, we have:
 - 19 information and advice ALMPs
 - 29 job brokerage and placement/matching ALMPs
 - 37 work-related education and training ALMPs
 - 28 financial support ALMPs

² pp 13-14, Our Employment Strategy: Everyone working to deliver a productive, sustainable and inclusive New Zealand, New Zealand Government, August 2019

³ Examples include websites offering job search assistance, career advice, online short training courses or notification of vacancies.

⁴ Examples include relocation grants, clothing and equipment grants, childcare subsidies and wage subsidies

⁵ Such as MSD's Rapid Return to Work service.

⁶ Examples include MSD's Supporting Offenders into Employment, and Integrated health and employment Individual Placement Support (IPS) services.

11 job creation ALMPs

- 34 The OECD has noted that New Zealand spends more on placement and related services and less on employment incentives and direct job creation in comparison to other countries. New Zealand also has low expenditure on employment supports that integrate health, employment, and other services relative to countries such as Denmark, Finland and Switzerland.
- 35 Appendix one sets out key information from the stocktake including the level of investment, participation rates by cohort groups and effectiveness.

Some ALMPs are delivered nation-wide, while others are regionally targeted

- 36 Although managed from a national level appropriation, many ALMPs are delivered in local communities through regional contracting including partnerships with iwi, hapū and Māori businesses. This enables flexibility to respond to local labour markets and the specific needs of employers, workers and people seeking works living in those communities.
- 37 The establishment of Public Service Leads and Regional Skills Leadership Groups assists with collaboration and coordination between agencies and local employers at this level. We expect that this collaboration, coupled with development of principles to guide investment in ALMPs across government, will help reduce gaps and overlaps in service provision. Draft investment principles are provided and discussed at paragraph 121.

ALMPs are delivered by 13 agencies, but primarily by MSD

- 38 MSD provides more than two-thirds of ALMPs, consistent with its role as the lead agency for providing public employment services. In 2019/2020, it spent \$436m on employment assistance from which \$218m of investment could be evaluated for effectiveness (noting that the majority of spend on unrated assistance was \$145m on childcare assistance). Of this expenditure, 79% was rated as effective or promising. Refer Appendix one for information about the methodology of MSD's effectiveness ratings.
- 39 While historically many of these ALMPs have been primarily provided to people on a benefit, the impact of COVID-19 has led to more support being provided to people who experience disadvantage in the labour market but are not on a benefit (for example with the Flexi-Wage).
- 40 Work underway on the future direction of MSD employment services is signalling opportunities for broadening access to its programmes to people who are not in receipt of a benefit but who need employment support to improve long-term outcomes and well-being.⁷

Approach used for the gap analysis

- 41 The Employment Strategy provides the Government's vision for the labour market. We have used this Strategy as the framework against which to compare the current suite of ALMPs to identify where there are gaps in the contribution ALMPs can make to achieving these goals. One objective of the Strategy is particularly relevant: 'ensuring our labour market is inclusive'. This objective is also supported by the seven population-focused Employment Action Plans.

⁷ MSD *Whakamana Tāngata* and the Productivity Commission report *Technological change and the future of work* stated that MSD's employment services had previously been underinvested in and targeted too narrowly and called for an effective employment service that focused on those most at risk of poor employment outcomes – including those not in the benefit system

42 The findings of this Review have been informed by:

- a stocktake of existing ALMPs across government, including cohort participation and investment
- an analysis by cohort⁸ of the characteristics and contributors of disadvantage to labour market participation, as well as labour market outcomes and issues
- a literature review on the effectiveness of ALMPs in both international and New Zealand contexts
- a review of related reports by the OECD including their analysis of New Zealand's spend on ALMPs (refer page one of Appendix one)
- the Productivity Commission and the Welfare Expert Advisory Group's recommendations about ALMPs
- discussions with Government's Social Partners, and feedback from regional experts such as the RSLGs and MSD regional staff
- consultation with agencies across government and officials engaged in related work programmes.

There are some limitations to the analysis

43 Our findings reflect our best analysis based on available information. Analysis has been limited by lack of information about the quantum of need, indicators of whether or not there is unmet need or demand for current programmes (including whether or not current programmes are at capacity), and demographic data about participants. There are also a significant number of programmes for which there is no effectiveness information available. Advice about issues with data collection and reporting, and monitoring and evaluation practices will be addressed in a briefing planned for early 2022.

There is other relevant work underway

44 Several related work programmes underway across government are relevant to the ALMP Review and gaps analysis. Appendix three provides descriptions and timeframes of the related work programmes. The range of time frames affect when Ministers will make investment and related decisions which means that some decisions on one work programme may impact on work programmes that conclude at later times.

Findings of the gap analysis

45 We have identified the following gaps and inefficiencies in our current suite of ALMPs and the way they work together:

45.1 We need more early intervention ALMPs that specifically respond to economic displacement, including early intervention ahead of displacement and support for retraining or upskilling. ALMPs targeted at displacement need to be flexible enough to respond to shocks such as the effects of COVID-19, expected future of work changes, and the transition to a low-emissions economy.

45.2 There will be a gap in initiatives that provide one-to-one, personalised career guidance and support to navigate information about training or retraining, in particular a gap in regionally available face-to-face, phone and video call career guidance services. This is because current funding for the Direct Career Guidance service ends in June 2022.

⁸ Cohorts reviewed were: young people; disabled people, including people with health conditions; Māori; Pacific peoples; older workers (50+); Refugees, recent migrants and ethnic communities; women; and newly economically displaced people.

45.3 There are gaps in ALMPs for people with health conditions and disabilities that are not covered by ACC. These gaps include:

- a gap in early response interventions for people experiencing mental health deterioration, and integrated health and employment supports for people with mental health conditions
- insufficient interventions (available in all areas) for disabled people and people with health conditions who have multiple barriers to employment such as case management that includes return-to-work services, integrated health and employment ALMPs including services in primary health and community settings.

45.4 There is a focus on tailored packages of support within agencies, but more could be done across agencies to facilitate users' seamless access to different programmes. Tailored packages of support can enhance the likelihood of successful labour market attachment. Work is underway within MSD to develop a better understanding of which combination of ALMPs, tailored to individual needs, make the most difference to helping people into employment.

45.5 There is an opportunity to improve the use of ALMPs to increase the earning capacity of people disadvantaged in the labour market⁹ by supporting them into training and work opportunities that will lead into higher-skilled roles and industries, including improving women's participation in trades. Note that supporting disadvantaged groups into sustainable work is a significant focus of the seven Employment Action Plans and that some proposed actions include establishing or expanding of ALMPs.

45.6 There is some overlap in the purpose and targeting of apprenticeship and trades-training programmes, and potential for ALMPs to work better alongside the education system to increase opportunities and occupations for work-based learning.

45.7 The number of ALMPs currently available raises a question as to whether there is scope to rationalise or consolidate the current suite of programmes. There is an option to use the draft investment principles to address this question in future.

45.8 There is a need to improve consistency of data collection, reporting and of evaluation for all ALMP programmes.

46 Of these gaps and opportunities, we consider that further work should be undertaken to:

46.1 understand the quantity and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance

46.2 ensure continued provision of a one-to-one, personalised career service to help people to understand the transferability of their skills and the potential occupational and training options that will provide them with a sustainable career or earnings pathway

46.3 identify options for addressing the gaps in ALMPs for people with health conditions and disabilities who are not covered by ACC.

47 Our preliminary analysis has not identified any major gaps within the current range of financial support ALMPs, but further investment in existing products may be needed and there will be a gap in financial support for displaced workers if the proposed Income Insurance Scheme does not proceed.

⁹ Including women, Māori, Pacific people, and youth

There is a potential gap in interventions that respond to (and pre-empt) economic displacement

Future of work trends, including the transition to a low carbon economy, is likely to lead to displacement from the labour market

- 48 A strength of the New Zealand labour market is its flexibility. The emergence of global megatrends such as increasing automation and digitisation, demographic change and the transition to a low carbon economy will change both the types of work being offered, the skills needed and the profile of the workforce. Our ALMP system and the suite of supports should respond to changes in the labour market to support disadvantaged people into work.
- 49 As we face increased uncertainty with the emergence of future of work trends the transition to a low carbon economy, and demographic change there is likely to be an increase in the number of people that will be displaced from work. Government's work with iwi, unions, businesses and communities through, for example, Regional Skills Development Groups, Just Transitions partnerships and Industry Training Plans, are a planned and proactive response to emerging employment trends.
- 50 In the future, many workers will need to learn new skills to continue in their roles as the labour market changes, while others will find that their roles are no longer needed. Some of these people will have skills that are transferable to other industries while others will need to retrain to transition into a new occupation or new industry.¹⁰
- 51 ALMPs can assist with an equitable transition and are particularly important for meeting government's international obligations in transitioning to a low carbon economy. This assistance can be through initiatives such as job brokerage programmes that identify and match the skillsets of those currently in high emissions industry into low emissions sectors; sufficient relocation assistance for workers that need to move to find new and suitable work; skills training programmes which support workers to take up opportunities in low emissions workplaces and emerging industries; and financial assistance to cover the costs of any displacement.¹¹ A greater focus on early intervention and retraining, including retraining whilst still in employment, will help to minimise worker displacement and can reduce the risk of unemployment and wage scarring.

The impact of displacement is generally unevenly distributed and can entrench disadvantage in the labour market

- 52 There is considerable variance in the number of workers displaced each year, and economic downturns and labour market trends do not affect all cohorts, sectors or regions in the same way. In particular, the effects of the transition to a low emissions economy are expected to be unevenly distributed and those with entrenched disadvantage in the labour market, including Māori, older workers, low-income households and workers in high emission industries, will be most vulnerable to displacement. Regions reliant on high emissions employment are also likely to face disproportionately negative employment outcomes.
- 53 Displacement, even if expected, can affect a person's mental health, and can take some time to recover from psychologically. This can be worse for those in the later years of their working life. Older workers have limited opportunities to retrain and may require tailored support with job search activities. Among the long-term unemployed, workers aged 50+ are over-represented relative to their rates of

¹⁰ He Pou a Rangi the Climate Change Commission (2021). "Ināia tonu nei: a low emissions future for Aotearoa".

¹¹ ibid

unemployment.¹² An increase in displacement may therefore reveal a greater need for ALMPs that promote recovery from negative mental health impacts than is currently obvious.

The proposed Income Insurance Scheme will provide financial support to displaced workers...

- 54 The proposed introduction of an Income Insurance scheme will provide financial support for economically displaced workers (as well as those displaced due to onset of health conditions and disabilities, which is discussed later in this paper). Further information and data about these groups is provided in Appendix one. Implementation of the proposed Income Insurance Scheme may reveal existing demand for employment support that is not currently visible.
- 55 Assessing how many people each year will seek assistance from ALMPs also depends on decisions about the scheme's coverage. Data shows most displaced workers were in permanent employment prior to their displacement, but Māori, women, Pacific and young people are more likely to be in non-standard employment such as seasonal work, part-time work or hold multiple jobs. It is not yet clear whether people in these employment situations will be included in the proposed Income Insurance Scheme. These groups already face barriers to participation in the labour market, as recognised by the development of targeted employment action plans.

....but some recipients may also need ALMP support to transition successfully into quality work

- 56 The proposed scheme includes provision of case management but access to employment support services will initially be through current public and private provision. It is likely there is insufficient capacity within current provision to meet the needs of income insurance claimants in addition to current participants, and eligibility criteria for some existing ALMPs may need to be reviewed to be able to meet the needs of a broader range of people.
- 57 Some job search and job matching supports are broadly available through digital provision, including those provided by the private sector. MSD intends to expand its range of digital support enabling access to a broader range of assistance that people can self-select into, facilitating more streamlined access to services by reducing the points of contact required before a service can be received, and strengthening the range of available service delivery mechanisms.
- 58 We recommend that further work is undertaken to understand the amount and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance. This will need to take into account existing work through, for example, Just Transitions partnerships, Industry Training Plans and Government's Emissions Reduction Plan.

There appears to be a gap in initiatives that provide career guidance and support to navigate information about training, retraining or work opportunities

Career guidance and planning are important and effective tools for assisting people into sustainable work

¹² Older Workers Employment Action Plan discussion document, referencing D Hyslop and W Townsend Motu Working Paper 117-12 May 2017 and Stats NZ

59 Many people can navigate successfully into work and between work, while some need assistance to understand how transferable their current skills are and the potential occupational and training options that will provide them with a sustainable career or earnings pathway. Government's role is to support transitions through advice and guidance and by brokering access to support available from across government, including ALMPs. The all-of-government Connected service contributes to fulfilling this role.

60 Career development guidance is specialist work with evidence showing that it assists people to sustainable work.¹³ Recent stakeholder consultation on the long-term insights briefing about youth at risk of limited employment has identified the importance of navigator services and careers support in New Zealand's labour market. There has also been anecdotal feedback that new entrants to the labour market, such as students, believe that career guidance would be beneficial earlier on in their education, employment and training journey.

There are limited career guidance and planning initiatives targeted at specific cohorts.

61 Under the broad "information and advice" category in our stocktake, there are three programmes that are exclusively focused on providing careers guidance: careers.govt.nz,¹⁴ regionally available face-to-face and phone-based counselling through TECs Direct Career Guidance Service¹⁵ at the Connected sites, and MSD's regionally contracted careers advice services.¹⁶ Information on spending, participant usage, and effectiveness of career guidance services in New Zealand is limited.

62 Some of MSD's job search support services also include elements of career guidance as part of their overall package, such as Rapid Return to Work. MSD also provides redundancy support on a business-by-business basis when a business is making large numbers of redundancies.

63 The provision of regionally available services aligns with international evidence that community-based career guidance services are often more aware of the needs in their locality, and therefore more effective in reaching groups of adults.¹⁷ However, funding from MSD to support TEC's Direct Career Guidance Service ends in June 2022. This will result in a gap in the range of channels available to people who need careers support.

64 The extent to which the current suite of career guidance initiatives meets specific cohorts' needs may also be limited. Cohorts of unemployed adults, such as those that are older workers, parents or caregivers, or disabled people, have different characteristics and face different barriers of entry into work. 51% of people accessing face-to-face support through TEC's Direct Career Guidance Service from July–October 2021 were Māori, 13% were Pacific People, 8% were disabled, and the

¹³ The Career Development Association of Australia's Career Development Works! report found that an individual is 2.67 times more likely to secure a job with a career development intervention.

¹⁴ Careers.govt.nz provides information and advice on job searching, including about jobs that are in demand right now, adjusting to new ways of working, labour market information and links to other government agencies and the official COVID-19 website.

¹⁵ There are Career Practitioners available 1 -3 days per week to deliver the service face to face when COVID restrictions allow, or by phone/zoom/email otherwise.

¹⁶ The remaining programmes generally provide job search support, including CV and cover letter support and job interview preparation. Some programmes, such as MSD's Redundancy Support Services and the Employment Service in Schools (aimed at disabled students), support participants to explore suitable career opportunities, in addition to supporting them with job searching.

¹⁷ The Direct Career Guidance Service was set up as part of the Government's COVID-19 response, so information on outcomes over the long-term are not available. Reporting from June -October 2021 shows that 44% of users went on to apply for work/training, and 13% of users had either found a job, were being interviewed or waiting on a response or had entered education or training.

different age cohorts of users were relatively evenly spread.¹⁸ This indicates that there is demand from a variety of different cohorts for career support.

65 Many of those in need of employment support will already be engaging with existing services, and potentially be users of other ALMPs that include career guidance as part of their wrap-around support (such as MSD's Rapid Return to Work service). However, career guidance services can also be a useful tool for supporting people already in employment to transition into more highly valued work. Those overrepresented in low skill and low pay work (such as Māori and Pacific Peoples) may also benefit from career services that cater to their specific needs and support them into more highly valued work. Targeted marketing may be necessary to promote awareness of these services.

66 Most people (80%) accessing the Direct Careers Service from July to October 2021 listed needing support with CV and jobs as their reason for first engaging the service. It is unclear whether this is because this is where support is most needed, or because people with other needs (such as exploring further career options) had less awareness of the service.

There may also be a gap in the services available and targeted to displaced workers

67 Career counselling to identify transferable skills and the industries or occupations they can be applied to will be valuable support to displaced workers. There is a potential gap in the services provided for future displaced workers and income insurance recipients, who may require more targeted services and information on the transferability of their skills than what is currently available.

68 The available careers guidance services are broadly targeted at anyone looking to find work, but the profile of workers displaced in the future may look different to the cohorts that currently access existing services. Future of Work trends may result in larger numbers of established and highly skilled workers needing to change career paths.

69 In the face of COVID-19, MSD introduced Rapid Response teams to support workers to redeploy after losing their job because of COVID-19. As groups of economically displaced adults have diverse characteristics, a reactive approach like the one taken with COVID-19, or the business-by-business approach to redundancy support may be suitable.

70 However, pre-emptively available, and targeted services that are built into the ALMP system could act as an early intervention to support workers to transition into new careers and avoid minimise the risk of mass displacement, wage scarring and productivity loss. This is especially true for industries and occupations we anticipate will be impacted by future of work trends, or the transition to a low carbon economy.

71 Although the vocational education system caters for training and retraining to meet industry needs including newly developing industries requiring different skill sets, there are challenges for people to get accurate and current information about which industries and occupations have a sustainable future. There is scope for regional Workforce Development Councils and Regional Skills Leadership Groups to play a larger role in gathering this kind of information for public employment services to communicate to those looking for work, such as through the all-of-government Connected service.

72 The Just Transitions Partnerships provide an example of how government can support workers through displacement. A key focus of Just Transitions Partnerships

¹⁸ Of the face-to-face career guidance users, 29% were under 25 years, 33% were aged 25-39 years, 18% were 40-49 years, and 20% were 50+ years.

is to ensure that regions are activated and supported to manage the effects of a transition. This includes supporting displaced workers, including providing career guidance on what to do.

73 It is unclear whether the current career guidance ALMPs (given that the service in the Connected sites will come to an end in 2022) are sufficient in capacity and targeting to meet the needs of displaced workers in the future.

Tailored packages of support can enhance the likelihood of successful labour market attachment

74 Although we have classified ALMPs by type, many people's needs are multifaceted, and there is not necessarily a linear path from training to job seeking to getting a job and staying in that job. The OECD¹⁹ argues that the most vulnerable groups need a tailored combination of ALMPs to support their labour market inclusion, noting further that people with complex needs will require other services in combination with ALMPs such as health services and social services. Furthermore, it is noted that once a vulnerable person has successfully got work, they might need continued support from employment services to remain successfully attached to the labour market.

75 Work is underway within MSD to develop a better understanding of which combination of ALMPs, tailored to individual needs, make the most difference to helping people into employment. More could be done to facilitate users' seamless access to different programmes across agencies.

There is a gap in ALMPs for people with health conditions and disabilities who are not included in the ACC system

76 Tailored packages of ALMPs and other services can help meet the employment support needs of people with health conditions and disabilities. Disabled people²⁰, have generally poorer labour market outcomes. Around 42.5% of disabled people are employed, compared to 78.9% of non-disabled people. This gap in employment rates has remained largely the same for the last five years. Disabled people also have a lower median weekly income, a higher unemployment rate and underutilisation rate, and are more likely to rate their job security poorly than non-disabled people.²¹ While many can and want to work with the right support, long-term benefit receipt is common amongst recipients of health and disability benefits.

77 Within the welfare system, disabled people receive limited support to return to work, despite making up at least 49 percent of the benefit population – the largest group of working-age benefit recipients. Within this group, the proportion of recipients that have identified mental health issues as their primary incapacity has been steadily increasing over time.

78 Disabled people can access general employment services and supports, such as wage subsidies. MSD also contracts 36 community-based organisations to provide specialist employment supports for some disabled people who require more intensive and tailored support. This includes the provision of Job Support Funds to help meet the costs of disability in employment and training.

79 There are also small initiatives in some areas, that provide and test integrated health and employment services. For example, MSD's Oranga Mahi programme (described in more detail below). Various reports, including the OECD country

¹⁹ OECD, Building inclusive labour markets: active labour market policies for the most vulnerable groups, updated 25 October 2021, [oecd.org/coronavirus](https://www.oecd.org/coronavirus)

²⁰ Hereafter the term disabled people will be used to mean people with health conditions and disabilities.

²¹ StatsNZ (2021) "Labour market statistics (disability): June 2021 quarter".

<https://www.stats.govt.nz/information-releases/labour-market-statistics-disability-june-2021-quarter>

report *Mental Health and Work: New Zealand* (OECD, 2018) and the report of the Welfare Expert Advisory Group (2019), have recommended that integrated health and employment services should be expanded.

Employment-focused health and disability case management services are limited

- 80 International evidence indicates that effective case managers are critical to the success of employment assistance. However, only 20% of people assisted by MSD's dedicated case management service have a health condition or disability and the focus tends to be on income support needs rather than employment. A significant proportion of MSD's disabled clients do not receive case management services.
- 81 MSD trials have found that case management for disabled people are more effective when combined with other supports such as vocational rehabilitation, counselling, mentoring and coaching, including digital and phone-based services. There is an opportunity to coordinate with the Ministry of Health, Primary Health Organisations and Māori health providers to expand delivery of tailored services that meet clients' intersecting health and employment needs, such as the Here Toitū²² initiative a component of MSD's Oranga Mahi programme.
- 82 Working directly with employers could also promote structured transitions into the labour market in ways that suit both employer and client needs. This could be facilitated through "job carving" services for example. The OECD note that such services aim to rearrange tasks in a workplace in a tailored way to create jobs aligned with a person's skills, abilities and needs.²³ There is scope to develop more specialist roles within MSD that engage proactively with employers for this purpose.

Vocational rehabilitation services outside of the ACC system are limited

- 83 International evidence suggests that timely access to measures that help people with reduced work capacity, due to a health condition or disability, to remain in or quickly re-engage in work are critical.²⁴
- 84 ACC provides integrated and bespoke return-to-work assistance for people with injuries. Evidence shows that ACC's approach is effective in returning earners to work in cases where there is the same job to return to.²⁵ It uses a range of strategies including occupational therapy, coordinating with a claimant's employer as part of a gradual return to work or rehabilitation plan, vocational rehabilitation for earners and income support for those employed but absent from work. However, this assistance does not support those who did not have a job prior to the injury.
- 85 Many people with non-injury related chronic conditions such as mental illnesses, addictions and musculoskeletal conditions that require management,²⁶ face multiple barriers to labour market attachment and once displaced, are more likely to face complex barriers to employment that become increasingly difficult to address. Like the ACC cohort, people in this group would benefit from tailored early intervention supports to ensure they receive the right mix of employment, health, education,

²² In Here Toitū, MSD partners with four Primary Health Organisations to support health and employment outcomes. The service delivery team includes health navigators, health practitioners and a dedicated MSD Case Manager. A "Responding Early" component of the service has recently been introduced to support people who have a job but are at risk of losing it because of a health condition or disability. This includes work retention specialists.

²³ OECD (2021) "Building inclusive labour markets: active labour market policies for the most vulnerable groups"

²⁴ OECD (2018) "Mental Health and Work: New Zealand, Mental Health and Work"
<https://doi.org/10.1787/9789264307315-en>

²⁵ McAllister et al (2013) "Socioeconomic outcomes following spinal cord injury and the role of no-fault compensation: Longitudinal study" *Spinal Cord*

and social services, as well as income support, to help them return to work. Some may need access to social or health services first, prior to participating in ALMPs.²⁷ However, in New Zealand there are few vocational rehabilitation ALMPs that address the complex barriers to employment for disabled people outside of the ACC system.²⁸ Here Toitū, especially the preventative “Responding Early” trial may also provide an expansion opportunity if evaluations find that it is effective.

86 There is also a lack of specific interventions targeting those with musculoskeletal conditions.²⁹ Those with musculoskeletal disorders can face multiple complex barriers in returning to work, even though many frequently have a strong desire to return to work.

There is limited provision of ALMPs with a mental health focus

87 The OECD has recommended that countries take an integrated, whole-of-government approach to tackle the poor social, education and employment outcomes of people with mental health conditions. At least 62% of all people on main benefit have accessed a mental health service in the last three years. This is significantly higher than the rate for the total population. Those people who have accessed a mental health service in the last three years are less likely to exit the benefit system and are less likely to remain off benefit after exit.

88 A wide range of international evidence shows integrated mental health and employment Individual Placement Support (IPS)³⁰ is particularly effective for people with severe mental illness, and there is increasing evidence that the approach is effective for helping people with a range of other health conditions, into work.³¹ However, IPS is not available in all areas in New Zealand. Only 4% of eligible people had access to IPS in the three years up to 2018.³² Evaluations of IPS provision in New Zealand are underway. While no rigorous impact studies have been completed, the New Zealand IPS programmes are achieving employment outcomes in line with or exceeding an international benchmark.

89 Evidenced based early intervention models that provide cognitive behavioural therapy-based treatment have also been found to alleviate symptoms and increase work participation. MSD does provide access to some of this support through digital pastoral care as part of the Oranga Mahi programme.³³

²⁷ [Building inclusive labour markets: active labour market policies for the most vulnerable groups - OECD \(oecd-ilibrary.org\)](https://www.oecd-ilibrary.org/building-inclusive-labour-markets-active-labour-market-policies-for-the-most-vulnerable-groups_10333.html)

²⁸ Welfare Expert Advisory Group (2019) “Whakamana Tāngata: Restoring Dignity to Social Security In NZ”

²⁹ Musculoskeletal disorders are the second most common reason for receiving JS-HCD (after mental illness).

³⁰ IPS is provided in some areas as part of MSD’s Oranga Mahi programme, it includes:

- IPS (DHB), evidenced based practice that integrates employment support and acute mental health services.
- IPS (Youth), an adapted IPS model to supports young people living with common mental health needs or substance addiction who want help to look for or stay in work.
- Kaupapa Māori Services, which partner with local iwi and Māori health providers to deliver IPS-based services using a Kaupapa Māori framework are being developed along with some further te ao Māori based local models as is currently provided in Whangarei.

³¹ Modini et al (2016) “Supported employment for people with severe mental illness: Systematic review and meta-analysis of the international evidence” *The British Journal of Psychiatry*.

[http://doi.org/10.1192/bjp.bp.115.165092](https://doi.org/10.1192/bjp.bp.115.165092); Fadyl et al (2020) “Effectiveness of vocational interventions for gaining paid work for people living with mild to moderate mental health conditions: systematic review and meta-analysis”. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7597525/>

³² Cram et al (2020) “Individual Placement and Support (IPS) in Aotearoa New Zealand – New Insights from Linked Administrative Data”. [ips-new-findings-report.pdf \(msd.govt.nz\)](https://www.msd.govt.nz/documents/ips-new-findings-report.pdf)

³³ MSD digital pastoral care services include: “Puāwaitanga”, a 12-month no-cost phone and online brief intervention counselling service that uses cognitive behavioural therapy to support people with their emotional wellbeing and ability to find or keep a job; and “Whitiki Tauā”, 12-month no-cost, virtual, employment-focused mentoring for young people who are either on benefit or who have recently exited a benefit into employment, or who are in the Mana in Mahi programme.

90 While there have been recent expansions and improvements in access to mental health and addiction treatment, there are still considerable unmet needs amongst young people with common mental health problems, particularly for Māori youth. An intentional scale up programme, jointly supported by MSD and the Ministry of Health, is needed to expand the currently intermittent coverage of services including Oranga Mahi's mental health and employment services if they are evaluated as effective, to increase access across all health regions.

91 ACC and Health and Safety at Work legislation impose obligations on employers to promote health and prevent accidents in the workplace, but there remains only a limited focus on mental health. Meaningful attention to the prevention and immediate treatment of mental illness can result in increased engagement in the labour force and a reduced need for ALMPs later on.³⁴

The proposed Income Insurance scheme could highlight these gaps in ALMPs for people with health conditions and disabilities

92 If the proposed Income Insurance scheme is implemented, claimants with disabilities and health conditions will be supported financially and through the proposed case management service but are likely to still need access to employment supports to return to work. It is expected that these services will be provided through existing ALMPs. Therefore, addressing the gaps in ALMPs identified in this section will be of benefit to ensuring support is available for claimants displaced due to a health condition or disability.

ALMPs could be better used to upskill people disadvantaged in the labour market into sustainable, quality work

93 Despite the current strength of the New Zealand labour market, Māori, women and youth continue to be over-represented in lower-skilled, more precarious forms of work. Māori tend to be employed in industries and sectors vulnerable to technological and economic changes³⁵ and Māori men make up one third of the seasonal workforce. Women tend to aim to stay in part-time roles within industries that are generally lower paid,³⁶ and both women and young people are more likely to have multiple jobs. The over-representation of youth in these circumstances tends to be transitional but can become a long-term reality for those with socioeconomic disadvantage, such as poor health, housing and transport, or for those with caring responsibilities. There is, therefore, scope to use ALMPs strategically to not only remove barriers to work but to also support people onto pathways to higher-skilled roles.

94 It is important to ensure there is reliable and accessible labour market information about industries and occupations with high expected employment growth, and for ALMP providers to support people in more disadvantaged cohorts to enter them. This support is more likely to be successful through combinations of ALMPs and other kinds of client-specific supports designed to remove barriers to accessing skills development and job opportunities, such as transport, childcare and secure housing.

95 Additionally, ALMP providers can influence employers to assist with this goal. Broadening the range and skill level of occupations people engage in will require short-term incentives and longer-term industry culture changes that encourage employers to see potential in a diverse workforce and be willing to adapt business

³⁴ See footnote 38.

³⁵ Such as manufacturing, wholesale and retail trade and construction.

³⁶ Such as retail, accommodation, hospitality, recreational sectors and helping professions.

practices where necessary. Levers are also needed to encourage those seeking work (and the people who influence them) to see themselves in those roles.

- 96 Skills for Industry is one example of an existing programme being used for this purpose. This programme works directly with employers and is therefore well positioned to promote transitions into both a broader range of occupations and into higher paying roles. One initiative in this programme assists technology businesses to develop workplace practices that better support new Māori staff. This both enhances their retention and promotes diversity by increasing Māori employment in the business and industry.
- 97 Some programmes, including Skills for Industry, also work with employers to identify the skill needs for their business and then marries this with skill-based training programmes for people seeking work. This creates a pipeline through to job placement, coupled with wage subsidies where needed. Such an approach supports businesses to meet projected labour demand and provides people seeking work with a clear pathway to work, and also ideally with clear progression pathways.
- 98 Supporting disadvantaged groups into sustainable and rewarding work is a significant focus of the seven Employment Action Plans. The last of the Action Plans will be completed by early 2022 and will shift into implementation. Some proposed actions will establish new ALMPs, and others will expand the provision of existing ALMPs. It will be important to monitor the impact of this implementation on outcomes for the different groups to understand whether further changes are needed to the suite of ALMPs.

There may be merit in reconsidering the scope and targeting of apprenticeship-type programmes

- 99 There is some overlap in terms of purpose (supporting employers and/or supporting employees/learners) and targeting (general vs targeted) of the trades training ALMPs but this is mostly between time-limited programmes that are part of the COVID-19 response (such as the Apprenticeship Boost Initiative³⁷) and ongoing initiatives (such as Mana in Mahi). This was recognised operationally, with employers prevented from claiming multiple wage subsidies for the same employee.
- 100 Although there is a lack of effectiveness evidence for trades training-focused ALMPs, there is evidence that training programmes with an on-the-job component that provide skill development specific to industry needs are more effective than other forms of training. Early indications from an evaluation of MSD's Mana in Mahi programme suggests it is effective on several measures.
- 101 There is merit in examining the current scope and targeting of trades-training ALMPs, and the balance of employer-side and employee-side initiatives, to ensure these products are effective for the particular group(s) they are serving. At the same time, we could consider the potential for ALMPs to work alongside the education system to increase opportunities and occupations for work-based learning. This approach could support, for example, women with caring responsibilities, newly displaced workers who cannot afford to stop earning in order to train or retrain and could support disadvantaged groups into higher earning occupations.
- 102 The proposed investment principles provide an opportunity to address these questions, at least partially, by applying them to any future advice on new trades-training ALMPs, or extensions of existing ALMPs.

³⁷ Apprenticeship Boost Initiative was established to help employers keep early-stage apprentices employed through the impact of COVID-19 on the economy. It could be argued current use is no longer consistent with that original intent.

