



# Briefing for the Incoming Minister Employment

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# 1. Portfolio Overview

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## Purpose

1. This briefing provides you with information about the Employment portfolio. The Employment portfolio is supported by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry of Social Development (MSD).

## Introduction to Employment

2. A workforce with the right knowledge and skills – and the effective utilisation of these skills in workplaces – helps drive economic growth by lifting the competitiveness and profitability of our firms, and facilitating innovation across the economy.
3. Work in the Employment portfolio looks at the overall performance of the labour market as well as delivering programmes and services to support the labour market. Its primary areas of focus tend to be:
  - monitoring labour market trends, identifying key issues and problems, and forecasting future directions
  - bringing a labour market and firm perspective to the education, immigration, and welfare systems
  - considering how these systems are working together so that firms are able to access the labour and skills they need, and New Zealanders are able to develop their skills and access employment
  - delivering training and education programmes and services to support beneficiaries into employment
  - supporting people into jobs
  - promoting the contribution that skill development and utilisation can make to economic growth.
4. These areas of focus aim to ensure that the New Zealand population has the skills needed to access and maintain productive employment, and firms can access the skilled people they need to grow. MSD plays a key role in supporting those who have high barriers to employment to be able to develop a range of skills that employers are seeking, including soft skills.
5. MBIE's support for the Employment portfolio is resourced through appropriations that fall within Vote Labour Market. The appropriations relevant to Employment total about \$7.2 million, and are focused on supporting policy advice, sector analysis, and employment facilitation initiatives.
6. The other appropriations within Vote Labour Market are the responsibilities of:
  - the Minister of Immigration
  - the Minister for Accident Compensation Corporation (ACC)
  - the Minister for Workplace Relations and Safety.
7. Further detail on MBIE's appropriations is provided in Annex 1.

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8. MSD's support is delivery led and is based on a national, regional and localised labour market engagement, case management and a nationwide work brokerage service for MSD clients delivered from MSD service delivery sites. Employment services for the people MSD works with are typically integrated with income support, housing and other assistance, for example childcare support.
9. This includes engagement and partnerships at national, regional and local level with employers and industries to understand their workforce needs, and find and/or up-skill New Zealanders currently on benefit to prepare for, secure and sustain employment.
10. MSD uses a range of Active Labour Market Policies to help people prepare to enter and to sustain employment, ranging from work confidence and preparation through to in-work support services.
11. MSD's support for the employment portfolio is resourced through appropriations that fall within Vote Social Development. A separate appropriation for employment does not currently exist, but in 2017/18 MSD's spend on employment related activities came to \$395m.
12. The appropriations are predominantly focused on delivering training programmes and other support for people to assist them into employment. Funding is also available for employers to incentivise them to employ the people MSD works with, such as wage subsidies.
13. MSD and MBIE work jointly together on a number of labour market initiatives to help people to find work.

### **New Zealand has a dynamic labour market which performs well by international standards...**

14. New Zealand's labour market is composed of a broad range of actors, including firms and employees, the education and tertiary education sectors, and our immigration and welfare systems. The labour market is dynamic, encompassing a multitude of reciprocal relationships between these actors and systems, as well as substantial movement between jobs and between industries, and up-skilling and re-training by those already in work. The economy creates and destroys a large number of jobs each year. In the year ending June 2016, on average each quarter 142,400 jobs were created, and 129,200 jobs were destroyed.
15. MBIE forecasts that job growth will continue, with an overall employment increase of 152,000 over the next three years. This will be driven by growth in construction and utility services (up 32,400), business services (up 23,700), and health and education sectors (up 34,000).
16. Of New Zealand's population of around 4.8 million people, around 3.8 million are of working age (15 years and over) and 2.7 million are participating in the labour force (working or actively looking for work).
17. New Zealand's population is highly qualified and skilled compared to the Organisation for Economic Co-operation and Development (OECD) average, with relatively high levels of literacy, numeracy, and skills that support the ability to problem solve in technology-rich environments. Around 62 per cent of New Zealanders are working in skilled occupations.

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18. New Zealand's labour force participation rate of 70 per cent is one of the highest in the OECD. We have relatively low unemployment, and the labour market is generally considered to be flexible and effective at providing employment and matching people to jobs.
19. The labour market has generally recovered well since the Global Financial Crisis (GFC), with job creation levels returning to pre-GFC levels, and outpacing job destruction levels. The unemployment rate is currently 4.8 per cent, the lowest level since December 2008.
20. The number of people on a benefit is falling in spite of increasing growth in the overall population. At the end of September an estimated 9.4 per cent of the working-age population were receiving a main benefit. This is the lowest level since 1996.

### **...but there is still progress to be made, particularly for some groups**

21. New Zealand's high levels of qualification have not led to as great an increase in productivity as might have been expected. New Zealand continues to have lower productivity than many OECD countries, including other small advanced economies that are typical comparators. New Zealand has high numbers of workers reporting a mismatch between their job and their skills or qualifications. At the same time, firms are reporting difficulties finding the skills they need, and we are seeing higher levels of migrant employment than previously. Some of this is a reflection of the nature of our economy, but there is an opportunity to make better use of labour and skills to raise productivity.
22. A significant minority of people would like to work more, and some groups continue to have relatively low participation rates and poorer education and employment outcomes. While lower than the OECD average, the underutilisation rate (11.8 per cent) has remained at a high level since it spiked in 2008 during the GFC.<sup>1</sup>
23. There is a risk that people who fail to enter the labour market (for example, young people not in employment, education or training (NEET)) or become separated from it (such as people who have suffered injury or have health issues, or been made redundant) will have poor long term outcomes.
24. While the proportion of NEET has roughly returned to pre-GFC levels, the NEET rate is particularly high for young Māori (20.1 per cent) and Pasifika (17.8 per cent). Young people who come onto benefits before the age of 20 are more likely to stay on benefits for longer than people that come onto benefit at an older age.
25. A new initiative in the Economic Development portfolio, He Poutama Rangatahi seeks to directly match young people at risk of long term unemployment with jobs, and to trial ways to significantly reduce New Zealand's NEET rates as long-term goal. Budget 2017 included \$50m over four years to support the development and implementation of the programme. It specifically targets those young people who are not succeeding with current interventions and need more tailored support, or who are not currently accessing support services. The trial is

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<sup>1</sup> Underutilisation refers to people who fit any of these categories: i) unemployed, ii) underemployed (part-time workers who want and are available for more hours), iii) the potential labour force (people who are actively seeking work but not currently available; and people who would like work, are available for work, but are not actively seeking work).

