

## Treasury Report: Budget 2009: Votes Employment & Social Development & Employment

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<b>Date:</b>	20 March 2009	<b>Report No:</b>	T2009/647
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### Action Sought

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	Action Sought	Deadline
Minister of Finance (Hon Bill English)	<b>read</b> the attached briefing and use it as the basis for taking decisions in your bilateral with the Minister of Social Development and Employment at 10.00 a.m. on Thursday 26 March 2009	26 March 2009
Associate Minister of Finance (Hon Simon Power)	<b>read</b> the attached briefing	26 March 2009

### Contact for Telephone Discussion (if required)

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Name	Position	Telephone		1st Contact
Simon MacPherson	Manager, Workforce Attachment and Skills	[deleted – privacy]	[deleted – privacy]	✓

### Minister of Finance's Office Actions (if required)

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None.

**Enclosure: No**

## **Treasury Report: Bilateral Briefing for Votes Social Development and Employment**

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Attached is a briefing for the bilateral between the Minister of Finance and the Minister for Social Development and Employment at 10.00 a.m. on Thursday 27 March 2009 to discuss the Budget initiatives for Votes Social Development and Employment.

The bilateral briefing is structured as follows:

### **Vote Social Development**

Overview of the Vote	p. 3
Savings component & recommendations	p. 5
Emergency pressures & recommendations	p. 11
Value for Money & Strategic Direction	p. 12
Policy priority initiatives & recommendations	p. 13

### **Vote Employment**

Overview of the Vote	p. 22
Savings component & recommendations	p. 22
Emergency pressures & recommendations	p. 24
Value for Money & Strategic Direction	p. 24
Policy priority initiatives & recommendations	p. 24

We expect the key issues for discussion in Vote Social Development will be:

- Value for Money Savings and Pressures
- Training Incentive Allowance 2008/09 Overspend
- Capital repayment/cash on the Ministry's balance sheet
- Pathway to Partnership
- *[deleted – confidentiality of advice]*
- Effect of the recession on Unemployment Beneficiary numbers
- Fresh Start for Young Offenders

## **Recommended Action**

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We recommend that you **read** the attached briefing and use it as the basis for taking decisions in your bilateral with the Minister of Social Development and Employment at 10.00 a.m. on Thursday 26 March 2009

Simon MacPherson  
**for Secretary to the Treasury**

Hon Bill English  
**Minister of Finance**

## Overview of the Vote

### VOTE SOCIAL DEVELOPMENT

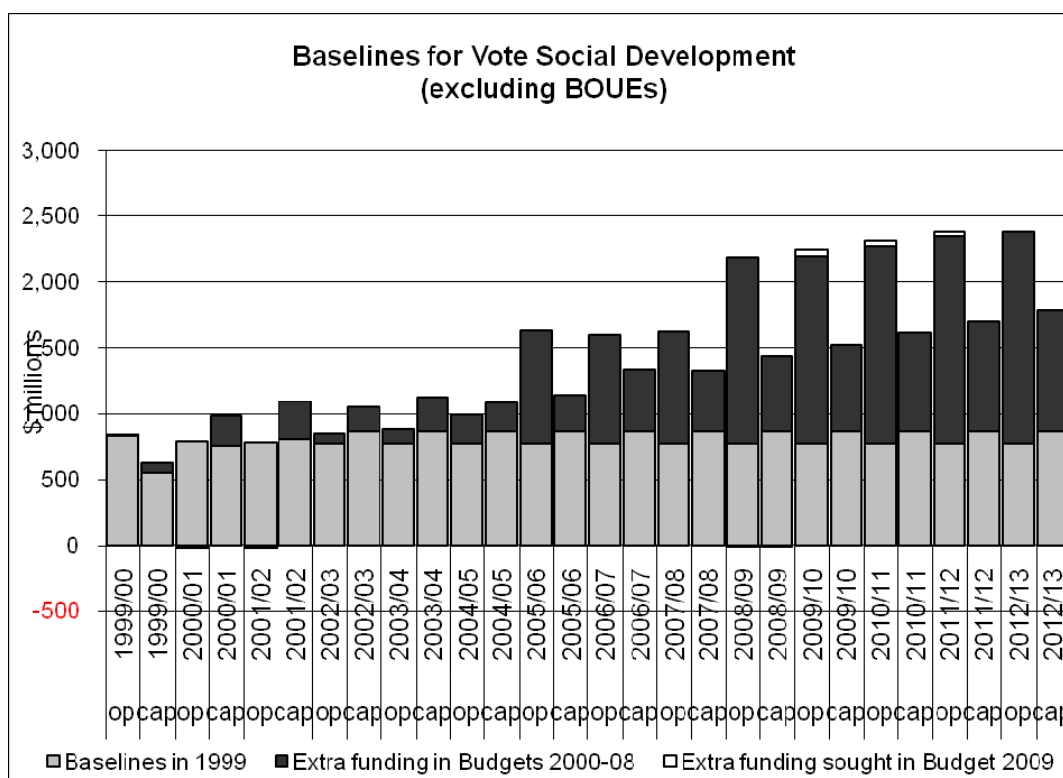
1. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister for Vote Social Development submitted the following:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Savings	(23.964)	(67.166)	(90.836)	(113.803)	(113.803)
Emergency pressures	20.964	63.366	84.636	106.270	106.270
Policy priorities	.150	72.415	92.700	113.311	115.089
<b>Total funding requested</b>	<b>(3.150)</b>	<b>68.615</b>	<b>86.500</b>	<b>105.778</b>	<b>107.556</b>
<i>Capital (GST excl)</i>					
Savings	-	(5.000)	-	-	-
Emergency pressures	-	-	-	-	-
Policy priorities	-	-	-	-	-
<b>Total funding requested</b>	<b>-</b>	<b>(5.000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

