



Employment Action Plan

AUGUST 2024



Te Kāwanatanga o Aotearoa
New Zealand Government

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Minister's foreword

This Government is focussed on helping more Kiwis into work and giving them greater opportunities to realise their potential

As the Minister for Social Development and Employment, I am pleased to introduce the Government's Employment Action Plan.

My colleagues and I have produced this Employment Action Plan to set out how we are working together to achieve our vision for the New Zealand labour market.

This Employment Action Plan sets out the challenges and trends in New Zealand's labour market, the Government's vision to support people into work and lift economic outcomes and the key goals and actions within the Social Development and Employment, Education, Tertiary Education and Skills, Regional Development and Immigration portfolios to achieve our vision.

This Government has inherited some major economic challenges, meaning the labour market has not been delivering the results that New Zealanders deserve. That is why we are focused on improving outcomes for New Zealanders and giving them greater opportunities to achieve their potential. Our Government has set an ambitious target to have 50,000 fewer people on the Jobseeker Support benefit by 2030. We are committed to giving New Zealanders more opportunities to get ahead by supporting people off welfare and into work. Our economy is stronger when more people are in work and a well-performing labour market plays a critical role in delivering jobs and raising living standards for New Zealanders.

As well as supporting employment, our Government has set key targets that focus on achieving results in health, education, law and order, work, housing and the environment. Several of these targets directly influence the labour market and will contribute to delivering a more prosperous and resilient New Zealand economy.

The 12 actions contained in this Action Plan are a starting point for how our Government is taking action to support the long-term aspirations of Kiwis and create economic and social prosperity for current and future generations. These actions outline what we will do to lift economic outcomes, which are key to achieving our Government's targets and ultimately delivering better results for New Zealanders.



Hon Louise Upston

Minister for Social Development and Employment

August 2024

Contents

| | |
|--|-----------|
| Introduction | 1 |
| Our vision | 5 |
| Our goals and actions | 6 |
| Helping people get into work quickly and reducing persistent disadvantage | 7 |
| Strengthening the role of employers and leveraging government support to improve skills development .. | 8 |
| Coordinated responses to skills shortages and planning for future skills needs | 9 |
| Summary goals and actions..... | 11 |
| References..... | 13 |

Introduction

Getting people into employment and lifting economic outcomes

New Zealand’s labour market enables firms to find the workers they need and New Zealanders to find paid work. When this system is working well, businesses, industries and sectors can grow and prosper; people can contribute to the economy and share in its prosperity; regional economies can grow; and overall labour productivity can increase. A well-performing labour market underpins a strong and sustainable fiscal position. It is at the heart of creating economic and social prosperity for current and future generations.

The New Zealand labour market is flexible and responsive but has well-known structural challenges as well as cyclical ones

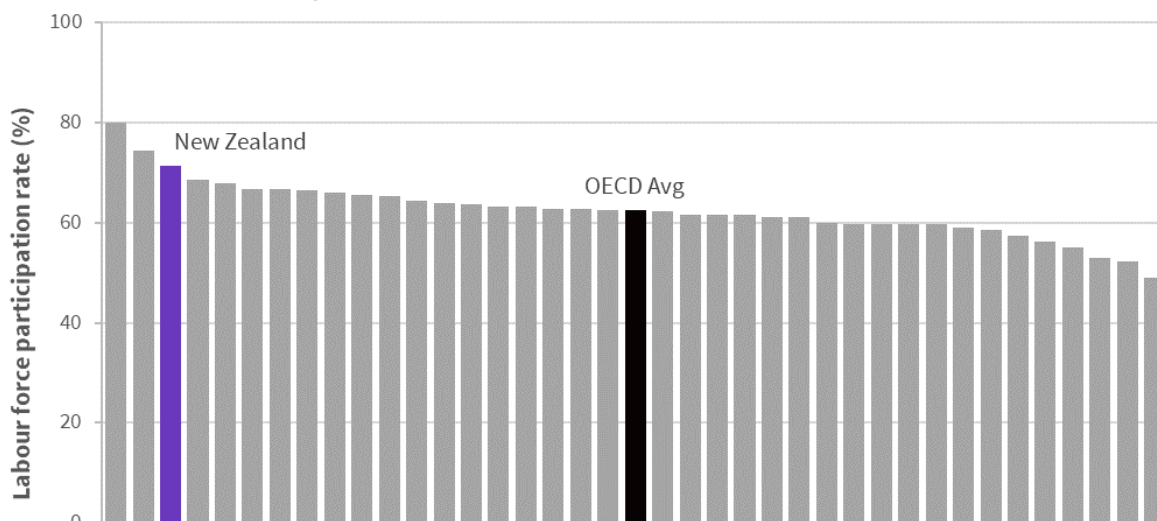
A dynamic labour market allows for high participation levels and low unemployment