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aimed at supporting 5,280 young people, in four regions, Te Tai Tokerau, Eastern Bay of Plenty, Te Tairāwhiti, and Hawkes Bay.

26. Māori and Pasifika also have higher unemployment rates (11.0 per cent and 10.2 per cent respectively) and poorer education outcomes, with 74.3 per cent of Māori, and 78.7 per cent of Pasifika achieving NCEA Level 2 by the age of 18, compared to 88 per cent for Pākehā. Māori are over-represented among people on benefit and generally stay on benefit longer, regardless of the type of service they receive. Māori comprise only 15 per cent of the general population but represent 31 per cent of those in the benefit system.
27. A high proportion of those who receive benefits have a health condition or disability. Mental health conditions are particularly prevalent as the primary health barrier to work.
28. There has been growing concern internationally about inequality. Wage levels are relatively low in New Zealand, and nominal wage growth has remained relatively low since the GFC, although low rates of inflation have ensured real wage growth across the income distribution. Income inequality is above the OECD average, but has remained relatively flat since the mid-1990s. Nevertheless, some individuals and groups have persistently low incomes, and poorer outcomes that may persist across generations.
29. Many government portfolios have been focusing on improving outcomes for these groups, in particular improving education outcomes and labour market attachment for those most at risk. Many of these issues are complex, and require coordinated and concerted efforts across portfolios and agencies.

### **The government has a significant impact on the labour market**

30. The Government's three major levers relating to the supply of skills and labour are through the education, immigration, and welfare systems. Ensuring that these systems are working well together is key to supporting New Zealanders to develop skills and access employment opportunities, and firms to access the skills and labour they need. Much work has been undertaken to improve how these systems work together, and this remains a key focus for the Employment portfolio.
31. MBIE is responsible for most of the direct regulation of the labour market (through other portfolios such as Workplace Relations and Safety, Immigration, and Accident Compensation, and also by being responsible for the regulation of a large number of occupations), and therefore has an important regulatory stewardship role. It is important that regulation remains fit for purpose, protecting workers and employers, while facilitating a dynamic labour market and the sort of innovation required for economic growth.

### **Social and technological advances are driving changes in our industries and workplaces**

32. While economic forecasts suggest that the medium term economic outlook is positive, the government needs to consider the challenges and opportunities from a set of "global megatrends" that are already transforming the nature of work and workplaces – technological change, globalisation, demographics and climate change.

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33. Much has been written about these megatrends, but no-one can be sure what impact they will have. There has not been much evidence of significant change in New Zealand yet, but it cannot be assumed that this will remain the case. In the longer term, participation rates may start to fall as the population ages. There may be challenges keeping lower skilled workers in the labour market if jobs continue to become more skilled, and people may need to retrain or more regularly upskill for jobs that change more rapidly than in the past. It is important to ensure that the government systems affecting the labour market are designed in a way that they can cope with potential changes, and that people acquire the sorts of skills that will stand them in good stead whatever the future brings.
34. For the welfare system this means thinking in new ways about how we can support people to find work. Some of the more traditional roles that jobseekers move into may be less common. Alongside this, part-time and casual work opportunities are likely to increase. There is a growing flexibility in where people can work from (home or remote locations) and new types of work will be available.
35. It is important to focus on the positive opportunities that these trends may offer. MBIE and MSD have been working in partnership with sectors, regions and cities to jointly address their labour and skill needs in a way that provides opportunities for people seeking employment, and local workers, as well as raises productivity.
36. This work cannot be done in isolation. Many of the solutions will be at a system level and require buy-in across government and from a range of stakeholders outside of government.

### **There are a number of big challenges and opportunities across the labour market**

37. These include:

- Ensuring that labour market settings facilitate a growing, more innovative and productive economy, which workers benefit from through rising wages
- Keeping overall labour force participation high, and increasing it for people who want more work, and for those who struggle to attach to the labour market
- Ensuring people on benefit can access jobs in a growing economy
- Ensuring employment standards are met, including for migrants at risk of exploitation, and addressing employment practices intended to circumvent employment standards
- Reducing inequalities in employment outcomes for different groups, with a key focus on closing the gender pay gap
- Addressing skill mismatches and skill shortages, by getting the education and training, immigration and welfare systems working together effectively
- Ensuring that the employment and work health and safety regulatory frameworks adapt to technological and demographic changes, while continuing to support business innovation and productivity
- Ensuring that workers have the skills they will need into the future
- Working with sectors, regions and cities to develop agreed and sustainable solutions to labour and skill needs, and
- Developing strategic partnerships with industry to help unemployed people to move into employment.

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38. The Employment portfolio will have a key role in seizing many of these opportunities and tackling the challenges, in close collaboration with other portfolios.

### Strategic Partnerships are Key

39. To improve outcomes for the people most at risk, government needs to work with key partners, including industry and employers.

#### The Sector Workforce Engagement Programme

40. One example where MSD and MBIE have been working together to improve employment and skills outcomes is through the Sector Workforce Engagement Programme (SWEP).