2. Funding for increased medical student places and the bonus for voluntary student loan repayments scheme will be considered in other bilateral discussions (Vote Health and Vote Education respectively) so are not included above.
3. Funding for the Fresh Start initiative for young offenders also has impacts on Votes Police and Justice. These impacts are not included in the table above.

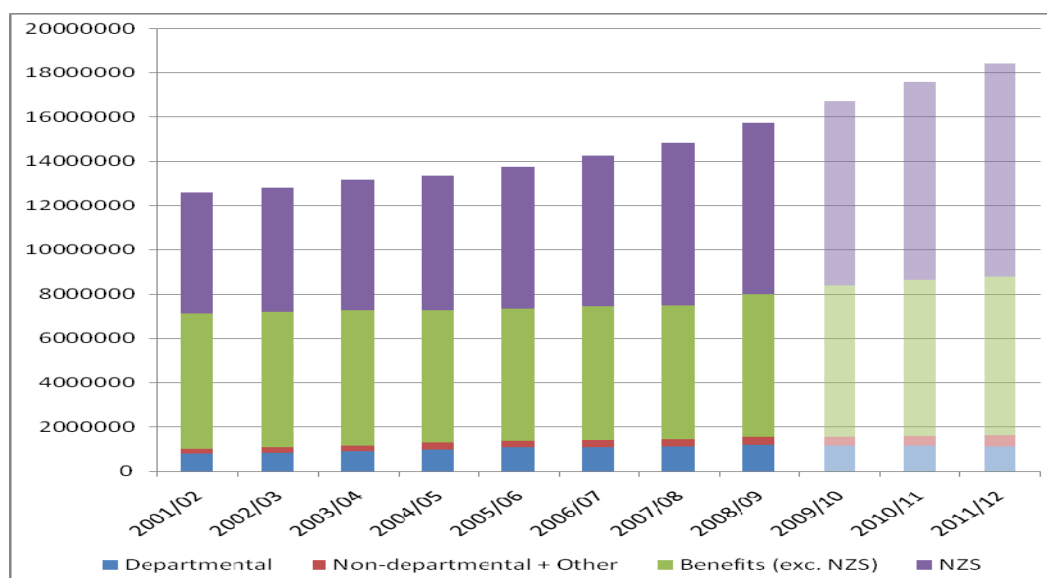
### Analysis of Vote

4. Vote Social Development baselines are shown in the graph below.



5. The largest *real* cost increases (i.e. adjusted for inflation) in departmental expenditure from 2001/02 to 2008/09 were in the CYF departmental appropriations care and protection (39.6%) and youth justice (61.6%). Over the same period benefit and unemployment administration funding (excluding Training Opportunities Programme funding) has grown 9.7%, while policy funding across the Ministry has grown 10.6%. These increases were largely due to new initiatives introduced by the previous Government, such as Working for Families and Working NZ.
6. The largest real employment-related rise in non-departmental expenditure is in disability vocational services (26.3%), but most of the increases in non-departmental expenditure has been in new community funding through Family and Community Services. Significant out-year cost increases are due to Pathway to Partnership.