Labour markets are always changing. People constantly move between jobs, in and out of employment, across countries and between regions. Young people enter from study and older workers retire. Over the course of their life, people will have different desires and expectations about working hours, pay and conditions.

In New Zealand, this ever-changing environment is generally well supported. New Zealand’s openness (ease of movement across borders) and flexibility have contributed to several broad traits of its labour market:

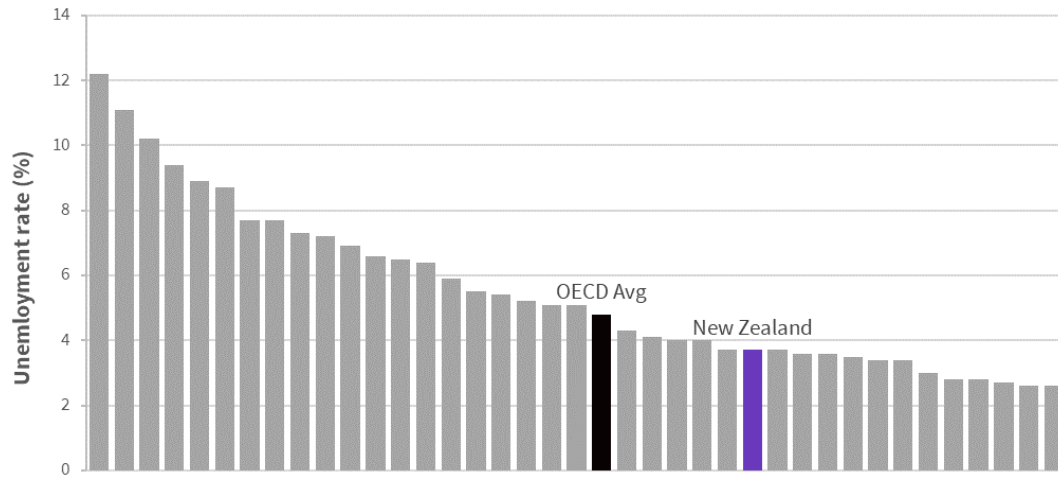
- Solid job growth over the longer-term, and relatively low rates of unemployment.
- Responsiveness to medium and long-term shifts in demand for labour, which supports changes in New Zealand’s economic mix and the types of sectors represented (for example, within core sectors like agriculture and in the growth of new sectors like aerospace).
- High rates of labour force participation (particularly by international standards) driven particularly by rising participation of women and older workers.
- High levels of migrant flows (both inbound and outbound) given our population size and a relatively high reliance on migrant labour to fill gaps, lift workforce skills and grow the working-age population.

Labour force participation (aged 15+) across the OECD



Source: OECD (2024): Labour force participation rate, 15 years and over, % in same age group, 2022.