41. SWEP is a cross-agency operational initiative comprising MBIE, MSD, the Ministry of Education (MOE) and the Tertiary Education Commission (TEC). It is housed within MBIE. Focused on sectors that employ large numbers of low skilled workers, it aims to improve employers' access to reliable, appropriately skilled staff at the right time and place, while creating work opportunities for New Zealanders, including young people and those currently on benefits. The aim is to support more New Zealanders into these sectors. Currently, these sectors use a significant amount of low skilled migrant labour.

42. This is achieved through a series of industry-led, government-supported engagements to develop labour market solutions in industries critical to New Zealand. SWEP coordinates involvement and support from across government agencies, simplifying engagement for employers, and managing competing objectives.

43. In close collaboration with industry, local government and communities, SWEP has helped to develop and implement innovative labour and skills interventions, such as:

- a. The Jobs and Skills hub model being used in Auckland, at Auckland Airport, and as part of the Tāmaki redevelopment. The model is designed to help employers in high-growth areas better connect to local jobseekers, build stronger connections with local schools, and facilitate training and development.
- b. The Federated Farmers Dairy Apprenticeship, in partnership with Federated Farmers and the Primary Industry Training Organisation. The scheme provides a three year apprenticeship with formal and informal training, aiming to attract and train workers for the dairy industry, while also supporting farmers to become more involved in training and upskilling their staff.

44. SWEP is currently active in the construction, horticulture and viticulture, tourism and hospitality, road freight transport, and aged care sectors.

#### MSD and MBIE partner with industry, employers and regions to achieve the government's goals

45. MSD works nationally, regionally and locally with a range of employers to understand their workforce needs and identify employment or training opportunities for people. MSD's Industry Partnership team works with large employers and industry associations who can provide strong sector leadership, and deliver a high volume of entry-level employment opportunities to job seekers. This includes developing industry based training programmes to assist with skills and labour shortages and improve capability.



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46. MSD also partners directly with employers to develop new ways to reconnect people to the labour market, including co-designing online self-service portals and platforms, delivering centralised programmes for multi-employer partnerships, and multi-regional recruitment and marketing campaigns to job seekers to improve the direct uptake of opportunities.
47. A specific example of an innovative partnership with industry is the Warehouse Group Limited's 'Red Shirts in Community' programme, where people are provided retail training by the Warehouse Group Limited. This provides them not only with increased skills and training, but with relevant qualifications that help staircase them into sustainable employment in retail and other areas. Other national employers have expressed strong interest in this programme.
48. MSD's Regional Labour Market and Contract Teams work with industry and frontline staff to purchase and deliver a wide range of targeted programmes to better prepare our clients for employment. Contact Centres have created greater connectivity for employers and more employment focussed conversations with Job Seekers. At the local level, site Work Brokers can actively source job seekers for SME employers. This integrated approach is the strength of MSD's service offer to employers.

### **Economic growth helps to create employment opportunities**

49. There are other opportunities to partner with other agencies and employers to further increase labour market participation. For example, MBIE's regional development work will continue to focus on identifying the potential for growth in new or existing sectors — this involves working with regional councils, educators and others such as the local economic development agencies to plan how best to meet the additional demand for skills and labour. We are able to support this work through our expertise in modelling the demand for workers and identifying how best to satisfy that demand.

### **MSD supports people who are more disadvantaged in the labour market to develop the skills that employers are seeking...**

50. A core role for MSD is actively supporting people to move into employment and to sustain it once they are there. MSD's case management services focus on providing the right level of support to those who need it most. These services support and prepare people who can and want to work for opportunities in the labour market.
51. MSD supports people into employment through its suite of Active Labour Market Programmes and policies. These include job placement services, benefit administration, and training and job creation to ensure that people have the motivation and incentives to seek employment as well as support to increase their employability and to help them to find suitable employment.
52. When people are ready to move into the labour market, a combination of MSD and partner services work together to connect them to the best possible employment outcome for them. In some cases this could be part-time work or a work experience opportunity.
53. Support for people moving into jobs and businesses in the early stages of employment is often crucial to ensuring that this employment relationship is enduring. MSD and our partners offer and deliver proactive in-work training to those who need it to support both people and employers to achieve the best outcome possible.

**... and MSD is testing new ways to work with people**

54. Since 2013, MSD has been using a data and evidence-based methodology to guide its service decisions. The annual actuarial valuation of the benefit system (which calculates the expected average future time of a person on benefit) is one of the main tools used by MSD to identify those who need increased support.
55. This approach has allowed MSD to better target its funding to people who are at risk of long-term benefit dependency and to help them achieve improved employment outcomes, ideally moving them into sustainable employment.
56. Co-designing and testing new and innovative ways of working with people who have high barriers to employment, including lower education and skill levels or a health condition or disability, is integral to MSD being able to discover what works. A number of trials have been developed to test new approaches for people with high barriers. Many of these trials are showing positive signs in terms of helping people into sustainable employment. Trials are evaluated at specific points in time to determine their effectiveness, and are continued or expanded where they show positive results. If trials are not showing improved outcomes they are stopped. Funding is reprioritised towards interventions that do show positive outcomes.
57. To help MSD better target services to those who need the most support in a timely manner, an Employment and Social Outcomes Multi-Category Appropriation (MCA)<sup>2</sup> has been established. Ministers have delegated decision rights over spending within the MCA to the MSD Chief Executive. These two elements give MSD the financial flexibility to move funding across different appropriation types, without requiring Cabinet or Ministerial approval. This means funding can be shifted quickly from interventions that are not helping people, to those that do.
58. The annual Cost-Effectiveness Report on Employment Assistance is a key evidence-based input to MSD's investment decision-making. Using this evaluation, together with the flexibility of the MCA, MSD has shifted funding between income and employment based activities and from programmes and interventions, where evidence has shown that programmes are not effective, towards those that are proving effective.
59. The MCA funds all of MSD client service activities across both income support and employment support, along with its funding for employment related programmes and contracted services.

