



09/82485

4 February 2009

Hon Kate Wilkinson, Minister of Labour

Budget 2009 - Expenditure Review Vote Labour

Purpose

- 1 This report is in response to Cabinet's direction that Chief Executives of all Departments that administer Votes carry out a review of expenditure in those Votes [CAB Min (09) 1/1, CBC Min (08) 32/6 refers].

Background

- 2 Instructions in the Technical Guide for the Initiatives Phase of Budget 2009 require departmental Chief Executives to report on these reviews to their Minister(s) by 5 February 2009. Individual Ministers are to forward the review reports to the Minister of Finance.
- 3 The reviews have three parts – one of which feeds into the process for Budget 2009, the other two identify areas for future focus:
 - identify expenditure that does not align with government priorities to help free up savings for Budget 2009;
 - identify areas where there are opportunities for improved efficiency and effectiveness (to inform future reviews); and
 - build government confidence that Chief Executives and the state sector management system are well placed to meet the shift the government is expecting the state sector to make (to inform future reviews).
- 4 Departments that administer more than one Vote are required to report to the Responsible Minister for the Department on matters relating to departmental overheads and corporate services.
- 5 A panel of senior executives will consider the completed reviews to ensure that they are robust and meet Cabinet's expectations. The panel may comprise senior state sector officials drawn from the three Central Agencies (or other Departments); retired experienced state sector officials; or individuals drawn from the private sector.

Expenditure review process

- 6 Through the reviews Chief Executives are expected to identify savings in the following categories:
 - savings that can be freed up for Budget 2009;
 - programmes that are inconsistent with the Government's priorities and should be discontinued;

- programmes that are inconsistent with the Government's priorities and should be looked into;
 - programmes and expenditure that are not efficient or effective; and
 - areas where performance information is insufficient to make a judgement about efficiency and effectiveness, and actions agencies should take to make improvements in the next review period.
- 7 The Department adopted the following approach to its expenditure reviews:
- Setting the current 2009/10 Vote baselines as the foundation for each Vote review;
 - Identifying savings in the designated savings categories within each Vote on an output basis;
 - Identifying opportunities for further savings and operational improvements through more considered reviews and initiatives to be undertaken as a priority. These longer term Internal Value for Money (VfM) reviews are to be completed as soon as possible and no later than the end of the second quarter of 2009/10;
 - Discussing the expenditure review outcomes with Vote Ministers in the context of preparing submissions for the Initiatives Phase of Budget 2009.
- 8 The expenditure reviews have been carried out under the auspices of the Deputy Secretary with primary responsibility for each of the Vote areas in the Department. The savings have been aggregated to the Output Class level in each Vote.

Gross savings identified

Whole of Department

- 9 Departmental Baseline – total gross savings of \$16.899m (5.87%) on a baseline of \$288.103m.

Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total	% Savings
	\$m #	\$m *	\$m	\$m	\$m	
Baseline 2009/10	79.237	190.543	15.770	2.553	288.103	
- Gross	(5.329)	(9.160)	(2.334)	(0.076)	(16.899)	5.87%

Labour Baseline Funding

Crown - Backed by HSE Levy	40.598
Crown	38.639

* Immigration Baseline Funding

Crown Funded	72.543
Fee Funded	118.000

- 10 Non Departmental Baseline – total gross savings of \$1.375m.

Non-Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total
	\$m	\$m	\$m	\$m @	\$m
Baseline 2009/10	9.239	2.577	0.000	1,262.910	1,274.726

Gross Savings	(0.890)	(0.485)	0.000	0.000	(1.375)
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@ ACC - NDOC Baseline Funding

Appropriation as at October Baseline Update	966.051
Post OBU Cab Min (08) 45/7 Inc. Non-Earners' Acct	296.859
Appropriation as at March Baseline Update	1,262.910

Vote Labour

- 11 Vote Departmental Baseline - total gross savings of \$5.329 m (6.7%) on a baseline of \$79.237 comprised as follows:

Output class	Baseline 2009/10 \$m	Savings \$m	%
Policy Advice	12.383	1.090	8.8
Services to Promote Fair and Productive Employment Relationships	26.840	1.439	5.4
International Services	0.522	0.041	7.9
Services to Promote Safe and Healthy Workplaces	35.978	1.558	4.3
Services to Support the Safe Management of Hazardous Substances in the Workplace	3.514	1.202	34.2
TOTAL	79.237	5.329	6.7

- 12 In addition, Vote Non-Departmental Baseline - total gross savings of \$0.890m on a baseline of \$9.239m.
- 13 The features of the identified savings including their implications and impact are set out in Schedule 1. The savings are further disaggregated in Schedule 2.

Other savings

- 14 The Department has an ongoing Economy Project instituted in 2006 which has set savings targets in operational expenditure. The Economy Project is covered in the Report on Departmental Overheads and Corporate Services to the Responsible Minister.
- 15 The management of the Department's capital programme and its review are also covered in the report to the Responsible Minister.

Internal VfM reviews

- 16 *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

17 These internal VfM reviews include activities under three of the identified savings categories:

1. programmes that are inconsistent with the Government's priorities and should be looked into;
2. programmes and expenditure that are not efficient or effective; and,
3. areas where performance information is insufficient to make a judgement about efficiency and effectiveness and actions agencies should take to make improvements by the next review period.

Contribution of Vote Labour

18. The immediate priorities for the Labour portfolio are to review and amend both the Holidays Act and the union access and collective bargaining provisions of the Employment Relations Act. Both of these reviews are to remove and reduce compliance and direct costs for businesses while maintaining fairness and good faith. The third priority is to amend the Workplace Health and Safety Strategy to increase emphasis on reducing harms and occupational health. All of these activities will be funded out of reprioritised money and contribute to the longer term goals of increasing and enhancing productivity in the workplace, developing workplace skills for employees, and reducing the compliance costs of employment and health and safety obligations without jeopardising fairness or good faith in the workplace.

Budget 2009

19. The Department adopted a number of principles to guide its work in developing its Budget 2009 responses. These included a principle to fund existing contractual commitments and unavoidable costs within existing baselines from the gross savings identified. The following table sets out the distribution of these costs of \$10.326m by Vote across the Department. These costs comprise remuneration costs of \$7.8m, rental

costs of \$2.151m and a share of the cross departmental Identity Verification Services project funding of \$0.375m.

Departmental	Vote Labour	Vote Immigration	Vote Employment	Vote ACC	Total	% Savings
	\$m	\$m	\$m	\$m	\$m	
Baseline 2009/10	79.237	190.543	15.770	2.553	288.103	
Savings						
- Gross	(5.329)	(9.160)	(2.334)	(0.076)	(16.899)	5.87%
- less unavoidable costs	3.099	6.428	0.753	0.046	10.326	
Net Savings	(2.230)	(2.732)	(1.581)	(0.030)	(6.573)	2.28%

20. The total net savings of \$6.573m after funding unavoidable costs represent realisable savings for Budget 2009. Individual Vote Ministers have considered the application of these savings in their decision making for the Initiatives Phase of the budget.
21. Following your direction, Vote Labour net savings of \$2.230m Departmental and \$0.890m Non-Departmental funding totalling \$3.120m have been reprioritised to:
- *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*
 - offset the cost of an emergency pressures budget bid relating to the enforcement of the Hazardous Substances and New Organisms Act in workplaces using \$1.1m in savings.
 - allow for small investments to maintain or update critical departmental systems (financial, human resource, and document management) using \$0.193m in savings.

