



COVERSHEET

Date	Document Title	Tracking #
2 Feb 24	Budget 2024 – Minister for SDE summary portfolio information for discussion with Associate Minister of Finance	2324-1897

Information redacted Yes / No [select one]

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BRIEFING

Budget 2024: Hon Louise Upston summary portfolio information for your discussion with Hon David Seymour

Date:	2 February 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1897

Action sought		
	Action sought	Deadline
Hon David Seymour Associate Minister of Finance	To inform your upcoming discussion	Ahead of your Budget bilateral
Hon Louise Upston Minister for Social Development and Employment	To inform your upcoming discussion	Ahead of your Budget bilateral
Hon Melissa Lee Minister for Economic Development	For your information	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Jivan Grewal	General Manager, Employment, Skills and Immigration Policy	Privacy of natural persons	✓
Privacy of natural persons	Manager, Skills and Employment Policy	Privacy of natural persons	

The following departments/agencies have been consulted

Minister's office to complete:

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

Comments



BRIEFING

Budget 2024: Hon Louise Upston summary portfolio information for your discussion with Hon David Seymour

Date:	2 February 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-1897

Purpose

To provide financial information about the MBIE aspects of your portfolio for your upcoming discussion in the week of 5 February 2024.

Executive summary

Minister Seymour is meeting with MBIE Ministers to discuss Budget 2024, in particular to understand:

- Changes in portfolio expenditure and FTE since 2017
- Programmes or functions that could be stopped to realise savings in Budget 2024
- Progress on savings options identified in the Government's commitments
- Plans to manage future cost pressures

The Government has made significant progress on realising savings within the portfolio. Ceasing work on Income Insurance and the Regional Skills Leadership Groups has realised savings of 66 percent compared to Budget 2023. We have identified two further savings options for submission in Budget 2024 to which we seek agreement below:

- a \$0.4 million saving on employment policy advice, and
- a \$0.5 million saving across the Sector Workforce Engagement Programme and data and insights functions, funded by the Sector Analysis and Facilitation appropriation.

The remaining portfolio expenditure, at around \$6.3 million, would be lower than in 2017.

Additional savings options would require choices about scaling, phasing or stopping the portfolio's three main outputs: policy advice to support your employment priorities, labour market monitoring, and the Sector Workforce Engagement Programme, which supports migrant-reliant industries to develop domestic workforces. However, we think these outputs are well-aligned to support your priorities.

We can provide further information and advice as needed to support your discussions.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you **agree** to the following \$0.9 million departmental baseline savings for the MBIE aspects of the Social Development and Employment portfolio:

\$ million	Total Savings	Consult with Ministers of/for	Decision
Departmental Expenditure Savings Options			
Employment policy advice – 10 percent	0.4	-	Yes/No
Sector analysis and facilitation	0.5		Yes/No
Total Departmental Savings Options by Financial Year	0.9		



Jivan Grewal
General Manager, Employment, Skills and Immigration Policy
Labour, Science and Enterprise, MBIE

02/02/2024

Hon David Seymour
Associate Minister of Finance

..... / /

Hon Louise Upston
Minister for Social Development and Employment

..... / /

Hon Melissa Lee
Minister of Economic Development

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Background

1. The Minister of Finance has asked Minister Seymour to lead MBIE's Budget 2024 exercise.
2. He has written to MBIE Ministers indicating he will meet with them bilaterally in the week of 5 February. Focus areas for the discussion will be:
 - a. Expenditure and FTE growth in the portfolio since 2017
 - b. An assessment of, and options for stopping or reducing:
 - i. low-value programmes
 - ii. programmes that do not align with Coalition Government priorities
 - iii. non-essential back-office functions including contractor and consultant spend
 - c. Plans for future reprioritisation to manage cost pressures and critical delivery risks
 - d. Progress on savings and/or revenue options set out in the Government's 100-day plan or Coalition Agreements
 - e. Revenue options
 - f. Capital investments
 - g. For Ministers invited to submit a Budget bid, how it aligns with Government priorities and can deliver highest value for money.
3. The MBIE aspects of the Social Development and Employment portfolio do not have revenue options, capital investments or an invitation to submit a Budget bid (items e-g).
4. This briefing provides information on items a-d to support the bilateral engagement.

Description of programmes within the portfolio

5. The MBIE aspects of the portfolio consist of three main outputs:
 - a. **Policy resource**, to deliver the MBIE-led aspects of the employment work programme. For example, the Coalition Agreement commitment to investigate an Essential Workers workforce planning mechanism.
 - b. **Data and insights**, for example the regular labour market monitoring that assists Ministers to understand the state of the labour market and adapt policy and programmes to conditions.
 - c. One programme: the **Sector Workforce Engagement Programme (SWEP)**, which was set up in 2016 to support sectors highly reliant on migrant labour to develop a local workforce and reduce their reliance on immigration.