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<sup>2</sup> A type of appropriation consisting of 2 or more categories of output expenses, other expenses or capital expenditure.

## 2. Portfolio Responsibilities

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60. Your current key areas of responsibility are as follows:

- The overall functioning of the labour market, and its role in improving employment, social, and economic outcomes in New Zealand. This includes providing regular updates on the overall state of the labour market to other government ministers and Cabinet.
- Bringing a labour market perspective to discussions with the Education, Social Development, Economic Development, Immigration and Māori and Pasifika portfolios.
- Co-ordination of cross- government initiatives on employment issues.

61. MBIE and MSD work closely with MOE and TEC on labour market issues, including by providing second-opinion advice on issues related to the supply of skills from the education system (led through the Education agencies), and employment support for beneficiaries (led through Social Development agencies).

### Legislative responsibilities

62. The Employment portfolio has not been responsible for legislation.

### Crown entities

63. As Minister of Employment, you are not responsible for any Crown entities.

### Statutory or advisory bodies

64. You are not responsible for any statutory bodies through the Employment portfolio.

### Other entities

65. The Employment portfolio is responsible for the Canterbury Skills and Employment Hub (the Hub).<sup>3</sup> The Hub was established in 2012 as a trial to assist the Christchurch rebuild and the regional economy through streamlining the skills matching process to help meet employer demand. The Hub works through one-to-one brokerage combined with 'frontloading' the immigration Labour Market Test process, so that the standard checks for New Zealanders available to fill a vacant position are conducted prior to an employer looking for and finding a migrant worker. The Hub is funded through to the end of the 2017/18 financial year, and will close from July 2018 onwards as the rebuild nears completion.

66. We monitor and report to you (and the Ministers of Immigration and Social Development) on the performance of the Hub.

### Vote Labour Market

67. You are responsible for appropriations that fall within Vote Labour Market, totalling \$7.165 million in 2017/18 (0.4 per cent of the total). These appropriations are for MBIE's

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<sup>3</sup> This is a different model than the Jobs and Skills Hub developed by SWEP.

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departmental outputs, to support our provision of policy advice to you, analysis and modelling of labour market trends, and employment facilitation initiatives.

68. More detail of the appropriations is provided in Annex 1.

### Vote Social Development

69. The Employment portfolio is also supported through a Multi-Category Appropriation within Vote Social Development, totalling \$658 million, \$395 million of which is linked to employment and work readiness. This Appropriation is the responsibility of the Minister for Social Development.

Erratum now corrected in advice. \$658m refers to the 'Revenue Crown' line item within the appropriation. Total should also include 'Revenue Other' which is additional \$3.5m. Total figure should therefore read \$662m.

### 3. Major Links with Other Portfolios

70. As Minister of Employment, you will have a leadership role regarding the overall functioning of the labour market. You are likely to be a key member of Ministerial groupings overseeing the delivery of the new Government’s economic and labour market strategies, which is likely to coordinate labour market interventions to address specific skills and labour needs across regions and sectors.
71. You will be able to bring a useful cross-system perspective to discussions with your colleagues across those portfolios:



#### The Supply of Skills and Labour

72. The Employment portfolio has strong links with the portfolios that govern the large government systems which can impact on the supply of skills and labour, notably:
- *Education* (including *tertiary education*), with a focus on how the education system supports people to develop skills needed for employment; how it connects, engages, and responds to firms and their skills needs; and how firms connect and communicate their needs.

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- *Immigration*, with a focus on improving the economic and labour market contribution of international migration. It is important to ensure that immigration is used to fill genuine skill or labour shortages, and not as a substitute for hiring or training New Zealanders.
- *Social Development*, with a focus on supporting beneficiaries to re-enter the labour market and improving their employment outcomes.

### Portfolios which can influence the labour market

73. The Employment portfolio also connects with a number of portfolios which may impact on:
- the effective operation of the labour market, including how the labour market is regulated, through the *Workplace Relations and Safety, ACC, and Immigration* portfolios
  - the supply and quality of labour from particular groups: *Māori Development, Pacific Peoples, Youth, Women, ACC, Disability, Corrections*, with a focus on improving outcomes for these groups
  - specific sectors and their demand for labour and skills: *Forestry, Fisheries, Agriculture, Tourism, Building and Construction*
  - portfolios which may impact on people's ability or incentives to work (or provide a safety net when out of work), such as tax and transfer settings through the *Revenue and Social Development* portfolio
  - portfolios which impact on people's ability to access employment such as *Housing and Urban Development* and *Transport*.




### Economic Portfolios

74. Employment also supports New Zealand's economic development through input into:
- The *Economic Development* portfolio, which sets the overall direction for economic growth in New Zealand, including through *Regional Economic Development* and *Rural Communities*.
  - *Research, Science and Innovation*, which facilitates innovation within the workplace and across the economy.
  - The *Small Business* sector, which employs 29 per cent of New Zealand's workforce.