### Baselines for Vote Social Development 2001/02 – 2011/12 (including BOUEs)



## Savings

7. Treasury's view on the savings submitted by the Vote is that the bulk of them come from expected productivity and efficiency gains, and more can be done to identify spending that is ineffective or inconsistent with Government priorities. Beyond what has been offered through Budget 2009, there are potential savings in Pathway to Partnership funding, and a one off capital return that can be made from the cash currently on the Ministry's balance sheet. There are also small additional departmental savings associated with the phasing out of Bonded Merit and Step Up Scholarships, which was part of a recent Cabinet paper unwinding the previous Government's Economic Transformation: Innovation package [ECC Min (09) 3/3].
8. The Ministry has begun a review of non-departmental spending (excluding BOUEs), with the intention that ineffective programmes or spending inconsistent with Government priorities are identified before Budget 2010.

### a Value for Money Departmental Savings

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	(20.964)	(56.566)	(77.836)	(99.470)	(99.470)
Treasury	(20.964)	(56.566)	(77.836)	(99.470)	(99.470)
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

9. These savings come from productivity and efficiency gains planned within the Ministry. As part of the Ministry's Value-for-Money project they needed to realise departmental spending pressures, including property and remuneration pressures, until June 2012. The cost pressures have been submitted as part of the department's emergency pressures bid. Around \$40 million of capital expenditure, mainly in IT reinvestment, is required to achieve these savings, which the department intends to fund from the cash on its balance sheet.

## Recommendations

Treasury recommends that you:

- (i) Support this savings bid at the proposed amount

**Agree/Disagree**

**b Savings in Training Incentive Allowance (TIA)**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	(5.000)	(5.000)	(5.000)	(5.000)
Treasury	-	(5.000)	(5.000)	(5.000)	(5.000)
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

10. These savings come from a proposed change in the criteria for paying the Training Incentive Allowance, which is a form of additional assistance available to DPB recipients if they enrol in employment related training. The change will limit TIA to DPB recipients undertaking courses below level 4 on the New Zealand Qualifications Framework
11. Treasury considers this a legitimate source of savings, due to the wide variety of alternative assistance available for students. Treasury also notes that courses below level 4 on the NZ Qualifications Framework are comparatively lower value than higher level courses, which suggests that there may be a higher value alternative for reallocating the remaining funding for TIA.
12. The Ministry of Social Development has advised that TIA spending is currently higher than expected in 2008/09, and is likely to significantly exceed the appropriation level before the end of the financial year. The Ministry of Social Development is likely to seek some form of fiscally neutral transfer to prevent an appropriation breach from occurring.

**Recommendations**

Treasury recommends that you:

- (ii) Support this savings bid at the proposed amount

***Agree/Disagree***

- (iii) **Invite** the Minister for Social Development and Employment to propose a fiscally neutral transfer, in order to prevent a breach in the appropriation through which TIA is administered

***Agree/Disagree***

**c Enterprising Communities Subsidies Savings**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	(5.600)	(8.000)	(9.333)	(9.333)
Treasury	-	(5.600)	(8.000)	(9.333)	(9.333)
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

13. These savings come from the removal of the subsidies element of community enterprises local labour market development support. The subsidies are the major cost of the programme, but the department advises that their benefits are unclear.

**Recommendations**

Treasury recommends that you:

- (iv) Support this savings bid at the proposed amount

***Agree/Disagree***

**d Savings from the Health and Disability Innovation Fund**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	(3.000)	-	-	-	-
Treasury	(3.000)	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

14. These savings come from a returned known underspend. The previous Cabinet specifically required underspends from this fund to be returned to the Crown. You ended the future contingency for this fund at the start of the Budget 2009 process.