Unemployment rates (aged 15+) across the OECD



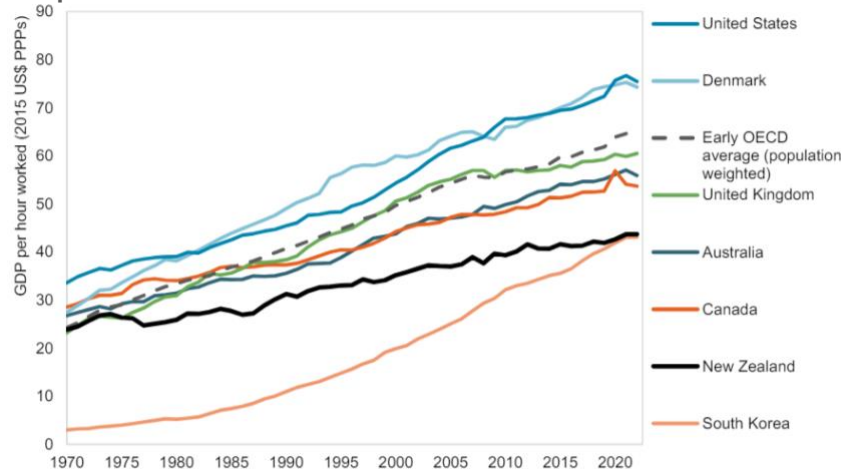
Source: OECD (2024): Unemployment rate, 15 years and over, % of labour force in same subgroup, 2023.

But challenges remain

Despite these strengths, there are several areas where the labour market isn't currently delivering the kind of outcomes that support people to have a good quality of life. These include challenges in areas like productivity that are also driven by factors sitting outside the labour market. New Zealand has:

- A rate of productivity growth (GDP produced over total hours worked) that has lagged most OECD¹ countries since the 1970s, and modest real wage growth^A.
- High levels of mismatch between the skills workers have and the skills firms need.
- High numbers of people reliant on Jobseeker Support Benefit.
- High inward migration, due to both offsetting New Zealanders moving to Australia and an increasing number of lower-skilled temporary workers.
- An education and training pipeline that risks not providing the right skills for current and future workforce needs.
- Persistent and serious gaps in labour market participation and outcomes for specific population groups, especially women, Māori, Pacific peoples, disabled people, migrant and ethnic communities, older workers and youth.
- Changes to the labour market from technology, climate change responses and demographic trends that may cause market shocks or make existing issues worse.

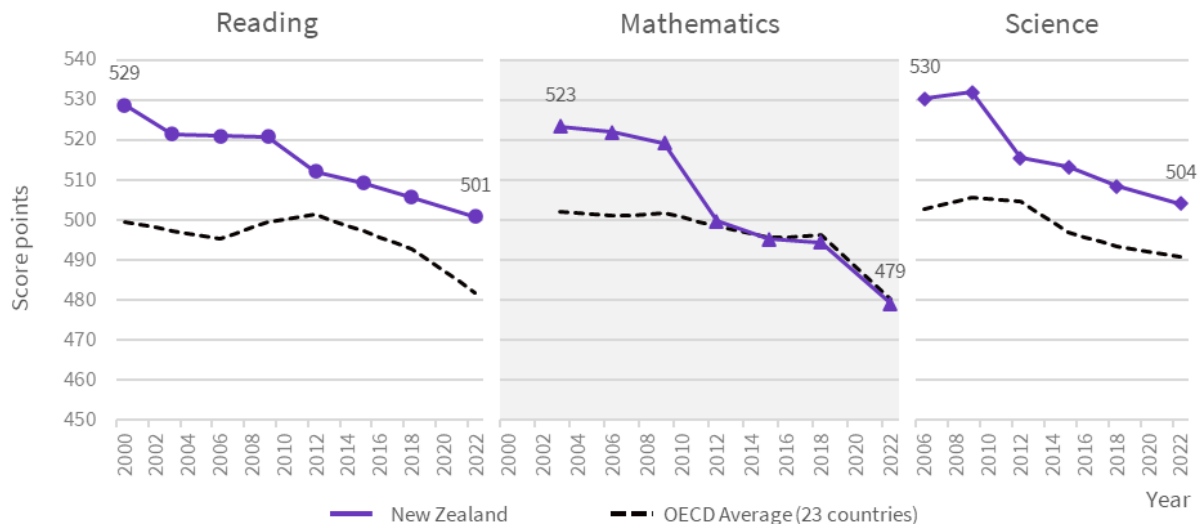
GDP per hour worked



Source: OECD Productivity database^B, 2015 US Dollars Purchasing Power Parity.