## 4. How Officials Assist You

75. MBIE and MSD work together to support you in your role as Minister of Employment.

### MBIE key contacts

Contact	Role	Priority Area	Contact details
<p>Carolyn Tremain</p> 	<p>Chief Executive, Ministry of Business, Innovation and Employment</p>	All	<p>E Carolyn.Tremain@mbie.govt.nz P 04 901 1357 Information withheld consistent with s9(2)(a) of the Official Information Act 1982</p>
<p>Paul Stocks</p> 	<p>Deputy Chief Executive, Labour, Science and Enterprise</p>	<p>The Labour, Science and Enterprise Group works with people, businesses, regions, and the science, innovation and education systems to help the country and New Zealanders to be successful.</p>	<p>E Paul.Stocks@mbie.govt.nz P 04 901 3893 Information withheld consistent with s9(2)(a) of the Official Information Act 1982</p>
<p>Ruth Isaac</p> 	<p>General Manager, Labour and Immigration Policy</p>	<p>The Labour and Immigration Policy Branch provides policy and regulatory advice in relation to the operation of the labour market, including:</p> <ul style="list-style-type: none"> <li>• employment relations and standards;</li> <li>• health and safety at work;</li> <li>• accident compensation;</li> <li>• immigration; and</li> <li>• skills and employment.</li> </ul>	<p>E Ruth.Isaac@mbie.govt.nz P 04 901 3883 Information withheld consistent with s9(2)(a) of the Official Information Act 1982</p>

## MSD key contacts

Contact	Role	Priority Area	Contact details
Brendan Boyle	Chief Executive, Ministry of Social Development	All	Information withheld consistent with s9(2)(a) of the Official Information Act 1982
Ruth Bound	Deputy Chief Executive, Service Delivery	The Service Delivery Group provides services to over one million seniors, students, working age beneficiaries and people seeking social housing.	
Simon MacPherson	Deputy Chief Executive, Policy	The Policy Group brings together the Ministry's policy functions in one place, providing social sector-wide policy advice across all population groups.	
Kay Read	Group General Manager Client Service Delivery	The Client Service Delivery group is responsible for, amongst other things, assessment of client needs and eligibility support, case management services, management of regional training, programmes, and regional stakeholders and business relationships.	
Fiona Carter-Giddings	General Manager, Employment and Income Support Policy	The Employment and Income Support Policy group provides advice on youth employment and labour markets, health and disability employment, and income support.	

## MBIE's Advice on Employment

76. MBIE's advice on Employment is provided by the Skills and Employment Policy team and the Labour Market Trends team. In addition, the Sector Workforce Engagement Programme (SWEP) is housed within MBIE and works on the ground with key sectors and industries.
77. The Skills and Employment Policy team and SWEP sit within MBIE's Labour, Science and Enterprise Group, and the Labour Market Trends team sits within the Corporate, Governance and Information Group.



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78. These three teams focus on:

- the functioning of the labour market, and its role in improving employment, social, and economic outcomes in New Zealand
- working with the labour market facing agencies and portfolios, including (but not limited to) MOE, TEC, MSD, and Immigration New Zealand (a group within MBIE) on labour market and skills issues
- in the case of SWEP, working directly with targeted sectors to coordinate cross-government support for industry-led solutions to their employment and skills challenges.

79. The three teams work in close collaboration. The Labour Market Trends team provides information and analysis on key data and trends, and the Skills and Employment Policy team provides policy frameworks, analysis, and options on how to approach key labour market issues. SWEP's on-the-ground experience can provide valuable intelligence to inform our advice to you.

### **The Skills and Employment Policy team**

80. The Skills and Employment Policy team provides policy advice relating to the Employment portfolio. Its goal is to support New Zealanders to develop the skills they need to engage in employment and for employers to access and utilise the skills they need to be productive and competitive. It has been the secretariat for a Ministerial Group focused on coordinating labour market and skills issues across Ministries and portfolios. The team's areas of focus include:

- the overall effectiveness of the labour market and the employment outcomes of individuals and groups
- the contribution of skills and employment to productivity, including bringing a labour market and firm/demand perspective to the education, welfare, and immigration systems
- the economic outcomes of migration and the immigration system.

### **The Labour Market Trends team**

81. The Labour Market Trends team works with a range of branches and teams across MBIE to provide evidence, analysis and advice on key labour market trends and issues. The team supports the portfolio by providing:

- periodic reports on the state of the labour market, including job vacancies, as well as responding to ad hoc queries
- modelling and forecasting of employment nationally and regionally, including labour demand for the Canterbury rebuild
- monthly reports on permanent and long-term arrivals and departures, including short-term migration
- easy to access and user-friendly information tools to support policy and strategy development, including the Labour Market Dashboard and Occupation Outlook web tool and mobile app
- a range of analytical reports to inform policy and strategy development, using a range of data sources to investigate key drivers affecting the performance of the labour market.

### The Sector Workforce Engagement Programme

82. As mentioned earlier, SWEPP is a cross-agency operational initiative comprising MBIE, MSD, MOE and TEC. It is housed within MBIE alongside the Skills and Employment Policy team. It's on the ground engagements provide useful insights to support the Skills and Employment Policy team's advice.

### MSD's Advice on Employment

83. MSD's two key areas with responsibility over employment advice include the **Employment and Income Support Policy Group** and **Client Service Delivery**.

#### The Employment and Income Support Policy Group

84. The Employment and Income Support Policy Group is made up of three teams:
- The Youth Employment and Labour Market team is responsible for policy development and advice to ensure MSD is responsive to labour market change and demand and to reduce long-term benefit dependency. Its focus is to help secure and increase the quality of life, employment and education outcomes of disadvantaged young people.
  - The Health and Disability Employment team is responsible for policy advice to address issues for people who face barriers to employment because they have a health condition or disability. Its focus is to ensure disabled people and people with health conditions are supported to obtain work and enjoy a higher quality of life.
  - The Income Support team is responsible for producing quality evidence-based policy advice for on a range of topical income support issues. Its focus is to support, ensure and maintain a fair benefit system and improve financial incentives for people to work or prepare for work.

#### Client Service Delivery

85. Client Service Delivery sits within the broader Service Delivery group at MSD and is responsible for providing a range of services, including:
- delivering work focused case management services
  - procuring and managing regional work preparation, training and work readiness programmes
  - sourcing employment opportunities for people and matching them to these opportunities
  - providing services and supports to employers and other key stakeholders who we partner with to enable people to access a range of employment opportunities.