There is also scope to improve women's participation rates in trades training and apprenticeships

- 103 In 2020/21, women made up a minority of participants in each of the four trades related ALMPs: Apprenticeship Boost Initiative (16%), Regional Apprenticeships programme (6%), Mana in Mahi (24%), and the Māori Trades and Training Fund (information not available). Of these – Apprenticeship Boost Initiative, and Māori Trades and Training Fund – are currently time-limited COVID-19 response initiatives and may not continue.
- 104 There are multiple barriers to women's participation in trades and other male-dominated industries, including issues of industry culture, hours of work being incompatible with caregiving responsibilities and provision of practical support for women's participation in the workforce. Increasing demand for female tradespersons creates an incentive for employers to invest more in supporting their entry into the industry.
- 105 There is an opportunity for government to use job placement and training ALMPs to encourage more women into the trades-based industries. This targeting would need to be in addition to the career system, vocational conversations in schools, families, communities, industry groups and media which all have a role to play in promoting trades as an option for women and influencing employers' openness to including women in their workforces. Workforce planning initiatives such as Just Transitions partnerships, Industry Training Plans, and Regional Skills Leadership Groups also have this as a focus in their work.

There do not appear to be gaps in the types of financial support ALMPs, but further investment may be needed in existing supports

- 106 Interventions include the provision of financial support to individuals that remove barriers to work or training, such as training or employment-related grants, wage and training subsidies for employers, and relocation allowances.
- 107 Empirical evidence of the effectiveness of financial supports can be difficult to measure. This is because such supports are often tied to guaranteed employment, such as \$5k to Work and Transition to Work allowances. However, relocation and transitioning costs are widely documented and acknowledged barriers to employment. Evaluations of \$3k to Christchurch and \$3k to Work (earlier iterations of \$5k to Work) found that in each programme fewer than 10% of recipients came back on to benefit within 91 days.
- 108 MSD frontline staff have noted, anecdotally, that these allowances are practical and commonly used tools to draw on when assisting people into work. There are questions about the adequacy of the level of these financial supports, especially when the person seeking work is relocating with their family.
- 109 Childcare assistance is a crucial element of the ALMP system. The cost and availability of childcare is a well-documented barrier to employment, particularly for women.³⁸ Responsibility for childcare overwhelmingly falls on women and Māori women are significantly more likely to provide family care than other ethnic groups.³⁹ Despite this, Māori and Pacific mothers are at least two times more likely to experience issues accessing childcare than European mothers.⁴⁰
- 110 Earlier returns to work can help to mitigate parenthood earnings penalties in the workplace. There are several programmes designed to help parents with the costs

³⁸ Misra, Budig & Boeckmann (2011) "Work-family policies and the effects of children on women's employment hours and wages". *Community, Work & Family*

³⁹ Alpass, Keeling and Pond (2014) "Caregiving" *The New Zealand Longitudinal Study of Ageing*

⁴⁰ Motu (September 2021). "Access to childcare interim report 1: Who has difficulty accessing affordable childcare?"

of childcare, which can facilitate transitions back to work. These include the universal 20 Hours free Early Childhood Education (ECE), funding for three to five year-olds, the Childcare Subsidy (for under five year-olds) and OSCAR programme and subsidy (for school-aged children) that contribute to costs for parents who meet the income eligibility criteria. In addition, there are two small scale programmes: Flexible Childcare Assistance to support informal care arrangements for sole parents receiving benefits and in non-standard work when childcare providers are closed and Guaranteed Childcare assistance payment for youth parents in receipt of the Young Parent benefit. The Training Incentive Allowance can also include support to contribute to childcare costs.

111 A review of childcare assistance is currently underway as part of the Welfare Overhaul work programme. The Review is in response to multiple issues with current childcare assistance settings, including that income thresholds have been frozen since 2010 despite the costs of childcare continuing to rise. In addition, the number of non-beneficiaries receiving the Childcare Subsidy annually has reduced by half in the last five years and the number of beneficiaries receiving childcare support has also fallen in this timeframe. This is likely due to the limited flexibility of both income settings and the kind of childcare that can be supported, as well as the complex administrative process of applying for childcare assistance.

112 This Review is considering options to improve:

- administration of assistance and reduce the complexity of the application process
- adequacy of the subsidy considering rising childcare costs to reduce hardship in working families
- the flexibility of settings to reflect the current labour market and parental preferences
- settings from a child wellbeing perspective.

In addition, a regulatory review of early learning is underway, which looks to strengthen the quality and accessibility of early childhood education. Findings of these Reviews and changes made in response are expected to strengthen this component of the ALMP system and mitigate a barrier to employment that is borne most heavily by women.

113 There is evidence that New Zealand wage subsidies, such as Flexi-Wage, improve labour market outcomes for people seeking work in the domains of employment, income, and lower benefit dependence (Crichton and Mare, 2013). Flexi-Wage is New Zealand's largest wage subsidy and has been rated as effective under MSD's monitoring and evaluation framework. Its scope was widened under the Flexi-Wage expansion earlier this year, its effectiveness can only be assessed 24 months from the programme start.

114 The proposed Income Insurance scheme, if implemented, will provide a new level of transitional financial support for people who are displaced from the labour market through economic causes or a health condition or disability. While the vast majority of New Zealanders who lose their jobs find new work relatively quickly and usually due to their own efforts, evidence from countries where insurance schemes operate suggest that around 20% of recipients still require additional support through ALMPs. We recommend further work to understand what types of support are needed. Evidence suggests that timely intervention to keep claimants close to the labour market, will prevent them becoming long-term unemployed.

115 Overall, we did not find significant gaps in the current mix of financial support ALMPs, as the proposed Income Insurance scheme will provide financial assistance to support displaced workers while they transition to new employment. However, further investment in existing programmes (such as childcare assistance) may be required to keep pace with rising costs.

Public (or direct) job creation initiatives are of most value during economic recessions

- 116 Job creation ALMPs, where the government creates new employment opportunities or supports individuals to become self-employed, are primarily of value during economic recessions. Job creation schemes usually provide entry-level and low skilled job opportunities that help people to retain a link to the labour market when there is high unemployment.
- 117 Around a third of OECD and European Union countries introduced or expanded direct job creation programmes ("public works") since the start of the COVID-19 crisis. Examples of such schemes in New Zealand include the Jobs for Nature suite of initiatives and the COVID-19 Worker Redeployment Initiative. These initiatives are relatively new and have not been evaluated.
- 118 International evidence suggests that job creation schemes are not the most suitable measures to achieve labour market attachment and do not improve outcomes over the longer term. Such schemes may prevent the scarring and human capital deterioration that occur when there are few opportunities on the primary labour market. However, evidence of their effectiveness is weak, and they are often shown to make participants worse off in the longer term. Where used, evidence suggests that programmes should be targeted at very disadvantaged groups, be temporary and be well-integrated in broader strategies to address unemployment.
- 119 Recent HLFS data suggests the New Zealand economy is recovering and therefore that there is no longer a need for the direct job creation measures implemented in response to the impact of COVID-19. While retaining these types of initiatives in regions hit hardest by COVID-19 may support labour participation, other ALMPs, such as training, brokerage, and wraparound support services, are likely to be more effective for achieving positive employment outcomes in the long-term.
- 120 There is the risk that participation in job creation initiatives prevents participants from pursuing other available training and work opportunities that lead to more sustainable and quality career pathways. For those experiencing the most disadvantage in the labour market, tailored packages of support are much more likely to be effective than broad-based job creation measures. Some job creation programmes funded in response to COVID-19 (eg, Department of Conservation, and Ministry for the Environment Jobs for Nature programmes) are now pivoting their investment criteria to focus on long-term capability building, supporting roles that lead to career pathways such as land management advisors and planners, and in locations for which there is more of a need for these types of roles.

Principles to Guide Government investment in ALMPs

- 121 The analysis of our existing suite of ALMPs has shown that guidance is required on what should be considered when introducing a new ALMP or amending an existing ALMP. This would help us to avoid issues identified in this paper, make the investment decisions on ALMPs more robust, and ensure that there is consistency across the suite of ALMPs. System coordination is important to reduce duplication, prevent people 'falling through the cracks' and facilitate integration of supports to meet individual needs.
- 122 We recommend that investment principles are introduced to set out key requirements for investments in ALMPs. This can also be used by Ministers to provide certainty that individual investment decisions will align with the government's overall expectations for ALMPs.
- 123 Officials have drafted principles to guide investment in ALMPs across government see Appendix two. These principles align with MSD's employment investment work, which provided a starting point, and were then expanded to fit use across all

government agencies. The principles also align with, and support, the objectives of the Government’s Employment Strategy.

- 124 We considered a range of options, from voluntary to prescriptive, for how these investment principles could be applied. We consider the most appropriate approach is for EET Ministers to require agencies to show how any proposal for investment in ALMPs align with the principles. If EET Ministers agree to the principles, we will also develop further support tools to assist agencies in applying the principles during the design stage of any ALMP.
- 125 Officials from MBIE, TPK, MSD, TEC and TSY were involved in workshopping the first iteration of the draft principles. We have circulated the draft principles and sought feedback from the agencies that participated in the ALMP stocktake. EET DCE and EET CEs have also provided feedback on the draft principles.
- 126 Officials have integrated this feedback in the ALMP principles draft in Appendix two and we will engage further with agencies during the next stage of the Review.

Option to use the investment principles for consolidation of programmes

- 127 The proliferation of programmes identified in this Review presents several problems:
 - It makes navigation of the system unnecessarily challenging for employers and people seeking work. The Connected website, phone and face-to-face service was established in response to feedback that it was difficult for people to find information about the range of employment and business-related supports available in response to the impact of COVID-19.
 - It contributes to criticism that New Zealand’s ALMP system is not well coordinated. The quantum of programmes adds to the challenges of cross-agency coordination.
- 128 The proposed principles could be used to identify ways to simplify and consolidate existing programmes which could assist with more consistent data collection and evaluation. Our stocktake found many programmes have not been evaluated (although some of these are currently in progress), including because participant numbers are so small that a formal impact evaluation is not possible. Combining programmes that provide similar services, for example, advice, job search and job matching services, would have the advantage of increasing the number of programmes for which effectiveness evaluations are possible. Consolidating programmes may require trade-offs in specificity however, so more work is needed to fully understand the advantages and disadvantages of such an approach.

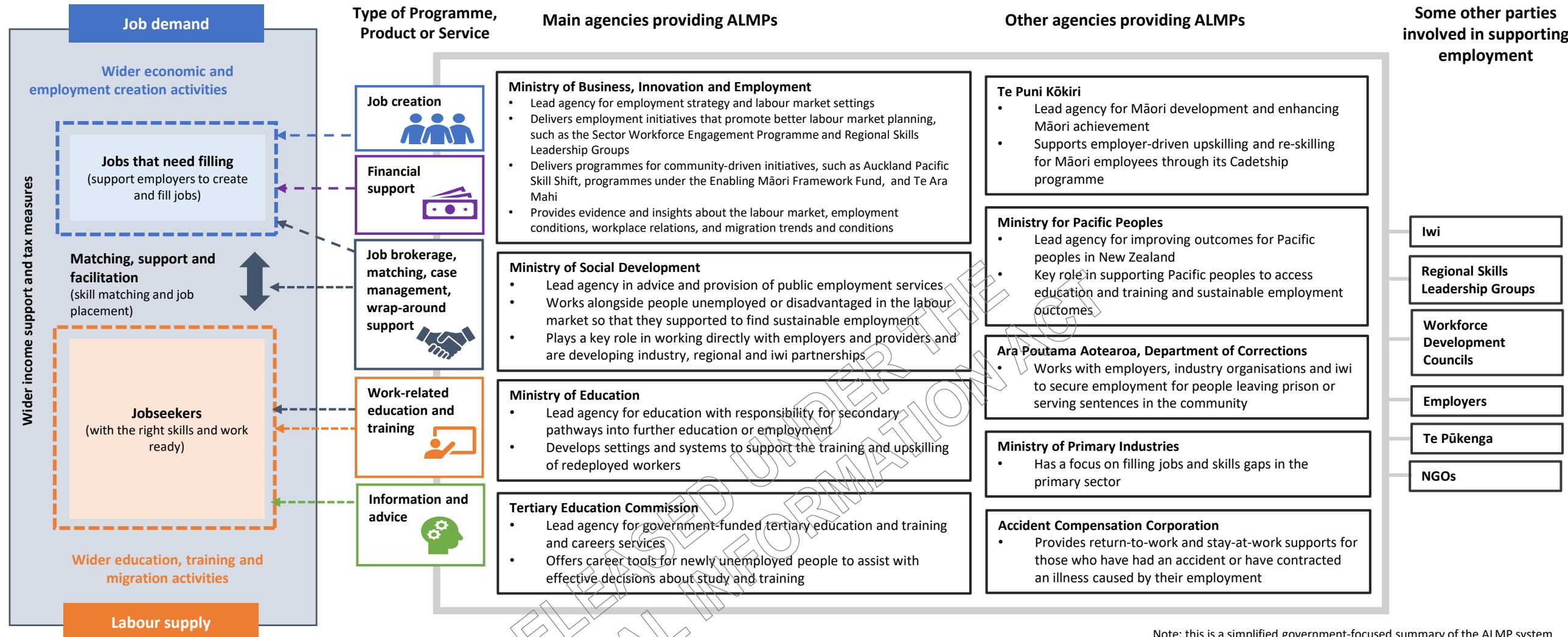
Next steps

- 129 A third briefing will be provided in early 2022 that will discuss issues with data collection and reporting, explore options for addressing issues of consistency in evaluation across the ALMP system, and confirm the investment principles and how they are used.

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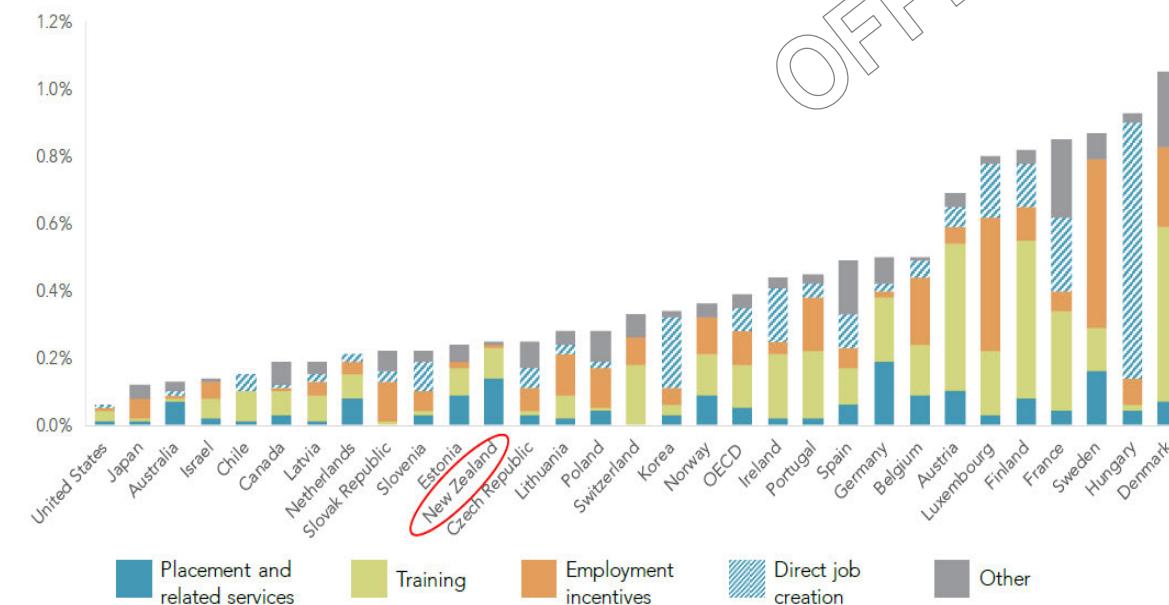
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Figure 1: Systems diagram



Note: this is a simplified government-focused summary of the ALMP system

Figure 2: Public spending on ALMPs as a share of GDP for OECD countries, 2016



Source: Productivity Commission; OECD (2019).

The Productivity Commission, WEAG and OECD comments on ALMPs

- The Productivity Commission noted that New Zealand's ALMPs might be too narrowly targeted. They recommended prioritising the provision of services to those assessed as being most at risk of poor long-term outcomes, and most likely to benefit from the services, whether or not they are entitled to income support. They also recommended regularly reviewing ALMP funding based on evidence on what works.
- WEAG noted that the employment support system is not well-placed for the future of work where people will need support to transition between jobs and occupations more frequently. It recommended rebuilding a core employment service embedded in the ALMP system focused on early interventions, revamping the ALMP system to make it more coordinated, and strengthening the support given to redundant workers.
- The Productivity Commission's focus on assessing mental health needs quickly and ensuring access to support for displaced workers also aligns with the 2017 OECD report on Improving the Re-employment Prospects of Displaced Workers.
- The 2018 OECD Mental Health and Work: NZ report further highlighted that there are insufficient mental health supports, with large gaps in provision of timely and integrated health and employment services. It recommended expanding the coverage of these services beyond those claiming a benefit. It also noted the number of ongoing pilots and the need to roll out successful pilots at scale to ensure that comparable services are available in all regions. Key policy recommendations included establishing employment as a key target for mental health care; helping vulnerable youth to succeed in education and employment; improving workplace mental health and return to work; prioritising support for mental health in the employment and welfare system.

According to the OECD, New Zealand's spending on ALMPs is low...

- New Zealand's reported spending on ALMPs as a share of GDP is at the lower end of that reported across OECD countries but higher than other "Anglosphere" countries – the United States, Australia and Canada.
- Nordic countries along with Hungary and France report the highest rates of ALMP spending.
- New Zealand's reported spending on ALMPs fell from 0.37% of GDP in 2004 to 0.29% in 2016.
- New Zealand's spending as a share of GDP was as high as 0.9% of GDP in the late 1980s. The latter figure, at the time, put New Zealand above the OECD average and among the highest spenders on ALMPs per-unemployed-person.
- New Zealand has low expenditure on employment supports that integrate health, employment and other services relative to other OECD countries.
- New Zealand spent most of its spending on placement and related services, whereas the countries that spend more on ALMPs tend to spend more on other categories of ALMPs.

Snapshot of the current suite of ALMPs

Key facts

The definition of ALMPs agreed for this Review 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.**'

A total of **124 ALMPs** are provided across government

- 13 agencies across government provide ALMPs
- 14 of these programmes are COVID-19 related
- 21 of these programmes spent less than \$1 million

ALMPs have been grouped into the following **broad categories**:

- Information and advice (19 programmes)
- Job brokerage, and placement/matching (29 programmes)

- Work-related education and training (37 programmes)
- Financial support (28 programmes)
- Job creation (11 programmes)

Largest 25 programmes across government

Largest programmes by participant numbers (2020/2021)			
Agency	Programme	Participant starts	Effectiveness
MSD	Transition to Work Grant	63,758	?
ACC	Stay at Work	58,000	?
MBIE	Te Ara Mahi	28,840	?
MSD	Job Connect	28,440	?
MSD	Apprenticeship Boost Initiative	27,459	?
MSD	Childcare Subsidy	23,747	?
MSD	Vacancy Placement (Full-time)	14,997	★★
ACC	Back to Work service	12,000	?
MSD	Course Participation Assistance	10,706	-
MSD	Flexi-Wage	10,605	★
MSD	Skills for Industry Programme*	9,765	★
MSD	Employment Placement or Assistance Initiatives	9,728	★★
MSD	Work Bonus	7,967	?
MSD	Rapid Return to Work	7,020	?
MSD	Driver Licencing programmes	6,668	✓
MSD	Work and Income Online Recruitment Tool	6,127	?
MSD	Employment Service	5,359	?
MSD	Youth Service for recipients of Youth Payment	4,967	★
MPP	Tupu Aotearoa	3,519	?
MSD	Mana in Mahi	3,147	✓
MSD	Work Confidence	2,960	★★
MSD	Youth Service for NEET	2,919	↓
MSD	Vacancy Placement (Part-time)	2,215	★★
MSD	Jobs and Skills Hubs	1,959	?
MSD	He Poutama Rangatahi	1,930	✓

* Participant number might include Skills for Industry-Construction Accord. This has not been evaluated.

Key:

Effective ★★ Promising ★ Evaluation underway or planned ✓ Negative ↓

Mixed ♦ No difference – Not Evaluated ?

Note: Evaluation approaches differ across agencies

Methodology of MSD's effectiveness ratings

Effectiveness is assessed as meaning whether an intervention improves participants' outcomes relative to the counterfactual (i.e. the outcomes participants would have had if they had not participated in the service). In the current analysis, we assess effectiveness against five main outcome domains: employment, income, education, welfare and justice.

Largest programmes by spend (2020/2021)

Agency	Programme	Total Expenditure	Effectiveness
MSD	Childcare Subsidy	\$145,200,000	?
ACC	Stay at Work	\$61,000,000	?
MSD	Flexi-Wage	\$44,000,000	★★
MBIE	Te Ara Mahi	\$34,700,000	?
MSD	Employment Placement or Assistance Initiatives	\$33,900,000	★★
MSD	Skills for Industry	\$32,300,000	★★
MSD	Mana in Mahi	\$29,100,000	✓
MSD	He Poutama Rangatahi	\$28,300,000	✓
MSD	Skills for Industry – Construction Accord	\$27,800,000	?
MSD	Transition to Work Grant	\$27,000,000	?
MSD	Out of School Care and Recreation (OSCAR) Subsidy	\$21,700,000	?
MSD	\$5k to Work	\$15,500,000	?
MSD	Youth Service for recipients of Youth Payment	\$13,400,000	★
TPK*	Supporting employment opportunities and development through cadetships	\$11,800,000	★★
MSD	Youth Service for NEET	\$11,500,000	↓
MSD	Limited Service Volunteer	\$10,500,000	♦
MSD	Vacancy Placement (Full-time)	\$10,400,000	★★
MSD	Jobs and Skills Hubs	\$7,300,000	?
MSD	Youth Service for Young Parent Payment recipients	\$6,500,000	-
MSD	Employment Service in Schools	\$6,300,000	?
MSD	Flexi-Wage Self-Employment	\$4,700,000	↓
MSD	Training for Work	\$4,100,000	★
MSD	Work Confidence	\$3,200,000	-
MSD	Course Participation Assistance	\$3,100,000	★★
MSD	Supporting Offenders into Employment	\$3,100,000	?

Notes:

- The programmes identified in this list are part of government's "steady state" of ALMPs (i.e. do not include time limited COVID-19 response initiatives).
- All expenditure listed are estimates and were taken from a July 2021 report of MSD's expenditure data and from the EET Secretariat's June 2021 monitoring and reporting dashboard.
- Methods used to estimate programme costs can vary between agencies. This needs to be considered when comparing programmes between agencies.
- The expenditure provides an indication of the relative size of the investment but has not been reconciled. Numbers should not be added together to arrive at an estimate of total spend.
- The programmes that are highlighted have received additional CRRF funding.

* This evaluation rating is based on TPK's evaluation of the programme. TPK's upcoming work on what an equitable EET ecosystem would look like for Māori will take a different perspective to MSD on effectiveness and will centre whānau voices and perspectives.

COVID-19 response

- A large portion of the 2020/2021 spend went towards time-limited COVID-19 response initiatives. Some of these may be continued depending on decisions related to Budget 2022 initiatives.
- Many of COVID-19 response initiatives had a trades training focus.
- MSD spent an estimated \$436 million on EA assistance in the 2019/2020 financial year. This was a decrease from the previous financial year (\$468 million), in part because of the COVID-19 lockdown in the last quarter of 2019/2020.
- The lockdown delayed implementation of new MSD initiatives as well as the evaluation of new interventions, such as Mana in Mahi and Oranga Mahi programmes.
- Other agencies, including MOE, MBIE, DOC and MPI, received significantly more funding than usual in the 2020/2021 financial year to deliver the bulk of COVID-19 response initiatives.

The following standard programmes received additional CRRF funding:

- Flexi-Wage
- Skills for Industry – Construction Accord
- Supporting Offenders into employment
- Jobs and Skills Hubs.

COVID-19 specific programmes* (2020/2021)			
Agency	Programme	Total Expenditure	Participant starts
MOE/MSD	Apprenticeship Boost Initiative	\$341,700,00	27,459
MBIE	COVID-19 Worker Redeployment	\$81,600,00	1,520
DOC	Kaimahi for Nature	\$34,100,00	890
MPI	National Wilding Conifer Programme	\$32,400,00	1,036
MfE	Improving the Health of NZ's waterways (MfE)	\$31,100,00	415
MSD	Māori Trades and Training Fund	\$30,000,00	172
DOC	Pest Management, including predator free & education	\$12,000,00	143
DOC	Enhancing Biodiversity Outcomes on Public & Private lands	\$10,300,00	180
TEC	Māori and Pasifika Trades and Training (MPTT)	\$8,100,00	DNK
LINZ	Improving the Health of NZ's waterways (LINZ)	\$8,100,00	790
DIA	New Zealand Libraries Partnership Programme	\$7,100,00	174
MBIE	Regional Apprenticeships	\$6,100,00	305
MBIE	Auckland Pacific Skills Shift	\$4,200,00	35
MPI	Containing Wallabies to protect Agriculture, Forestry and Native plants, and Boost Regional Economies	\$4,100,00	125

*These are time-limited COVID-19 response initiatives.

Selected cohort analysis

Lack of systematic collection of data limits cohort analysis

- Analysis of ALMPs by cohort is very limited.
- The table below shows programmes included in the previous tables (largest programmes by participant starts and spend) where cohort data is available.
- It is difficult to draw meaningful conclusions from this data as the information is not collected systematically across all programmes. However as expected, programmes with specific targeting to Māori, young people or disabled people have a high percentage of participants from these cohorts.
- Some programmes with high participation by sole parents are not included in the programmes below (e.g. Training Incentive Allowance). In programmes (such as the Childcare Subsidy) which have a high take-up of women, many are sole parents.

Cohort analysis of programmes (2020/2021)

Programme	Participant starts	Māori	Pacific	Women	Youth (age 16 – 24)	Older workers (age 50+)	Health Conditions / Disability
Transition to Work Grant	63,758	50%	10%	45%	20%	12%	28%
Te Ara Mahi	28,840	54%	14%	59%	DNK	DNK	–
Apprenticeship Boost Initiative	27,459	18%	7%	16%	51%	12%	–
Childcare Subsidy	27,033	39%	9%	92%	18%	–	3%
Vacancy Placement (Full-time)	14,997	37%	13.3%	36%	34.5%	14%	6%
Course Participation Assistance	10,706	48%	7%	38%	33%	16%	15%
Flexi-Wage	10,605	38%	12%	34%	37%	12%	9%
Employment Placement or Assistance Initiatives	9,728	40%	16%	42%	40%	5%	6%
Work Bonus	7,976	37%	11%	78%	23%	9%	22%
Driver Licencing programmes	6,668	58%	8%	54%	44%	6%	11%
Skills for Industry Programme	5,872	42%	14%	34%	38%	13%	7%
Youth Service for recipients of Youth Payment	4,967	55%	8%	65%	100%	–	4%
Tupu Aotearoa	3,519	–	100%	50%	–	–	–
Skills for Industry – Construction Accord	3,375	28%	8%	12%	–	–	–
Mana in Mahi	3,147	34%	9%	24%	9%	1%	3%
Work Confidence	2,960	58%	4%	49%	68%	9%	6%
Youth Service for NEET	2,919	19%	3%	56%	100%	–	–
Vacancy Placement (Part-time)	2,215	46%	9%	60%	31%	19%	9%
Jobs and Skills Hubs	1,959	28%	35%	22%	62%	4%	–
He Poutama Rangatahi	1,930	92%	7%	18%	100%	–	–
Youth Service for Young Parent Payment recipients	1,812	14%	60%	93%	100%	–	–
Supporting employment opportunities and development through cadetships	1,287	100%	–	51%	–	–	–
Limited Service Volunteer	786	43%	12%	28%	99%	–	3%
Training for Work	785	37%	4%	43%	54%	7%	5%
\$5k to Work	606	45%	3%	34%	25%	11%	9%
Supporting Offenders into Employment	311	56%	9%	15%	9%	8%	7%
Flexi-Wage Self-Employment	285	26%	10%	54%	6%	17%	11%
Oranga Mahi - Here Toitū	276	20%	14%	49%	16%	28%	–
Employment Service in Schools (pilot)	128	–	–	–	100%	–	100%

Notes:

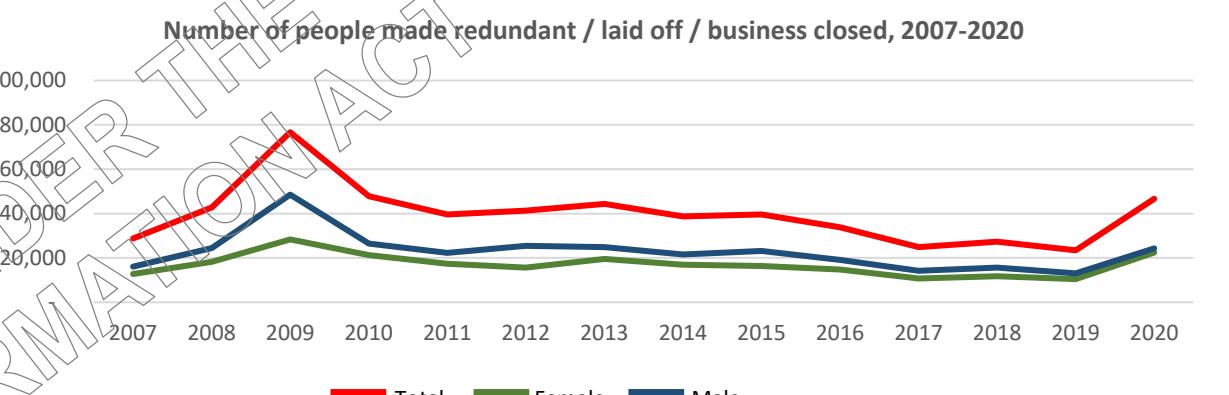
- Only those programmes with cohort data available have been included in this list.
- Health conditions/disability statistics refer to the number of people receiving a benefit for reasons of ill health or disability.
- ‘–’ means that data is not available.

Different cohorts may need to access ALMPs in the future...

Proposed NZ Income Insurance Scheme

- The introduction of an income insurance scheme is being explored as a means of better protecting workers against future labour market shocks.
- NZ currently does not have a social insurance scheme that covers displacement or ill-health/ disability not arising from an injury.
- Work to design a social unemployment insurance scheme is being done by a tripartite working group made up of social partners (NZCTU and Business NZ) and government officials from various agencies.
- Under a proposed scheme workers who lose their jobs through no fault of their own will receive a time limited payment that is a percentage of their previous earnings (with minimum and maximum caps). As far as possible the scheme is intended to cover all working arrangements. It is intended the scheme will cushion the impact of a job loss and provide financial stability while claimants find the right job or retrain. Claimants will receive support to return to work.
- The Government intends to consult with the public early next year before to deciding whether to proceed and finalising the scheme design.

Economically displaced workers: people made redundant/laid off/business closed

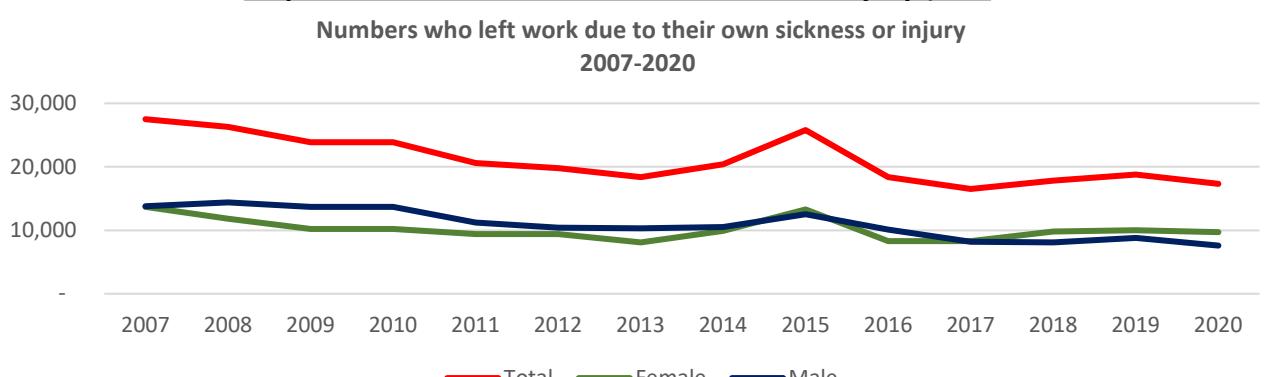


Source: Household Labour Force Survey

Some key characteristics of workers who are economically displaced

- There is considerable variation in the number of workers displaced for economic reasons as economic downturns impact different industries.
- Additional analysis of these trends by ethnicity indicates that Māori have tended to be affected by economic displacement at higher levels than Asian or Pacific people.
- Young people aged 15-24 years are a significant portion of people significantly economically displaced.
- Most people economically displaced are on lower incomes and a significant number are unemployed for less than 3 months.
- Most people economically displaced are in couple households (i.e. less likely to be eligible for benefit).
- Māori, women and young people are more likely to be in precarious and seasonal work. It has not yet been decided whether people in precarious and seasonal work will be covered by the proposed scheme.