Breakdown of expenditure and FTE growth since 2017

6. As at Budget 2017, the MBIE aspects of the portfolio totalled around \$7.2 million. As at Budget 2023, the MBIE aspects of the portfolio totalled around \$20.6 million per year. The main reasons¹ for this difference are Regional Skills Leadership Groups (RSLGs) and Income Insurance.

¹ See Annex Two for further information.

7. With funding for both those initiatives now unwound, savings of approximately **66 percent** have been realised compared to Budget 2023.
8. We expect to submit further savings of 10 percent of the policy advice funding (\$0.4 million). Minister Upston and Minister Lee have also recently agreed to transfer \$0.1 million from the Economic Development portfolio to the Employment portfolio to focus on the policy implications of global megatrends on the labour market (2324-1654 refers). This increases the Employment portfolio slightly, but is offset by a corresponding decrease in the Economic Development portfolio.
9. A further \$0.5 million in ongoing savings can be submitted across the remaining functions, through a combination of underspends in the data and insights function and through SWEP reducing the number of prospective sector projects.
10. Following these changes, portfolio expenditure returns to a level lower than at Budget 2017, comprising:

Table 1: MBIE aspects of the Social Development and Employment portfolio following known and likely changes

\$ millions	2024/25	2025/26	2026/27	2027/28 & outyears
Policy advice and related services to Ministers – Employment	3.8	3.8	3.8	3.8
Employment Sector Analysis and Facilitation	2.5	2.5	2.5	2.5
Total	6.3	6.3	6.3	6.3

Alignment of current expenditure with Government priorities

11. Minister Upston’s priorities letter includes *Getting people into employment and lifting employment outcomes*. This priority is supported by three key focus areas in the joint employment work programme Minister Upston recently agreed:
 - a. Helping people get into work quickly and mitigating persistent disadvantage (MSD led, MBIE supported)
 - b. Strengthening the role of employers, and leveraging government support, to improve skills development (Joint MBIE/MSD led)
 - c. Coordinating responses to skills shortages and planning for future skills needs (MBIE led, MSD supported)
12. MBIE’s employment policy resource is focussed on developing advice in these three areas to support Minister Upston and wider labour market Ministerial colleagues. The data and insights resource will also provide regular labour market monitoring to ensure Ministers are updated on conditions and the outlook.
13. Focus area (c) includes the Essential Workers workforce planning mechanism we expect to support Ministers to develop per the Government’s Coalition Agreement commitment. MBIE’s employment policy resource will lead this work, and leverage the data and insights and SWEP functions in building that mechanism.
14. We think that the portfolio resource is well-aligned to your priorities.

Revenue and expenditure options

Savings options

Identification of programmes that can be scaled or stopped

15. We think that SWEP continues to be well-aligned to your priorities, especially focus area (c) about coordinated responses to future skills shortages.

Savings on contractors, vacancies and overheads

16. We are not currently using contractors and consultants.

Progress on savings options set out in the Government's 100-day plan and coalition agreements

17. We have ceased work on Income Insurance and disestablished the RSLGs. Funding for Income Insurance has already been returned, and funding for the RSLGs is being returned through the Budget process.
18. Significant savings have been realised from the portfolio, on the order of two-thirds. Choices to realise further savings come down to:
 - a. **Policy resource.** We could scale down, phase or stop elements of the joint employment work programme to realise savings here. We would need to discuss with Minister Upston which focus areas would be scaled, phased or stopped.
 - b. **Data and insights.** We could provide less monitoring to support Ministers. However, the function is small and so the scope to realise savings in this area is also small.
 - c. **SWEP.** We could scale or further target engagement. This would reduce SWEP's ability to support sectors to develop domestic workforces, and potentially reduce the capability available to support an Essential Workers workforce planning mechanism.

Plans for future reprioritisation

19. We are managing cost pressures within portfolio baselines and expect to continue to use vacancies and attrition where necessary to manage any further cost pressures.

Update on wider MBIE exercise

20. All policy and operational areas of MBIE are initially targeting the 7.5% savings from their baselines. They are on track to achieve the approximately \$45m in savings that this represents. All corporate and technology functions are included in this work (HR, IT and other corporate functions). In addition, a 15% target has been set for discretionary spending, for example travel, conferences, training and recruitment. Once Ministers have made final decisions, these corporate and technology functions will seek further operational efficiency savings to support these decisions. MBIE's departmental base (which is a portion of MBIE's eligible base) for the savings target has been reduced to approximately \$570m as INZ and other functions were removed through the Treasury calculations.