86. Client Service Delivery is made up of national and regional staff, with national office providing support for core frontline functions as well as working with a range of national stakeholders, such as central government agencies and industry bodies, to enable better employment outcomes for the people MSD works with.

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87. Client Service Delivery also has a strong regional network which supports the development of regional labour markets. The regional commissioners play a key leadership role in implementing, at the regional and local levels, the Government's employment policies. Each regional commissioner is supported by key staff including:

- the regional labour market manager who is primarily responsible for identifying and facilitating the development and creation of employment opportunities
- the regional labour market advisor who is responsible for implementing national employment strategies at a local level and responding to the region's labour market demand
- the regional contracts manager who provides specialist skills and experience in contracting and contract management
- work brokers who promote job seekers and MSD services to employers and work alongside case managers to connect people to work opportunities.

## 5. Employment Work Programme

### Key decisions and appointments for the first 100 days

88. There is no legislation before the house and no major decisions or appointments that must be made in the first 100 days through the Employment portfolio.

### Upcoming meetings, events, publications, workshops and announcements

89. There are a number of reports due to be released by MBIE in the next 100 days. You will be fully briefed about each in due course.
90. Of particular note, Statistics New Zealand will release its quarterly Labour Market Statistics on **Wednesday 1 November**. These include the Household Labour Force Survey, Labour Cost Index, and Quarterly Employment Survey. MBIE will provide an introductory briefing on Monday 30 October, which will set out how the day will likely run, including how MBIE will support you.

Things that are going to happen				
Topic	Description	Driver	Timing	Area
Introduction to the Labour Market Statistics	Prior to the release of Statistics NZ's Labour Market Statistics on Wednesday 1 November, MBIE will provide you with a briefing outlining the process for the day, including how MBIE will support you and your office.	Briefing ahead of statistics release on 1 November	30 October	Labour Market Trends
Labour Market Statistics release day, including: <ul style="list-style-type: none"> <li>Household Labour Force Survey (HLFS)</li> <li>Labour Cost Index</li> <li>Quarterly Employment Survey</li> </ul>	<p>These are the major labour market statistics which will update the unemployment rate, NEET rate, and other key statistics. The release generates significant media interest.</p> <p>The Labour Market Trends team will provide a briefing, scorecard, advice for a press release and talking points for Cabinet on the day, and present you with the Quarterly Labour Market report the following week.</p>	Regular statistics release	1 November	Labour Market Trends
Quarterly Labour Market Scorecard	Quarterly scorecard that shows the key figures around the Labour Market Statistics data release from Statistics NZ. The Minister typically provides this scorecard to Cabinet. We will confirm this process with you.	Release of report	1 November	Labour Market Trends

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Topic	Description	Driver	Timing	Area
Quarterly Labour Market Report	Quarterly report that provides in-depth analysis around the Labour Market Statistics data released on 1 November. The report is provided to you for feedback prior to publication later in the month.	Report seeking approval to release forecasts	9 November	Labour Market Trends
Jobs Online Report	Jobs Online is a monthly statistic released by MBIE that measures changes in online job advertisements from four internet job boards. It is a Tier 1 statistic: identified by Cabinet as a high-priority data series to support decision-making. This data release is accompanied by a report and usually attracts media attention.  MBIE will provide a briefing that summarises the data at the time of release.	Regular statistics release	22 November and 20 December	Labour Market Trends
Quarterly Canterbury Rebuild Update	Quarterly briefing about the progression of the Canterbury rebuild and implications for the labour market.	Regular update	30 November	Labour Market Trends
Māori in the Labour Market Report	Briefing seeking your agreement to release a report prepared by MBIE on Māori in the Labour Market. The report provides information on Māori employment and trends by industry, occupation, and region.	Release of report	Late January	Labour Market Trends
Short-Term Employment Forecasts	Briefing seeking your agreement to release the bi-annual Short-term Employment Forecasts prepared by MBIE. The report presents industry level employment forecasts at national and regional level for the next three years used to inform advice relating to immigration priorities, tertiary education and industry training. It generally generates media interest.	Report seeking approval to release forecasts	Late January	Labour Market Trends
Medium to Long-Term Employment Forecasts	Briefing seeking your agreement to release the annual Medium to Long Term Employment Forecasts prepared by MBIE. The report presents employment forecasts for the next five and ten years at a national level, and is used to inform the Occupation Outlook report.	Report seeking approval to release forecasts	Early February	Labour Market Trends
2018 Occupation Outlook	Annually updated mobile app and web tool for exploring study and career options with extensive information on over 100 occupations.	Annual update	Late February	Labour Market Trends