Displacement due to own sickness / illness / injury (HCD)



Source: Household Labour Force Survey

Some key characteristics of workers who are economically displaced workers

- The number of people displaced from work due to sickness, illness or injury (HCD) is less affected by the economic cycle.
- Māori are disproportionately more likely to leave work due to HCD.
- Older workers (aged 55-64 and 65+) make up a greater proportion of people displaced due to HCD (compared with economic displacement).
- Most workers displaced due to HCD were previously on very low incomes.
- People leaving work due to HCD tend to spend a longer time between spells of employment. They are also more likely to be in couple households (less likely to access benefits if their partner is earning).

Standard programmes

Apprenticeship Boost Initiative (MOE/MSD) helps employers retain and bring on new apprentices as New Zealand recovers from the impacts of COVID-19. Specifically, it aims to help employers keep first and second year apprentices so they can continue to earn and progress towards their qualifications. This recognises apprentices need more support from employers in their first two years while they are training and developing their skills.

Childcare Subsidy (MSD) is a non-taxable payment that aims to assist families with the cost of pre-school childcare so they can undertake and remain in employment, education or training. Most people are eligible to receive up to nine hours of subsidised payments a week, but some can qualify for up to 50 hours if they are in full-time training or employment and without access to alternative childcare assistance.

Course Participation Assistance (MSD) is a payment to assist with costs ²⁴ an MSD client participating in a short-term (not more than 12 weeks duration) employment-related training course. Depending on the circumstances, up to a maximum of \$1,000 may be paid for course tuition and enrolment fees, transport to/from your course or programme, specific clothing required for your course and care costs.

Driver licencing programmes (MSD) can assist clients to receive training to get their learners, restricted or full licence. The cost for this programme will vary for each client as it is based on how many lessons they will need.

Employment placement or Assistance Initiatives (MSD) are contracted services to place participants into employment and help them remain in work. Contracts are performance-based, so some of the payments are paid when participants achieve exits to work with additional payments for remaining in employment for specified periods (usually around three months). An emphasis is put on targeting people disadvantaged in the labour market. At present, performance payments take no account of local labour market conditions.

Jobs and Skills Hubs (MSD) provide free employment-related support including training and recruitment so people can access long-term work in Auckland's construction and infrastructure sectors. Service is available from 3 Hubs in Auckland. The Hubs are located near major projects to meet the demand for skilled labour from local communities, supporting local economic and social outcomes. (Operated by MBIE prior to 1 July 2021.)

Flexi Wage (MSD) is a wage subsidy and extra assistance to support employers to take on people who do not meet the entry level requirements of the job. In 2020, government increased funding for the programme in response to COVID-19. At the same time, Flexi-wage combined the different types of Flexi-Wage (Basic, Plus, Retention, Next Step, and Project in the Community) into a single programme.

He Poutama Rangatahi (MSD) supports rangatahi NEET who are most at risk of long-term unemployment address challenges and barriers to employment through tailored and targeted community-led programmes. These programmes support rangatahi identify career goals and enter sustainable employment pathways and are underpinned by ongoing pastoral care. Operated by MBIE prior to 1 July 2021.

Mana in Mahi (MSD) is a wage subsidy to enable people to get paid while training on the job. Mana in Mahi acts as an incentive for employers who are willing to hire a person in receipt of a main benefit and offer that person an industry training qualification, including apprenticeships. The programme was originally restricted to people aged 18 to 24 but is now available at any age.

Skills for Industry - Construction Accord (MSD) provides 3,500 training and employment places nationally for entry-level opportunities in the construction sector. This programme is part of the Construction Skills Action Plan (CSAP): Expanding Skills for Industry initiative in support of the Construction Sector Accord.

Skills for Industry programme (MSD) provides short-term job-focused training for people on income support who require up-skilling for specific requirements identified by industry eg, MySkill – online training for people looking for work in the aged care, disability and home and community health sector.

Te Ara Mahi (MBIE) lifts productivity potential in the regions, by connecting local people to local employment opportunities and upskilling.

Transition to Work Grant (MSD) is a non-taxable, non-recoverable payment that can be made to people on, or eligible for, a main benefit to help meet the additional costs of entering employment. The Transition to Work Grant can also be used to help with job interviews and related pre-employment costs.

Tupu Aotearoa (MPP) is an initiative administered by the Ministry for Pacific Peoples to help Pacific young people not in Employment, Education and Training (NEET) aged 15-39 in the regions and those NEET aged 15-29 in metro cities to find employment, complete further training or undertake study. Additional funding is being sought to deal with increases in volumes from anticipated growth in Pacific unemployment, expanding into new regions (Northland and Nelson/Marlborough) and expanding the scope of Tupu Aotearoa programme provision to Pacific people over the age of 39.

Vacancy Placement (Full-time) (MSD) is a no cost vacancy placement service where employers can lodge vacancies. Work brokers then select and profile potential candidates for the employer. Work brokers have the option of providing further assistance in the form of training or a hiring subsidy. In cases where further assistance is provided, these interventions are evaluated separately (for example hiring wage subsidy programmes).

Vacancy Placement (Part-time) (MSD) is a free vacancy placement service where employers can lodge vacancies. Work Brokers then select and profile potential candidates for the employer. Work Brokers have the option of providing further assistance in the form of training or a hiring subsidy. In cases where further assistance is provided, these interventions are evaluated separately (for example hiring wage subsidy programmes).

Work Bonus (MSD) provides a payment to a person who is on a benefit and chooses to work even though they do not have work obligations. The payment is available for people commencing paid employment, or increasing their hours of work, in order to cease receiving a main benefit.

Work Confidence Courses (MSD) are short-term courses designed to provide the skills, motivation and confidence needed to help participants move into employment or undertake further training or education.

Youth Service for NEET (MSD) is a voluntary targeted service for young people who are not engaged in employment, education, or training (NEET) or who are at risk of becoming NEET.

Youth Service for recipients of Youth Payment (MSD) helps eligible young people find the best option for education, training, and work-based learning. It is a compulsory contracted case management programme for young people aged 16-17 years. Youth Service providers deliver on-going, tailored support and guidance for each young person – whether that's giving practical help with housing issues, preparing for job interviews or connecting with local support groups, how to manage their financial assistance, or ensuring young people feel supported towards achieving their aspirations. The overall objective of the Youth Service is to engage and support young people to achieve improved well-being through sustained education, training, work-based learning, or employment outcomes. Payments to providers are in part based on the outcomes achieved by participants.

COVID-19 specific programmes

COVID-19 Worker Redeployment (MBIE) provides short-term employment for displaced workers, especially in central/local Government jobs.

Kaimahi for Nature (DOC) focuses on the swift redeployment of a portion of the labour market who are facing job insecurity, into new temporary nature-based jobs that support regional environmental projects.

National Wilding Conifer Control Programme (MPI) supports regional communities by providing employment opportunities and stimulates economic activity across a wide range of goods and services providers, through delivery of wilding conifer control across 12 regions. This funding will enable the removal of extensive infestations, reduce the spread of wilding conifers, and minimise lifetime control costs. Controlling wilding conifers will also help to protect farmland, water, and biodiversity.

Improving the Health of NZ's waterways (MFE) supports creation of 4,000 jobs over five years in regional environmental projects, will contribute to improving the health of New Zealand's waterways and support economic recovery in partnership with local government and farmers.

Improving the health of NZ's Waterways (LINZ) provides funding over 4 years to undertake pest and weed control in lakes, rivers, and land that LINZ is responsible for administering. The programme includes working with delivery agents and partners, including iwi and pastoral lessees, on other proposals where we could create a further 30-50 jobs.

Māori Trades and Training Fund (MSD) supports Māori-led employment and training programmes through partnerships between Māori and the Crown. The programme includes an emphasis on paid training with support services, such as pastoral care, to overcome barriers to participating in training or apprenticeships. Operated by MBIE prior to 1 July 2021.

Pest Management, including predator free & education (DOC) funds job creation across the country, particularly in the regions through nationwide community, and catchment led pest and predator control programmes.

Enhancing Biodiversity Outcomes on Public & Private lands (DOC) funds significant job creation across the country through nationwide community programmes delivered by third party providers, regional councils, and landowner groups to provide support for protection and restoration of indigenous biodiversity and habitat.

Māori and Pasifika Trades Training (MOE) supports Māori and Pasifika to succeed in trades.

New Zealand Libraries Partnership Programme (DIA) supports librarians and library services to be retained in New Zealand libraries and supports community recovery.

Regional apprenticeships (MBIE) provides a funding boost for regional businesses wanting to take on new apprentices. It is designed to help apprentices to stay connected to work, training and to their communities. This will help to ensure the pipeline of skilled workers the regional economies will need in the future.

Auckland Pacific Skills Shift (MBIE) funds family, community, and in-work innovations to support economic resilience and labour market progression for precarious and low-skilled Pacific workers in Auckland.

Containing Wallabies to protect Agriculture, Forestry and Native plants, and Boost Regional Economies (MPI) supports regional communities by providing employment and stimulating economic activity across a wide range of goods and services providers, through delivery of a management plan for wallabies.

Appendix Two: Active Labour Market Programmes (ALMP) Investment Principles

Purpose statement: ALMPs are 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), increase earning capacity and improve the functioning of the labour market to contribute to a more equitable and efficient labour market.

Investment should support ALMPs that

Principle 1

Improve employment outcomes over the long-term by supporting people to enter, stay and progress in quality and sustainable work

Principle 2

Incorporate te ao Māori to achieve equitable and effective outcomes for Māori and where targeted specifically at Māori, partner with Māori and/or provide opportunities to realise iwi and Māori development aspirations

Principle 3

Contribute to a **cohesive set of offerings** to target groups at an **appropriate scale of provision** across the system without duplication

Principle 4

Are **feasible to implement and effectively target and deliver to** the identified group(s)

Principle 5

Will be **evaluated through appropriate monitoring** and help **grow our evidence base** for what works, ideally through long-term measurement of outcomes and by using clear targets to evaluate against

Principle 6

Help **achieve equity for people disadvantaged in the labour market**, and maximize opportunities to reduce long-term and intergenerational disadvantage, including child poverty

Principle 7

Respond to opportunities and challenges presented by **New Zealand's future of work trends, including transition to a low-emissions economy**, to support people disadvantaged in the labour market and those at risk of displacement

Principle 8

Promote innovative approaches to improving employment outcomes, such as engaging and/or incentivising business in supporting people into employment, public-private partnership, and partnering with communities and providers.

Investment decisions should:

Principle 9

Be **supported by evidence of effectiveness** and make the case for intervention. Where evidence is lacking, they should be consistent with available information on likely effectiveness and are expected to generate value for money

Principle 10

Deliver public value, taking into account the wider benefits and costs to society, and those experiencing long-term disadvantage in the labour market

Principle 11

Align with the Government's labour market role and strategic direction, and wider government service provision

Principle 12

Aim to **apportion and target investment based on current evidence** and information about:

- The level and type of support that individuals need
- Labour market opportunities and challenges
- The level of intervention appropriate for the current economic cycle .

Investment support tools

A **decision-making 'tree' or checklist tool** could provide more specificity to the investment principles and guide agencies when designing a new ALMP.

Broadly, criteria in the decision-making tool could include:

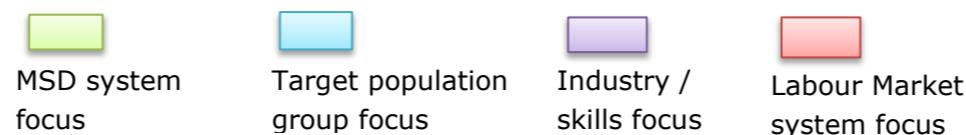
- Insights from international and domestic evidence
- Alignment with government's labour market role and strategic direction
- Alignment with aim to improve employment outcomes over the long term
- Design characteristics that work for specific cohorts
- Formal evaluation or plans to evaluate.



Appendix Three: Key work programmes related to the review of ALMPs and upcoming deliverables

There are several work programmes underway across government, with various focuses, that address questions about:

- what ALMPs are needed and who needs them
- what the model or mechanisms of delivery should be.



Due to the range of timeframes, Ministers will make some investment and related decisions in some work programmes that impact on other work programmes that conclude later.

December 2021

Mid 2022

2023

and ongoing

Amendments to the purpose and principles of the Social Security Act
(welfare overhaul work programme) – discussion document to Cabinet end of December 2021.

Development and ongoing implementation of Employment Strategy Action Plans for:

- older workers (currently being consulted on and due to be published April/May 2022)
- women (March/April 2022)
- Māori (due to be published at the end of 2021)
- former refugees, recent migrants and ethnic communities (currently being consulted on, due to be published at the end of 2021)
- disabled and people with health conditions (published August 2020)
- youth (published August 2019).

These provide targeted interventions for each population group. Some actions establish new ALMPs and others expand existing provision.

Long-term Insights Briefing into Youth at risk of limited employment – draft briefing due early 2022. This briefing will consider system-wide issues and support needed by this cohort.

MSD's employment investment work, revising the **Employment and Social Outcomes Investment Strategy 2018-2021**, which sets out the focus areas that underpin spending on its employment products and services – due for completion early 2022.

MSD's employment service (welfare overhaul work programme), which will strengthen MSD's role in providing employment services, including who will be able to access these services – due to Cabinet in mid-2022 (*with an update to the Minister for Social Development and Employment by end of 2021*).

Te Puni Kōkiri's work on understanding what an equitable EET ecosystem, that centres whānau voices and perspectives, would look like for Māori. It aims to ensure that investment has a clear focus on improving equity and outcomes for Māori (2022).

The Budget 22 Bid process is progressing a number of bids that include ALMPs. This will be covered in the EET Secretariat paper "Update on Budget 2022 Bids across the EET Portfolios" – due to EETMG 16 December.

New Zealand Income Insurance Scheme related policy decisions about the provision of case management and employment supports for Scheme claimants – due early to mid 2022.

Advice on the Review of Childcare Assistance, which includes considering options to improve adequacy, reduce hardship in working families and improve the flexibility of settings to reflect the current labour market and parental preferences – due 2023.

The Reform of Vocational Education (RoVE) which includes the establishment of:

- Te Pūkenga – New Zealand Institute of Skills and Technology (2020)
- Workforce Development Councils (2021) and workforce development plans
- funding arrangements that will incentivise training providers to support learners into work (2023).

Immigration rebalance work, seeking to support the provision of more jobs and training for New Zealanders and investment in better workforce planning and development. The paper on the rebalance is expected to have been considered by Cabinet on 13 December 2021.

Development of the Government's **Emissions Reduction Plan**. This sets out Government's plan to reduce New Zealand's emissions in line with the Zero Carbon Act. Policy decisions are to be taken by Cabinet Dec 2021 with the final Plan to be published in May 2022.

Fifteen **Regional Skills Leadership Groups** (RSLGs), with support from MBIE and other agencies, are working to identify better ways of meeting future skills and workforce needs in New Zealand's regions and cities. RSLGs are currently in the process of setting workforce aspirations for their regions. These aspirations will inform the development of an annual Regional Workforce Plan (RWP) for each region which sets out actions to achieve the desired future-state of its labour market.



JOINT BRIEFING

Review of Active Labour Market Programmes – Addressing the Gaps

Date:	22 June 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4437 MSD REP/22/5/443

Action sought		Action sought	Deadline
Hon Chris Hipkins Minister of Education (EET Ministers Group Co-Chair)		Discuss this paper at the Employment, Education and Training Ministerial Group meeting on 30 June 2022	30 June 2022
Hon Carmel Sepuloni Minister for Social Development and Employment (EET Ministers Group Co-Chair)		Agree to the recommendations set out in the paper below	30 June 2022

Contact for telephone discussion (if required)				
Name	Position	Telephone	1st contact	
Libby Gerard	Manager, Skills and Employment Policy	s9(2)(a)	s9(2)(a)	✓
Anne Riley	Manager, Employment and Housing	s9(2)(a)	s9(2)(a)	✓

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments

Review of Active Labour Market Programmes – Addressing the Gaps

Date:	22 June 2022	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MBIE 2122-4437 MSD REP/22/5/443

Purpose

1. This paper identifies options to fill gaps in the delivery of Active Labour Market Programmes (ALMPs) to better support people who lose their jobs as a result of economic displacement or a health condition or disability, as well as wider opportunities to increase the provision of ALMPs for disabled people.
2. The paper also provides options to strengthen the ALMP system overall through the application of Investment Principles and improve monitoring and evaluation of ALMP initiatives across government.

Executive summary

3. ALMPs support people with different degrees of participation in the labour market to enter, remain in, or return to, suitable work. In December 2021, we provided advice to Employment, Education and Training (EET) Ministers that identified gaps in meeting the needs of people who are disadvantaged in the labour market now and will be in the future, and proposed Principles to guide future investment.
4. EET Ministers directed officials to provide advice on how the Investment Principles could be used and how monitoring and evaluation of ALMPs could be strengthened, and to do more work on filling particular gaps in the current suite of ALMPs, including:
 - a. understanding the quantity and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance
 - b. ensuring continued provision of a one-to-one, personalised career service to help people to understand the transferability of their skills and the potential occupational and training options that will provide them with a sustainable career or earnings pathway
 - c. identifying options for addressing the gaps in ALMPs for disabled people who are not covered by ACC.
5. Note that, per best practice advice from the Office for Disability Issues, Human Rights Commission, and Disabled Persons Assembly, we use the term "disabled people" in broad alignment with the UNCRDP definition.¹
6. ALMPs support people across a continuum of labour market attachment, from those in work but at risk of falling out of, or being displaced from, work through to those with no labour market attachment. Individuals may sit anywhere along the continuum and may span several

¹ UNCRDP definition for disabled people is "those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others". Those with shorter term impairments and health conditions are also included in the ALMP Review, although they are not covered by the UNCRDP definition. Where the primary focus is on mental health, we refer to this group as those with mental health and addiction issues, because many identify as part of the mental health community and not the disability community.

cohorts of those at risk of poor labour market outcomes. Supporting people at the right time, including early intervention while people are still in work, can help prevent poor social, health and labour market outcomes, as well as reduce long-term fiscal costs.

7. We have reviewed the effectiveness of and availability of ALMPs that could work for displaced workers and disabled people and conclude that a mix of interventions, with varying levels of intensity provided at the right time, could better support people in different circumstances to enter, return to, or remain in work. Several of the options identified require further analysis, including to understand the scale of need and evidence on effectiveness, identify opportunities to address population-level labour market inequities, and consider trade-offs across the system to ensure that people who most need support, or would most benefit from it, can access it. We seek your agreement to undertake the next stage of this work, which will inform decisions on more detailed options and future Budget bids.
8. The draft Investment Principles provided in December 2021 have been revised following consultation with agencies and key stakeholders. We propose eight Principles underpinned by Government's obligations from Te Tiriti o Waitangi. We propose these Investment Principles be used to support both the budget process and EET governance groups' coordination and oversight role.
9. Ensuring there is shared understanding of what each investment principle means in practice will be important to support consistent implementation. Consultation confirmed the need to improve consistency of data collection, monitoring, and evaluation for all ALMPs. We therefore propose development of a supporting toolkit or similar resource that guides how each investment principle can be applied, supports cross-agency agreement on a best practice approach to what data is collected and provides guidance on data collection methods.
10. This will be a helpful first step in improving understanding about the use and comparative effectiveness of ALMPs. Further work may be warranted to achieve a more coordinated approach that supports a whole-system view of what is working, for whom and in what circumstances.
11. This paper is supported by annexes that provide more detail on the options proposed:
 - a. **Annex one:** support for economically displaced workers
 - b. **Annex two:** increasing the provision of ALMPs for disabled people, including people with health conditions
 - c. **Annex three:** strengthening monitoring and evaluation across the ALMP system, and
 - d. **Annex four:** at-a-glance summary of groups, evidence and options.

Recommended action

The Ministry of Social Development (MSD) and Ministry of Business, Innovation and Employment (MBIE) recommend that you:

Supporting economically displaced workers

- a. **note** that officials will undertake further work to identify the scale of displaced workers' need for support and potential options to address that need, to inform further decisions and bids for Budget 2023 and beyond, but that need will also become clearer after New Zealand Income Insurance (NZII) is operational
- b. **note** that, should Cabinet decide to implement NZII, it will provide a more accurate pipeline of information about displaced workers, and officials will work on information-sharing provisions, in consultation with the Office of the Privacy Commissioner, to enable agencies to proactively link claimants to services during the notification period
- c. **note** that work is underway in the context of NZII to develop a levy-funded case management service for economically displaced workers
- d. **agree** that further work be progressed to:
 - i. promote existing ALMPs and training opportunities to displaced workers and employers (for example, through online information and engaging with social partners)
 - ii. improve or develop early intervention services for displaced workers (for example, increasing the capacity of the Redeployment Support service provided by MSD)
 - iii. do further work on how best to provide additional support to those displaced workers most at risk of poor labour market outcomes who are likely to require more intensive support (for example, investing in ALMPs with a case management function)
- e. **agree** that a bid is developed for Budget 2023 to provide secure long-term funding for the Direct Career Service from June 2023 (when current funding ends)

Supporting labour market and broader wellbeing outcomes for disabled people

Short-term options (could be progressed as a bid for Budget 2023 as part of a phased investment approach)

- f. **agree** that the following options, informed by evidence on effectiveness, be further developed for Budget 2023:
 - i. **Option 1:** stabilise funding for existing MSD programmes targeted to people with a health condition or disability (Oranga Mahi suite of programmes) and expand one of the initiatives (Here Toitū) to two further regions, leveraging off the existing Access and Choice services where possible
 - ii. **Option 2:** provide new ringfenced MSD funding to support regionally driven approaches that integrate health and employment support, including kaupapa Māori initiatives, with monitoring and, where feasible, evaluation of initiatives
 - iii. **Option 3:** explore ways to strengthen the employment focus of existing MSD virtual health-based services, such as Puāwaitanga (a phone-based counselling service) and Whītiki Tauā (a virtual mentoring service)
 - iv. **Option 4:** build a health and disability focus into Rapid Return to Work, a phone-based early response service for people recently displaced from work

- v. **Option 5:** explore the applicability and possible extension of ACC vocational rehabilitation services to disabled people who are ineligible for relevant ACC services, with a particular focus on people with musculoskeletal conditions (MSD and ACC, in consultation with relevant agencies)

Medium term options and building a joined-up system of effective supports

- g. **agree** that the following medium-term opportunities and options could be explored to deliver effective ALMPs for disabled people and people with mental health and addiction issues for Budget 2024 and beyond:
 - i. **Option 6:** integrate employment support into the existing Access and Choice primary mental health services (MSD and the Ministry of Health [Health New Zealand from 1 July 2022])
 - ii. **Option 7:** sustainably expand IPS for people with mental health and addiction issues (MSD and the Ministry of Health [Health New Zealand from 1 July 2022])
 - iii. **Option 8:** explore options around Customised Employment for disabled people who want to work, who are furthest from the labour market, for Budget 2024 (MSD)

Longer term partnering across agencies and partnering with employers

- h. **note** that a range of longer-term opportunities have been identified, including work to:
 - i. continue embedding employment considerations into best practice for conversations between health practitioners and patients (MSD and Health New Zealand)
 - ii. consider employment supports relevant to people on Supported Living Payment or who may be accessing disability support services (MSD and Ministry for Disabled People)
 - iii. engage with employers and industry to support the crucial role they play in helping people to enter and stay in work (MSD and MBIE)

Investment Principles, monitoring and evaluation

- i. **agree** to the revised ALMP Investment Principles provided in Table One
- j. **agree** that the revised ALMP Investment Principles be used to guide investment in ALMPs across government, support the budget process and support EET oversight of ALMPs
- k. **agree** that use of the revised ALMP Investment Principles to support the Budget process will be trialled for Budget 2023
- l. **agree** that a cross-agency toolkit or other support material is developed with agencies that will guide the use and interpretation of each Investment Principle, agree best-practice set of data and definitions, and provide guidance on data collection methods
- m. **note** that if Ministers agree to the development of a cross-agency toolkit, that a phased approach will be taken and that there are some resource implications for this work
- n. **note** that further work with agencies may be warranted to explore additional options to support a system view of what ALMPs work best, for whom, and in what circumstances
- o. **note** that if Ministers agree to the above recommendations, officials will use the EET governance groups to report back on the review of the use of ALMP Investment Principles to support decision making in Budget 2023 and development of the cross-agency toolkit

p. **agree** to forward this Briefing and Annex three to the Ministers for Corrections, the Environment, Climate Change, Land Information and to the Ministers of Forestry, Conservation, and Internal Affairs, as their agencies also deliver ALMPs and they will have an interest in the ALMP Investment Principles.



Libby Gerard
Manager, Skills & Employment
ESIP, MBIE

..... / /



Anne Riley
Manager, Employment and Housing
Policy Group, MSD

..... / /

Hon Carmel Sepuloni
Minister for Social Development and
Employment

..... / /

Hon Chris Hipkins
Minister of Education

..... / /

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OFFICIAL INFORMATION ACT

Context

1. In July 2021 Employment, Education and Training (EET) Ministers agreed to a review of Active Labour Market Programmes (ALMPs) [MBIE 2021-4411 refers]. The ALMP Review responds to questions raised about New Zealand's ALMP system by the Welfare Expert Advisory Group (WEAG), the Productivity Commission, and the OECD, and reflects the aims of the all-of-government employment strategy to improve employment outcomes for all New Zealanders. MBIE and MSD have worked together on the review, with support from the Ministry of Education.
2. The first stage of advice considered by EET Ministers covered the definition and categories of ALMPs used for the Review. Officials completed a stocktake of ALMPs across 13 government agencies, which identified 124 ALMPs within scope. The second stage of advice provided analysis of current ALMPs, identified gaps in meeting the needs of people who are disadvantaged in the labour market now and in the future [MSD/REP 21/9/982 refers].
3. In December 2021, EET Ministers agreed that officials would complete further work to:
 - a. understand the quantity and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance
 - b. ensure continued provision of a one-to-one, personalised career service to help people to understand the transferability of their skills and the potential occupational and training options that will provide them with a sustainable career or earnings pathway, and
 - c. identify options for addressing the gaps in ALMPs for people with health conditions and disabilities who are not covered by ACC
4. We have engaged with the Government's social partners, BusinessNZ and the New Zealand Council of Trade Unions. We have also engaged with the National Iwi Chairs Forum Pou Tangata Iwi Leaders' Group and consulted widely with other agencies that deliver, or have an interest in, ALMPs.

Background

The definition and scope of the ALMP Review

5. The definition of ALMPs used for this Review 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), increase earning capacity and improve the functioning of the labour market' [briefing MBIE 2122-2148; MSD REP 21/11/1215 refers].
6. The core education system is out of scope for the Review as it does not actively assist people into employment in the short-term. The national careers system, however, does provide ALMPs, such as the Direct Career Service and careers.govt.nz.
7. This definition includes vocational rehabilitation services, being whatever helps someone with a health problem stay at, return to, and remain in work. Other types of ALMPs can also provide employment support to disabled people.
8. The ALMP system includes several initiatives that support childcare such as Flexible Childcare Assistance and the Guaranteed Childcare Assistance Payment. Childcare is a

significant barrier to employment for many people. Childcare assistance has been excluded from the ALMP Review, however, because it is the subject of a separate Review.

9. This Review has focused on nationally provided ALMPs, but we recognise that many ALMPs, including those managed from a national level appropriation, are delivered in local communities through regional contracting including partnerships with iwi, hapū and Māori businesses.

A wide range of people benefit from ALMPs

10. ALMPs support people across a continuum of labour market attachment, from those in work but at risk of falling out of, or being displaced from, work through to those with no labour market attachment. Interventions are provided according to a person's distance from the labour market and specific needs, and at the level of intensity that is most appropriate or available. Individuals may sit anywhere along the continuum, may span several cohorts of those at risk of poor labour market outcomes, and may cycle through different levels of labour market attachment at different times.
11. The Review of ALMPs provides opportunities to review existing access to employment products and services for displaced workers, many of whom will not meet the risk profile needed to access public employment services; and for disabled people in different circumstances to determine options for change. This includes considering support for those trying to sustain work through to those far from the labour market who want to work.
12. Many displaced workers can navigate the labour market using their own networks and existing public or private resources without assistance from government. However, some people face additional barriers that place them at greater risk of poor long-term labour market outcomes, such weak attachment to the labour market, low self-efficacy, and obsolete skills, and would benefit from access to employment services such as careers advice and active case management.

The ALMP review has been undertaken in the context of other work in the broader EET system

13. Related work includes the development of proposals for the New Zealand Income Insurance Scheme (NZII), work on the future direction of MSD's employment services, which Ministers agreed on 18 May 2022 [SWC-22-MIN-0091 refers], the Te Pae Tawhiti Transformation Programme [GOV-21-MIN-0039 refers], the Reform of Vocational Education (RoVE), and the employment action plans that support the objectives of the Employment Strategy.
14. The ALMP Review supports the objectives of the Employment Strategy, in particular building a skilled workforce, responding to the changing nature of work in an equitable way, and ensuring that our labour market is inclusive. By improving the support available for those at risk of losing their jobs, displaced from work, and those with no labour market attachment, we can improve the resilience of our labour market and help cushion the impact of economic shocks.
15. Cabinet has confirmed MSD's role in providing employment services with its core objective to help people at risk of poor labour market outcomes prepare for, find, and retain suitable employment. This includes prioritising MSD's employment services to provide a level of service proportionate to people's needs, with a focus on people who most need support – whether they are on benefit (and potentially further from the labour market) or not (but still

have barriers to employment).² The policy intent agreed here will be reflected in changes to MSD's investment priorities (including in cost-effective interventions that improve equitable and sustainable outcomes), and continued enhancements to its service model (including short-term changes to frontline practice).

16. MSD will also continue to help other people with fewer barriers to employment, and Cabinet's decision still provides the opportunity for work programmes such as the ALMP Review and Employment Strategy Action Plans to identify whether additional support will help people who need it.
17. In the longer-term, MSD's Te Pae Tawhiti Transformation Programme aims to transform people's experience and ability to access MSD's services (including employment services) through a redesigned operating model. This will include creating a modern digital experience for clients, enabling New Zealanders to access digital employment services, and the development of new case management practices and improvements to contract management to allow more efficient and effective partnering. This work is underway, and Ministers will receive more information in the Detailed Business Case.

Supporting economically displaced workers

18. Workers are displaced when they lose their jobs through no fault of their own, whether due to redundancy (referred to in this paper as economic displacement) or due to health conditions and disabilities. Workers who encounter barriers to re-entering good work, such as financial pressure, lack of familiarity with the job market or the inability to identify transferable skills, face the possibility of sustained income loss even when re-employed, an effect described as wage scarring. For the purposes of this paper, the definition of a displaced worker includes both those who will be imminently displaced, as well as those who have recently been displaced and are now unemployed.
19. Many displaced workers can navigate the labour market using their own networks and existing public or private resources without assistance from government. However, some people face additional barriers that place them at greater risk of poor long-term labour market outcomes, such as weak attachment to the labour market, low self-efficacy, and obsolete skills, and would benefit from access to employment services such as careers advice and active case management.
20. Demographically, the profile of displaced workers varies over time, but negative impacts are particularly felt by entrenched marginalised groups, including Māori, Pacific People, ethnic communities, women, Rainbow communities, older people and young people.

ALMPs can promote labour market resilience and reduce negative effects for workers, their whānau and the wider economy

21. The impact of displacement includes wage scarring, poor health outcomes, and the loss of skills in the workforce. Wage scarring due to reduced wages on re-employment suggests poor skills matching, lost productivity, loss of output, lost income, and fiscal costs.
22. New Zealand experiences relatively high levels of wage scarring. Estimates prepared for the proposed New Zealand Income Insurance scheme suggest that the economy-wide lifetime wage scarring impacts arising from workers displaced in one average year range from 1.1

² To determine an appropriate service response, staff consider a range of factors including age and location, employment history and educational attainment, specific barriers to employment (eg medical conditions, caring responsibilities), and benefit status and history. Some ALMPs may also be targeted at improving equitable outcomes for groups who persistently experience poor outcomes in the labour market, such as disabled people, Māori, Pacific peoples, younger people, older people, and women.

per cent to five per cent of GDP³. For the individual, Hyslop and Townsend (2017) find that, five years after displacement, displaced workers still suffer from an 8-12 percentage point employment deficit and a 14-20% conditional earnings deficit.