¹ The Organisation for Economic Co-operation and Development, an inter-governmental organisation of 38 member countries representing around 80% of world trade and investment.

New Zealand PISA scores



Source: OECD, PISA 2022 Database, Tables I.B1.5.4, I.B1.5.5 and I.B1.5.6.

The immediate outlook shows the economy will gradually strengthen

Over the last few years, the economy has faced high inflation, high costs of living, increased unemployment and working-age benefit numbers, and even higher net migration levels than pre-COVID-19, which were already high. Looking to the immediate future, New Zealand has an improved outlook from the second half of 2024^C, with inflation coming under control, interest rates dropping and growth recovering. The effective management of these kinds of short-term challenges is important in ensuring they do not become more embedded. For instance, the longer someone is out of work:

- the more difficult it becomes to get in to work and when they do get a new job their level of income is often much less^D;
- the chances of increased rates of youth inactivity and unemployment increases, which is often a precursor to rises in crime;
- the greater the impact on mental health and addiction problems;
- the higher fiscal cost for the Government from people being on benefits long-term – forecasts suggest an unemployed teenager on welfare will spend 24 future years on it.

These economic challenges may also be made worse by shocks to the market, like extreme weather events or disruptions in the global economy.

Strengthening the New Zealand economy and improving productivity will be vital to delivering prosperity now and into the future

The challenges and trends identified present both risks and opportunities to the New Zealand economy.

We must work together to ensure we have stable foundations to deliver the economic conditions that will support New Zealand's prosperity now and into the future. This Government has five pillars for growth: building infrastructure for growth and resilience; lifting educational achievement and skills; strengthening trade and investment; promoting innovation, science, and technology; and improving regulation. A well-functioning labour market has a critical role to play in supporting that growth as well as delivering jobs and raising living standards for New Zealanders.

Delivering a more prosperous and resilient New Zealand economy will require the government to play several crucial and complementary roles in the labour market across businesses, central and local government, Māori and communities. This includes setting clear objectives, working collaboratively across portfolios and taking a forward-looking approach to regulatory settings and investments.

Our targets

To improve outcomes for New Zealanders in health, education, law and order, work, housing and the environment, the Government has identified nine targets in a range of areas that support the economy and population. Several of these targets, outlined below, directly influence the labour market.

| Headline target | | |
|--|--|--|
| <i>Fifty thousand fewer people on the Jobseeker Support benefit by 2030</i> | | |
| The Government's focus on reducing benefit dependency is about supporting people into work – so that New Zealanders can reap the independence and opportunities that come from work, helping families break out the vicious cycles of inter-generational welfare dependence. | | |
| Connections to other key Government targets: | | |
| <i>Increased student attendance</i> 80% of students are present for more than 90% of the term by 2030. Attendance is the first step in accessing learning, achieving education success and improving wellbeing and lifelong outcomes (including employment). | <i>More students at expected curriculum levels</i> 80% of Year 8 students at or above the expected curriculum level for their age in reading, writing and maths by December 2030. Literacy and numeracy are the foundation of all learning. Mastering the basics will set children and young people up for success, meaning they will leave school equipped with the knowledge and skills needed to achieve their potential. | <i>Fewer people in emergency housing</i> 75% per cent fewer households in emergency housing by 2030. Stable and secure housing reduce the long-term social and financial cost on people from living in emergency housing for long periods. It can help improve outcomes for health, education, employment and the wider community. |

This Government's work will enable New Zealand to become wealthier, support our people to earn more and live better, and create strong foundations for future generations to succeed.

This Employment Action Plan sets out what we will do to lift labour market outcomes, which are key to achieving the Government's targets and getting results for New Zealand

This Employment Action Plan is about getting more New Zealanders into work, improving labour market outcomes for everyone and supporting us to achieve our targets. It sets clear goals and expectations and takes a long-term approach to labour market settings and investments. It requires all of us to make the most of the opportunities we have so that we can maximise the potential that every New Zealander has to offer.