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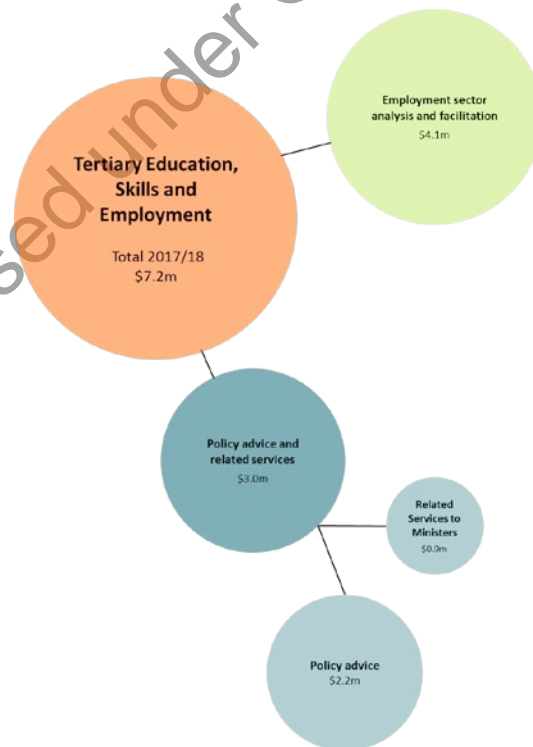
Things to be aware of				
Topic	Description	Driver	Timing	Area
State of the labour market	A briefing and data pack on the current state of the labour market, and forecast trends.	Briefing	November 2017	Labour Market Trends and Skills and Employment Policy
Skills and Employment: improving outcomes for New Zealanders and supporting the economy	A briefing on key policy issues and potential work programme areas of focus.	Briefing	November 2017	Skills and Employment Policy and Labour Market Trends
Information withheld consistent with s9(2)(f)(iv) of the Official Information Act 1982				
Northland Workforce Stocktake	As part of the Tai Tokerau Northland Economic Action Plan (through the Economic Development portfolio), MBIE commissioned a shared resource describing the current stock of labour and skills in Northland and forecasts of additional workforce needed to meet growth expectations.	Release of report	To be determined. It is intended to be released on the MBIE website.	Regional Economic Development
Youth Employment Programme / He Poutama Rangatahi	The Youth Employment Programme (He Poutama Rangatahi) is a pilot project in four regions (Te Tai Tokerau, Eastern Bay of Plenty, Te Tairāwhiti, and Hawkes Bay) that develops and connects young people with employers. The programme was launched in July 2017. Advice on the progress of the programme and its future funding profile is being prepared for Minister of Regional Development, to be considered in November. You will likely be interested in this paper and its proposals. We would like to discuss the Youth Employment programme with you.	Briefing	Late November	Regional Economic Development / Youth employment

## Annex 1: Funds and Appropriations in Vote Labour Market

MBIE’s support for you is funded from Vote Labour Market, which includes appropriations to support the Workplace Relations and Safety, Immigration, ACC, and Employment portfolios. In 2017/18, Vote Labour Market totals \$1,834 million. The Employment portion of Vote Labour Market totals \$7.165 million, and is entirely made up of ‘Departmental Output Expenses’ – in other words, funding to support MBIE’s operations, including the provision of policy advice. It is currently in the Tertiary Education, Skills and Employment appropriation, reflecting previous portfolio configurations, and the appropriation name will be updated to reflect new portfolio structures in due course.<sup>4</sup>

- \$4.134 million is for ‘Employment Sector Analysis and Facilitation’ and supports activities such as labour market modelling and the development of tools such as the Occupation Outlook and Labour Market Dashboard. It is also used to fund SWEP and the Canterbury Skills and Employment Hub.
- \$3.031 million is for Policy Advice and related services to Ministers related to the Employment portfolio. This is part of a Multi Category Appropriation (MCA) - Policy Advice and Related Outputs of over \$21 million which has been the overall responsibility of the Minister of Workplace Relations and Safety.

This is set out in the diagram below, with further detail on Vote Labour Market over the page (figures rounded to one decimal point and may not add up).



<sup>4</sup> The TESE portion of Vote Labour Market does not include Crown funding of Tertiary Education.

## Vote Labour Market: Budget Structure

Five Ministers are responsible for appropriations in Vote Labour Market. For 2017/18:

- a) The Minister for ACC is responsible for appropriations totalling \$1,354m, primarily to cover the estimated cost of injury prevention, claims processing, medical services and social rehabilitation for claims on the Non-Earners' Account.
- b) The Minister of Immigration is responsible for appropriations totalling \$295.5m, primarily for the provision of immigration services, including assessment and processing services, settlement and integration of refugees, and integrity and security of the New Zealand immigration system.
- c) The Minister for Tertiary Education, Skills and Employment has been responsible for an appropriation of just over \$4m for the provision of employment information and facilitation services.
- d) The Minister for Economic Development, as the Minister responsible for MBIE, is responsible for one appropriation of \$0.125m relating to impairment of debts owed to the Crown.
- e) The Minister for Workplace Relations and Safety is responsible for appropriations totalling \$156m, primarily for the provision of employment relations services and health and safety services.

In addition, the Minister for Workplace Relations and Safety has overall responsibility for over \$21 million to provide policy advice and related services to the Minister for ACC, the Minister for Tertiary Education, Skills and Employment, the Minister of Immigration, and the Minister for Workplace Relations and Safety. (The diagram on the next page attributes a portion of the policy advice appropriation to each of the constituent portfolios, other than Economic Development. The total figures in the diagram are therefore higher than the figures above.)

MBIE is the department responsible for administering Vote Labour Market.