23. Supporting economically displaced workers promotes resilience in the labour market by acting as a stabiliser in periods of high displacement. Widespread job losses can deepen and prolong recessions through reduced consumption. We know that displacement from work has negative financial and health effects for workers, their whānau and the wider economy. Supporting displaced workers to transition to good work will result in less hardship, higher productivity, higher wages, and less anxiety about a rapidly changing world of work.
24. NZII, if implemented, will fill the primary gap by providing replacement income to many displaced workers over a six-month period, which also gives workers time to transition and re-engage in employment, education, or training. We have looked at ALMPs that could complement the financial aspect of NZII.

We have poor data on displacement but expect demand for ALMPs to increase

25. We know relatively little about who is displaced or what their path back to work looks like, nor how many do not get back into work at all. Estimates of numbers of workers who are economically displaced each year ranges from around 39,500 to 125,000. The wide variance in the estimates reflects the limitations of the data we can draw on, and the uncertain impact of economic downturns⁴. There is currently no statutory provision in New Zealand for notice periods, statutory redundancy, or notification to public employment services. MSD, which provides the bulk of ALMPs, does not currently have a mechanism to capture macro-level information about displaced workers who may engage with supports.
26. Our observation of trends in the New Zealand context shows that workers who are low paid, low skilled, or in the manufacturing sector also likely to be most impacted. Those most likely to experience negative outcomes following displacement are consistent with those who experience population-level labour market inequities, particularly Māori. These groups have also reported barriers in accessing services, and limited opportunities that support re-employment in good work. While the profile of displaced workers changes depending on the economic cycle and impacted sectors, these trends could indicate areas where we could focus our effort to improve outcomes and reduce wage scarring.

Introduction of New Zealand Income Insurance

27. Many people losing employment due to displacement, or the loss of work capacity due to a health condition or disability, will in future be eligible for NZII. Cabinet will shortly take decisions to confirm whether to implement NZII, and to confirm the scheme's detailed design.
28. NZII claimants are likely to be a diverse group, with varying needs. Many claimants may not need much help to return to good work, beyond the opportunity provided by income insurance for a considered job search, or respite from work. Others will benefit from the coaching, encouragement, and support of case managers.

³ Hyslop, Mare, Noy & Sin (2021) *Involuntary job loss: welfare effects, earnings impacts and policy options*, Motu Working Paper 21-06, pg 22 – These figures assume the five-year impacts decline to zero. The lower estimate of 1.1% (\$3.3b) assumes an upswing in the economy and the higher estimate of 5% (\$15.4b) assumes a severe downswing. Figures are denominated in 2019 dollars.

⁴ We have used data generated for the development of the NZII. This comes from the Household Labour Force Survey (HLFS) that was matched with other Statistics New Zealand data to create displaced worker profiles. The HLFS is survey-based and therefore subject to sampling error, and in some cases, matching was not possible.

29. A smaller group will likely need or benefit from more intensive support. This may be especially true of people losing employment due to the effects of health conditions or disabilities.
30. The NZII case management model is under development by ACC and MSD. Case management is distinct from claim management and involves coaching and supporting claimants to address their barriers and achieve their return-to-work goals. It is intended to be targeted to those who need it and tailored appropriately.
31. In addition, eligible NZII claimants may be referred by their case manager to ALMPs, including vocational rehabilitation, to the extent these are available from partner agencies. Given current capacity constraints and eligibility criteria, the availability of such services is likely to be limited.
32. For some NZII claimants that gap in services is likely to lead to poorer return-to-work outcomes, eg accepting a role that is less well paid, or not finding any work before their income insurance entitlements end.
33. Ministers developing the NZII policy proposals for Cabinet consideration have recently confirmed their intention to reserve the use of NZII levies for paying entitlements, providing case management, and administering the scheme.
34. Within these parameters, ACC could seek to allocate case management resources to where there is best value and to improve outcomes for NZII claimants (eg an 'invest-to-save' approach). ACC similarly invests accident compensation levy funds to reduce the incidence and impact of injuries, leading to lower costs and better client outcomes.
35. A good evidence base about what type of case management interventions work for whom will be required to enable well targeted, efficient use of funds. In a short-term scheme as NZII (a maximum of six months of entitlements), it would be important for case management services to avoid prioritising a rapid return to work over good work (which includes wage/salary level and longer-term factors such as sustainability).
36. Case management services for different cohorts of claimants (particularly those with mental health issues, those with obsolete skills, and those who are more likely to succeed through a kaupapa Māori approach) could be procured from third party providers.
37. It may be useful to return to the question of whether ACC should be empowered to purchase other ALMPs (including vocational rehabilitation) for non-accident compensation clients once Ministers have taken decisions on the ALMP review. Further work could explore what the impacts would be on the wider market for such services, including prices and service quality.

The New Zealand Income Insurance Scheme will improve data on displacement

38. We don't know enough about the cohorts likely to be displaced to quantify the demand for services nor estimate the nature of the need.
39. Looking to the future, the introduction of NZII will improve the pipeline of information about displaced workers. NZII would require employers to notify the scheme of upcoming redundancies at least four weeks in advance. This will provide a new and more reliable flow of information about displacement in New Zealand. Allowing for information sharing between the proposed operator of the scheme, ACC, and MSD will assist MSD to target its resources, especially interventions that can be provided prior to displacement, to those with the highest level of employment support need. NZII may change some people's behaviour, however, and the number of people or time spent out of work could change from historical levels.
40. Until the proposed NZII is implemented in 2024, social partners, ACC and Government can support the modelling of demand for services by improving information available on displacement through proactive engagement.

41. In the longer-term there will be choices to make about what additional employment services may need to be funded through appropriations to meet the expected increased demand from NZII claimants, and which agencies should provide these services.

We know what services are likely to be effective

42. By drawing on international experience we understand broadly what the needs, trends and potentially effective interventions are for displaced workers, and can make estimates around the relative size of cohorts. However, the lack of information about the actual scale of need or how displaced workers may be interacting with services currently remains a key gap.
43. NZII fills the primary gap for economically displaced workers, by providing replacement income that gives workers the space to undertake retraining or upskilling, smooth incomes and ease the transition to new roles. Many displaced workers will be able to navigate their way back into good work without assistance from government.
44. Some displaced workers will face additional barriers that place them at greater risk of poor long-term labour market outcomes and would benefit from need additional help to find good work and cope with the effects of displacement, including on mental health.
45. In New Zealand, there is limited evidence on what works to support displaced workers into good employment, in part because of the effects of wider labour market conditions on reemployment. However, international literature suggests that the supports that are most effective in smoothing pathways back to good work are:
 - a. Intervention prior to displacement
 - b. Case management for those displaced workers who need additional support, and
 - c. Careers advice and job search support.
46. Help in navigating services, and referrals to general ALMPs, that while not necessarily targeted at displaced workers, could be effective at addressing key barriers and supporting better outcomes for people who experience persistent labour market inequities.

Ministers will need to consider how to best support displaced workers through the effective targeting of ALMPs

47. We intend to do further work to understand the actual scale and nature of need, which will in turn inform development of more detailed options and future decisions through Budget 2023 and beyond. Until the proposed NZII is implemented in 2024, social partners, ACC and Government can also support the modelling of demand for services by improving information available on displacement through proactive engagement.
48. MSD is the government's main provider of public employment services. As noted in paragraph 13. Cabinet confirmed MSD's role in providing employment services and prioritisation approach. The core objective of MSD's employment services is to help people at risk of poor labour market outcomes prepare for, find, and retain suitable employment.
49. Some displaced workers could potentially access existing ALMPs, depending on government's ability to identify and engage with them, as well as eligibility settings and targeting. The service response will depend on need – not all will be able to access MSD's most intensive services.
50. Ministers can also decide whether to invest in ALMPs that are more targeted at displaced workers but will need to consider trade-offs in funding and equity across the ALMP system. Investing in displaced workers (who are already close to the labour market) needs to be weighed against the option to invest further in those at high risk of long-term benefit receipt and need more help to enter the labour market.

51. Figure one below shows the cohorts and potential service response based on cohort needs. Displaced workers will have a range of needs, with only a small proportion of the population needing more intensive support.

Figure one: cohorts and potential service response

Low self-efficacy and skill transferability	High self-efficacy, low skill transferability
More intensive service response with mix of ALMPs targeted to address specific barriers Low proportion of displaced workers	Service response addresses skill gap (eg careers guidance, education and training) Moderate proportion of displaced workers
Low self-efficacy, high skill transferability Service response addresses self-efficacy gap (eg careers guidance, job brokerage) Moderate proportion of displaced workers	High self-efficacy and skill transferability Less intensive response with self-service / self-referrals High proportion of displaced workers

Supporting workers early can smooth the transition back into good work

52. Targeted early intervention during the redundancy notice period appears to be most helpful for anticipating and addressing the needs of displaced workers, whether they are affected by mass layoffs, (such as the closure of a large employer like Tiwai Point aluminium smelter), or small-scale layoffs (such as the closure of a retail outlet or disestablishment of a team within an organisation). The literature suggests that intervention prior to displacement can reduce time spent out of work and mitigate the impacts of displacement.

53. Intervention prior to displacement can include financial advice, careers advice, retraining support and mental health supports, and can also opportunity to identify those who would benefit from more intensive support such as case management. Once workers are displaced, the evidence for setting up targeted programmes is limited.

54. MSD has begun trialling its Redeployment Support, which includes engaging with employers and workers to support retraining, upskilling, transitioning to new employment, and connecting to other services as needed.

55. This intervention point depends on reliable information about redundancies as well as employer and displaced worker knowledge about available support. Redeployment Support relies on local intelligence gathered through relationships with employers and other key stakeholders. Currently there is no requirement for employers to provide notice to the government of upcoming redundancies.

56. The implementation of NZII, as noted above, will improve this pipeline of information and could increase demand for early intervention services, although the actual impact is still unclear. We recommend further work to determine what additional resource would be needed to provide support to workers prior to displacement, including whether additional investment is needed to increase the capacity of existing ALMPs (such as redeployment support).

57. If NZII is delayed, or not progressed, we will consider options to improve early notification of redundancies to get more timely redundancy information. This could involve working with unions, employers, and industry bodies, which already play a role in providing or enabling support for workers prior to displacement.

58. In the meantime, we recommend increasing public visibility and awareness of existing ALMPs that can be provided as an early intervention (for example, through online information

and engaging with unions, employers, and business groups), so that workers are aware of, and access, the support available.

Personalised case management is a core form of support for economically displaced workers who require more intensive support

59. Case management is the process of a case worker or manager engaging one-on-one with a claimant to identify their aspirations for their return to work and potential barriers to that, and then providing related support or referring the claimant to existing support provided elsewhere. It can incorporate a range of supports including screening, skill auditing, career planning, job matching, trauma-informed counselling, as well as ongoing support to navigate services. A case manager's knowledge of the community, local labour market, and even of specific jobs or industries can also be helpful for displaced workers.
60. The intensity of case management varies. More intensive case management is more costly because it involves lower caseloads, greater coordination, and more frequent contact. To be effective and cost-efficient, the type and intensity of case management support should be targeted and tailored to those most in need and likely to benefit.
61. In New Zealand, case management approaches are identifiable in a variety of ALMPs, including job brokerage provided by MSD Work Brokers and some elements of Redeployment Support. Other approaches such as Whānau Ora can also provide people with support to access services. MSD's core case management service focuses on supporting people within the benefit system, with the level and intensity of support depending on the need for assistance and capacity within existing caseloads. Case management resource is deployed flexibly to respond to different needs, the service currently supporting 60,000 clients with an average engagement of one to two times per month.
62. The Income Insurance proposal provides for levy-funded case management, but the case management model is likely to provide relatively 'light-touch' case management, and will refer NZII claimants to active labour market programmes, including vocational rehabilitation, to the extent these are available from partner agencies.
63. Displaced workers may benefit from a mix of case management approaches, with culturally responsive and accessible support being particularly important. While we cannot accurately quantify demand, it is unlikely that current services meet their needs or will be able to respond to increased demand triggered by NZII.
64. We seek your agreement to do further work on how best to provide effective and appropriate case management to those displaced workers most at risk of poor labour market outcomes regardless of whether they seek services through MSD or NZII.

Displaced workers have access to careers advice, but long-term funding is needed

65. There are several initiatives underway already to boost the provision of careers advice, including a refresh of the National Careers System Strategy led by the Tertiary Education Commission (TEC) and the launch of an online careers planning solution, Tahatū. This work intersects with the Employment Strategy, its Employment Action Plans and the ALMP Review. It also supports the work on just transitions to a low carbon economy and the future of work.
66. Displaced workers have access to a range of existing public and private sources of careers advice that they can navigate without assistance from government.
67. For displaced workers, an effective existing initiative is the Direct Career Service, an all-of-government one-to-one service with universal eligibility that provides blended phone and face to face services. The Direct Career Service is delivered by career practitioners, some of

whom specialise in career transition. The one-to-one nature of the service means that it can also be considered a form of case management.

68. Funding for this service was due to end in June 2022. Funding has been secured to enable the service to continue until June 2023. We recommend securing longer-term funding for the Direct Career Service and propose developing a bid for Budget 2023.
69. Evaluations of the service have indicated that it is effective in supporting people to enter or return to work with most clients in the 25 – 39 age groups and increasing numbers of older workers using the service. Face to face services are more likely to be used by Māori (34% of clients accessing local services are Māori, compared to 6% of those using phone services). Women are also more likely to use the services than men (60% of service users are women).

We have not recommended additional support for training or self-employment

70. Training is most effective for displaced workers where it is delivered on the job. The tertiary education sector provides vocational training and training support, as does MSD through ALMPs with a training element. While this has been a key area of interest for social partners, we are not recommending any further work. Investment is already high the visibility of training opportunities, both for employers and employees, appear to be a barrier to the uptake of training rather than training opportunities. This can be addressed through our recommended action d(i).
71. Pou Tangata and Pou Tahua Iwi Leaders Groups have identified self-employment as important area to consider to realise Māori aspirations. Evidence on the effectiveness of self-employment support is limited.
72. Further information on training and self-employment is available in **Annex one**.

Suitable employment is key to improving health and wellbeing outcomes for disabled people

73. The overarching purpose of this work is to improve labour market and broader health and social wellbeing outcomes for disabled people. This work aligns with and gives effect to the Enabling Good Lives principles for long term change, as well as a number of all of government employment strategies and action plans. Around 74 per cent of disabled people (aged 15 to 64) who are not in paid work would like to work.⁵ There are opportunities to assist many disabled New Zealanders to be part of, or stay in, the workforce by investing in ALMPs that reduce barriers to their employment.
74. Disabled people participate in the labour market in a range of ways and while many are able to work within the usual context of supply and demand, some face barriers to work. Barriers exist at both an individual level as well as at a wider social and institutional level. This includes disability as a form of discrimination, lack of knowledge regarding reasonable accommodations, and the complexity of the labour market. Employers have a role to play in addressing some of these issues.
75. Barriers can be particularly entrenched for marginalised groups, including Māori, Pacific People, ethnic communities, women, Rainbow communities, older people, and young people. Such identities can intersect and overlap. This means some disabled people can face multiple disadvantages and disparities.
76. Many of those needing assistance to stay in or move into employment will be women. While rates of displacement from work due to health conditions or disability are similar for men and

⁵ Stats NZ (2013). Disability Survey: 2013.

women across a range of industries, disabled women tend to have generally poorer employment outcomes relative to disabled men. Women who need support to move into work are also more likely to have caring responsibilities, so access to childcare and/or out of school care services are likely to be important. Losing a job may mean having to give up childcare places unless they can quickly return to work.

77. No single intervention will provide the support disabled people need to maintain or move into work. A range of interventions, varying from low to high intensity, may be required to achieve good employment outcomes. Such outcomes also require the coordination and collaboration of multiple players, including MSD, health professionals and employers, with disabled people and their whānau front and centre.

The Review of ALMPs identified gaps in interventions for disabled people

78. On 9 December 2021, Ministers agreed that further work be undertaken to improve employment outcomes for disabled people. It was noted that there are gaps in early response interventions, vocational rehabilitation supports for people with non-injury related health conditions and disabilities, integrated health and employment support for people with mental health conditions, and services for disabled people with multiple barriers to employment.
79. Further work has progressed to explore these issues in more depth. In particular, this workstream explores specific interventions that could benefit disabled people in different circumstances:
 - a. In-work and return to work interventions for people who have reduced work capacity or have recently left work. Approximately **20,000 people**⁶ leave work every year with a health condition or a disability. This is likely to be an underestimate because it only includes those leaving their jobs permanently and does not include those who remain in employment but reduce their hours or take extended leave. There are also people already in the welfare system who could benefit from these interventions. Around **22,000 to 30,000** people per year are granted JS-HCD after stopping employment at some point in the previous six months. A portion of this group will have left employment due to health conditions or disability.
 - b. Integrated health and employment interventions for people with mental health and addiction needs. At least **95,000** people⁷ in the welfare system have mental health or addiction recorded as an incapacity and as many as **26,000**⁸ of these people have been on JS-HCD for more than one year. The number of people recording mental health as their primary incapacity has been steadily increasing across health condition and disability benefits over time. Existing integrated services are inequitably distributed across New Zealand, impacting especially on rural communities' access to relevant services.
 - c. Customised Employment and ongoing in-work supports for disabled people with significant support needs who often have no labour market attachment but want to work. We cannot accurately estimate the number of people in this group because there is a lack of information on work capacity of SLP recipients. However, as a rough estimate there are **57,000** people whose work capacity will be reassessed within two years, which indicates that there would be some within this group who may be able to work.
80. While people with mental health and addiction needs have been a major focus of this work, a range of health and employment needs have also been considered. Musculoskeletal conditions are the second most common reason for people receiving JS-HCD and make up

⁶ Household Labour Force Survey (HLFS).

⁷ Based on MSD administrative data (May 2022).

⁸ Based on MSD administrative data (May 2022).

nearly 11,000 people. Within the population of people receiving JS-HCD, those with mental health and addiction issues are predominantly younger (61% are under 45 years) while people with musculoskeletal conditions are typically older (77% are over 45 years).

Large scale trends are likely to increase the incidence of poor health in the labour market

81. Rapid globalisation, technological change, climate change and demographic change are expected to contribute to job loss, while also creating new job opportunities. Job loss can worsen health outcomes, including those associated with the impacts of poverty and increased stress, especially if unemployment is prolonged.
82. An aging population is also likely to mean that there will be more people in work with health conditions and disabilities, as older workers are more at risk of poor health outcomes. However, the impacts of some health conditions and disabilities may be lower with better treatment and management of them. Investing in effective supports for disabled people now, and growing this investment, can help to ensure we have an inclusive, productive labour market that maximises social and economic outcomes.

The attached A3s provide detail around options and interventions identified

- **Slide one** sets out the case for change, including the current state and key issues and the opportunity to create a more joined-up employment, health, and social support system.
- **Slide two** summarises options for short term investment that could be progressed for Budget 2023 and longer-term options, including improvements to system levers that would complement the proposal.
- **Slide three** depicts a continuum of labour market attachment, ranging from disabled people in work but at risk of falling out of work through to those with no labour market attachment. Needs vary along this continuum but higher intensity interventions are often required for those with complex barriers and who are further away from the labour market.
- **Slides four to eight** provide a more in-depth look at the potential of each of the proposals and interventions identified in the package.
- **Annex 2.1** lays out an overview of the Health and Disability system reforms post-July 2022 and sets out opportunities for cross-sector alignment, with a particular focus on Health and MSD.
- **Annex 2.2** provides a summary of evidence for the proposals explored in this package.

Evidence shows that while some interventions are promising, the current system is not working for many disabled people who need employment support

83. Officials have reviewed reports, evidence, and previous stakeholder engagement sessions to assess barriers and opportunities, including:
 - a. Working Matters and consultation
 - b. Welfare Expert Advisory Group report: Whakamana Tāngata (2019)
 - c. He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction (2018) and Kia Manawanui Aotearoa: Long-term pathway to mental wellbeing (2021)
 - d. Whakamaua: Māori Health Action Plan 2020-2025.
84. In particular, evidence shows that:

- a. The welfare and health systems do not intervene early with employment-focused products and services to support disabled people to maintain or move into work.
- b. Many disabled people would like support to find, return to, or get ready for employment but are not always connected to existing supports or those supports are not effective at meeting their needs.
- c. Many disabled people need joined up employment and other social supports to gain and maintain good work outcomes. This includes collaboration with employers. Provision of this support is limited and patchy.

Engagements with other agencies and stakeholders are underway to understand and develop opportunities for disabled people, now and in the future

- 85. MSD is engaging with the Ministry of Health and Health New Zealand to identify opportunities to promote better employment and health outcomes for disabled people, both in the short and longer term. To date, engagements have highlighted the potential to incorporate employment components into existing Health-led initiatives, particularly in primary and community health settings and in youth-friendly spaces. This includes learning from and building on existing collaborative efforts such as Oranga Mahi and supporting the sustainable expansion of Individual Placement Support (IPS) coverage in specialist settings.
- 86. Initial engagements with the National Iwi Chairs Forum Pou Tāngata Skills and Employment Iwi Leaders Group and Te Huia Bill Hamilton (Pou Tikanga Lead Advisor) has helped to refine opportunities that further tāngata whaikaha employment outcomes in line with Te Tiriti o Waitangi. This includes ways to support Māori and regionally led initiatives that are grounded in community contexts and that centre whānau and hapū needs. These would build on kaupapa Māori approaches taken in Oranga Mahi programmes and in Health-led initiatives, such as Access and Choice.⁹
- 87. ACC have engaged in early information-sharing sessions with MSD and MBIE to discuss what they offer by way of return to work and vocational rehabilitation supports for people with injury-related disabilities. This has also been an opportunity to consider further how gaps in vocational rehabilitation services might best be addressed for disabled people who are ineligible for relevant ACC vocational rehabilitation services.
- 88. We have also engaged with officials developing proposals associated with NZII. If agreed, the Scheme will be implemented in 2024 and will reconfigure the landscape to a degree. Implementation of the Scheme will likely create partnering opportunities across agencies.

This work seeks to give effect to Te Tiriti o Waitangi and improve outcomes for Māori

- 89. Māori disproportionately experience disability and poor health, which can impact employment outcomes. Tāngata whaikaha are overrepresented in the welfare system. General employment products and services need to be effective and responsive to their needs. There is also a need for effective ALMPs specifically for tāngata whaikaha and whānau whaikaha that use 'by Māori, for Māori' approaches.
- 90. This work supports regionally driven initiatives to meet the employment, health, and social support needs of whānau and hapū in diverse contexts and to promote options and choice within the ALMP system. This includes a proposal to ringfence MSD regional funding for

⁹ The Access and Choice programme (established in June 2019) provides better access to, and choice of, services for people with mild to moderate mental health and addiction needs. It is a five-year programme to enable establishment of infrastructure, workforce development and new services.

integrated health and employment interventions, including to support and build on community-led kaupapa Māori approaches.

There is opportunity to invest in interventions that improve employment outcomes for disabled people

91. We have considered a range of investment options and opportunities across a continuum of labour market attachment (see summary of proposals in Slide 2), ranging from low intensity through to more intensive support. These options would also provide a much stronger focus on early intervention.
92. Acting early is an effective way of supporting people to stay in work or to return quickly to work. There is opportunity to explore how investment in in-work or return to work supports, including light touch early response initiatives and integrated health and employment supports, could help to meet growing need. Such supports could build on digital infrastructure that can be scaled up easily. These services will need to be accessible to a range of communities, particularly those that disproportionately face digital exclusion, including former refugees and marginalised migrants with English as a second language.
93. Jobseekers with mental health and addiction needs, and potentially other chronic health conditions, could benefit from investment in targeted and integrated health and employment supports. These often involve collaboration across a range of services such as health, employment and housing and include support for employers as well as disabled people. Some may also integrate different types of support for a client within a single service. Integrated interventions, such as IPS, have a solid international evidence base for supporting people with mental health and addiction needs into employment.
94. For people with significant support needs, international evidence shows Customised Employment is proven and effective at supporting work outcomes (Wehman, 2018). Customised Employment is a practice based on matching the unique strengths, needs, and interests of a job candidate, and the identified business needs of an employer. It has a number of steps including: a discovery process; finding and negotiating with an employer; customised supports; in-work support; and possible provision of on-the-job training. Stakeholders have identified opportunities for investment to strengthen existing Customised Employment as a practice and provide ongoing in-work support where needed.
95. Alongside investment options, we are also considering the system levers that sit alongside them to best improve outcomes for disabled people. This includes early thinking about funding and contracting models, regional differentiation and flexibility, and sector capacity.
96. Creating a joined-up system of supports will be shaped by and give effect to the Enabling Good Lives principles for long-term change, which have been co-developed between disabled people and government. These principles include: Beginning Early; Person centred; Mana enhancing; Easy to use; Mainstream first; and Ordinary life outcomes.

We have recommended options to further develop for investment in Budget 2023 and beyond

97. With your agreement, there is opportunity to further progress a range of options that support employment outcomes for disabled people in the short, medium, and longer term.
98. It will be important to ensure services are effective in meeting the needs of disabled people. This includes robust monitoring and, where appropriate, evaluation of new regional initiatives while providing enough flexibility to support the development of innovative approaches. This is explored further the Monitoring and Evaluation and Investment Principles workstream.

99. The proposals presented in the recommendations are a first step to improving employment outcomes for disabled people. They provide an opportunity to explore phased investment, from short-term options through to longer term options that require more collaboration and engagement with disabled people's organisations and a range of stakeholders. Opportunities for co-design are also positioned further along the pipeline. Changes to system levers will take time but will help create a joined-up system of effective supports.
100. This approach recognises that significant changes to the health sector and disability support services and the establishment of a new Ministry for Disabled People are reconfiguring the current landscape. These reforms will take time to bed in. Acknowledging these changes underway, some options may therefore be best addressed in the medium to longer term. At the same time, the reforms also provide new opportunities to address longstanding issues and collaborate in different ways across agencies to build a more effective system of supports over time.

Strengthening monitoring and evaluation across the ALMP system

101. The ALMP stocktake and gaps analysis undertaken during 2021, and Te Puni Kōkiri's Review of Effectiveness for Māori of employment, education, and training initiatives, both identified the need to improve consistency of data collection, reporting and evaluation for ALMPs across government. The current state makes it difficult to know how well overall investment is achieving desired outcomes and the full extent to which there are gaps or overlaps in the system.
102. This year we have engaged further with agencies and key stakeholders¹⁰, and completed a literature scan on best practice approaches for monitoring and evaluation of ALMPs. This work confirmed the data collection and other issues identified during 2021 and revealed opportunities for improvement.

There are strengths in the current ALMP system we can build on

103. While there is a need to improve monitoring and evaluation of ALMPs, there are strengths in the current state that we can build on. These include:
 - a. MSD's employment assistance effectiveness reporting and publication of its catalogue of employment assistance evidence for public use.¹¹ Publication of this catalogue also provides public transparency of the effectiveness of many of MSD's ALMPs.
 - b. EET monitoring of the delivery and outcomes of employment, education and training initiatives funded through the COVID Response and Recovery Fund (CRRF) and related Budgets. This work has created a solid foundation for making similar improvements in data collection and reporting across all ALMPs.
 - c. Government agreement to adopt a relational approach to social sector commissioning¹², the implementation of which is likely to have many action points of common interest for strengthening the ALMP system.
 - d. Data gathering to inform performance monitoring, which is also used by some agencies to derive evidence of outcomes.

¹⁰ Departments of Corrections, Internal Affairs, Conservation, Ministries of/for Environment, Business, Immigration and Employment, Ethnic Communities, Pacific Peoples, Primary Industries, Social Development, Women, The Accident Compensation Corporation, Te Puni Kōkiri, Tertiary Education Commission, Jobs for Nature Secretariat, Land Information New Zealand, Treasury and Pou Tāngata Iwi Leaders Group.

¹¹ [Employment Assistance Evidence Catalogue \(msd.govt.nz\)](https://msd.govt.nz/employment-assistance-evidence-catalogue)

¹² SWC-21-MIN-0173, CAB-21-MIN-0473 [Social Sector Commissioning: Direction for Change - Ministry of Social Development \(msd.govt.nz\)](https://msd.govt.nz/social-sector-commissioning-direction-for-change-ministry-of-social-development-msd.govt.nz)

- e. Some successful collaborations sharing data and analysis expertise for research purposes across agencies to provide insights sought by the collaborating agencies which also offer benefit to the whole sector.
- f. TPK is currently developing a data management platform with the Social Wellbeing Agency to house relevant government agency data that relates to Māori.

There would be value in improving the consistency of data collection, monitoring, and evaluation of ALMPs across government to support a whole-of-system view of what is working, for whom, and in what circumstances

104. Inconsistencies within ALMP data collection, monitoring and evaluation impact optimisation of investment. We propose further work to strengthen the ALMP system, building on the draft Investment Principles you received in the December 2021 report on the ALMP review.

Investment Principles will enhance system coordination and provide a foundation for making improvements in monitoring and evaluation

- 105. A principled approach to investment in ALMPs will help to improve system coordination which will support more robust investment decision-making. It will also help to address the issues identified earlier in the ALMP Review and in TPK's Review of Effectiveness for Māori of employment, education, and training initiatives, by encouraging a greater focus on monitoring and evaluation practices and more consistent data collection.
- 106. The draft Investment Principles provided in December 2021 have been refined and finalised. A statement has been added overarching each principle with the Government's obligations to Te Tiriti o Waitangi and consideration given to how the Principles reflect Māori values. These changes reflect advice from the National Iwi Chairs Forum Pou Tangata Skills and Employment Iwi Leaders Group who noted this work is an opportunity to embed Ngā Mātanga Māori Values Framework¹³ into the ALMP system going forward.
- 107. The revised Principles also show alignment with the Social Sector Commissioning Principles and remain consistent with MSD's Employment Investment Principles. They are provided in Table One.

¹³ In February 2019, the Welfare Expert Advisory Group (WEAG) recommended in the Whakamana Tāngata report that the welfare system be underpinned by kaupapa Māori values. Following the Government's commitment to developing one such model, Ngā Mātanga Māori was established in late-2020 to advise on defining kaupapa Māori values that could impact change and how they could do so. A principled approach was taken and identified values and tikanga that, if implemented, would lead to transformational change of the structures and practices of the welfare system.

Table One: Revised ALMP Investment Principles

Te Tiriti o Waitangi obligations

In developing and delivering ALMPs, agencies will demonstrate Government obligations under te Tiriti o Waitangi by:

- considering the impact the programme will have on Māori whānau, hapū and iwi, including unintended impacts and different impacts on different groups
- ensuring programmes intended for Māori, whānau, hapū and iwi are developed and provided in ways that enhance self-determination and provide opportunities to realise development aspirations, and
- support equitable outcomes, experiences, and access for Māori, whānau, hapū and iwi.

Investments should support ALMPs that...

Principle 1

Make a case for the specific intervention/s that will be used in the program that is EITHER:

- a. Supported by evidence of effectiveness AND/OR
- b. Innovatively designed (e.g. community/iwi led, locally responsive, public-private partnership) in a way that is consistent with available information on likely effectiveness.

Principle 2

Are expected to deliver:

- a. Value for money in improving employment outcomes for the groups the programme targets AND/OR
- b. Long-term value for money, considering the wider benefits and costs to the whole of society.

Principle 3

Are feasible to implement and will effectively target and deliver to the identified group(s) based on current evidence and information about:

- a. The level and type of support that individuals and their whānau need
- b. Labour market opportunities and challenges (including those presented by New Zealand's future of work trends, including transition to a low-emissions economy)

Principle 4

Contribute to a cohesive set of offerings and is provided at an appropriate scale across the ALMP system.

Principle 5

Align with the Government's labour market role and strategic direction, and wider government service provision.

Principle 6

Help achieve equity for people disadvantaged (or at risk of disadvantage) in the labour market and act on opportunities to support individual and whānau aspirations to reduce long-term and intergenerational disadvantage, including child poverty.

Principle 7

Improve employment outcomes over the long-term by supporting people to enter, stay and progress in work that suits their needs and aspirations.