New Zealand's challenges are a mix of structural and cyclical issues. This Employment Action Plan focusses on key actions that will make a difference: ensuring young people get an education that sets them up for success, supporting people into work, helping families deal with the cost of living, responding to the workforce needs of industries and communities to enable businesses to thrive, and delivering on the priorities we've set.

The vision and goals in this plan directly link to improving skills and employment outcomes and meeting workforce needs. It recognises that there are strong dependencies and relationships across government, with actions being undertaken through five core Labour Market Ministers Group portfolios: Social Development and Employment, Education, Tertiary Education and Skills, Regional Development and Immigration.

By working together, the government is better at problem-solving and gets better outcomes. For example, work to support students to achieve at higher levels enables them to get jobs and to make the most of access to training and upskilling. This then means that people can better support their families in the regions they live and the sectors they work in, and support future generations to higher achievements.

Our vision

We will support people – across different population groups, different regions and facing different challenges – to use their skills so that people can lead happier, healthier and more productive lives, contribute to the economy, support communities, businesses, industries and sectors and share in New Zealand’s prosperity.

Work provides a sense of purpose, connectedness and opens up further opportunities, as well as providing financial independence, support for physical and mental health, and better outcomes for people and their families. Our country is better off when more people are in paid work, and being in work creates opportunities for people to get ahead and pursue their aspirations.

We also need to drive positive change for those population groups who experience differences in employment outcomes. All New Zealanders deserve the opportunities and independence that come from work. Being able to grow and support the talent of a wide range of people – including women, Māori, Pacific peoples, migrant and ethnic communities, disabled people, older workers and youth – means employers have access to those skilled people. Maximising opportunities for all New Zealanders to be in work will also provide independence for those people and reduce demand for costly government services.

We need to do things differently across government to provide opportunities for people to engage in work, including in the education and welfare systems, and apply a social investment approach. Decisive actions have already been taken in these key focus areas to provide the leadership required to deliver better outcomes for New Zealanders.

This Employment Action Plan sets out our actions and ambitions to work with communities and employers to create effective labour markets and policies, supporting New Zealanders to have the best chance to build a better life for themselves, their families and our country.

Our goals and actions

A work programme that will achieve our vision.

The goals and actions below will help to achieve our vision by ensuring government, communities, employers and individuals overcome challenges employers face to find the workers they need and to ensure New Zealanders have the skills they need to obtain jobs.

Work to deliver the actions set out in the Employment Action Plan will be led by four lead agencies: the Ministry of Social Development (MSD), the Ministry of Business, Innovation and Employment (MBIE), the Ministry of Education (MOE), and the Tertiary Education Commission (TEC). These agencies will work with one another and engage with businesses, other government agencies, local government, Māori and communities to deliver on these actions and support New Zealanders at many points across their life.

The work programme priorities represented within these goals and actions are not the only areas that support the labour market. Other Ministers and agencies, particularly those with a focus on population groups that face additional barriers to engage with the labour market, will also continue to undertake their core work programmes. This includes labour market programmes and projects such as:

- the Ministry of Youth Development's time-limited Ākonga Youth Development Community Fund (supporting at-risk young people aged 12-21 years to stay engaged in their education journey through community providers),
- the Ministry for Ethnic Communities use of Ethnic Community Development Fund grants to support community-led initiatives that help ethnic communities with employment-readiness and to strengthen their employment networks,
- the Ministry of Disabled People – Whaikaha stewarding strategic disability policy across government to support better outcomes for disabled people and tāngata whaikaha Māori (Māori disabled people), including by providing advice to other agencies responsible for employment outcomes for disabled people and tāngata whaikaha Māori,
- the Ministry for Pacific People's Tupu Aotearoa (connecting Pacific people with local providers to access work or learning opportunities) and Toloa (supporting Pacific people in STEAM pathways) programmes,
- the Te Puni Kōkiri employment programme supporting employers to develop, mentor and train their permanent Māori staff at all career stages into higher-skilled and higher paid roles, and
- the Ministry for Women's work to support businesses to reduce the gender pay gap in New Zealand.