## **Recommendations**

Treasury recommends that you:

- (v) Support this savings bid at the proposed amount

***Agree/Disagree***

**e Capital Repayment resulting from the reprioritisation of departmental capital programme**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	(5.000)	-	-	-
Treasury	-	(25.000)	-	-	-

15. These savings consist of a capital withdrawal of \$5 million of the cash on the Ministry's balance sheet.
16. The Ministry has \$173 million of cash on its balance sheet, which is equivalent to 15% of its annual departmental baseline. Treasury considers that the Ministry has room to contribute a further \$20 million to \$30 million of cash from its balance sheet without altering its capital intentions over the next three years.
17. If the Ministry were to reconsider further elements of its capital intentions over the next 3-4 years, an even greater contribution could be made.

## **Recommendations**

Treasury recommends that you:

***EITHER***

- (vi) **Direct** MSD, in consultation with Treasury, to report to joint Ministers on the scope for a further capital withdrawal for Budget 2009

***OR***

- (vii) **Please circle the preferred capital withdrawal option (Minister of Finance):**

<b>Department</b>	<b>Treasury</b>	<b>Other withdrawal</b>	<b>No withdrawal</b>
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		(please indicate)	
\$5 million	\$25 million	\$ _____million	-

(viii) **Note** any subsequent request for capital should be considered in the light of this capital withdrawal

(ix) **Invite** the Minister for Social Development and Employment to report back to Cabinet on the impact of the agreed capital withdrawal on the department's capital plans, with a particular emphasis on options for the Ministry of Social Development's head office accommodation

**Agree/Disagree**

#### **f Potential Savings in Pathway to Partnership funding**

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

19. At a recent meeting of the Cabinet Expenditure Control Committee, the Chief Executive of the Ministry of Social Development noted that *[deleted – free and frank]* had not yet been distributed, and that there were options for reallocation. He also said that a Cabinet paper on options for the funding was being prepared.
20. Treasury considers that there are considerable savings opportunities in *[deleted – free and frank]* undistributed Pathway to Partnership funding, with some savings extendable to outyears. Treasury recommends that the options paper for the funding reallocation be submitted to Cabinet in time to include any savings in the Budget Cabinet Paper.

#### **Recommendations**

Treasury recommends that you:

(x) **Invite** the Minister for Social Development and Employment to report back to Cabinet with options for the reallocation of Pathway to Partnership funding

**Agree/Disagree**

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

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

**g Additional Departmental Savings from phasing out Bonded Merit and Step Up Scholarships**

23. There are small additional departmental savings associated with the phasing out of Bonded Merit and Step Up Scholarships, which was part of a recent Cabinet paper unwinding the previous Government's Economic Transformation: Innovation package [ECC Min (09) 3/3 refers]. As existing scholarships will be grandparented, the exact phasing of the return of administration funding associated with them is not known.
24. Once the scholarships have ended the administration funding to return will be \$810,000 a year higher than that returned in the Unwinding Unfunded Budget 2008 Commitments: Economic Transformation (Innovation) paper.

**Recommendations**

Treasury recommends that you:

- (xiii) **Invite** the Minister for Social Development and Employment to submit a savings bid relating to the additional Studylink administration costs associated with Bonded Merit and Step Up scholarships

***Agree/Disagree***

## Emergency Pressure

### h Value for Money Departmental Spending Pressures

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	20.964	63.366	84.636	106.270	106.270
Treasury	20.964	63.366	78.056	91.880	91.880
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

25. The Minister has submitted an emergency pressure bid for \$381.506 million over five years as outlined in the table above. These pressures are to cover capability and capacity costs within the level of baselines approved in previous budgets. There are roughly corresponding savings associated with them that come from improvements in departmental efficiency and effectiveness.
26. Treasury considers that this is mostly a good value for money spend. The Ministry has pro-actively identified departmental savings that enable it to deliver core services effectively within previously approved baselines, and the bid does not require much extra expenditure.
27. The extra expenditure comes from the request to extend the temporary \$6.8 million addition to the CYF Care and Protection baseline first funded in 2006 on an ongoing basis. The department has advised that it can manage if the funding is extended only for 18 months, however, and Treasury supports it on this basis.
28. The emergency pressure bid also contains remuneration costs calculated on earlier assumptions that are generous in the current fiscal environment. The Treasury recommended amount reduces presumed remuneration increases to 2% annually from 2010/11. This reduces the cost of the emergency pressures by \$7.59 million a year from 2011/12 into outyears.