Principle 8

Have planned and/or demonstrated monitoring and evaluation that is appropriate for the maturity, scale, and type of programme, ideally including measurement of outcomes and clear targets to evaluate against, that will help grow the Government's evidence base for what works, for whom, in what circumstances.

Investment decisions across the ALMP system should aim to apportion and target investment based on current evidence and information about:

- a. The level and type of support that individuals and whānau need
- b. Labour market opportunities and challenges
- c. The level of intervention appropriate for the current economic cycle

108. The ALMP Investment Principles are intended to make future investment decisions on individual ALMPs better informed by a systems approach. There is an emphasis on decision making supported by evidence of effectiveness, appropriate targeting of programmes, and including appropriate monitoring and evaluation as part of programme development and implementation so we can grow the evidence base in Aotearoa for what works, for whom, and in what circumstances.

We recommend integrating the use of the ALMP Investment Principles into both the Budget and EET governance groups oversight processes

109. There are several options for how the Investment Principles could be used to improve system coordination and make investment decisions more robust. After consultation with agencies and key stakeholders including the Treasury and EET Secretariat, we recommend integrating the Investment Principles into both Budget and EET governance oversight processes as using formal mechanisms is more likely to effect change.

110. The Treasury has recommended that the principles be used to support Vote Analysts in their scrutiny of ALMP budget bids rather than adding more to the Budget template. They noted that the Principles would support agencies' analysis of all other requirements in the budget template, including He Ara Waiora, the Living Standards Framework, distributional analysis for the proposal, alignment to the Government's goals and fit with existing activity.

111. We expect that using the Investment principles alongside the existing Budget process requirements will add value to investment decision making and programme development processes without duplicating existing requirements nor adding undue administrative burden.

112. The Investment Principles will also support the EET Secretariat to provide advice to Ministers from a system view of Budget Bids and could be useful to guide thinking and decisions as part of future Budget processes. While agencies will not be expected to report on compliance with the Principles outside the Budget processes, their use in supporting the EET governance groups scrutiny of ALMPs will strengthen consistency across the ALMP system.

113. We recommend that use of the Investment Principles to support the budget process be tested in practice for Budget 2023. This action would mean that any ALMPs developed for that Budget to address gaps in supports for people with health conditions or disabilities, or affected by economic displacement, would also be included in implementation of the Investment Principles.

114. If Ministers agree to trialling use of the Investment Principles in Budget 2023, review of that trial will be undertaken by the EET Secretariat as part of their oversight role of EET related Budget Bids, subject to resourcing and work programme pressures.

115. We consider the Principles a 'living document' that will be edited from time to time in consultation with agencies, based on experience of their use and maturity of monitoring and evaluation activity within the ALMP system. However, maintaining the Principles in this way will have some resource implications.

Guidance will be needed to support consistent implementation of the Investment Principles

116. We propose development of a supporting toolkit or other collateral that provides guidance about how each Investment principle can be applied and makes incorporation of Māori values explicit. Development of this supporting material in consultation with agencies will facilitate commitment to using the Principles, and opportunity to generate shared understanding of and buy-in to making the shifts signalled by the Welfare Expert Advisory Group and Ngā Mātanga Māori.

A cross-agency toolkit could also provide foundational support for improving understanding of the characteristics of people who are accessing ALMPs and the effectiveness of the support they are receiving

117. Stakeholder engagement and a literature review of best practice for monitoring and evaluating ALMPs have confirmed that shared understanding about (a) why data is needed and what it will be used for, (b) consistency of terminology and metrics and (c) methods to collect data and methods to submit data, would help both strengthen monitoring and evaluative activity across agencies and support implementation of the ALMP Investment Principles.
118. Development of a toolkit that supports consistent understanding and implementation of data collection metrics and methods across agencies would be a helpful first step in improving understanding of the reach and comparative effectiveness of ALMPs. This would mean that more data could be standardised and made widely available to support analysis on what works for whom, gaps or inefficiencies in the ALMP system, and how ALMPs can enhance wellbeing. Providing guidance to support standardising data collection for ALMPs could also help to simplify the process and enhance the consistency of New Zealand's regular reporting to the OECD.
119. Development of the toolkit will have resourcing implications for MSD and MBIE. We will report back to EET on how it will be resourced. There may be opportunities to collaborate with the social sector commissioning team on areas of common interest and to build on the best practice guides produced by the EET Secretariat.
120. Initial analysis suggests that investment will likely be required to build capability and capacity in some agencies and service providers to help achieve consistency of data collection to support monitoring and evaluative activity. Further work is required to fully understand the quantum of this need, including consulting with Stats NZ.

Further work, in collaboration with agencies, could be warranted to achieve a more coordinated approach to understanding what ALMPs work best, for whom, and in what circumstances

121. Consultation with agency officials and review of literature on monitoring and evaluation best practice has led to the identification of several options for improving collective understanding and optimising investment. More detail about the key findings from stakeholder engagement and the literature review of best practice, including potential areas for further exploration, is provided in Annex three.
122. We expect that collaborative work across government to develop guidance to support implementation of the Investment Principles and to agree a best practice approach to data collection will reveal appetite for undertaking any further work and may identify priority areas for action.
123. Pursuing further options may require a deeper level of engagement with agencies to fully uncover the impact, consequences, benefits, and risks. Therefore, any new work will need to be scoped and resourced separately from the Investment Principles and best practice data collection work. If opportunities for additional work are identified, agencies will use the EET governance groups to provide updates.

Annexes

Annex One: Supporting economically displaced workers

Annex Two: Increasing the provision of Active Labour Market Programmes for disabled people

Annex Three: Strengthening monitoring and evaluation across the ALMP system

Annex Four: At-a-glance summary of groups, evidence and options

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Annex one

Update on the ALMP Review: supporting economically displaced workers

Annex one provides further information, evidence and supporting rationale for the recommendations on providing support in response to economic displacement, particularly any support needed to complement the New Zealand Income Insurance scheme.

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Annex One – Update on the ALMP Review: supporting economically displaced workers

Executive summary

1. In our December 2021 report to you, we identified the lack of ALMPs targeted to support economically displaced workers as a priority gap. Employment, Education and Training Ministers directed officials to undertake further work to:
 - a. understand the quantity and type of early intervention support that is needed in response to economic displacement, and the options available to provide this response, particularly any support that will be needed to complement Income Insurance, and
 - b. ensure continued provision of a one-to-one, personalised career service to help people to understand the transferability of their skills and the potential occupational and training options that will provide them with a sustainable career or earnings pathway.
2. Since December, we have reviewed the New Zealand and international literature on what supports are most effective to assist displaced workers back into good work and engaged with key agencies to test options.
3. While we broadly know what works for displaced workers, a key gap is the limitation in being able to identify the needs of displaced workers in New Zealand. We do not know their re-employment pathway nor the extent that they engage with government services, and there may be low awareness of available supports among both workers and employers. The ALMP review provides the immediate opportunity to gather evidence about displaced workers, including the scale of need, and promote awareness of existing ALMPs. Therefore, in the short-term, we recommend that government investigate opportunities to better identify displaced workers in New Zealand, including the scale of need.
4. This will inform development of further advice to:
 - a. promote existing ALMPs and training opportunities to displaced workers and employers (for example, through online information and engaging with social partners)
 - b. improve or develop early intervention services for displaced workers (for example, increasing the capacity of the Redeployment Support service provided by MSD)
 - c. identify how best to provide additional support to those displaced workers most at risk of poor labour market outcomes who are likely to require more intensive support (for example, investing in ALMPs with a case management function)
5. We also recommend that a bid is developed for Budget 23 to provide secure long-term funding for the Direct Career Service from June 2023 (when current funding ends)
6. We considered evidence on the effectiveness of ALMPs to support training and self-employment but are not recommending any new initiatives or further investment in these areas as the visibility of training services, rather than provision,

appears to be the greatest barrier to access. There is considerable work underway on improving the visibility of, and access to, training in the development of ACC's case management support for New Zealand Income Insurance (NZII) scheme claimants, the development of Regional Workforce Plans and the Reform of Vocational Education (RoVE).

7. MSD is the largest provider of publicly funded employment supports. Cabinet has agreed that MSD's employment services will focus on people most in need of employment support, whether they are on benefit or not. Decision-makers will need to consider what mix of ALMPs – both general and targeted – to provide to displaced workers.
8. We note that many displaced workers may 'fit' into MSD's prioritisation approach if they have specific barriers to re-employment targeted by existing ALMPs (particularly where there is an opportunity for early intervention). Groups that are disproportionately impacted by displacement include Māori and Pacific workers, women, along with older workers and low-skilled workers.
9. However, investing in displaced workers (who are already close to the labour market) needs to be weighed against the option to invest further in those at high risk of long-term benefit receipt, and need more help to enter the labour market.
10. Cabinet will shortly take decisions to confirm whether to implement NZII, and to confirm the scheme's detailed design. Many people losing employment due to displacement, or the loss of work capacity due to a health condition or disability, will in future be eligible for NZII support.
11. It is worth noting that not all displaced workers will be eligible for NZII, however. Some will not meet contribution requirements, will have previously exhausted their entitlement, or do not hold a New Zealand residency-class visa. Many of these workers will not be able to access employment services through MSD either, though we do not know how many are likely to fall into this category.
12. NZII claimants are likely to be a diverse group, with varying needs. Many claimants may not need much help to return to good work, beyond the opportunity provided by income insurance for a considered job search, or respite from work. Others will benefit from the coaching, encouragement, and support of levy-funded case managers.
13. The NZII levy will fund case management for NZII claimants who may refer claimants to active labour market programmes, including vocational rehabilitation, to the extent these are available from partner agencies. Given current capacity constraints, and allocation criteria, the availability of such services is likely to be limited, increasing the risk of poor return-to-work outcomes for NZII claimants.
14. Identifying and addressing gaps in such services is one of the key reasons for reviewing the ALMP system, and for focussing particularly on displaced workers, and those losing work due to health conditions and disabilities.

Background: displacement in New Zealand

15. Workers are described as economically displaced when they lose their jobs through redundancy. This may be due to firms restructuring, changing production methods, relocating, or shutting down. These responses change a firm's labour force needs, creating risks for some workers, and opportunities for others.
16. The two key objectives to supporting economically displaced workers are to reduce wage scarring and increase the labour market's resilience in an economic shock that results in widespread redundancy.

Wage scarring

17. For workers, the main risks are the immediate loss of salary or wages, and the possibility of sustained income loss even when re-employed, an effect described as wage scarring. On average, displaced New Zealand workers appear to return to work relatively promptly – 24-33 percent are unemployed for less than three months; and a further 18-25 percent are unemployed for less than six months¹ – but many show significant long-term wage scarring.
18. Wage scarring suggests poor skills matching, lost productivity, loss of output, lost income, and fiscal costs. Reduced wage scarring is a key objective in better supporting displaced workers.
19. Wage scarring has wider economic impacts as well. Estimates prepared for the proposed Income Insurance scheme suggest that the lifetime wage scarring impacts arising from workers who are economically displaced in one average year range from \$4.74b to \$9.76b.

Economic resilience

20. Restructuring and redundancies routinely occur in dynamic economies and tend to increase during periods of significant economic change – whether planned, or otherwise, with displacement increasing substantially during events such as the Global Financial Crisis, or the COVID-19 pandemic. Work on the Just Transition to a Low Carbon Economy suggest there will be differential rates of displacement in future, with some regions worse affected than others. The megatrends described in the Tripartite Forum's Future of Work Strategic Assessment – globalisation, technological change, climate change, and demographic change – are also expected to contribute to worker displacement.
21. At a macroeconomic level, widespread job losses can deepen and prolong recessions through reduced consumption. Income insurance, coupled with employment supports for displaced workers to ease their transition to good work, acts as an automatic stabilizer that enhances the labour market's resilience in the face of recessions or widespread economic distress.

¹ The different estimates of time out of work reflect that neither the Employer Monthly Schedules (EMS) nor HLFS data provide the exact date of displacement or re-employment.

New Zealand has a recognised gap in ALMPs for displaced workers

22. A range of commentators, including the OECD, the Welfare Expert Advisory Group, the New Zealand Productivity Commission, and the government's social partners (Business New Zealand and the New Zealand Council of Trade Unions) have noted the lack of support for displaced workers, including ALMPs targeted specifically to displaced workers.
23. NZII fills the primary gap for economically displaced workers, by providing replacement income that gives workers the space to undertake retraining or upskilling, smooth incomes and ease the transition to new roles. However, to navigate change successfully, displaced workers often need additional help to find good work and cope with the effects of displacement, including on mental health. Evidence suggests that getting support prior to displacement, careers advice, and case management where needed can mitigate the impact of displacement and reduce wage-scarring.

We have broadly identified gaps in support for displaced workers, but we know relatively little about who is displaced

24. Estimates of numbers of workers who are economically displaced each year ranges from 39,686 to 125,000. The wide variance in the estimates reflects the limitations of the data we have drawn on. We have used data generated for the development of the NZII. This comes from the Household Labour Force Survey (HLFS) that was matched with other Statistics New Zealand data to create displaced worker profiles. The HLFS is survey-based and therefore subject to sampling error, and in some cases, matching was not possible. We have also drawn on international comparisons and MSD research and modelling.
25. We know that displacement from work has negative financial and health effects for workers, their whānau and the wider economy. While we understand broadly what the needs, trends and effective interventions are for displaced workers, and can make estimates around the relative size of cohorts, a key gap is the lack of information about the actual scale of need or how displaced workers may be interacting with services currently. We also know little about what their path back to work looks like.
26. Looking to the future, the introduction of the NZII could improve the pipeline of information about displaced workers. It could change some people's behaviour. The number of people or time spent out of work, for example, could change from historical levels when workers and employers respond differently in the NZII context. Research on income insurance indicates that more generous benefit payments are linked to longer time spent out of work. Because of these constraints, the data that we have is useful to observe trends and relativities, rather than definitively quantify demand.

Economically displaced workers have diverse needs, with some groups and jobs more likely to be impacted by displacement

27. Most displaced workers can navigate the labour market using their own networks and existing publicly available or private resources without assistance from government. We estimate that around half of all displaced workers – both those who have been economically displaced and those displaced because of a health conditions or disability – have highly transferable skills and are motivated to find work with minimal help.

28. Some displaced workers face additional barriers that place them at greater risk of poor long-term labour market outcomes, such as weak attachment to the labour market, low self-efficacy, obsolete skills, an absence of recent job search experience, and an impact on their health and wellbeing due to job loss. On the other hand, a history of stable employment and strong labour force attachment can act as protective factors to mitigate these barriers to re-employment.

29. Data shows that the median monthly earnings from workers' previous job (in March 2021 dollars) was about \$3,400 (just above the adult minimum wage). Such workers are likely to share several characteristics and risk factors with those who traditionally seek employment assistance.

30. We have also observed trends in the New Zealand context that shows that some groups and jobs are more likely to be impacted by job loss. While these trends on their own do not determine what barriers displaced workers face, they do show us where we could focus our effort, including in finding out more information about people's needs and what happens during their displacement.

31. Demographically, the profile of displaced workers varies over time but overall:

- Māori are disproportionately likely to face economic displacement – as young workers, as men, as women, by sector, by occupation and employment status
- Men are consistently displaced in higher numbers than women – on average 57 percent of displaced workers are men – reflecting their higher rates of employment (and full-time employment) and the higher risk of displacement in some sectors where men are over-represented. This may depend on the drivers of displacement - men were more affected by the Global Financial Crisis, which had a significant effect on the manufacturing and construction sectors, which are male dominated. However, the COVID-19 response (while still playing out) has affected administrative and support services; professional, scientific, and technical services; and retail trade, in addition to manufacturing and construction, so has had a more significant impact for women workers than other economic shocks.
- Young people aged 15-24 comprise more than a quarter of workers who are economically displaced each year, on average – young Māori are a high proportion of this group.
- Māori and Pacific workers, younger workers and women are generally over-represented in non-permanent forms of employment, including casual,

temporary, fixed term and seasonal working arrangements. Māori men make up nearly one-third of seasonal workers.

- Women, along with older workers and the low-skilled, are more likely to drop out of the labour force following displacement.

32. In terms of skill and pay level:

- Around 44 percent of displaced workers will have a post-school or degree-level qualification, 32 percent have secondary school qualifications and 20 percent will have no qualifications.
- Most displaced workers are on lower incomes, with the median income of displaced workers just over the minimum wage. However, the average income for those displaced is close to the average income observed across all jobs.

33. In terms of industries and occupations:

- The manufacturing sector consistently has the highest displacement rates, almost double those in any other sector, and we expect this trend to continue as technology advances. Construction and retail trade, accommodation and food service workers are also more likely to experience displacement.
- Occupations classed as Manager or Professional are as likely to experience displacement as Clerical and Administrative workers, and Labourers.

We know broadly which supports are effective for displaced workers

34. International research suggests that ALMPs targeted at displaced workers should consider the specific barriers to re-employment that displaced workers often experience (such as obsolete skills and the absence of recent job search experience), while leveraging their strengths (a history of stable employment and strong labour force attachment).

35. Targeted early intervention during the redundancy notice period (or even earlier) appears to be most helpful for anticipating and addressing the needs of displaced workers, whether they are affected by mass layoffs or small-scale layoffs. Displaced workers can also benefit from a case management approach, although what this involves differs by jurisdiction and in New Zealand, a good approach may encompass a range of supports. Interventions that involve families and the community can also be effective – particularly for mass redundancies that can have a significant impact on a region or community.

36. In New Zealand, we know that anecdotally some people with previous stable employment who lost their job during COVID-19 appreciated support through the Rapid Return to Work² service to update CVs, cover letters and preparing for interviews, particularly as many had no recent job experience.

² Rapid Return to Work gives new jobseekers information on vacancies, preparing CVs and cover letters, getting ready for interviews, and identifying transferable skills. The scheme was established in April

37. We also have general information about ALMPs that are effective in addressing specific barriers for other groups, which could inform what works for different cohorts of displaced workers (depending on their needs).

38. We know that:

- People with low awareness of their skill transferability or relevant job opportunities may benefit from career guidance or job brokerage, including more personalised services such as the Direct Career Service.
- People with low skills or qualifications may benefit from further education and training, and those whose skills do not match the labour market may benefit from upskilling or retraining – this may include short-term modules and on-the-job training.
- People whose health or confidence was impacted by a life shock, including job loss, may benefit from counselling, coaching and other ongoing support (some of which can be provided through the health system).
- People can also benefit from information and interventions that are culturally responsive and delivered in different languages. For example, Māori may choose to access kaupapa Māori services that better meet their needs over mainstream services.
- Older workers or those with health conditions may need support to transition to less physically demanding work.

39. Displaced workers may have some or all these needs, and therefore may benefit from a mix of employment assistance, with intensity of that support depending on their circumstances.

Displaced workers may be eligible for some existing support, but we do not know the extent to which they currently access ALMPs

40. Eligibility for MSD's employment services is broad although support is focused on people at risk of long-term benefit receipt. Cabinet's recent decision on the role of MSD's employment services reinforces the importance of proactively helping people with the most need for support, whether they are on benefit or not [CAB-22-MIN-0189]. This includes intervening early where appropriate.

41. When it comes to making operational decisions about which clients are at risk of long-term benefit receipt, how MSD should prioritise their needs, and what supports may be appropriate, MSD's case managers consider a range of factors, such as age and location, employment history and educational attainment, specific barriers to employment (eg medical conditions, caring responsibilities), and benefit status and history. Even if someone presents with a risk factor, they may have several other protective factors that make them less at risk of long-term benefit receipt.

42. Under these settings, displaced workers could potentially access MSD's employment services – depending on government's ability to identify and engage

2020 in response to COVID-19 and was piloted with people who had recently lost their job and come into the benefit system (note that most displaced workers do not come into the benefit system). It is phone-based, and people can join the scheme through a new function in MyMSD.

with them, as well as eligibility settings and targeting of factors for different ALMPs (being displaced is usually not a sufficient factor on its own for receiving intensive support). We know that some people who are not on benefit access MSD's employment services through ALMPs such as Redeployment Support, Direct Careers Service, Mana in Mahi and Flexi-Wage. While some of these could be effective for displaced workers, we do not currently have information about uptake.

The NZII levy will fund case management for NZII claimants

43. The NZII case management model is under development by ACC and MSD. Case management is distinct from claim management and involves coaching and supporting claimants to address their barriers and achieve their return-to-work goals. It is intended to be targeted to those who need it and tailored appropriately.
44. In addition, eligible NZII claimants may be referred by their case manager to active labour market programmes, including vocational rehabilitation, to the extent these are available from partner agencies. Given current capacity constraints and eligibility criteria, the availability of such services is likely to be limited.
45. For some NZII claimants, that gap in services is likely to lead to poorer return-to-work outcomes, eg accepting a role that is less well-paid, or not finding any work before their income insurance entitlements end.
46. Ministers developing the NZII policy proposals for Cabinet consideration have recently confirmed their intention to reserve the use of NZII levies for paying entitlements, providing case management, and administering the scheme.
47. Within these parameters, ACC could seek to allocate case management resources to where there is best value and to improve outcomes for NZII claimants. ACC similarly invests accident compensation levy funds to reduce the incidence and impact of injuries, leading to lower costs and better client outcomes.
48. A good evidence base about what type of case management interventions work for whom will be required to enable well-targeted, efficient use of funds. In a short-term scheme as NZII (a maximum of six months of entitlements), it will be important for case management services to avoid prioritising a rapid return to work over good work (which includes wage/salary level and longer-term factors such as sustainability).
49. Case management services for different cohorts of claimants (particularly those with mental health issues, those with obsolete skills, and those who are more likely to succeed through a kaupapa Māori approach) could be procured from third party providers.
50. It may be useful to return to the question of whether ACC should be empowered to purchase other ALMPs (including vocational rehabilitation) for non-accident compensation clients once Ministers have taken decisions on the ALMP review. Further work could explore what the impacts would be on the wider market for such services, including prices and service quality.
51. Not all displaced workers will be eligible for NZII. Some may not meet their contribution requirement or may have exhausted their entitlement. Some workers may be ineligible because they are neither New Zealand citizens nor hold a residency-class visa.

Displaced workers, as well as employers, may also be unaware of available supports

52. The success of ALMPs largely depends on the extent that workers have visibility of existing supports, whether through the direction of a case manager, through information-sharing on what is available or through self-directed action (eg exploring the Connected website).
53. Existing ALMPs usually receive referrals through other supports a displaced worker may be accessing (e.g. JobSeeker Support), rely on displaced workers to find the programme themselves, or network with employers and other key stakeholders to identify opportunities to provide support.
54. ACC, which will administer NZII, will provide potential claimants with information on available supports, including ALMPs, prior to displacement. Although not all displaced workers will be eligible for NZII, all redundant workers will receive this information.
55. Currently, Connected provides information online, via phone and face-to-face for both workers and employers about different ALMPs. While this service was set up in response to help workers and employers impacted by COVID-19, there may still be a gap where key information is not all in one place nor necessarily targeted towards displaced workers or employers. Some employer-facing information does not refer to ALMPs that they or their workers can access. Additionally, not all workers and employers can or will look for information online or be able to access local services.

In the short term we can improve information about displaced workers and increase awareness of ALMPs

56. In the short-term, we will investigate further opportunities to learn more about displaced workers – ie the scale of need and how they interact with current supports. This will inform further medium-term work on the proposed focus areas. Improving visibility of ALMPs among the public will improve economically displaced workers' awareness of available supports prior to and after displacement. This will make it more likely that they will access supports.
57. Improved visibility of ALMPs is particularly important for workers and employers that are less likely to be captured through networking, such as those in smaller businesses and/or who are self-employed. Manufacturing, construction, retail trade, accommodation and food service industries, which have high levels of economic displacement, all contain a significant number of these types of businesses.
58. We recommend that options are investigated to increase public visibility and awareness of employment supports, including but not limited to:
 - a. updating existing online content and/or creating new content (noting that MSD is currently in the process of updating content around some ALMPs),
 - b. working with the social partners (both employers and unions) to identify ways to direct more economically displaced workers toward existing employment supports, and

- c. investigating whether groups that face high economic displacement may benefit from tailored content and/or provision of information (e.g. if culturally appropriate content provided through Māori and Pacific-specific channels would help to increase awareness for workers in these groups)³

Focus areas for further development in the medium term

59. This advice has been informed by a review of national and international evidence of best practice for economically displaced workers, a series of engagements with relevant agencies, and the recent consultation undertaken on the NZII.

60. Our immediate work to improve our understanding of displaced workers in New Zealand will inform advice on focus areas for further development. We evaluated five types of support and found that three are areas where there are opportunities for further work:

- a. **Early intervention** – the provision of employment services during the notice period prior to displacement. We recommend that:
 - i. further work be done to improve information on displacement in advance of the implementation of NZII to support the development of service capacity
 - ii. further work be done to adapt and scale up existing early intervention services targeted to displaced workers, including increasing the capacity of the Redeployment Support service provided by MSD
- b. **Case management** – active case management that supports positive labour market outcomes for those people that need support to return to work; this can span a range of supports in the current ALMP system. We recommend that further work be done to assess options to provide additional active case management support to those displaced workers who would benefit from it
- c. **Careers services** – initiatives that help workers explore and pursue potential career paths, such as careers counselling, job search support, skill audits, provision of careers information, support with CV writing and interview skills. We recommend that further work be done to develop a bid for Budget 23 to provide secure funding for the Direct Career Service from June 2023 when current funding ends. This can be progressed in the short-term.

61. To support the recommendations above, further work is required to identify the scale of need for each service, including levels of intensity, especially regarding case management where observations in the early days of the pandemic showed that many displaced workers required relatively minimal advice and guidance.

62. As noted above, Cabinet has agreed that MSD's employment services will focus on people most in need of employment support, whether or not they are on benefit.

³ Note that investigation of awareness of supports for Māori should follow a partnership approach.

Decision-makers will need to consider the trade-offs in investing in ALMPs that help displaced workers who are closer to the labour market, against opportunities to support people furthest from the labour market (such as people who are on benefit for a long duration and may have more complex needs). We note that many displaced workers may ‘fit’ into MSD’s prioritisation approach if they have specific barriers to re-employment targeted by existing ALMPs (particularly where there is an opportunity for early intervention). However, investing in displaced workers (who are already close to the labour market) needs to be weighed against additional investment in those at high-risk of long-term benefit receipt who need more help to enter the labour market.

63. We considered two other types of support, training and upskilling and self-employment support, but concluded that further work is not warranted at this stage. There is further information on these options in paragraphs 98 to 112.

Intervening prior to displacement can reduce time spent out of work

64. Early intervention refers to the provision of employment services once a worker is informed their role will be disestablished but while they are still in employment. This can include case management services, financial advice, careers advice, retraining advice and/or mental health supports.

65. The literature suggests that intervention prior to displacement can reduce time spent out of work and mitigate the impact of job loss. In cases of mass displacement, it can be motivating for displaced workers to receive interventions as a group, which can speed up the adjustment process.

66. Providing support early will improve NZII outcomes as it can reduce time that workers need to access NZII and reduce the number who exhaust their NZII entitlement, potentially entering the welfare system.

There are existing ALMPs providing early intervention

67. MSD’s Redeployment Support service is the main conduit for early provision of employment supports. The Redeployment Support service was launched in April 2022 (building on MSD’s Rapid Response Teams and other informal redeployment support services). The service coordinates, and can deliver some types of, prompt and tailored support both for workers at risk of job displacement, and businesses at risk of displacing workers.

68. Redeployment Support is delivered by dedicated teams located across New Zealand, who gather local intelligence and build relationships with employers and other key stakeholders to identify displacement risk.

69. Early intervention is a key part of the Government’s Just Transitions support for regions transitioning through local economic shocks. For example, the Government is supporting early engagement and intervention for workers at Tiwai Point Aluminium Smelter well in advance of its anticipated closing date at the end of 2024. This support is limited to workers facing certain mass displacement events.

70. Depending on the context, Redeployment Support can provide and/or coordinate:

- Support for employers and workers to retrain so that they can retain their workers/employment

- b. Support for workers to transition to new employment
- c. Upskilling opportunities prior to a displaced worker's entry into the welfare system, and/or
- d. Connection to other supports available through MSD or Partner services, including case management and careers services, if the worker is eligible.

71. When provided, Redeployment Support is delivered to all workers facing displacement, regardless of whether they would become eligible for MSD's income support or employment supports. As Redeployment Support is a new service, it will be monitored over the next 12 months and MSD will report results to Minister Sepuloni.

72. Outside of Government, there is also a role for unions and businesses to support workers prior to displacement.

NZII will provide a more reliable source of information about displacement

- 73. Currently, agencies rely on relationship networks to identify displacement events. NZII will introduce a requirement for employers to notify the scheme of upcoming redundancies. The legislation will include a provision to enable information on upcoming redundancies to be shared with ALMP delivery agencies to identify who might need additional support to that provided by the NZII scheme. ACC, which will administer NZII, will also provide workers with information on available supports prior to displacement.
- 74. The information captured by NZII will increase the visibility of demand for ALMPs prior to displacement. Providing support early will likely avert or reduce the length of time that workers need to access NZII and reduce the number who exhaust their NZII entitlement and potentially enter the welfare system. Officials have considered whether it is feasible to introduce a mandatory displacement reporting requirement in advance of the implementation of NZII but consider the implementation and compliance costs to be too great.
- 75. We will investigate options to scale up existing ALMPs that can be provided prior to displacement. Two specific options we will investigate are:
 - a. *Adapting Redeployment Support to respond to increased demand* - This may mean scaling up the service and/or adapting targeting of the service to specific groups in greatest need of support.
 - b. *Making the Rapid Return to Work phone service available prior to displacement* - This service currently provides CV, cover letter and interview support, and free online courses, for new applicants to JobSeeker Support. It is provided up to six weeks after displacement. To be provided prior to displacement, the service's eligibility criteria will need to be adapted to allow for workers who are working their redundancy period to be referred to the service through ACC.
- 76. Providing economically displaced Māori workers with information on the range of available supports as early as possible aligns with te Tiriti o Waitangi principle of rangatiratanga (self-determination), by giving them the time and information needed to make an informed decision about the supports they wish to access. It will be important to consider the availability of culturally appropriate information

and ALMPs prior to displacement to ensure equitable outcomes, in alignment with the principle of rite tahi (equality).

77. Once NZII is implemented, it will require that employers give workers one month's notice prior to displacement. The earlier that workers can be identified, the more likely it is that ALMPs provided prior to displacement will be able to meet their needs. This means that the networking functions of programmes that identify workers more than a month in advance of displacement, will continue to be valuable after the implementation of NZII.

Case management

78. Case management is a key service to support return to work. There is no single definition of case management. Evidence shows that for economically displaced workers, active case management is most effective for those who need more support to return to work. It can span a range of supports including screening, skill auditing, career planning, job matching, trauma-informed counselling, as well as ongoing support to navigate services. A case manager's knowledge of the community, local labour market, and even of specific jobs or industries can also be helpful for displaced workers.
79. Because the needs of displaced workers are so varied, case managers play an important role in determining the appropriate level of support for each worker and connecting them to appropriate services. Case management may begin as soon as a worker is notified of redundancy, and provided until they return to employment, if necessary.
80. Successful case management is provided in a way that is tailored to a worker's context (e.g. history, culture, age, gender). Tailored case management is particularly important for groups that face unique barriers to employment, such as women, older workers, Māori, Pacific people, recent migrants, refugees, and ethnic communities. These groups' respective Employment Action Plans contain more detailed information on the barriers to employment that workers in these groups face.
81. Culturally appropriate case management that provides wrap-around and holistic support can be mana-enhancing for Māori workers and support rangatiratanga and rite tahi (self-determination and equality), particularly if this type of case management is designed and delivered in partnership with Māori⁴. Case management that is not culturally appropriate can work against this by distancing Māori from employment supports.
82. Some displaced workers differ from cohorts that generally access public employment services. OECD research has found that investing in a case manager workforce specifically focused on displaced workers is an effective way of

⁴ Current work in this space includes ACC's development of Kaupapa Māori services for NZII, and the development of kaupapa Māori values to underpin the welfare system (including associated case management support).

achieving the outcomes sought from income insurance⁵. NZII will provide levy-funded case management for displaced workers once they come on to the scheme, but we anticipate that some workers will need more intensive support to transition to work than the levy will provide.