The Government has also set key targets for Ministers and agencies focussed on improved results in key areas of health, education, law and order, work, housing and the environment² – all of which will support the labour market, help more New Zealanders into work and improve the lives of New Zealanders.

² Department of the Prime Minister and Cabinet (April 2024). Government targets. <https://www.dPMC.govt.nz/our-programmes/government-targets>.

Helping people get into work quickly and reducing persistent disadvantage

Our Goal: Help people get into work quickly and stay in work, reducing negative impact of job-loss and time on benefit for people and the economy.

New Zealand's labour market works well in some areas, with businesses, students, and workers engaging with the system and identifying and working towards their needs without needing extra support or guidance. The Government's responsibility is to provide effective services where the labour market is not functioning appropriately, including for disabled people, women, Māori, Pacific peoples, migrant and ethnic communities, older workers and youth. The Government's focus is on supporting people into employment and reducing benefit dependency, given the negative impacts of benefit dependency on youth and households with children, as well as tightening migration settings at the low-skilled end where there are opportunities to help New Zealanders to get into work.

The surge in welfare dependency requires early and decisive action, by setting out clear expectations around employment, delivering services where and when they can make the most difference, and the use of benefit sanctions where people are not meeting their obligations. MSD will use an evidence-based approach to understand what works, and for whom. These actions will help more New Zealanders into work, providing greater opportunities to improve their lives, support their physical and mental health and ensure employers have the skills they need.

Actions

| | |
|----------|---|
| 1 | <p>Use community providers, clear obligations and targeted incentives to get young people off welfare and into work. (MSD)</p> <p>Key deliverables:</p> <ul style="list-style-type: none"> - Support 4,000 additional young jobseekers in phone-based case management including by providing individual job plans. - Implement community-based job coaches for young jobseekers. |
| 2 | <p>Ensure the welfare system is focussed on effectively supporting people who can work into jobs. (MSD)</p> <p>Key deliverables:</p> <ul style="list-style-type: none"> - Target MSD case management to cohorts to support the Government's Jobseeker target. - Introduce new approaches to supporting jobseekers, including seminars supporting job profiles/CVs/training and new work check-ins for jobseekers in their first two weeks on benefit and after six months. - Clearly communicate to clients that they must comply with their obligations or risk being sanctioned, by implementing the Traffic Light System and considering options for non-financial sanctions, including community work experience and money management |
| 3 | <p>Address persistent disadvantage, by exploring a focus on key points in people's lives when interventions are more likely to be effective. (MSD)</p> <p>Key deliverables:</p> <ul style="list-style-type: none"> - Develop a life-course-derived approach to help reduce persistent disadvantage in the labour market. - Provide advice identifying medium to long-term work to reduce persistent disadvantage. - Publish a refreshed Child and Youth Strategy. |

Strengthening the role of employers and leveraging government support to improve skills development

Our goal: Support people to have the skills they need to succeed in work, increasing earning potential and reducing benefit in-flows and encouraging continued upskilling in-work for improved productivity and resilience.

Skills development is important to promote productivity and boost people's employment and earnings prospects. Developing skills is beneficial to individuals, employers, industry, communities and the wider economy.

Skills development starts before children start school and continues throughout life. Getting the basics right provides the foundation for people to be equipped with choices to take up further learning, develop specialised skills through vocational and tertiary education, and take up industry-specific training in the workplace.

Getting this system right will benefit employees by supporting workers to upskill and promoting better employment outcomes, as well as employers by helping firms overcome skill shortages and lifting overall performance. A strong skills development system promotes labour force participation, improves economic mobility and resilience, and increases incomes. In addition to the economic benefits, there is also evidence that raising skills improves social and political participation, community connectedness, social trust, participation in volunteering, and health outcomes^E.