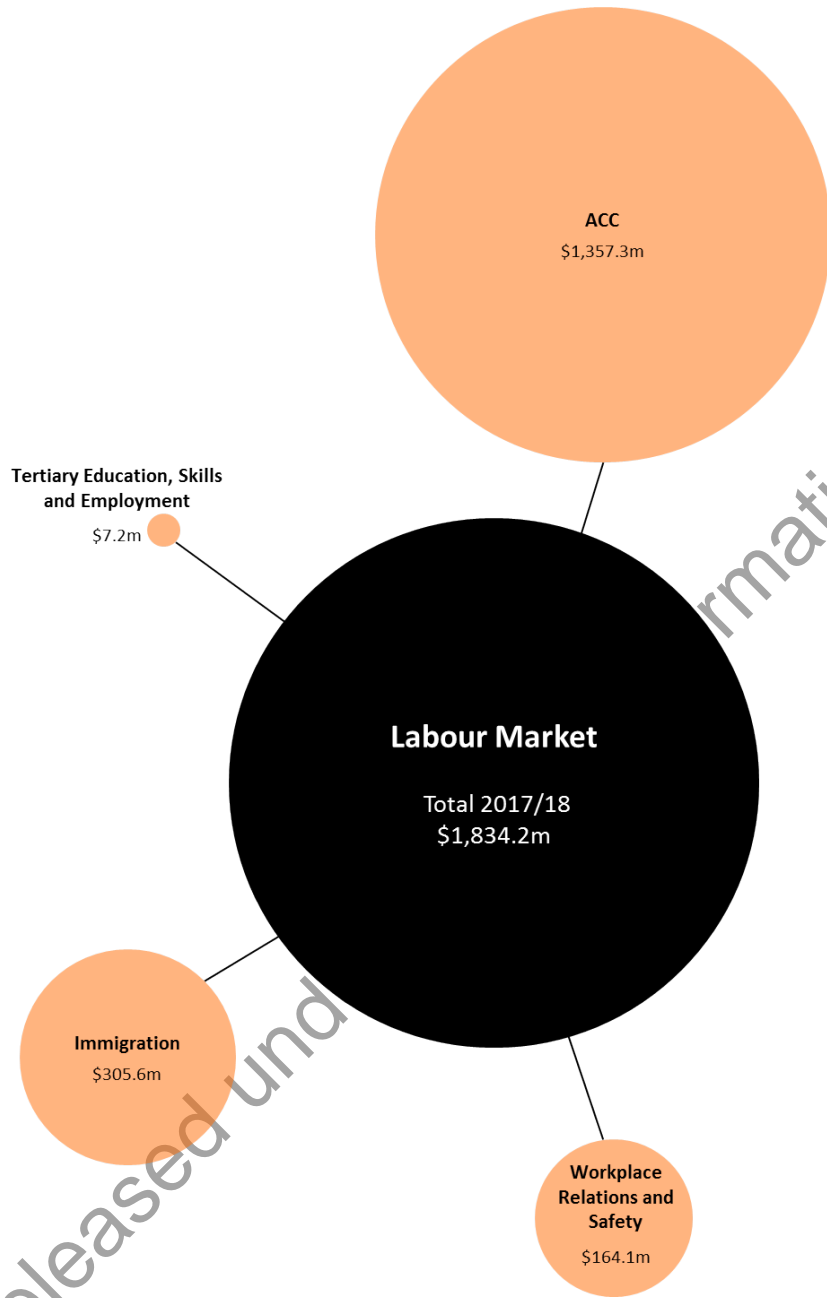
For administrative simplicity, one Minister typically takes overall responsibility for Vote Labour Market budget processes. The Lead Minister for Vote Labour Market receives the final estimates documentation for approval, covering ACC, Workplace Relations and Safety, Immigration, and Tertiary Education, Skills and Employment. During the course of the financial year, the Lead Minister also receives:

- October and March Baseline Updates
- Estimates and Supplementary Estimates
- Late In-Principle Expense Transfers (IPET) in June
- Select Committee Estimates Examination material as the main point of contact for Vote Labour Market.

The diagram overleaf sets out the total 2017/18 appropriation for Vote Labour Market. This captures both departmental funding (funding received by MBIE to provide services directly) and non-departmental funding (funding provided via MBIE to other agencies for them to provide services). The appropriation names will be updated to reflect new portfolio structures in due course.



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## Annex 2: Labour Market Tools produced by MBIE

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MBIE produces a number of tools and reports providing useful labour market information:

- **The Labour Market Dashboard** – a one-stop self-service tool which displays a comprehensive set of labour market information from many different sources in one place so that data is more easily understandable and able to be used more effectively. <http://www.mbie.govt.nz/info-services/employment-skills/labour-market-reports/dashboard>.
- **The Occupation Outlook** – a mobile app and web tool that allows students and their families to compare the job prospects for more than 100 occupations, and help them make good study choices. <http://occupationoutlook.mbie.govt.nz/>.
- **The Regional Economic Activity app** – a mobile and online app that brings together key statistics to compare regional performance, including labour market indicators. Developed through the Economic Development portfolio. <http://webrear.mbie.govt.nz/summary/new-zealand>.
- **Quarterly Labour Market Report, Scorecard and Factsheets** – these products describe the current state of the labour market, including by industry, occupation and ethnic trends up to the latest quarter.
- **The Quarterly Canterbury Rebuild Update** – provides an update about the progression of the rebuild and implications for the labour market.
- **Jobs Online** - monthly report of changes in online jobs advertisements from four internet job boards – SEEK, Trade Me, Kiwi Health Jobs and the Education Gazette.
- **Short-term and Medium to Long-term employment forecasts** – of employment growth by major industries and for about 100 occupational groups summarised into skill categories in the short-term (next two to three years) and over the medium-long term (five and ten years). Short-term employment forecasts also provide regional breakdowns.
- **Future Demand for Construction Workers** – an annual six-year projection (with an interactive web-tool) showing the demand for construction-related occupations to support the expected construction activity around the country, including regional projections for Auckland, Waikato/Bay of Plenty, Wellington and Canterbury. Developed through the Building and Construction portfolio. <http://constructionprojections.mbie.govt.nz>.

## Annex 3: Analytical tools used by MSD

A data and evidence-based approach to investment requires a range of analytical tools to inform decisions. There are a number of key inputs to investment decisions including:

- the annual actuarial valuation (prepared by an independent actuarial firm);
- the Benefit System Performance Report (prepared by MSD’s actuarial team) which measures changes in the benefit system (which is driven by a range of factors such as overall economic performance, as well as also MSD’s performance over the year);
- the Quarterly Drivers of Long-Term Benefit Dependency (also prepared by MSD actuaries); and
- the Cost-Effectiveness Report summarising MSD’s evidence on the effectiveness of its employment assistance expenditure.

The actuarial valuation indicates the cohorts MSD should invest in more intensively and why. The Cost-Effectiveness Report shows what employment assistance interventions are proving effective in achieving employment outcomes. This is crucial at the time of setting out the areas of spend at the start of the financial year.

The graph below shows how MSD has shifted investment based on the findings from the Cost-Effectiveness Report.