### **Recommendations**

Treasury recommends that you:

- (xiv) Do not support this emergency pressure bid at the proposed amount

***Agree/Disagree***

- (xv) Support this emergency pressure bid at the reduced amounts

***Agree/Disagree***

- (xvi) **Invite** the Minister for Social Development and Employment to prepare a paper for the Cabinet Expenditure Control Committee that presents the revised value for money cost pressures in the Ministry based on updated property and remuneration assumptions, and returns any additional departmental savings realised to the Crown

***Agree/Disagree***

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

## Vote Social Development – Analysis of Policy Priorities

38. Vote Social Development has submitted the following policy priority initiatives:

**i Setting New Zealand Superannuation and Veteran's Pension at a minimum of 66% of the average wage**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Vote Social Development Operating (GST excl)</i>					
Department	-	-	10.726	44.100	46.001
Treasury	-	-	10.726	44.100	46.001
<i>Vote Veterans' Affairs – Social Development Operating (GST excl)</i>					
Department			.236	.970	1.012
Treasury	-	-	.236	.970	1.012
<i>Capital (GST excl)</i>					
Department					
Treasury					

39. The bid implements the Government priority of setting New Zealand Superannuation and Veteran's Pension at a minimum of 66% of the average wage. The amounts shown here represent New Zealand Superannuation only, which impacts on Vote Social Development. The impact of increasing Veteran's Pension impacts on Vote Veteran's Affairs – Social Development, and totals \$2.218 million over three years from 2010/11.

40. Treasury notes that this bid fulfils Government's stated NZS wage floor policy, and considers that counting it as a charge against the Budget 2009 allocation is appropriate, as it will allow us to forecast NZS in outyears on the basis of the 66% wage floor.

### **Recommendations**

Treasury recommends that you:

(xvii) Support this initiative at the proposed amount

***Agree/Disagree***

j **A Fresh Start for Young Offenders (Votes Social Development, Justice and Police)**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Social Development - Department	-	15.973	29.767	34.405	34.405
Justice - Department	-	1.080	.385	.385	.385
Police - Department	-	.916	1.077	1.090	1.104
<b><i>Total Operating - Department</i></b>	<b>-</b>	<b><i>17.969</i></b>	<b><i>31.229</i></b>	<b><i>35.880</i></b>	<b><i>35.894</i></b>
Social Development - Treasury	-	8.684	13.860	13.860	13.860
Justice - Treasury	-	1.080	.385	.385	.385
Police - Treasury	-	.500	.500	.500	.500
<b><i>Total Operating - Treasury</i></b>	<b>-</b>	<b><i>10.624</i></b>	<b><i>14.745</i></b>	<b><i>14.745</i></b>	<b><i>14.745</i></b>
<i>Capital (GST excl)</i>					
Justice - Department	-	1.150	-	-	-
Police - Department	-	1.390	-	-	-
<b><i>Total Capital - Department</i></b>	<b>-</b>	<b><i>2.540</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
Justice - Treasury	-	1.150	-	-	-
Police - Treasury	-	1.000	-	-	-
<b><i>Total Capital - Treasury</i></b>	<b>-</b>	<b><i>2.150</i></b>	<b>-</b>	<b>-</b>	<b>-</b>

41. The Ministries of Social Development and Justice, and New Zealand Police, seek funding to implement the Government's Fresh Start strategy for youth justice [CBC Min (09) 3/7]. The initial bid seeks to phase in the complete strategy over three years. The initiative spans three Votes (Social Development, Justice and Police), and the impact over all three Votes is shown here.