The Government has a role to ensure that the skills development system runs smoothly by providing public education for children, funding tertiary education and supporting in-work training, including through active labour market programmes and facilitating specialised industry-led training. Key challenges in this system include:

- Our school system is not delivering for all students. Declining achievement in the core subjects of maths, reading and writing means that too many students are leaving school without the knowledge and skills that everyone needs to succeed. A good education and clear and informed pathways into post-school work and learning are crucially important to young people's future success. Children at school today are New Zealand's future leaders, entrepreneurs, doctors, teachers and lawyers. Receiving a world-class education not only sets children up for success, it sets New Zealand up for success – economically and socially.
- Vocational education and training needs to support people to develop the skills New Zealand needs. To be responsive and targeted to the education needs of learners and their communities, we need to restore decision-making at the regional level for local vocational educational institutions, ensuring providers are well-placed now and into the future. Vocational education and training is the main alternative to degree-level study, offering hands-on learning and a direct connection to work. This is particularly important for young people making the transition from school into the workplace and for mature women wanting to re-enter the workforce.
- Barriers to investment undermine employers' investment in in-work training. In-work training is a useful mechanism to support better outcomes for both businesses and employees to overcome persistent skills shortages and improve resilience to change.

Actions

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| 4 | Develop tools to support the provision of in-work-training, and improve investment in training-related active labour market programmes. (MBIE/MSD) |
| 5 | Reform the vocational education and training system to ensure it responds to the needs of learners, industries and communities. (MOE/TEC) |
| 6 | Refresh the New Zealand Curriculum and Te Marautanga o Aotearoa so they promote knowledge-rich, clearly defined pathways to further education or work, grounded in the science of learning. (MOE) |
| 7 | Implement evidence-based instruction in literacy and mathematics. (MOE) |

Coordinated responses to skills shortages and planning for future skills needs

Our Goal: Improve employers' access to skills, employees' access to jobs and enable students and employees to make informed decisions about investing in their skills.

Mismatch of skills, persistent skills shortages and reliance on migration are interlinked. For people to get into work, jobs often must be available in a location the person is in and the person must have the right skills for the job.

While some people may be able to move to other locations, that will not always be possible given housing, family, cultural or other considerations. Regions and cities both need to have opportunities for people to make a living if people are to get a job. However, this is not currently the case everywhere. Unemployment varies greatly between regions, with rates currently much higher than the national 4.0% average in the Bay of Plenty (4.9%) and much lower in Otago (3.2%)^F. While recent increases in unemployment and benefit use are consistent with weaker economic conditions, there are also higher levels of unemployment among people with lower qualifications^G and regional variations in levels of benefit dependency.

Limited access to capital can inhibit the infrastructure development required for regional growth and resilience. Targeted investment by the Government in regional infrastructure projects that increase the performance of businesses can help lift productivity and grow regional economies. It will also improve New Zealand's resilience by supporting regional businesses and communities to handle and recover from shocks and respond to change. Such investment is aimed at creating new, high-value jobs, enhancing access to markets for regional businesses; supporting growth in exports and greater national connections; supporting new innovations and technologies; and helping realise the potential of the Māori economy.

This investment needs to work alongside efforts to upskill and improve skills matching in the local workforce to help respond to skills needs, reduce skills shortages, create sustainable employment for New Zealanders and reduce reliance on migration.

Workforce planning can help identify current and future workforce needs and identify actions to meet them. While inherently uncertain, anticipating changes in skills needs – for example, due to new business models or the influence of 'megatrends' such as demographic change – can open up a broader range of ways to meet those needs, like activating local workforces or strengthening training pipelines. For example, there is an opportunity to use workforce planning to identify and build the skills New Zealand needs to deliver the 30-year National Infrastructure Plan. The right mix of immigration settings also needs to be in place so that lower-skilled migrants are not the first choice where there are qualified and available New Zealanders for roles, while also facilitating businesses to maintain a competitive edge in filling higher-skilled and specialised roles.