Some displaced workers would benefit from more intensive case management than will be provided by Income Insurance or accessed through public employment services

83. The level and intensity of case management support that MSD provides to people depends on their need for assistance and the capacity within existing caseloads. MSD's case management resources are deployed flexibly to respond to the needs of MSD's clients. It currently provides case management to around 60,000 clients, engaging with them an average of one to two times per month.
84. Government also provides other types of employment assistance that show elements of the case management approach that international evidence indicates works for displaced workers. This includes job brokerage provided by MSD Work Brokers, careers advice through Direct Careers Service, and some elements of MSD's Early Response – Redeployment Support service.
85. We note that Ministers have agreed to proceed with the development of a programme business case for transforming the MSD's service model [GOV-21-MIN-0039], with the first project to lay the foundations for digital services and case management change. This work is currently in development and more information will be provided to Ministers through the detailed business cases presented to Cabinet, to support future funding decisions, including Budget 2023.
86. Ministers have also agreed to proceed with the introduction of NZII. The Income Insurance proposal provides for levy-funded case management. We understand that this will be a light-touch model and believe that some displaced workers will need more intensive support than will be provided by the levy.
87. A key question is whether and how much support is required for people whose needs will not be met by the levy-funded case management service and whether MSD will be able to provide this service under its revised prioritisation approach. As discussed, we know little about the characteristics of displaced workers, but it is likely that there will continue to be a gap in support for some.
88. Further information about the needs of displaced workers will help us to understand whether this gap can be addressed through MSD's case management service, or an alternative intervention, as well as whether any further investment is necessary.
89. We are seeking your agreement to do further work to assess options to provide additional support (which may include case management) to those displaced workers who would benefit from it, including those not eligible for NZII or employment services from MSD.

⁵ OECD Employment Outlook 2018 - Back to work: Lessons from nine country case studies of policies to assist displaced workers, https://www.oecd-ilibrary.org/sites/empl_outlook-2018-8-en/index.html?itemId=/content/component/empl_outlook-2018-8-en

Career and Job Search Support

90. Career supports refer to initiatives that help workers explore and pursue potential career paths, such as careers counselling, job search support, skill audits, provision of careers information, support with CV writing and interview skills, and identifying the transferability of skills. Online support can be effective but may have access and equity problems. International literature suggests that career counselling and job search support is an effective way to smooth reemployment.
91. Many displaced workers will be unfamiliar with available career opportunities and recruitment processes - especially mid-career and older workers who may not have sought work for many years. Skilled workers might not understand which of their skills are transferable to new roles or sectors, or how to best communicate their competencies to prospective employers.
92. MSD funds Careers Guidance and Counselling services at a regional level where referrals are made for existing MSD clients. The service is often used to support specific cohorts, such as parents returning to work when work obligations arise. Displaced workers with other risk factors may be able to access this service.
93. The Tertiary Education Commission will shortly release its online careers planning solution, Tahatū, which refreshes content, tools, and functions of the careers.govt.nz website. The priority audiences for the service are Māori, Pacific people, women, and disabled people who tend to have higher rates of unemployment, underutilisation, and lower wages than the general population. While the primary audience for Tahatū is high school students, its secondary audience is adults not in employment, careers advisors and organisations helping people into work.
94. In addition to these publicly funded services, there are a plethora of private sector employment services including online job search and CV advice, recruitment agencies and industry-led work brokerage services. Apart from the continuing to support the Direct Careers Service, we have not recommended further investment in careers services.

We recommend that longer-term funding is secured for the Direct Career Service

95. New Zealand already has a comprehensive range of career services available with wide eligibility, such as the Direct Career Service, an all-of-government service with universal eligibility. Funding for this service was due to expire in June 2022 but has been extended for one year to June 2023.
96. Evaluations of the service have indicated that it is effective in supporting people to enter or return to work with most clients in the 25 – 39 age groups and increasing numbers of older workers using the service. Face to face services are more likely to be used by Māori (34% of clients accessing local services are Māori, compared to 6% of those using phone services). Women are also more likely to use the services than men (60% of service users are women).
97. This can be progressed in the short-term, with a Budget bid prepared for Budget 23.

Training

98. In the ALMP context, training refers to programmes that actively assist people to gain skills to help them into employment in the short-term or promote transitions into a broader range of occupations and higher paying roles. Existing training related ALMPs include the Skills for Industry programme, driver licensing programmes, and a variety of locally led, centrally supported programmes provided by MSD; and ManaiaSafe Forestry School, provided by the Ministry for Primary Industries.
99. International experience suggests that training tends to have larger average effects for the long term unemployed⁶ than for those closer to the labour market such as displaced workers.
100. Many workers change industry or occupation after displacement, but not all such shifts lead to a significant change in the skills used at work. The effectiveness of training for displaced workers, who have a diverse range of skillsets and circumstances, hinges on ensuring the appropriateness of the training programme.

International evidence suggests that training is more effective when delivered on-the-job

101. Generally, evidence shows that being in a real work situation, such as internships, apprenticeships and ‘learn while you earn’ programmes, is more effective for employment outcomes than stand-alone training.
102. “Gap training”, where workers access short courses to address specific skill gaps, can also be effective. The Australian car industry saw high uptake for gap training such as driver licensing, certification tickets, and skill sets in periods of mass displacement. Workers accessed employer-provided training, including language, literacy and numeracy, digital skills, and financial literacy.
103. This is an area where employers and industry groups might consider how they can provide ‘learn while you earn’ opportunities to support workers at risk of displacement to upskill while in employment, or workers who have re-entered the workforce after displacement to adapt to their new roles.

Vocational education is being reformed with an emphasis on work-integrated learning

104. The Government’s Reform of Vocational Education (RoVE) introduces a stronger focus on delivering the skills employers need, with an emphasis on work-integrated learning. Te Pūkenga, which brings together existing Industry Training Organisations, is developing more modular training options, including micro credentials.
105. Government already invests more than \$100 million per annum to support people into training, including work-place training, through ALMPs⁷. Training

⁶ Card, D., Kluve, J., & Weber, A. (2018). What works? A meta-analysis of recent active labor market program evaluations. *Journal of the European Economic Association*, 16(3), 894-931.

⁷ The largest programmes by spend with a skills and training component (2020/21) include Flexi-wage \$44m, Skills for Industry \$32.3m, Mana in Mahi \$29.1M, Skills for Industry – Construction Accord \$27.8m.

programmes tend to be aimed at those at risk of long-term benefit dependence. However, ALMPs focused on short-term upskilling such as Skills for Industry, Mana in Mahi, and Flexi-wage could be well suited for displaced workers.

106. Both MSD and the tertiary education sector also provide funding for vocational training and training support. Budget 2022, for example, increased funding for enrolments in prioritised areas, particularly for work-based learning such as apprenticeships, by \$112.7 million for 2023, and allocated an additional \$230 million for the Apprenticeship Boost Initiative.
107. Evidence suggests that the visibility of training opportunities, both for employers and employees, is a barrier to the uptake of training. Training opportunities can be made more visible to displaced workers through the Direct Careers Service, NZI's case management and early intervention support services. RoVE's engagement with Regional Skills Leadership Groups, Workforce Development Councils, and former Industry Training Organisations (brought together in Te Pūkenga) will also improve the visibility of training opportunities.

Support to facilitate self-employment

108. The Pou Tangata and Pou Tahua Iwi Leaders Group technicians who are engaging with NZI stressed that Māori claimants should be supported to enter self-employment if that is their aspiration.
109. The literature is ambivalent on self-employment as a pathway to good work. Generally, those with worse positions in the labour market are more likely to consider self-employment. Those with high belief in re-employment are less likely to consider self-employment as a pathway. Self-employment has financial and skill-based requirements that not everyone has; and risks self-exploitation.
110. People who experience displacement may be interested in pursuing self-employment because of the perceived control that it brings. Similarly, support for self-employment features in the Pacific, Māori, and Women's Employment Action Plans as it has benefits of flexible working and the removal of employer bias.
111. We are not recommending that further work be done on support for self-employment in the context of the ALMP review because evaluations of existing programmes such as -wage self-employment and the Be Your Own Boss programme have shown limited effectiveness. This evaluation was carried out prior to changes implemented in 2021, and further evaluation is required.
112. Displaced workers who wish to pursue self-employment can access mentoring and advice from services such as Business.govt.nz, RegionalBusinessPartners.co.nz and incubators such as Callaghan Innovation. There are various private sector initiatives to promote entrepreneurship.

Annex Two

Increasing the provision of Active Labour Market Programmes for disabled people

This Annex provides detail around options and interventions identified to improve employment and broader wellbeing outcomes for disabled people.

- **Slide one** sets out the case for change, including the current state and key issues and the opportunity to create a more joined-up employment, health and social support system.
- **Slide two** summarises options for short term investment that could be progressed for Budget 2023 and longer-term options, including improvements to system levers that would complement the proposal.
- **Slide three** depicts a continuum of labour market attachment, ranging from disabled people in work but at risk of falling out of work through to those with no labour market attachment. Needs vary along this continuum but higher intensity interventions are often required for those with complex barriers and who are further away from the labour market.
- **Slides four to eight** provide a more in-depth look at the potential of each of the proposals and interventions identified in the package.

- **Annex 2.1** lays out an overview of the Health and Disability system reforms post-July 2022 and sets out opportunities for cross-sector alignment, with a particular focus on Health and MSD.
- **Annex 2.2** provides a summary of evidence for the proposals explored in this package.

Case for change: Increasing the provision of Active Labour Market Programmes for disabled people

Supporting people to be in the work they want, contributing unique skills and talents to an inclusive labour market – facilitated by a joined up and integrated system that offers effective ALMPs relevant to a person's goals and needs

A note on language:

Per best practice advice from the Office for Disability Issues, Human Rights Commission, and Disabled Persons Assembly we use the term "disabled people" in broad alignment with the UNCRDP definition: "...those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others..." (Article 1).

Those with shorter term impairments and health conditions are also included in this workstream of the ALMP Review and therefore this terminology, although they are not covered by the UNCRDP definition. Where the primary focus is on mental health, we refer to this group as those with mental health and addiction issues, because many identify as part of the mental health community and not the disability community.

There is ongoing debate around the language used to identify disability, including whether to use the term "disabled people" or "people with disability". In future, it is possible that the disability community will decide to revise the way to describe themselves. For now, the current consensus is "disabled people" in New Zealand.

Current state: Key issues

Suitable work is good for wellbeing. While many disabled people can work within the usual context of supply and demand, some face barriers. Barriers can be particularly entrenched for marginalised groups, including Māori, Pacific Peoples, ethnic communities, women, Rainbow communities, older people and young people. Such identities can intersect. This means some disabled people face multiple disadvantages.

There are opportunities to assist many disabled New Zealanders to be part of, or stay in, the workforce, by investing in Active Labour Market Programmes (ALMPs) that reduce barriers to their employment.

74% of disabled people not in paid work would like to work if a job was available (2013 Disability Survey)

While some interventions show promising results, the current system is not working well for many disabled people who need employment support. This has been evidenced in many reports, reviews, and stakeholder engagement sessions including:

- *Working Matters* and consultation
- Welfare Expert Advisory Group report Whakamana Tāngata (2019)
- He Ara Oranga: Report of the Government Inquiry into Mental Health and Addiction (2018) and Kia Manawanui Aotearoa: Long-term pathway to mental wellbeing (2021)
- Whakamaua: Māori Health Action Plan 2020-2025.

Interventions that help people into, return to, or get ready for employment do not always reach, or are not always effective for, disabled people. The ALMP Review has identified gaps in effective support for: disabled people who need support to stay in or return to work (including early intervention and vocation rehabilitation supports), people with mental health and addiction (MH&A) issues, and people with significant support needs.

Evidence from stakeholders and reports show that:

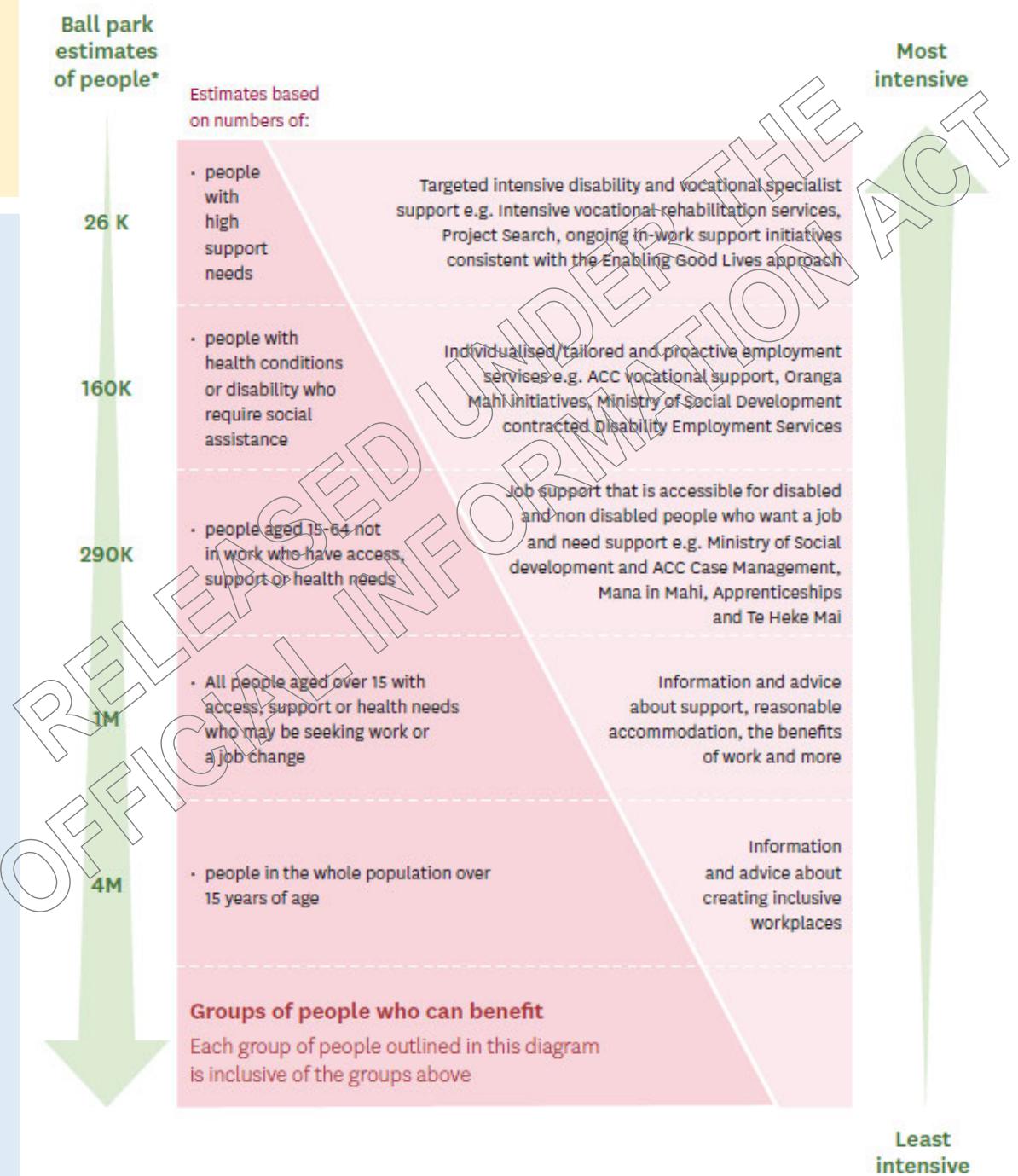
- **The welfare and health systems do not intervene early** with employment-focused products and services to support disabled people to maintain or move into work
- **Many disabled people would like support to find, return to, or get ready for employment but are not always connected to existing supports or those supports are not effective** at meeting their needs
- **Many disabled people need joined up employment and other social supports to gain and maintain good work outcomes**, but provision of this support is limited and patchy.

This workstream explores interventions that could benefit disabled people in different circumstances:

- **Around 20,000 people leave work every year with a health condition or a disability.** There is limited and uneven support available to help such people stay in work.
- **At least 95,000 people in the welfare system have MH&A recorded as an incapacity** and as many as 26,000 have been on Jobseeker Support – Health condition and Disability (JS-HCD) for more than one year.
- **There are few good options for disabled people who are furthest from the labour market and who may require intensive supports.**

The types of employment services that are effective will differ for different groups, individuals, and employers. Existing support types (including pilots) and their intended reach are mapped below (source: *Working Matters*).

Figure A: Types of disability employment services, support and information



* The 'ball-park' numbers are rounded estimates and indicative only. They are based on a mix of 2018-19 administrative data, the 2013 Disability Survey, the June 2019 Household Labour Force Survey and 2018-19 population estimates from Statistics New Zealand

Large scale trends are likely to increase the incidence of poor health in the labour market

Rapid globalisation, technological change, climate change and demographic change are expected to contribute to job loss, while also creating new job opportunities. Job loss can worsen health outcomes, including those associated with the impacts of poverty and increased stress, especially if unemployment is prolonged.

An aging population is also likely to mean that there will be more people in work with health conditions and disabilities, as older workers are more at risk of poor health outcomes. However, the impacts of some health conditions and disabilities may be lower with better treatment and management of them. Investing in effective supports for disabled people now, and growing this investment, can help to ensure we have an inclusive, productive labour market that maximises social and economic outcomes.

Opportunity for change: A joined up system of effective supports

The overarching purpose of this work is to improve labour market and broader health and social wellbeing outcomes for disabled people. The ALMP Review provides an opportunity to review existing access to services and flows across a continuum of labour market attachment, ranging from those trying to sustain work through to those far from the labour market who want to work. Needs vary along this continuum but higher intensity interventions are often required for those facing complex barriers and who are further away from the labour market.

We're learning what works and are getting advice from stakeholders.* These stakeholders have told us that acting early is an effective way of supporting people to stay in, or return quickly to, work. There is an opportunity to build on this knowledge and explore how investment in in-work or return-to-work supports, including "light-touch" early response initiatives and integrated health and employment supports, could help meet growing needs.

Jobseekers with MH&A issues, and potentially other chronic health conditions, could benefit from investment in targeted and integrated health and employment supports (i.e. supports that incorporate and collaborate across a range of services such as health, employment and housing). Examples such as Individual Placement and Support (IPS) have a solid international evidence base for supporting people with MH&A into employment.

For disabled people who are not supported in the labour market (some of whom may require intensive supports), international evidence shows Customised Employment is also a proven and effective intervention for improving work outcomes (Wehman, 2018). Customised Employment is a practice based on matching the unique strengths, needs, and interests of a job candidate, and the identified business needs of an employer. Steps and components include: a discovery process; finding and negotiating with an employer; customised supports; in-work support; and possible provision of on-the-job training.

Employers play crucial role in a person's employment journey and are a key player in evidence-based approaches as part of a wider joined up system of support. Employers and the wider economy benefit from tapping into the diverse talents of disabled people to meet increasing workforce demands. Additional support and information can assist small- to medium-size businesses so they can benefit from recruiting, retaining and working with disabled people.

We're identifying cross cutting barriers and system levers that can support improvements across employment interventions. However, further work and investment is required to establish a joined up, resourced system: this is necessary to ensure supports are both accessible and effective.

*A summary of evidence to date can be found in Annex 2.2.

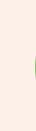
Options for change

Investment into a joined up system that spans different domains of government and NGO provision to deliver effective ALMPs for disabled people

A joined up system is critical for sustainable change

- There is opportunity to invest in a range of evidence-based interventions to offer effective support for different disabled people across a continuum of labour market attachment. Many of the options outlined below leverage off a range of existing infrastructure, given that developing new initiatives from scratch takes time and can be costly. We have also prioritised intervention models that we know work in a New Zealand context.
- Interventions are most effective when part of a connected system of provision (including employment, health, income, housing, and other social supports) that is joined up by referrals and relationships within and between government and provider networks.
- **We could invest in sustaining or expanding effective existing supports now, while committing to doing further work to design, implement and resource a joined up system approach, as well new interventions in the longer term.**
- Efforts to invest in the components necessary for a joined up system that also facilitates 'by Māori, for Māori' services would align with Te Tiriti o Waitangi principles of: **self-determination** for tāngata whaikaha and whānau whaikaha to navigate employment focused supports and the labour market, **per the provisions of tino rangatiratanga and kāwanatanga**; and **participation** in the labour market, **per the provision of ngā tikanga katoa rite tahi**.
- **Creating a joined up system of supports will be shaped by and give effect to the Enabling Good Lives principles for long-term change**, including: Beginning early; Person-centred; Mana enhancing; Easy to use; Mainstream first; and Ordinary life outcomes.

There is opportunity to progress some options now as a building block to sustainable change:

-  **Option 1:** stabilise funding for existing MSD programmes targeted to people with a health condition or disability (Oranga Mahi suite of programmes) and expand one of the initiatives (Here Toitū) to two further regions, leveraging off the existing Access and Choice services where possible
-  **Option 2:** provide new ringfenced MSD funding to support regionally driven approaches that integrate health and employment support, including kaupapa Māori initiatives, with monitoring and, where appropriate, evaluation of initiatives
-  **Option 3:** explore ways to add in or strengthen the employment focus of existing MSD virtual health-based services, such as Puāwaitanga (a phone-based counselling service) and Whītiki Tauā (a virtual mentoring service).
-  **Option 4:** build a health and disability focus into Rapid Return to Work, a phone-based early response service for people recently displaced from work
-  **Option 5:** explore the applicability of vocational rehabilitation services for disabled people who are ineligible for relevant ACC services and how such services could be expanded for the wider cohort, with a particular focus on people with musculoskeletal conditions (MSD and ACC, in consultation with relevant agencies)

These options could be progressed as a bid for Budget 2023.

There is also opportunity to move forward with some medium-term options:

- **Option 6:** integrate employment support into the existing Access and Choice primary mental health services (MSD and the Ministry of Health [Health New Zealand from 1 July 2022])
- **Option 7:** sustainably expand IPS for people with mental health and addiction issues, noting that any expansion would be dependent on the availability of funding and would require regional buy-in and establishment support (MSD and the Ministry of Health [Health NZ from 1 July 2022])
- **Option 8:** explore options around Customised Employment for disabled people who want to work, who are furthest from the labour market, for Budget 2024.

However, the system levers necessary to give full effect to recommended interventions will also require investment over time.

We could do further work to progress the proposed interventions and inform Budget 2024 by investing in critical system components, including:

- **effective referral pathways**
- **sector capacity and expertise**
- **appropriate funding and contracting models**
- **supporting employers to support the employment and retention of disabled people**
- **engaging with communities to identify needs and co-design services where appropriate**
- **regional differentiation and flexibility**, supported by monitoring and, where appropriate, evaluation
- **development of provider/government networks by resourcing to facilitate increased local service coordination and collaboration.**

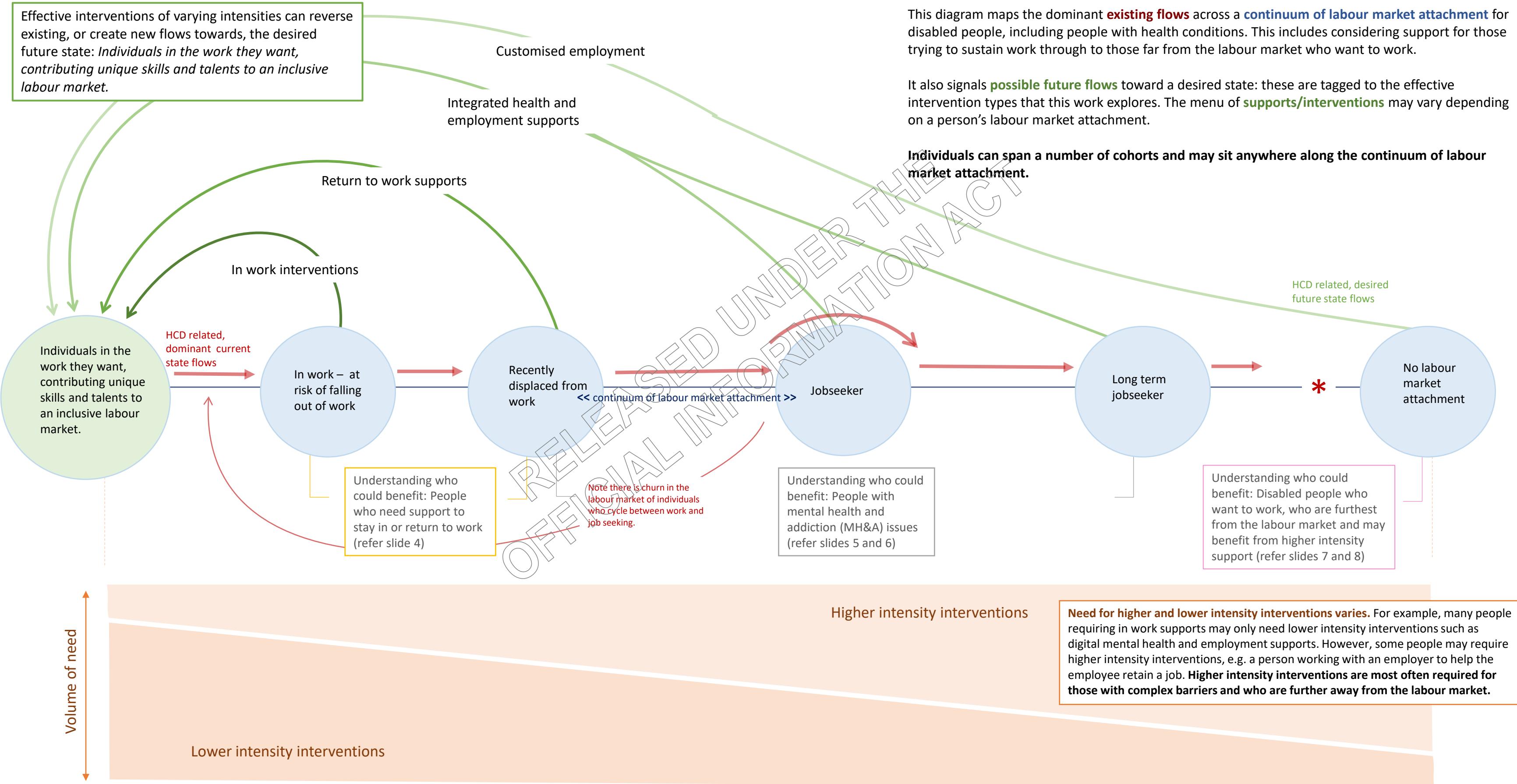
Work is already underway through the Monitoring and Evaluation and Investment Principles workstream to address some of these system levers.

In the longer term, there are opportunities to partner across agencies in a way that takes account of the changing health and disability support environment. This includes:

- MSD working with Health New Zealand to embed employment considerations into best practice approaches, including working with health practitioners regarding the health benefits of work and to raise awareness of the negative health impacts of unemployment
- MSD working with the Public Health Agency within the Ministry of Health to build on existing public health campaigns of relevance
- MSD working with the new Ministry for Disabled People to consider employment supports relevant to people on Supported Living Payment or who may be accessing disability support services.
- There are also opportunities for MSD and MBIE to work with employers and industry, acknowledging that employers play a crucial role in supporting people to enter and stay in work and are key players in integrated approaches.

The proposed introduction of the New Zealand Income Insurance Scheme from 2024 will also reconfigure the landscape to a degree. These reforms could also create partnering opportunities across agencies.

Mapping flows and interventions for disabled people across a continuum of labour market attachment



Supports for people to stay in or return to work

Disabled people (including people with health conditions) who are in work or recently displaced from work

Suitable employment can improve health and wellbeing, and people who are out of work in the medium- to long-term are at greater risk of negative health outcomes. Evidence shows that acting early is an effective way of supporting people to stay in work or can help people who have left work to return quickly. Long periods out of work can contribute to the development of complex barriers to employment that can become progressively hard to address, resulting in people remaining on benefit rather than entering into employment or flowing onto long-term benefits like the Supported Living Payment (SLP). People coming through the welfare system with non-injury related health conditions generally receive income support with deferred or no work obligations. Many will not have a conversation about returning to work or access to evidence-based health and employment supports at this early stage. There is an opportunity to introduce an early work focus as soon as a person enters the welfare or health system as part of their rehabilitation and treatment from the outset.

Understanding who could benefit...

Many disabled people need support to stay in or return to work. The HLFS indicates around **20,000 people cease work each year due to a health condition, injury or disability**. This is an underestimate because it only includes those leaving their jobs permanently and does not include those who are still employed but reduce their hours or take extended leave.

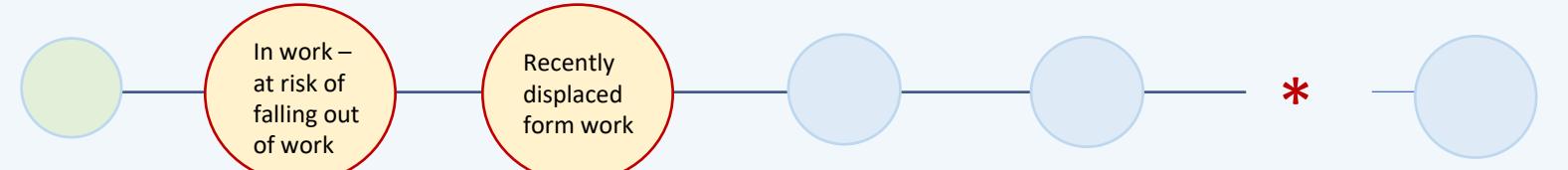
Characteristics

- Māori** are disproportionately likely to leave work due to health conditions or disability.
- Older workers** make up a greater proportion of people displaced due to health conditions or disability (compared with economic displacement).
- Most of these workers were previously on **low incomes**.
- People leaving work for health reasons tend to have longer time between spells of employment. They are also more likely to be in **couple households** (less likely to access benefits if their partner is earning).

Many people in the welfare system could also benefit from these interventions. In the benefit system, around **22,000 to 30,000** people per year people are granted JS-HCD after stopping employment at some point in the previous six months. A portion of this group will have left employment due to health conditions or disability.

For the proposed New Zealand Income Insurance Scheme, officials have estimated that there would be about **135,300 new claims for health-related work losses** (partial or full). This number is larger because many disabled people do not meet the household income thresholds and are not eligible for JS-HCD.

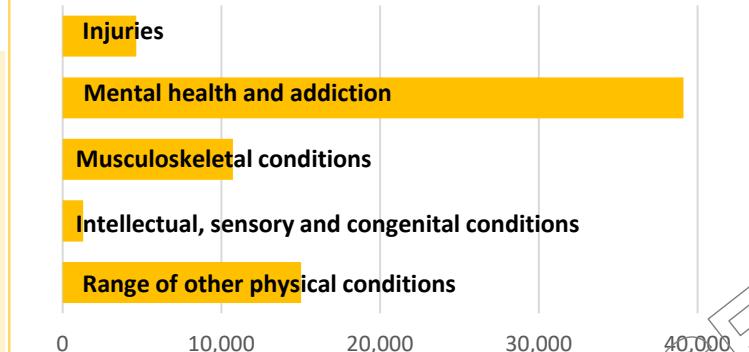
Employers can play an important role in workers' health and in supporting them to retain or return to work. It is not uncommon for workers to experience a health condition or disability at some point and the causes are multifaceted. Communicating efficiently, identifying supports and having flexibility to implement modified hours or duties can assist workers to stay in or return to work. Doing so can also mitigate many long-term business costs associated with health-related productivity loss: the median annual cost to the employer is \$722 per absent employee in New Zealand (Southern Cross Health Insurance & BusinessNZ, 2021).



Characteristics of JS-HCD recipients*

- 22,000 are Māori and 5,000 are Pacific Peoples**
- 35,000 are female, 37,500 are male and 400 are gender diverse**

Breakdown of JS-HCD cohort according to disability



The largest proportion of people receiving JS-HCD have **mental health or addiction** issues listed as their primary incapacity (over **39,000 people**). **Musculoskeletal conditions** are the second most common reason and make up nearly **11,000 people**.

In many cases, these are chronic conditions that cannot be cured. Rather than deferring work conversations with such people until they become "fit" or "work ready", which may not happen, earlier integration back into the workplace with a focus on condition or pain management is likely to promote better employment and health outcomes. This process is not linear and people may experience relapses and need further support later on.

*Numbers based on MSD administrative data (May 2022). Note that ethnicity data described here may be an undercount, as it reflects 'prioritised', rather than 'total response', ethnicity reporting. Total response ethnicity data about JS-HCD recipients is not currently available.