Recommendations

22. It is recommended that you:

Note the contents of this report.

noted

Christopher Blake
Secretary of Labour

Schedule One: Savings –impacts and implications by Output Class

Vote Labour	Description (including what, when, why it can be scaled back or ceased, impact)	Gross Savings in \$m	Category (refer to * below)
<i>Departmental Output Class 1: International Services</i>	Total potential cost reduction	[deleted – confidentiality of advice]	
Managing the Department’s multilateral, bilateral and regional engagement and influence on labour and related employment issues, including the Government’s obligations and interests through the Labour Organisation, and the Government’s trade agenda as it relates to the labour portfolio.	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	[deleted – confidentiality of advice]	[deleted – confidentiality of advice]
<i>Departmental Output Class 2: Policy Advice - Labour</i>	Total potential cost reduction	[deleted – confidentiality of advice]	
Provides policy advice and facilitation of policy implementation through developing and delivering tools and resources. It also	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of</i>	[deleted – confidentiality of advice]	[deleted – confidentiality of

Vote Labour	Description (including what, when, why it can be scaled back or ceased, impact)	Gross Savings in \$m	Category (refer to * below)
<p>provides servicing to the Minister of Labour relating to Vote Labour. It also includes administrative, advisory and research services to the National Advisory Council on the Employment of Women (NACEW) and the administrative support for National Occupational Health and Safety Advisory Committee (NOHSAC), the Pay and Employment Equity (PEE) Steering Group, the Workplace Health and Safety Council (WHSC), and the Employment Relations Education (ERE) Ministerial Advisory Committees.</p>	<p><i>advice tendered by ministers and officials]</i></p>		<p>advice]</p>
<p><i>Departmental Output Class 3: Services to promote and support fair and productive employment relationships.</i></p>	<p>Total potential cost reduction</p>	<p>[deleted – confidentiality of advice]</p>	
<p>Provision of information, guidance, investigation, mediation and decision – making regarding employment rights and upholding minimum standards including support services provided to employment relations institutions.</p>	<p><i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i></p>	<p>[deleted – confidentiality of advice]</p>	<p>[deleted – confidentiality of advice]</p>

Vote Labour	Description (including what, when, why it can be scaled back or ceased, impact)	Gross Savings in \$m	Category (refer to * below)
Departmental Output Class 4: Services to Promote and Support Safe and Healthy People and Workplaces	Total potential cost reduction	[deleted – confidentiality of advice]	
Provision of information, education and support for workplaces regarding effective workplace health and safety practice, and enforcement action to promote compliance with the HSE Act.	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	[deleted – confidentiality of advice]	[deleted – confidentiality of advice]
Departmental Output Class 5: Services to Promote and Support the Safe Management of Hazardous Substances in the Workplace and Amusement Devices	Total potential cost reduction	[deleted – confidentiality of advice]	
Provision of information, education, and enforcement services relating to the safe management of hazardous substances in the workplace,	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	[deleted – confidentiality of advice]	[deleted – confidentiality of advice]

Vote Labour	Description (including what, when, why it can be scaled back or ceased, impact)	Gross Savings in \$m	Category (refer to * below)
and the registration and inspection of amusement devices.			
Non-Departmental Output Class: Employment Relations Education Contestable Fund	Total potential cost reduction		
Grant funding for programmes that promote improved employment relationships and good faith behaviour, and good health and safety practices amongst employers, unions and employees.	<i>[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]</i>	[deleted – confidentiality of advice]	[deleted – confidentiality of advice]
Non-Departmental Output Class: Pay and Employment Equity Contestable Fund	Total potential cost reduction	[deleted – confidentiality of advice]	
Funding of applications received from employer or union organisations that are directly involved (or represent collections of organisations that are involved) in pay and employment equity reviews or negotiations within or across the public sector.	Reduced funding for pay and employment equity reviews will result in more funding being provided by participant organizations (participant organizations currently part-fund reviews), and it is also likely that there will be fewer reviews annually.	[deleted – confidentiality of advice]	[deleted – confidentiality of advice]
Total Vote Labour		[deleted – confidentiality of advice]	

*** Savings categories:**

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Schedule Two

Gross saving summary by Output Class

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

Schedule Three: Internal Value for Money (VfM) reviews

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