A future-focussed system that provides access to the right skills and jobs at the right time and in the right place will have:

- support for firms and industries to plan for skills and labour shortages to reduce reliance on immigration to address industry workforce needs;
- the right mix of skilled temporary migrants to address genuine skill and labour shortages, support rebuilding the economy, and to help manage numbers and pressures on core infrastructure, such as schools, housing, and the health system;
- a tertiary education system that supports New Zealand's economic performance, our ability to grow and innovate and achieve better social outcomes;
- a high-quality and responsive careers system that is fully accessible and supports students and workers to make effective work and learning decisions and transitions, and improve skills alignment;
- transparent and reliable labour market information showing regional skill requirements and investment in development that supports regional growth, resilience and productivity that improves labour market outcomes for businesses and employees in the regions.

Actions

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| 8 | Provide advice on the establishment of an “Essential Worker” workforce planning mechanism to better plan for skill or labour shortages in the long term. (MBIE) |
| 9 | Make changes to work visas to ensure settings are better focussed on facilitating the right mix of skilled migrants and that New Zealanders are first in line for jobs. (MBIE) |
| 10 | Establish and support a University Advisory Group to provide advice on the challenges and opportunities in the university system. (MOE/TEC) |
| 11 | <p>Provide transparent, future-focussed and accessible careers information and advice aligning work and learning pathways to skills, supporting students and workers to make informed decisions. (TEC)</p> <p>Key deliverables:</p> <ul style="list-style-type: none"> - Provide transparent and reliable labour market indicators to show occupational and other skills information. (TEC/MBIE) - Facilitate connections between schools, employers, and tertiary education organisations to ensure students are better prepared for employment and/or further education and training. - Ensure students and workers have access to career resources, information and support to make informed decisions. |
| 12 | <p>Grow regional economies by improving resilience and increasing productivity. (MBIE)</p> <p>Key deliverables:</p> <ul style="list-style-type: none"> - Establish a Regional Infrastructure Fund with \$1.2 billion in capital funding over the Parliamentary term. - Develop a sustainable funding model for Regional Development investments including the operation of Crown Regional Holdings Limited. - Improve the management of high-risk projects and increase the transparency of reporting in the Regional Development portfolio. |

Summary goals and actions

Help people get into work quickly and stay in work, reducing negative impact of job-loss and time on benefit for people and the economy, and changing longer-term trajectories for people with a view to improving employment outcomes, limiting increases in benefit numbers and reducing them over time.

Actions

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| 1 | Use community providers, clear obligations and targeted incentives to get young people off welfare and into work. (MSD) <ul style="list-style-type: none"> • Support 4,000 additional young jobseekers in phone-based case management including by providing individual job plans. • Implement community-based job coaches for young jobseekers. |
| 2 | Ensure the welfare system is focussed on effectively supporting people who can work into jobs. (MSD) <ul style="list-style-type: none"> • Target MSD case management to specific cohorts to support the Jobseeker target. • Introduce new approaches to supporting jobseekers, including seminars supporting job profiles/CVs/training and new work check-ins for jobseekers in their first two weeks on benefit and after six months. • Clearly communicate to clients that they must comply with their obligations or risk being sanctioned, by implementing the Traffic Light System and considering options for non-financial sanctions, including community work experience and money management |
| 3 | Address persistent disadvantage, by exploring a focus on key points in people’s lives when interventions are more likely to be effective. (MSD) <ul style="list-style-type: none"> • Develop a life-course-derived approach to help reduce persistent disadvantage in the labour market. • Provide advice identifying medium to long-term work to reduce persistent disadvantage. • Publish a refreshed Child and Youth Strategy. |

Support people to have the skills they need to succeed in work, increasing earning potential and reducing benefit in-flows and encouraging continued upskilling in-work for improved productivity and resilience.

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Improve employers’ access to skills, employees’ access to jobs that make best use of their skills and enable students and employees to make informed decisions about investing in their skills.

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| 12 | <p>Grow regional economies by improving resilience and increasing productivity. (MBIE)</p> <ul style="list-style-type: none">• Establish a Regional Infrastructure Fund with \$1.2 billion in capital funding over the Parliamentary term.• Develop a sustainable funding model for Regional Development investments including the operation of Crown Regional Holdings Limited.• Improve the management of high-risk projects and increase the transparency of reporting in the Regional Development portfolio. |

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