Provision of effective, culturally responsive services for tāngata whaikaha and whānau whaikaha would align with Te Tiriti o Waitangi principles of:

- Options** that allow for a menu of services, including kaupapa Māori health and disability services, to promote choice and **self-determination** within welfare and health systems
- Equity** in employment and health outcomes for Māori through tailored services

Part-time work, including as part of a graduated return to work plan, can be a good outcome for some disabled people. People can receive additional income from employment while receiving SLP or JS-HCD, but only a limited number do (10% of JS-HCD clients and 14% of SLP clients, as at May 2022). Better access to employment and health support while on benefit may increase entry into part-time work.

Some supports could complement the proposed New Zealand Income Insurance Scheme (NZIIS)

If agreed, the NZIIS will support people who lose at least 50% of their work capacity due to a health condition or disability for a period of at least four weeks. Where appropriate, they will receive tailored case management to support their return to work.

The amount and type of case management the levy will fund is still to be determined. It is not proposed that the levy will fund any other employment or health supports. Rather, in the first stages of the scheme it is proposed that ACC will refer claimants to existing employment and health services.

Access to a menu of services across a continuum of intensity, as well as to health-based rehabilitation support, will be key. The Government will have choices to make about what additional employment services may need to be funded through appropriations to meet the expected increased demand from NZIIS claimants, and which agencies should provide these services.

Options to improve in-work and return to work outcomes

Embed early work-focused conversations in health settings with people who take extended leave or leave work due to health conditions or disabilities.

This could include some light navigation to a menu of support and services to assist with returning to work.

Primary care and community health settings can be important spaces for communicating the importance of staying in or returning to suitable work.

MSD could input into existing Health-led programmes like Access and Choice (see slide 6 for detail). Over time we could explore whether employment coordinator roles could be introduced to service teams in a range of health settings, including general practices and community, youth and cultural settings, to deliver integrated support.

Build in a health and disability focus to early response initiatives for people recently displaced from work.

Within the welfare system, there is also an opportunity to discuss and encourage return to work options with a person as they enter the system, regardless of their work obligations.

Rapid Return to Work, MSD's main light touch service for people who have recently been made redundant, could be made more responsive to and accessible for disabled people. Given that there is a relationship between job loss and poor mental and other health outcomes, this service could benefit a wider range of clients than only those who disclose, or identify as having, a health condition or disability. Such services will need to be accessible to a range of communities, including those who tend to be digitally excluded, such as former refugees and marginalised migrant communities.

Work to increase access to and awareness of this service is underway.

Explore ways to add an employment component to existing coaching and mentoring services.

MSD currently offers virtual services for clients with health conditions and disabilities, such as Puāwaitanga. These services are delivered by clinical counsellors and have a focus on improving confidence and emotional wellbeing.

Evidence shows that an individual's beliefs and expectations about returning to work are major drivers of outcomes for people displaced from work. There may be an opportunity to integrate an employment focus into these services, including providing advice and encouragement around returning to suitable work alongside their existing provision of health-based support.

Clients with more complex challenges could be referred to more specialist employment support.

Integrated health and employment supports

Jobseekers with mental health and addiction issues

Evidence shows that suitable employment can contribute to positive health outcomes. Conversely, a diverse, healthy workforce is good for the labour market overall. Despite this, people with Mental health and addictions (MH&A) issues are more likely to experience poor employment outcomes, and are overrepresented in the benefit system.

Access to employment focused supports that facilitate a pathway to suitable work is an integral part of MH&A recovery. For people with MH&A needs and those that have multiple barriers to employment, supports that combine health and employment components can lead to better employment outcomes. However, existing supports are unevenly spread and often delivered through smaller-scale trials characterised by short-term funding.

There is limited collaboration and planning between health and employment agencies, hindering prioritisation and consistency of health and employment services. Establishing and maintaining effective collaboration takes time. Promising examples, such as the cross-agency Oranga Mahi trials, provide useful insights into effective models. The Access and Choice programme (refer slide 6) and the Health reforms (refer slide 9) present opportunities for further cross-agency collaboration.

MH&A is a significant and growing issue, with implications for work capacity and labour market participation

Approximately **95,000 (27%)*** of people in receipt of a main benefit have a mental health condition on their record. This includes people on a variety of benefits, including sole parents.

The number of people reporting mental health as their primary health concern has been steadily increasing over the last two decades. They make up the largest single cohort across health and disability related main benefits:

- **Approx. 39,000 (50%)** of people receiving Jobseeker Support – Health Condition or Disability (JS-HCD)
- **Approx. 33,000 (38%)** of people receiving Supported Living Payment (SLP) HCD .

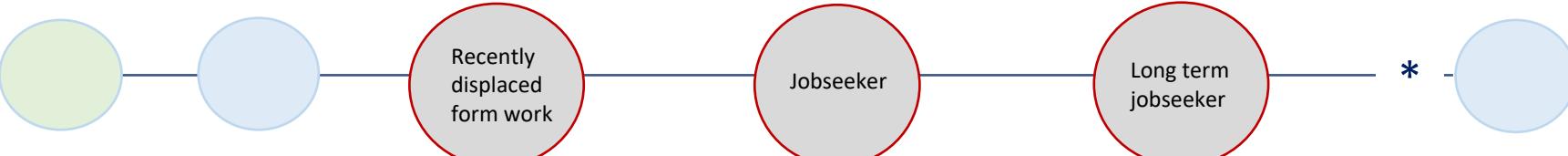
People with MH&A issues also tend to stay longer on benefits, reducing their chances for returning to work. Indicative numbers* suggest as many as **73% of people with recorded MH&A (26,000 people) have been on JS-HCD for more than one year – and the majority of these (20,000 people) for more than two years.**

The issues are likely to be much larger than available data suggests as:

- Mental health issues tend to be underreported
- People can be experiencing mental distress without a diagnosed mental health condition.

A recent study found that as many as **62% of all people on a main benefit had accessed a mental health service in the last three years.**

* Indicative numbers based on MSD administrative data as of May 2022 (not official statistics).



This work gives effect to and builds upon recommendations from a number of reports, including the OECD report *Fitter Minds, Fitter Jobs* (2021), the *Working Matters* Disability Employment Action Plan (2020), *Whakamana Tāngata*, the report of the Welfare Expert Advisory Group (2018), *He Ara Oranga*, the report of the Government Inquiry into Mental Health and Addiction (2018), and Ministry of Health reports *Kia Manawanui* (2021) and *Kia Kaha* (2020).

These recommendations include:

- increasing access to evidence-based integrated health and employment supports
- extending mental health and addition support to people with common mental health conditions
- strengthening collaboration and integration between primary and community mental health and addiction services and employment services.

This work is aligned with the vision, actions and cross-government approach outlined in *Kia Manawanui: Long-term pathway to mental wellbeing*. *Kia Manawanui* reinforces and provides strategic direction around tackling the social determinants of MH&A, including employment and income.

Provision of culturally appropriate health and employment support with a focus on service integration would align with *Te Tiriti o Waitangi* principles of:

- **Whānau self-determination:** through access to, and choice of, relevant and locally accessible health and employment supports – including Kaupapa Māori services – for tāngata whaikaha and whānau whaikaha
- **Equitable outcomes** (per Article Three), through support for by-Māori-for-Māori health and employment supports and approaches, ensuring that kaupapa Māori service providers have ownership over design and delivery of supports, and Māori participants achieve long-term positive and relevant health and employment outcomes.

Options to expand integrated health and employment programmes

Stabilise funding and expand reach of some programmes under the Oranga Mahi trials

Continued investment in Oranga Mahi programmes would further strengthen cross-sector collaboration and ensure continued availability of effective programmes for people with MH&A and other health issues. This would also allow sufficient time for innovative and culturally responsive approaches to evidence longer-term outcomes.

This investment could enable the expansion Here Toitū into further regions to address equity issues and enable alignment with Access and Choice services (refer slide 6).

This option would be supported by a continuous focus on monitoring and evaluation to further improve delivery and referral pathways into services.

Support locally-based initiatives that integrate health and employment supports

Options include ringfenced health and disability funding for MSD regions to enable consistent investment and prioritisation of health and employment focussed programmes.

This could include funding to enable investment into the development of integrated kaupapa Māori health and employment initiatives.

This option is aligned with MSD's strategy for working with Māori – Te Pae Tata, MSD's Pacific strategy and Action Plan – Pacific Prosperity, and the whole of Government Māori and Pacific Employment Action Plans.

Support expansion of evidence-based health and employment programmes across NZ

Support potential expansion of IPS programmes to additional NZ regions through collaboration between MSD, Health New Zealand and the Māori Health Authority.

Evaluate existing partnerships and models to identify appropriate roles and responsibilities across agencies.

Continue to trial and monitor adapted IPS programmes delivered outside of specialist care, including Take Charge.

This option aligns with recommendations outlined in *He Ara Oranga* and *Working Matters*.

Evidence shows that people with MH&A issues can benefit from individualised supports that combine health and employment components

People with MH&A issues often experience co-occurring health and social issues (incl. physical health, housing and socioeconomic factors), indicating need for a holistic and integrated approach to supports.

Programmes that combine health and employment supports are effective, especially when supported by a level of service integration

There is strong evidence that programmes integrating health and employment support can improve management of health conditions and help people to gain and sustain employment.

These programmes have a strong evidence base when compared to more generic programmes with lower levels of integration, or those with a unidimensional focus on health or employment support.

Integrated programmes follow a variety of approaches, including Individual Placement and Support (IPS)** and kaupapa Māori approaches. IPS has the strongest international evidence base, and is generally delivered in specialised mental health and addiction settings. MSD's Oranga Mahi trials build on effective integrated health and employment approaches, with a focus on delivering programmes in a community or primary care environment (refer slide 6).

Many integrated health and employment programmes also include ongoing engagement with employers to help people sustain employment. Oranga Mahi programmes such as Here Toitū is trialling a Responding Early service for people at risk of becoming unemployed. These supports can be beneficial for people who cycle between work and job seeking, but are often lacking in mainstream programmes.

Current availability and coverage of integrated health and employment programmes is limited

The map (Figure 2) in Slide 6 outlines current availability of some integrated health and employment programmes. The map shows that current programmes are inequitably distributed across NZ, impacting especially on rural communities' access to relevant services.

Integrated health and employment programmes often require investment in time and effort to support implementation and enable meaningful integration between services. Successful examples of integration and collaboration could be supported and strengthened to inform future collaboration models.

** Principles of IPS: Eligibility based on client choice; personalised benefits counselling; integration of mental health and employment services; systematic job development; focus on competitive employment (paid employment the primary goal); support is time-limited and individualised to the employer and employee; rapid job search (job searching starts immediately); job search based on individual preference.

Case study of selected health and employment programmes and opportunities for collaboration

Access and Choice programme has broad reach and significant potential

The Access and Choice programme was established in 2019 to address gaps in access to, and choice of, services for people with mild to moderate mental health and addiction issues. It is a five-year programme to enable establishment of infrastructure, workforce development and new services.

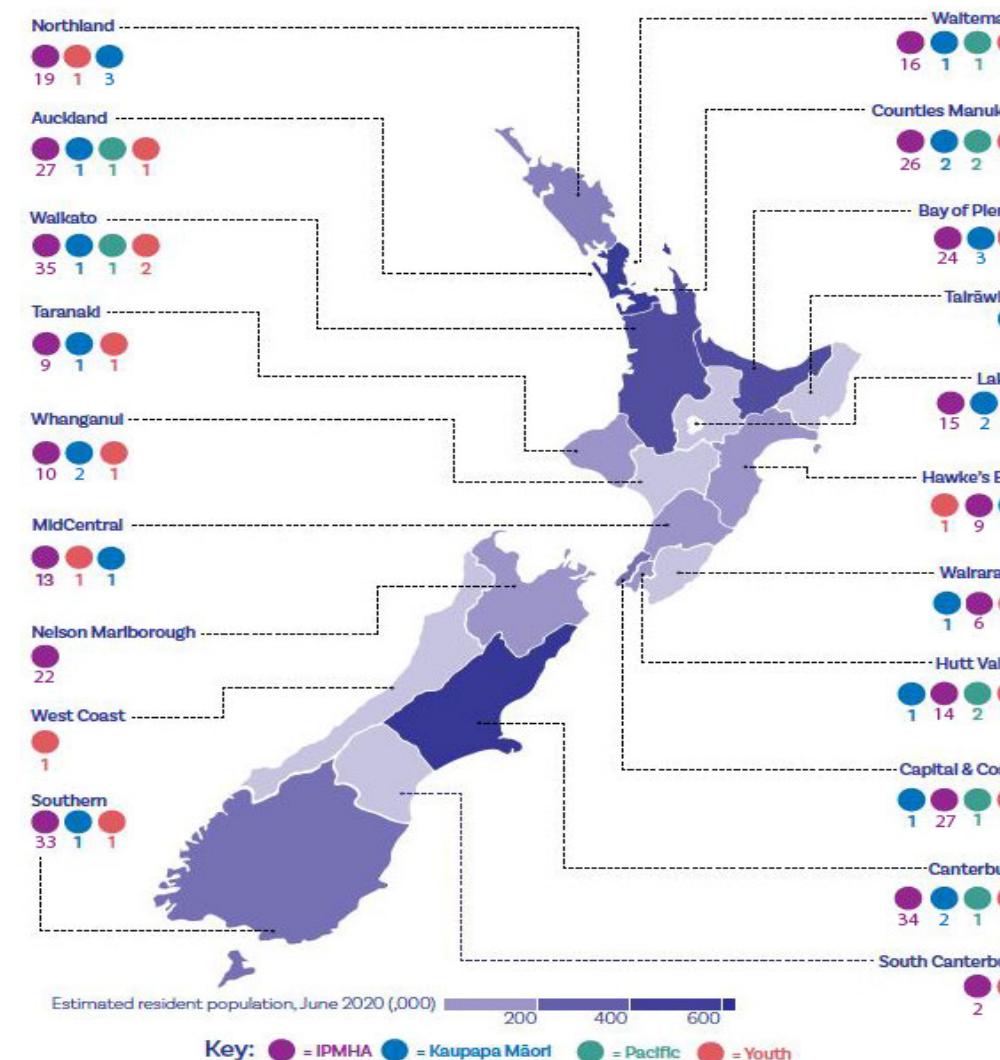
\$455M was invested in new national services with potential to reach more than 2 million people:

1. Integrated Primary Mental Health and Addiction services (IPMHA services): services provided in general practices that are accessible to everyone enrolled in those practices – **available in 341 practices***
2. Kaupapa Māori services: whānau-centred services delivered by Māori, for Māori – **27 services***
3. Pacific services: Pacific-led services incorporating Pacific values, beliefs, languages, and models of care – **9 services***
4. Youth services: flexible services delivered in spaces that are acceptable and accessible to young people – **21 services***

Two Rainbow services for LGBTQI+ youth have also been rolled out nationally.

*numbers as of 31 March 2022

Figure 1: Map of Access and Choice coverage across NZ (as of 31 March 2022)



We are joining up in some places and we could go further

The Access and Choice programme has significant potential reach and infrastructure, offering opportunities for collaboration between Health and MSD.

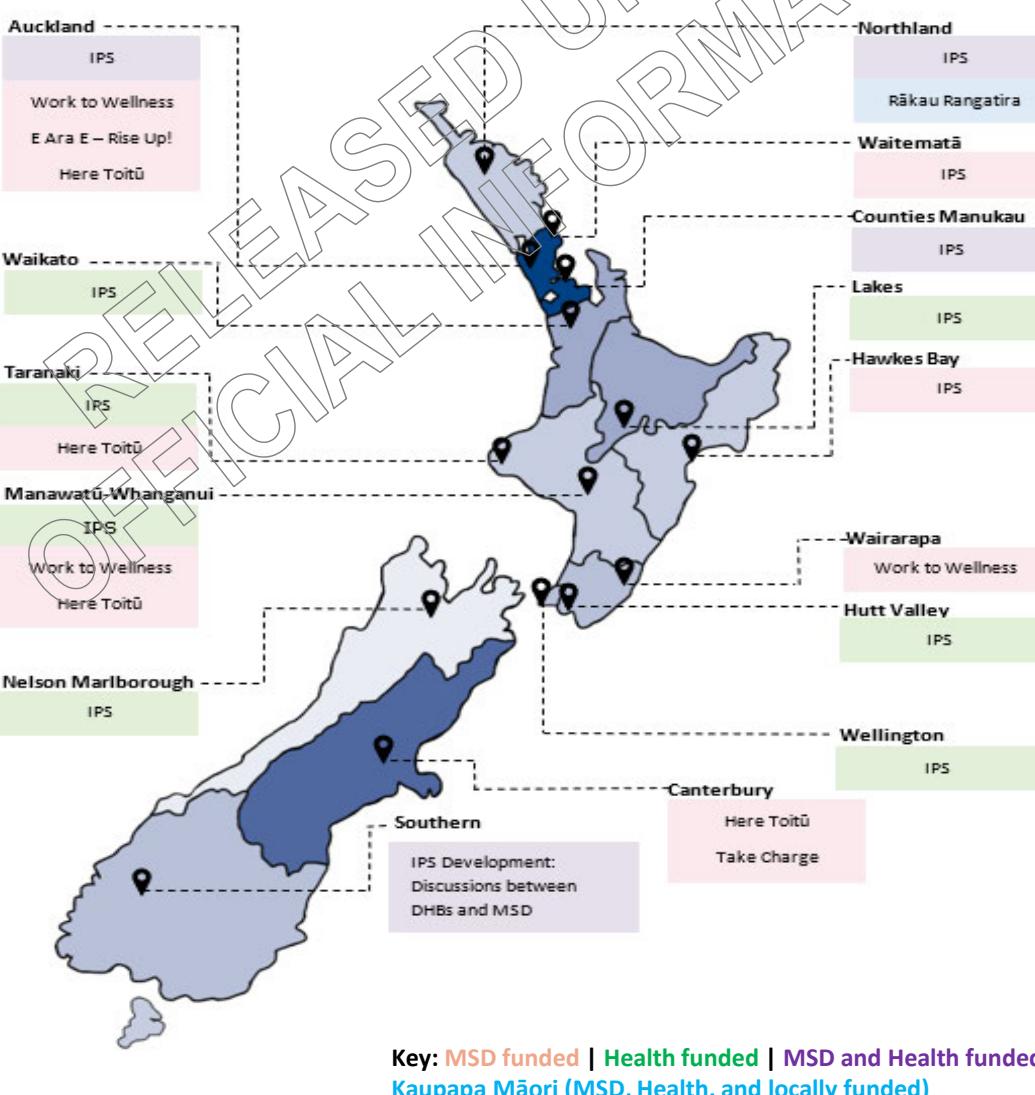
The Oranga Mahi trials offer further opportunities for cross-agency collaboration:

- Here Toitū is available in three locations through local collaboration with primary health organisations (PHOs). There is opportunity to expand this further.
- MSD currently co-funds one Kaupapa Māori health and employment service (Rākau Rangatira), with work underway to inform future co-design approaches. There is opportunity to expand support for locally grounded initiatives for Māori, by Māori.

Individual Placement and Support (IPS) is currently available in **half** of all District Health Board (DHB) areas. MSD funds and co-funds some IPS provision with DHBs. There is opportunity to collaborate further to extend reach.

There is also significant potential to expand the reach of integrated health and employment programmes to people who could benefit, including the **roughly 170,000 people** currently receiving a health and disability related main benefit (see figure 2.1).

Figure 2: Map of integrated employment and health support coverage across NZ and regional distribution of JS-HCD and SLP recipients



Cross-agency Oranga Mahi trials are promising, but small-scale

Oranga Mahi is a programme of cross agency trials and services delivered in partnership with PHOs, DHBs and Community Providers. Oranga Mahi aims to establish collaborative partnerships between government agencies to support disabled people to improve their wellbeing, increase their skills and achieve positive and sustainable health, employment, and social outcomes.

The majority of Oranga Mahi investment comes from MSD (**FY 21/22 MSD investment: approx. \$7M**), with recent collaboration between MSD and Auckland, Waitematā and Counties Manukau DHBs to support co-funded IPS programme trials (**FY 21/22 MSD and DHB investment: approx. \$3M**).

Current trials (excluding Puāwaitanga)*

Here Toitū	Potential to support 1,004 people annually.
Take Charge and E Ara E - Rise up!	Potential to support 341 people annually.
Rākau Rangatira	Potential to support 75 people annually.
IPS trials	Potential to support 875 people annually.

As indicated in Figure 2, most IPS programmes are currently funded by DHBs. In addition to the Oranga Mahi trials, MSD also funds regional IPS initiatives in Northland and Hawke's Bay.

MSD also funds nationally accessible phone and web-based services with a health and mentoring focus, such as Puāwaitanga and Whītiki Tauā.* These have the potential to support to more than 1,000 people annually.

*See Annex 2.2 for further details on these programmes

Work to Wellness is available in some MSD regions

Work to Wellness is an MSD funded and regionally contracted case management service for people facing mild-to-moderate mental health barriers, to assist them to prepare for work, find a job and support them and their employer when they start work. Supports are available for up to six months, with the option to provide in-work support for up to 12 months.

ACC provides vocational rehabilitation services for people injured in accidents

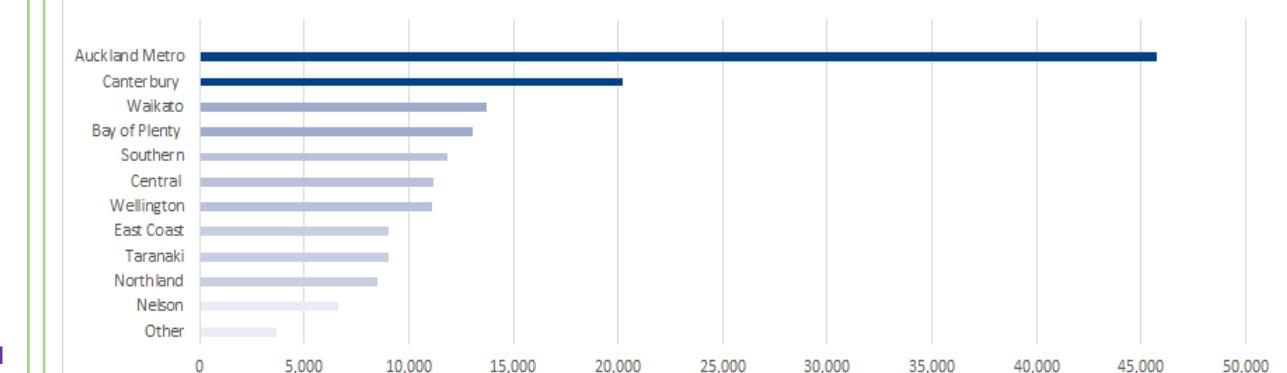
People injured in an accident and receiving earnings related compensation through ACC typically receive early vocational rehabilitation support alongside income support.

ACC provides a range of vocational rehabilitation services, including: a Stay at Work service, a Back to Work service, a Pathways to Employment service and Work Specific Functional Rehabilitation.

There are opportunities to draw on insights from these programmes to provide vocational rehabilitation supports for people with non-injury related health conditions or disabilities.

Figure 2.1: Regional distribution of JS-HCD and SLP recipients in numbers*

While the highest concentration of people receiving health and disability related main benefits is in Auckland, there are sizeable numbers in other MSD service regions. This should be considered alongside efforts to expand integrated health and employment supports.



* Indicative numbers based on MSD administrative data as of May 2022 (not official statistics).

Customised Employment and ongoing in-work supports

Disabled people who want to work, who are furthest from the labour market

Understanding who could benefit: Disabled people who are furthest from the labour market and may benefit from higher intensity support

Supporting people who want to work but who have little to no labour market attachment or connection to government employment focused support.

Some disabled people or people with a health condition, as well as some neurodiverse people, want to work but need more significant support to create good options for them in the labour market. Currently, for this group few suitable labour market supports exist or they may find them difficult to access due to the type of benefit assistance they are receiving.

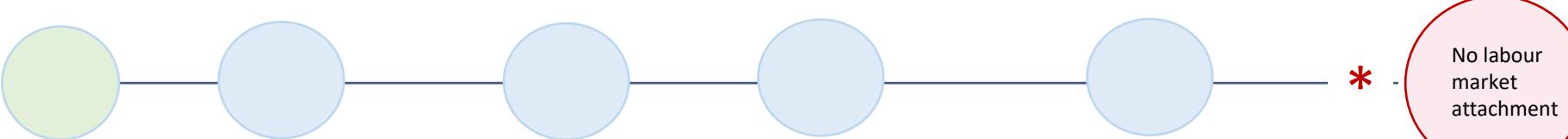
Customised Employment (CE) is an effective model for people for whom the labour market does not provide good options and who may benefit from a higher/ more intense level of support.

CE provides a tailored, intensive approach to find or stay in work. It emphasises balancing individual support with demand-side intervention. CE looks different according to an individual's need which means it can be a suitable approach for a diverse range of sub-cohorts. **'Disabled people who want to work, who are furthest from the labour market' encompasses but is not limited to:**

- people with learning disabilities
- people with long-term physical health conditions
- people with long-term mental health conditions
- people with significant physical care and access needs
- some neurodiverse jobseekers*

Many people receiving Supported Living Payment (SLP) fall within one or more of these sub-cohorts.

Not all people who can benefit from CE will be receiving SLP (some may be long-term recipients of Jobseeker – “Health Condition and Disability” (JS-HCD) but find existing supports are not effective or suitable to their level of need). However, CE requires intensive support and resourcing and emphasises client choice, which requires flexibility in referral pathways and outcomes. It is therefore best suited to SLP clients who tend to be disconnected from the labour market and existing services, and who do not have referral outcomes centred on exiting benefit (like JS-HCD might).



Insights into SLP can help us understand the size and existing support context of the cohort(s) who would benefit from CE¹.

Many people on SLP also do not have labour market attachment but would like to work.

There are 86,000 people currently receiving SLP-HCD. We cannot accurately estimate the number of people within this group who may be able to work because there is a lack of information on work capacity. However, there are **57,000 people** whose work capacity will be reassessed within two years, which indicates that there would be some within this group who may be able to work.

Of the **total SLP cohort²**, around:

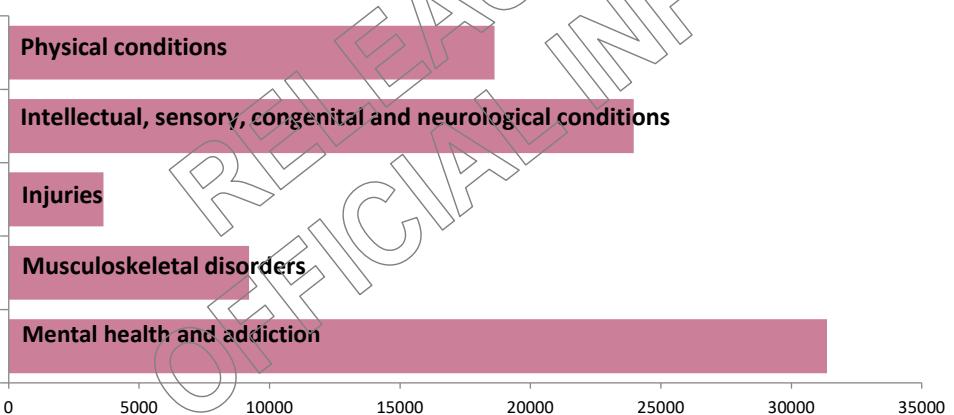
- 47,800 are female, 47,100 are male and 100 are gender diverse
- 25,000 are Māori and 7,000 are Pacific Peoples

SLP clients are more likely to have learning or physical disabilities than JS-HCD clients which may impact on work capacity due to the lack of labour market provisions.

¹Numbers are based on MSD's Quarterly Benefit Factsheet (March, 2022).

²Note this total includes carers.

Breakdown of SLP cohort according to disability
(which may impact on work capacity due to lacking workplace suitability)



A proven intervention model in demand

Stakeholders have identified (through consultation on *Working Matters* and the Welfare Overhaul) that CE and ongoing in-work supports could meet gaps in ALMP provision for these identified cohorts.

CE is a proven effective support that has been particularly designed for people with significant disability (Wehman, 2018). It is based on a match between the unique strengths, needs, and interests of the job candidate, and the identified business needs of the employer (or the self-employment business chosen by the candidate).

It has some components and steps including: a discovery process; finding and negotiating with an employer; customised supports; in-work support; and possible provision of on-the-job training.

A principled, wellbeing approach

Evidence shows that labour market attachment leads to better health and wellbeing outcomes regardless of benefit receipt

Provision of CE services for SLP clients recognises some individuals have capacity and desire for labour market attachment but will continue to require government assistance due to their disability or needs relating to their mental or physical health. It recognises that labour market attachment is not contingent on exiting benefit but rather works toward a desired future state where individuals are in the work they want, contributing unique skills and talents to an inclusive labour market.

Expanding provision of CE will likely build upon and complement existing supports for these cohorts including support funds and contracted disability employment services.

This workstream gives effect to and builds upon both the Enabling Good Lives principles, and specific actions under *Working Matters*, including:

- the expansion of the period where SLP recipients can work more than 15 hours per week in open employment (enabling people to try out employment without this impacting on eligibility criteria for SLP), and
- the development of employer networks willing to engage and pilot new approaches.

Provision of culturally appropriate CE would align with te Tiriti o Waitangi principles of:

- whānau self-determination (within navigation of the benefit system for tāngata whaikaha and ngā whānau whaikaha who wish to have labour market attachment) per the provision of kāwanatanga, and
- participation (in the labour market – for tāngata whaikaha who wish to have labour market attachment but may still require government supported living payment assistance), per the provision of ngā tikanga katoa rite tahi.

However, further work is necessary to understand sector capacity and referral pathways, and to work with stakeholders to support or develop such provision.

Customised Employment and ongoing in-work supports

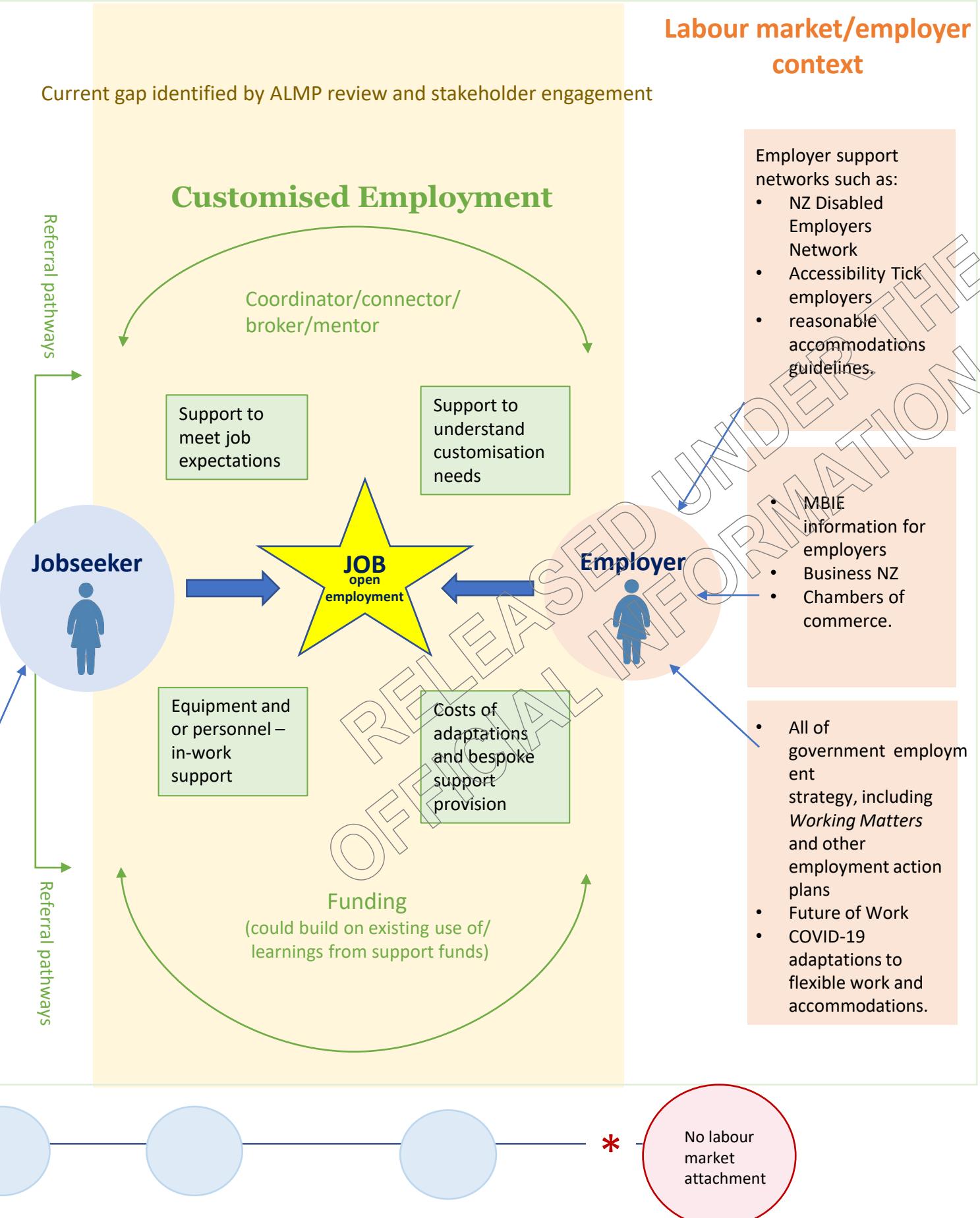
Existing mainstream and disability-specific employment supports

Training and work readiness

- **Employment services:** contracted disability employment agencies, which help disabled people find work in the open labour market and provide in-work support for up to a year.
- Work to Wellness.
- Work Ability Assessments.
- **Work and Income employment coordinators:** work with disabled clients to help them find and stay in suitable work*. *Only available in limited regions.
- Integrated mental health and employment services.
- Opt-in employment case management.
- Course Participation Assistance.
- Training Incentive Allowance (SLP only).
- \$5K to Work & Transition to Work.
- Flexi-wage (FW) and FW Self Employment.
- Mana in Mahi.
- Mainstream Programme.