Next steps

21. We can provide further information to support you during the Budget process as needed.

Annexes

Annex One: Summary description of functions within the portfolio

Annex Two: Changes in portfolio expenditure since 2017

Annex Three: Changes in portfolio FTE since 2017

Annex One: Portfolio functions

Table 2: Summary description of key functions

Function	Statutory	Discretionary	Evaluations and reviews undertaken	Assessments of economic value/return	Other info as necessary
Policy advice: Developing advice on lifting employment outcomes	No	Yes	Via Ministerial satisfaction surveys published in the annual report	No	NA
Data and insights: Monitoring to support Ministers to understand current and future issues	No	Yes	Via annual reporting process	No	NA
SWEP: Support sectors highly reliant on migrant labour to develop a domestic workforce	No	Yes	Yes – programme evaluation conducted by MartinJenkins in 2018 found positive early progress.	Nothing quantified	NA

Annex Two: Changes in portfolio expenditure since 2017

Expenditure levels in the portfolio have fluctuated over the period, but have since returned to below the level of 2017.

The core changes in portfolio expenditure over the period include:

- New funding for programmes aimed at improving employment outcomes (*He Poutama Rangatahi* and *Jobs and Skills Hubs*). These were subsequently transferred to MSD and no funding exists in MBIE's baseline for them.
- New funding for Income Insurance and Regional Skills Leadership Groups. Both have now been disestablished and all funding for 2024/25 onwards returned through the mini-Budget and Budget 2024 respectively.
- A small amount of time-limited funding was received in 2020 and 2021 to service additional demand for policy advice and monitoring on labour market issues following the COVID-19 shock. This has since unwound.
- We expect to return 10 percent of the policy advice funding (\$0.4 million) and a further \$0.5 million across the data and insights and SWEP functions as part of the Budget 2024 savings exercise.
- A small amount of funding (\$0.1 million) is being transferred from the Economic Development portfolio to the Employment portfolio to support work on the impact of global megatrends on the labour market.

Table 3 outlines funding levels, while Table 4 provides all information on all Budget initiatives since 2017.

Table 3: MBIE aspects of the Social Development and Employment portfolio funding levels

Appropriation (\$ millions)	Budget 2017	Post-Budget 2024
Tertiary Education, Skills and Employment – Employment Sector Analysis and Facilitation	4.1	-
Employment – Employment Sector Analysis and Facilitation	-	2.5
Policy Advice - Employment	2.2	-
Related Services - Employment	0.9	-
Policy Advice and Related Services to Ministers - Employment	-	3.8
Total	7.2	6.3

Table 4: Budget initiatives since 2017 (\$ thousands)

Initiative Name	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Comment
Budget 2017											
Budget 2018											
He Poutama Rangatahi/Youth Employment Pathways		5,275	8,000	-	-	-					
Budget 2019											
He Poutama Rangatahi - Continuing to reduce the rates of Māori rangatahi who are not in employment, education and training			-	13,275	13,275	-	-				
Payroll System for the Ministry of Business, Innovation, and Employment			2	5	24	24	24				
Payroll System for the Ministry of Business, Innovation, and Employment			2	7	32	32	32				
Payroll System for the Ministry of Business, Innovation, and Employment			25	83	384	384	384				
Budget 2020											
Addressing Cost Pressures In Employment Policy Advice				-	300	-	-	-			
Finance Management Information System Renewal				-	13	10	3	-			
Finance Management Information System Renewal				-	4	3	1	-			
Budget 2021											
Additional Resource for Skills and Employment Policy Team to Meet Increased Demand for Employment Policy Advice					320	640	-	-	-		
He Poutama Rangatahi					17,500	34,500	34,500	34,500	34,500		
Jobs and Skills Hubs					7,250	6,750	6,750	6,750	6,750		
Reprioritisation of Funding - Jobs and Skills Hubs					(1,300)	-	-	-	-		
Reprioritisation of Funding - He Poutama Rangatahi					(1,000)	-	-	-	-		
Budget 2022											
None											
Budget 2023											
Returning an Underspend for Employment Sector Analysis and Facilitation Appropriation							(1,500)	-	-	-	

Annex Three: Changes in FTE since 2017

The MBIE aspects of the Social Development and Employment portfolio is new, having grown out of parts of portfolios. FTE were distributed across multiple portfolio systems and it is therefore difficult to construct a single, reliable 2017 comparator. However, with funding at approximately consistent levels, we expect FTE were also approximately consistent with today (approx. 25 FTE).