Other supports (support funds) eg:

- Assistive software
- Transport assistance
- NZSL interpreters.



Customised Employment (CE) could meet gaps in provision where existing supports are not effective/appropriate.

The diagram shows how CE complements a stocktake of existing employment supports.

Many of these existing supports focus on training and work readiness of the jobseeker. CE also involves working with employers to customise a role and ensure necessary in-work supports are available to make the most of the unique strengths, needs, and interests of the job candidate. It requires dedicated experts who can work with both employer and employee.

Support funds exist to assist the employer and employee with costs of in-work supports (outside of reasonable accommodations). Supports can range from parking fees to an on site support person or job coaching. Implementation or expansion of CE could include coordinators/mentors utilising the suite of supports available through support funds. An ongoing review of support funds' efficacy and spend will inform this work.

A spectrum of customised in-work support exists, but there are opportunities to connect and fund components to better support CE as a practice. Much of this effective, existing provision is delivered through contracted providers. However referrals to, and availability of, provision can be inconsistent across regions.

It is likely that work to increase provision of CE will be multi-faceted, taking a systems view of actions to ensure:

- effective referral pathways and coordinator roles
- sector capacity and expertise
- appropriate funding and contracting models
- regional differentiation and flexibility.

Design of actions to ensure these components, which are necessary for a joined up system, can be delivered on will need to involve working closely with stakeholders including Disabled People's Organisations, tāngata whaikaha and ngā whānau whaikaha, the Office for Disability Issues, contracted/effective service providers, regional contract managers and employer networks. This work will also likely need to be progressed across agencies and involve, in particular, the new Ministry for Disabled People, the Ministry of Health and Health entities, and the population-specific agencies.

Designing effective systems to support CE practice, with the right people, can take time. To allow for appropriate engagement and development of CE we recommend that, should Ministers wish to endorse progressing this work, it be with the intention to have a bid for Budget 2024. This timeframe also allows for design to align with the changing environment of supports for disabled people including the establishment of a new Ministry that may assume some responsibility for the monitoring and delivery of Enabling Good Lives as well as upcoming changes to support funds and the healthcare system.

Opportunities for alignment across the social sector

1. Exploring and connecting with the development of Localities

Integrated health and employment services fit well with the premise of Localities, presenting an opportunity to work with localities as they develop to embed integrated services from the beginning.

2. Connecting Iwi-Māori Partnership Boards, EGL Regional Leadership Groups and Regional Skills Leadership Groups

Linking these regional-level groups together could help to coordinate integrated health and employment services for disabled people and tāngata whaikaha Māori.

3. Demonstrating future of employment services at MSD

Integrated health and employment services would align with MSD's shift towards providing proactive support to help people into sustainable and meaningful employment opportunities appropriate for their circumstances.

4. Working with the Public Health Agency, Health New Zealand and Māori Health Authority

Integrated health and employment services will help address the social determinants of health and wellbeing, presenting an opportunity to work with the newly formed health system to embed integrated services from the beginning.

5. Strengthening the health and disability focus in the Employment, Education and Training (EET) Ministerial Group

EET coordinates and advises on employment, education and training related workstreams across relevant government work programmes. EET has oversight over all ALMPs. There is an opportunity to strengthen this group's engagement with the new Health and Disability system.

Significant changes to the health sector and the establishment of a new Ministry for Disabled People are reconfiguring the current landscape. The reforms will take time to bed in, but they also provide new opportunities to address longstanding issues and collaborate in different ways across agencies to build a more effective system of supports over time.

Overview of the Health and Disability system reforms post-July 2022

Local Localities*² are geographic areas and will be determined through engagement with communities. The three defining characteristics of a locality are: Partnership with mana whenua, recognising tino rangatiratanga; supporting locally-led solutions that take a holistic approach to wellbeing; joining up care across communities and integrating with different layers of the health and social system. Every locality will co-develop a three year locality plan. Localities will become the basis of health networks and funding. Minister Little expects there to be between 60 and 80 localities by July 2024.¹

Iwi-Māori Partnership Boards² will act for the communities they represent and bring the voice of whānau forward. Core functions will include engaging with whānau and hapū, assessing and evaluating the current state of hauora Māori in their locality or localities and agreeing locality plans with HNZ and MHA. Ideally, these boards include health and social care agencies and community organisations.

Locality Networks^{**2} are coordinated and integrated networks of providers that support the delivery of locality plans. They are the new regional basis for organising health services for communities. It is likely networks will span across more than one locality.

Health New Zealand Regional divisions will work with locality networks to develop and implement locality plans.

EGL Regional Leadership Groups³ promote and protect EGL principles and values in the disability system, and guide local initiatives and the implementation of change.

Health New Zealand responsible for planning and commissioning of hospital, primary and community health services.

Māori Health Authority has shared responsibility for decision-making, planning and delivery.

Ministry of Health responsible for strategy, system stewardship, policy and monitoring and evaluation. Includes the **Public Health Agency**, which leads on population and public health policy, emphasising determinants of health.

Ministry for Disabled People responsible for strategic policy, system stewardship, national implementation of Enabling Good Lives approach, and transformation of Disability Support Services.

Continuing regional system assets

Regional Public Service Commissioners have a convening mandate and focus on the social sector, bringing together the regional representatives of central government agencies so that the agencies can work together better, and work together with regional and community leaders. They are expected to bridge central, regional and local decision makers.

MSD regional offices exist across New Zealand and can purchase supports and services for clients to meet local needs.

Regional Skills Leadership Groups are regional labour market planning bodies made up of local employers, iwi and relevant Māori groups, local government and communities. Regional Leads will connect the social sector to these groups.

EGL Demonstrations[†]
EGL Waikato | Mana Whaikaha (Mid-Central) | EGL Christchurch

¹ See *Locality network announcement speech*, Minister for Health Hon Andrew Little, 21 April 2022

² See *Localities Sector Update Future of Health April 2022*

³ See *Enabling Good Lives* website

* Boxes with dotted lines indicate that these structures will be phased in after 1 July 2022

**Initial locality networks are: Ōtara/Papatoetoe, Hauraki, Eastern BOP, Taupō/Tūrangi, Wairoa, Whanganui, Horowhenua, Porirua, West Coast

† EGL demonstrations are currently with MSD and MoH, but will transfer to the new Ministry for Disabled People on 1 July 2022

Annex 2.2: Evidence base for recommended HCD ALMPs and their effectiveness

Low intensity

Interventions designed for those recently displaced from work who face fewer barriers to re-entering it. Designed to be light-touch, with the smallest investment per person and the largest reach.

Puāwaitanga

Phone and web-based clinical counselling service to support people to improve their emotional wellbeing, which in turn is expected to assist the person to remain in work.

Evidence

- The initiative helped remove access barriers for some groups (for example, cost and practicality for MSD clients living rurally), and reduced stigma experienced and effort required in accessing in-person counselling (Andrews, Gasparini, & Appleton-Dyer 2019).
- International studies show that having a focus on employment in counselling services can increase work participation and help people with mental health conditions return to work sooner (Brenninkmeijer, et al., 2019; Reme, et al., 2015). There is the potential to increase the employment outcomes focus of Puāwaitanga in line with these findings.
- Phone-based interventions can be as effective as face-to-face interventions, such as phone-based case management. They are also more scalable (Potter et al., 2017).

Whītiki Tauā

Virtual coaching and mentoring service. Helps people who need support to build resilience and motivation, manage their wellbeing, get closer to employment or study, or sustain employment.

Evidence

- International evidence shows that one-on-one mentoring and coaching can improve confidence, self-esteem, and lifelong learning (DeNisco & Taylor-Sullivan, 2021).
- Studies show that a person's confidence and self-expectations about returning to work are major drivers of outcomes (Cancellier, Donovan, et al., 2016).

Rapid Return to Work

Phone-based employment service that supports people who have recently lost their job and are on, or have applied for, a main benefit. Key activities include work readiness support, assessment of transferable skills, job interview preparation and CV and cover letter support.

Evidence

- Not evaluated, but MSD's Job Search initiatives, which provide similar services, are rated effective by MSD's assessment measures.

Medium intensity

Interventions designed for those who face moderate barriers to employment. Interventions are more complex, requiring more investment per person helped.

Integrated health and employment supports – to achieve better outcomes for clients interacting with both systems, spanning across medium and high intensity.

Evidence

- Initiatives that co-locate and coordinate employment specialists within health services, like Individual Place and Support (IPS), have the strongest evidence base in specialist mental health settings. IPS is also being tested in other settings, including primary care.
- International and NZ evidence suggests that approaches that involve effective communication and coordination between health professionals, employment specialists, and employers, generate positive employment outcomes. There are gaps in research on how these approaches are experienced by Māori and Pacific people (MSD, 2020).
- Vocational rehabilitation services, as offered by ACC, support people who have been injured in accidents to remain at or return to work through liaison with the person, their whānau/supports, local community services, employers, and other treating providers. Evidence shows ACC's vocational rehabilitation approach is effective. A comparative cohort study undertaken of stroke versus injury found that ACC's earnings-related compensation and rehabilitative support prevented a downward spiral into poverty and ill health (McAllister et al, 2013). Systematic reviews also suggest that vocational rehabilitation improves return-to-work for people with musculoskeletal conditions (Reneman et al., 2021; Cullen et al., 2018).
- Research suggests that a low intensity approach to interventions may be an appropriate first option before investment in high intensity, more expensive interventions (Venning et al., 2021). Evidence of intervention cost effectiveness is also limited.

Here Toitū

A holistic, wrap-around service provided by a Dedicated Support Team comprising a Health Navigator, General Practice Team, and an MSD Case Manager (standard Here Toitū model) or an MSD work retention specialist (Responding Early model), who support disabled whānau to manage their wellbeing and move closer to employment/retain their existing employment. Delivered in partnership with four primary health organisations (PHOs).

Evidence

- Early indications from an evaluation currently underway indicate:
 - After 16 months the programme is supporting positive outcomes at a whānau level, with most of the 60 participants interviewed noting improvements to health and wellbeing.
 - 1/3 of participants are in/about to enter education or training, and 1/2 were looking for paid employment.
 - Some whānau are connecting more strongly to te ao Māori, an essential protective factor to Māori wellbeing.

Take Charge / E Ara E

An adapted IPS service that integrates employment support with mental healthcare to help people find and stay in work. Focuses on supporting young people who are facing common mental health or addiction issues. Differs from traditional IPS approaches in that it offers 'one to many' elements, such as group sessions and peer support.

Evidence

- Early findings suggest the initiative is promising and is yielding positive early results for participants regarding entering work or education and training.
- The Beyond Blue initiative in Australia has been rated as appropriate and effective across its initiatives. It provides a range of mental health, wellbeing and employment supports similar to Take Charge/E Ara E (Siggins Miller, 2016).

Rākau Rangatira

Integrated social and health innovation using a Kaupapa Māori and Whānau Ora approach. Aims to improve health and employment outcomes for people in Whangārei with mild to moderate mental health and addiction issues.

Evidence

- Participants experienced immediate gains in mental, emotional, and social wellbeing, including readiness for employment, education, and training.
- A mixed-methods approach including one-to-one peer support and group activities were found to be effective (MSD, 2018).

High intensity

Interventions designed for those facing the most significant barriers to entering or re-entering the workforce. Interventions are more complex, requiring joined-up responses across areas to achieve the best outcomes. These generally require the most significant funding per person helped.

Individual Placement and Support (IPS)

An evidence-based service that integrates employment and mental health services to support people with severe mental health conditions to find and stay in work.¹ A key feature of IPS is having an Employment Consultant working within a mental health team, incorporating employment into a person's treatment plan. The IPS approach has been operating in NZ for more than two decades, and has been successfully integrated into programmes focused on reducing drug harm, such as Te Ara Oranga trial in Northland. Results have been consistent to international benchmarks (Priest & Lockett, 2020).

Evidence

- Internationally, IPS has consistently demonstrated significantly greater effectiveness than other vocational approaches in helping people with severe mental illness and disabilities into work. This supports a 'place and support' approach whereas standard vocational rehabilitation focuses on a 'fix then place' approach.
- NZ case studies have shown that employment outcomes for IPS participants in a 12-month period were consistent with international benchmarks of 43% in competitive employment at any time (Cram et al., 2020).
- There is also emerging evidence that IPS can improve employment outcomes for other groups, such as people with anxiety, depression, PTSD, spinal cord injury, and substance use disorders. Formative and process evaluations of small-scale NZ-based IPS trials have shown that it is feasible to provide IPS services in general practices for people with common mental health conditions (Te Pou, 2013).
- There is little international or NZ research on the effectiveness of IPS for indigenous people, ethnic minorities, or culturally-specific or adapted support models. However, IPS is currently being tested for different groups under different settings. The United Kingdom is trialling a combination of IPS with the Increased Access to Psychological Therapies (IAPT) programme for people with mild-to-moderate mental health conditions. Here, employment specialists work alongside the IAPT therapists to assist people to find and stay in work (OECD, 2015).

Customised Employment (CE)

A proven effective support designed for people with significant disability (Wehman, 2018). It is based on a match between the attributes of the job candidate and the needs of the employer (or the self-employment business chosen by the candidate). Has various components and steps including: an involved and critical 'discovery process'; finding and negotiating with an employer; customised supports; in-work support; and possible on-the-job training.

Evidence

- There is strong evidence that CE leads to improved employment outcomes, with research showing "demonstrated success using the highest levels of methodological rigour, including randomised control designs" (Schall, Wehman, et al., 2020).
- CE has long been used as an effective support in the US (U.S. Department of Labor's Office of Disability Employment Policy, 2005).
- There has also been an increase in uptake in Australia with promising results. A 2018 study of 71 Australian secondary school leavers who received CE supports through their National Disability Insurance plan found that 25 were in paid work or had their own business and 46 were in work experience or volunteer work (ARTD Consultants for Ticket to Work, 2019).

Upcoming Evaluations

- IPS Māori Employment Analysis (end of July)
- Oranga Mahi profiles and outcome tracking analysis for Here Toitū, Rākau Rangatira, IPS in Waitemata, Take Charge (March/August/November refreshes of data, output produced the following month)
- Process evaluation – Rākau Rangatira (August 2022)
- Impact analysis for participants across Oranga Mahi (October 2022)
- Retrospective IPS impact analysis (December 2022)
- Ongoing formative evaluations measuring effectiveness of implementation, highlighting the effectiveness of culturally appropriate provision, and addressing access barriers.

Annex three

Strengthening monitoring and evaluation across the ALMP system

Annex three provides further information, evidence and supporting rationale for the recommendations made in the Briefing. There are four slides in this annex:

- A: Strengthening monitoring and evaluation across the ALMP system
- B: ALMP Investment Principles
- C: Using Investment Principles to strengthen the ALMP system
- D: Options for supporting agencies to apply the Investment Principles and improve data collection, monitoring, and evaluation in the ALMP system. This slide also includes next steps.

A: Strengthening monitoring and evaluation across the ALMP System

These slides provide further information, evidence and supporting rationale for the recommendations provided in the Briefing.

The goal of this work: This work explores opportunities to increase the consistency of monitoring and evaluation across ALMPs to support a whole-system view of what is working, for whom, and in what circumstances, thereby providing better information to support system and programme-level investment decisions. Variation in the range of monitoring and evaluation practices across ALMPs currently limits the ability to gauge cross-agency alignment and overall effectiveness of the ALMP system. These gaps in information mean we don't always have sufficient information to make well informed investment decisions on ALMPs, which may impact optimal return on investment from government, community and user standpoints.

Key issues with current state

Inconsistencies in data collection, reporting and evaluation were identified in the 2021 ALMP stocktake and gaps analysis, and by Te Puni Kōkiri in their Review of Effectiveness for Māori. We explored these further in stakeholder engagements this year*. Issues include:

- Variation in data collection resulting in gaps in some types of data when comparing across programmes, eg, inconsistent collection and reporting of ethnicity, gender and regional data.
- Different parameters are used for the same datasets eg, participation and expenditure are each reported on in multiple different ways.
- Reliance on quantitative data which fails to capture complex outcomes such as individual and whānau wellbeing.
- Some agencies reported collection issues, such as historical systems that are no longer fit for purpose, or low motivation for collection compliance.
- Limited evaluation of ALMPs for impact and/or outcomes, as well as a general lack of effectiveness reporting. This is impacted by the lack of long-term data available to capture outcomes experienced by participants.

Barriers to consistent data collection include:

- Programme rationale and conditions at set up, eg, rapid response to a specific issue like COVID-19 compared with outcome of a pilot or trial.
- Agency 'maturity' as an ALMP funder or provider – capability, capacity and experience supporting employment outcomes.
- Commissioning or contracting levers and provider capability, capacity and experience supporting employment outcomes.
- A lack of understanding from some agencies and service providers about what the data collected would be used for, the value of collecting it, and security of its storage and use.

* Refer list of stakeholders provided in the Briefing.

Strengths of the current state we can build on

- The **Ministry of Social Development's (MSD) employment assistance effectiveness reporting** uses best practice methodology for evaluating programmes and services based on the impact on one or more of five outcome domains relative to the counterfactual (the outcomes participants would have had if they had not participated). MSD has recently published its evidence catalogue for public access, providing opportunity for use in research and academia and public transparency of the effectiveness of many of MSD's ALMPs.
- To support its **monitoring and reporting on the delivery and outcomes of EET initiatives funded through the CRRF and related budgets**, the EET Secretariat has worked with agencies to improve both the number of agencies reporting information and the range of demographic data being provided. Two best practice guides have been produced to support a collective understanding of measures and metrics. This work will be helpful for making similar improvements in data collection and reporting across all ALMPs.
- **Government agreement to adopt a relational approach to commissioning in the social sector** was made in late 2021. Many ALMPs are provided in communities through partnership agreements. Although employment related services have not yet been included in the social sector commissioning conversations, there are common issues and opportunities for collaboration, including improving insight infrastructure.
- **Existing data gathering on the performance of many ALMPs do provide evidence of outcomes** through a combination of quantitative information, case studies and qualitative narratives. At an agency level, this data informs service delivery, managers, governance groups or ministers of the performance of each programme.
- Some agencies, such as Ministry for Women and Ministry for Pacific Peoples have **established data partnerships** to fund research on a topic that provides useful insights and enables data and analysis expertise to be shared across agencies.
- TPK is currently developing a **data management platform/system** with the Social Wellbeing Agency to house relevant government agency data that relates to Māori.

Best practice monitoring and evaluation of ALMPs – literature scan

Our literature scan focussed on current best practice for monitoring and evaluation of ALMPs, including frameworks for evaluating effectiveness for Māori and considerations of scalability, innovation, and flexibility of approaches. This highlighted:

- Taking a structured approach, **applying a suitable monitoring and evaluation framework in the design stage**, increases the efficiency and quality of monitoring and evaluation activities, and the likelihood that resources will be allocated to support this work.
- Many social issues experienced by priority groups are complex and linked to a broad range of concerns. They are not able to be addressed by a single agency/intervention. Integrated, cross-government, comprehensive solutions are recommended, further supporting **the need for uniform monitoring and evaluation**.
- **Transparency and clarity around why data is being collected and sharing the results of performance reports and evaluations** to increase buy-in and credibility.

We propose taking a principled approach to investment in ALMPs. In practice this means:

- (a) **building coherent investment principles to guide decision making about ALMPs, and**
- (b) **supporting cross-agency consistency in monitoring and evaluating ALMPs.**

B: ALMP Investment Principles

These Principles have been finalised in consultation with key stakeholders. There was a strong preference for fewer principles for ease of implementation.

The benefits of taking a principled approach to investment, and how we recommend these Principles are applied, is provided on slide C. Next steps for implementation can be found on slide D.

Te Tiriti o Waitangi obligations

In developing and delivering ALMPs, agencies will demonstrate Government obligations under te Tiriti o Waitangi by:

- considering the impact the programme will have on Māori, whānau, hapū and iwi, including unintended impacts and different impacts on different groups
- ensuring programmes for Māori, whānau, hapū and iwi are developed and provided in ways that enhance self-determination and provide opportunities that realise development aspirations
- support equitable outcomes, experiences and access for Māori, whānau, hapū and iwi

Investment should support ALMPs that...

Programme Design

Principle 1

Make a case for the specific intervention/s that will be used in the program that is EITHER:

- **Supported by evidence of effectiveness** AND/OR
- **Innovatively designed or delivered** (e.g. community/iwi led, locally responsive, public-private partnership) in a way that is consistent with available information on likely effectiveness

Principle 2

Are expected to deliver:

- **Value for money** in improving **employment outcomes** for the groups targeted by the programme AND/OR
- **Long-term value for money**, considering the wider benefits and costs to the whole of society

Principle 3

Are **feasible to implement** and **will effectively target and deliver** to the identified group(s) based on current evidence and information about:

- The level and type of support that individuals and their whānau need AND
- Labour market opportunities and challenges (including those presented by New Zealand's future of work trends such as transition to a low-emissions economy)

Principle 4

Contribute to a cohesive set of offerings and is provided at an appropriate scale across the ALMP system.

Principle 5

Align with the Government's labour market role and strategic direction, and wider government service provision.

Principle 6

Help achieve equity for people disadvantaged (or at risk of disadvantage) in the labour market and act on opportunities to support individual and whānau aspirations to reduce long-term and intergenerational disadvantage, including child poverty.

Principle 7

Improve employment outcomes over the long-term by supporting people to enter, stay and progress in work that suits their needs and aspirations.

Principle 8

Have planned and/or demonstrated **monitoring and evaluation** that is appropriate for the maturity, scale, and type of programme, ideally including measurement of outcomes and clear targets to evaluate against, that will help **grow the Government's evidence base** for what works, for whom, and in what circumstances.

Investment decisions across the ALMP system should...

Aim to **apportion and target investment based on current evidence** and information about:

- The level and type of support that individuals and whānau need
- Labour market opportunities and challenges
- The level of intervention appropriate for the current economic cycle

C: Using Investment Principles to strengthen the ALMP system

Benefits of Investment Principles

A principled approach to investment in ALMPs across government will:

- help to improve system coordination and support cross-agency consistency in monitoring and evaluating ALMPs
- make investment decisions on individual ALMPs more robust by ensuring that the suite of ALMPs is both consistent with and complementary to each other
- support ongoing oversight of new and/or changed ALMPs including analysis of gaps and overlaps
- help to address issues identified in earlier stages of the ALMP Review and in TPK's Review of Effectiveness for Māori of employment, education, and training initiatives
- encourage agencies to consider data collection, monitoring, and evaluation at an early stage of programme development

We consulted with agencies on four options for using the Investment Principles...

Option One: Integrating the Principles into the annual Budget process

This would support consistency across the ALMP system, over time providing connection between information that supports investment decisions and considerations made during programme development and review.

Option Two: Using the Principles only in EET governance coordination and oversight

The Principles would be used within the EET context to increase consistency across the ALMP system, including supporting the EET governance group's advice on developing ALMPs and enhancing system-level coordination and oversight.

RECOMMENDED

Option Three: Integrating the Principles in Budget **and** using them in EET governance groups

This is a **combination of Options One and Two**, to allow for implementation at multiple points across the life-span of a programme and more complete integration at the system level.

Option Four: Voluntary use of the Principles

This would not involve any requirements to use the Principles. This option was discounted because it is unlikely to effect change.

We recommend that the Investment Principles are...

- **Available for use by agencies to guide their development of ALMPs and their completion of the Budget Bid template.**
- **Used by Vote Analysts to follow up ALMP-related Budget Bids (but not incorporated into the Budget template).**
- **Tested in practice for Budget 23** meaning that some bids resulting from this review will apply the Principles in their development.
- **Used by EET governance groups to:**
 - support system level oversight of the Budget process
 - advise agencies on individual ALMPs as required.
- **Considered a 'living document'** that will be updated over time to ensure it remains fit for purpose (in consultation with agencies and based on current M&E activity in the ALMP system).

Because...

- **Treasury officials** did not support adding the Investment Principles to the current Budget template because not all Budget Bids are ALMPs. They recommended instead that Vote Analysts use the Investment Principles to guide and support their discussions with agencies.
- **EET secretariat officials** saw value in using the Investment Principles to support the EET governance groups' oversight and coordination roles, and to support ALMP development and review.
- **Agencies** saw value in using the Principles:
 - when developing initiatives, and to test initiatives with EET governance groups outside of Budget processes
 - as a resource to support analysis for and completion of the budget template;
 - supporting consistency across the system and improving monitoring and evaluation practices.

The EET Secretariat is currently working with the Treasury to more closely integrate and align work to provide an EET system view of Budget Bids with the Budget process in future. This may provide further opportunities to use the Principles within EET and Budget processes to guide ALMP investment and ensure alignment across the system.

...and on finalising the Principles (see slide B).

Next steps for implementation of these recommendations are on slide D.

We have used insights from engagement with agencies and the literature to identify these options for improving collective understanding and optimising investment in ALMPs



A principled approach is taken to investment in ALMPs across government.

- ✓ Improve system coordination
- ✓ Make investment decisions on individual ALMPs more robust
- ✓ Ensure that the suite of ALMPs is both consistent with and complementary to each other.



A cross-agency toolkit could provide foundational support to improve consistency across agencies

Phase 1 – Support agencies to apply the Investment Principles in the Budget 23 process by providing *guidance on use and interpretation of each Investment Principle* including reflection of Māori values

Phase 2 – Supporting more consistent data collection

- Agree best practice approach to what data is collected about ALMPs and shared definitions of terms across agencies
- Guidance around methods to collect data/methods to submit data

Developed progressively (up to 12 months)

Collaboration with the social sector commissioning work programme, Stats NZ and EET secretariat could benefit development of the toolkit.

- ✓ Supports shared understanding of the Investment Principles in practice
- ✓ Consistency of reporting across government
- ✓ Support cross-agency collaboration and future partnerships
- ✓ Support capacity building/rapid response initiatives.

Further work could be warranted to explore options to achieve a more coordinated approach to understanding what ALMPs work best, for whom, and in what circumstances.



Examples of options that could be explored with agencies include:

- increased opportunities for data sharing and data partnerships to support sharing of data and analysis expertise across agencies,
- shared learning across agencies from programme evaluations, and
- exploration of options for cross-agency research and the development of a system view of effectiveness.

- ✓ Build inter-agency connections, shared learning
- ✓ Research and evaluation opportunities to share insights and support greater impact across agencies
- ✓ Provide visibility of the full suite of ALMPs available
- ✓ Maintains a system view to assess overall investment and impact
- ✓ Supports agencies developing a new ALMP to assess how the new programme will contribute to the system
- ✓ Supporting function for agencies

A deeper level of engagement with agencies will be required to fully uncover the impact, consequences, benefits and risks of pursuing options to enhance a coordinated approach. This required engagement will have resourcing implications.

Next steps and resourcing



If Ministers agree to the package of recommendations then:

1. **MSD and the Ministry of Business, Innovation & Employment (MBIE) will communicate the Principles and advise on their use to agencies across government.**
2. **MSD and MBIE will jointly develop guidance on the use and interpretation of each Investment Principle (toolkit phase one) to support use for Budget 23 processes, including working with Treasury to develop a short guide on the Principles for Vote Analysts. MSD and MBIE will also plan the approach, timeline and resourcing for phase two of the toolkit.**
3. **The EET Secretariat will work with Treasury and key stakeholders to incorporate the Principles into planned advice for EET Ministers on Budget 23.**

Annex four: at-a-glance summary of groups, evidence and options

Cohort	Size and gap	Evidence base	Options
Supporting displaced workers			
Economically displaced workers	<p>Size of group</p> <ul style="list-style-type: none"> An estimated 39,500 to 125,000 economically displaced each year Most (50–75%) will return to work on their own or with levy-funded support from NZI Up to 40% could benefit from additional employment support Approx. 10% may need a more intensive service targeted to specific barriers <i>Note: data on displacement is weak</i> <p>Gaps in services</p> <ul style="list-style-type: none"> Hard to identify uptake or service gap in existing ALMPs Some may be ineligible for ALMPs Few ALMPs targeted specifically at displaced workers Existing services are not visible to displaced workers 	<ul style="list-style-type: none"> Intervening early mitigates impacts of displacement Case management is effective for those who need more support and face barriers to employment Career and job search support helps people navigate labour market and identify transferable skills <p><i>See Annex one for evidence.</i></p>	<ul style="list-style-type: none"> Expand capacity of early intervention services such as Redeployment Support Invest in additional intensive support for those most at risk of poor outcomes Promote existing ALMPs and training opportunities to displaced workers Provide long-term funding to the Direct Careers Service <p><i>See Annex one for detail on options.</i></p> <p><i>Also note that we anticipate the development on digital service will help address many of the current gaps, by making ALMPs more visible and accessible to people who otherwise would not engage with MSD.</i></p>
Disabled people who may require ALMPs			
Disabled people who are close to the labour market	<p>Size of group</p> <ul style="list-style-type: none"> An estimated 135,300 NZIIS claims (partial or full) due to health conditions or disability 20,000-30,000 on JS-HCD per year after stopping work in the previous six months <p>Gaps in services</p> <ul style="list-style-type: none"> Sparse public provision of early in work and return to work services for this group Gap in vocational rehabilitation services for those ineligible for ACC supports, including people with musculoskeletal conditions 	<p>Acting early, e.g. early work focused conversations in both the health and welfare systems, is effective. Prompt navigation to services is also key</p> <p><i>See Annex 2.2 for evidence on relevant interventions.</i></p>	<ul style="list-style-type: none"> Embed early work conversations in primary health and community settings, via primary mental health services Strengthen work focus to phone-based counselling and mentoring services Add health focus to phone based Rapid Return to Work service Explore vocational rehabilitation options (focus on musculoskeletal conditions) <p><i>See Annex two, slides 2 and 4, for detail on options.</i></p>
People who are further from the labour market, with a focus on people with mental health and addiction (MH&A) issues	<p>Size of group</p> <p>Approx. 54,000 on JS-HCD longer than one year. Many on other benefits may also have MH&A or other health conditions</p> <p>Gaps in services</p> <p>Limited coverage of integrated health and employment supports</p>	<p>Targeted and integrated health and employment supports (e.g. Individual Placement and Support (IPS)) have been shown to improve work outcomes for this group</p> <p><i>See Annex 2.2 for evidence on effective interventions.</i></p>	<ul style="list-style-type: none"> Stabilise funding for Oranga Mahi programmes and expand Here Toitū to two further regions Provide new ringfenced funding to support regional integrated approaches, including kaupapa Māori initiatives Explore expanding IPS programmes in specialist MH&A settings across NZ <i>See Annex two, slides 2 and 5, for detail on options.</i>
Disabled people furthest from the labour market, who want to work but may require intensive supports and job tailoring	<p>Size of group</p> <p>Approx. 57,000 on SLP are due for work reassessment within next two years. Some within this group will be able to work with the right support</p> <p>Gaps in services</p> <p>Limited provision of Customised Employment for this group</p>	<p>Customised Employment (CE) and integrated health and employment supports are proven to improve work outcomes for this group</p> <p><i>See Annex 2.2 for evidence on CE.</i></p>	Explore referral pathways and provision of Customised Employment for this group <p><i>See Annex two, slide 2, for detail on options.</i></p>