*[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]*

*[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]*

44. Treasury notes that the bid seeks operational funding for 10 residential beds in the Youth Justice Lower North facility. The capital spending for these beds was approved in Budget 2007 on the understanding that the operating would be funded internally. Accordingly, we cannot now support new funding being given for the same purpose.

### **Recommendations**

Treasury recommends that you:

- (xviii) Do not support this initiative at the proposed amount

**Agree/Disagree**

- (xix) Support this initiative across Votes Social Development, Justice and Police at a reduced level of \$54.859 million operating funding over four years and \$2.150 million in capital costs (based on continuing the cost of providing the level of service intended in the first year) with decisions on the expansion of the Fresh Start approach deferred to future Budgets

**Agree/Disagree**

- (xx) **Note** that the Ministry of Social Development had been expected to absorb the operating costs of the additional residential beds at Youth Justice Lower North, and that they are not a new initiative planned as part of the Fresh Start strategy

### **k Job Support Scheme**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	13.058	6.529	-	-
Treasury	-	13.058	6.529	-	-
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

45. The department seeks funding to implement the Job Support Scheme for workers in companies with over 100 employees, approved by Cabinet to run from 27 March 2009 to 31 December 2010 [CAB Min (09) 9/12 refers]. Note that the costings provided here may change slightly due to the treatment of GST.

### **Recommendations**

Treasury recommends that you:

- (xxi) Support this initiative at the proposed amount

**Agree/Disagree**

#### **I Job Support Scheme for firms with 50-99 employees**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	3.897	1.912	-	-
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

46. The department seeks funding to extend the Job Support Scheme to workers in companies with between 50 and 99 employees.

### **Recommendations**

Treasury recommends that you:

- (xxii) **Defer** a decision on this initiative to consider with further proposals arising from the Prime Minister's Job Summit

**Agree/Disagree**

**m**

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



**n**

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

o **Young Parent Childcare Payment**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	.150	.300	.300	.300	.300
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

50. The department seeks to continue the Pilot Teen Parent Childcare Payment, which provides childcare costs for a small number of teenage parents to enable them to attend school. The Pilot ends this year.
51. Treasury considers that there is scope to consider teen parent assistance in the future, but that the current proposal is not good value. The initiative only helps a very small number of teen parents, and operates at the margins of child care and working parent issues. Some form of teen parent childcare payment should be considered when policy settings for DPB, OSCAR and Early Childhood Education are developed and assessed in conjunction at a later date.

**Recommendations**

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

**p Time limited programmes to support families, children and young people at risk**

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<i>Operating (GST excl)</i>					
Department	-	5.295	-	-	-
Treasury	-	-	-	-	-
<i>Capital (GST excl)</i>					
Department	-	-	-	-	-
Treasury	-	-	-	-	-

52. The department seeks funding to continue time limited programmes to support families, children and young people at risk for an additional year.

53. These are programmes that Ministers have not previously agreed ongoing funding for and Treasury considers that this spending would not constitute good value.

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

## **Recommendations**

Treasury recommends that you:

(xxvi) Do not support this initiative

**Agree/Disagree**

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

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

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

## VOTE EMPLOYMENT

62. As part of the Minister of Finance's request to Vote Ministers to carry out a line-by-line review, submission of emergency pressures and policy priorities, the Minister for Vote Social Development and Employment submitted the following, as at 20 March 2009:

	<i>\$million - increase/(decrease)</i>				
	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13</i>
<i>Operating (GST excl)</i>					
Savings	-	(2.000)	(2.000)	(2.000)	(2.000)
Emergency pressures	-	-	-	-	-
Policy priorities	-	-	-	-	-
<b>Total funding requested</b>		(2.000)	(2.000)	(2.000)	(2.000)
<i>Capital (GST excl)</i>					
Savings	-	-	-	-	-
Emergency pressures	-	-	-	-	-
Policy priorities	-	-	-	-	-
<b>Total funding requested</b>					

### Savings

63. The Minister has submitted two savings bids as at 20 March 2009, both of which we support:

(xxxix) **Vote Employment Departmental savings of \$1.500m for 09/10 and outyears:** The savings are from abolishing the Labour Market Knowledge Management (LMKM) Roles. The LMKM roles were established in 2005 to provide departmental support for regional planning. *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions]*

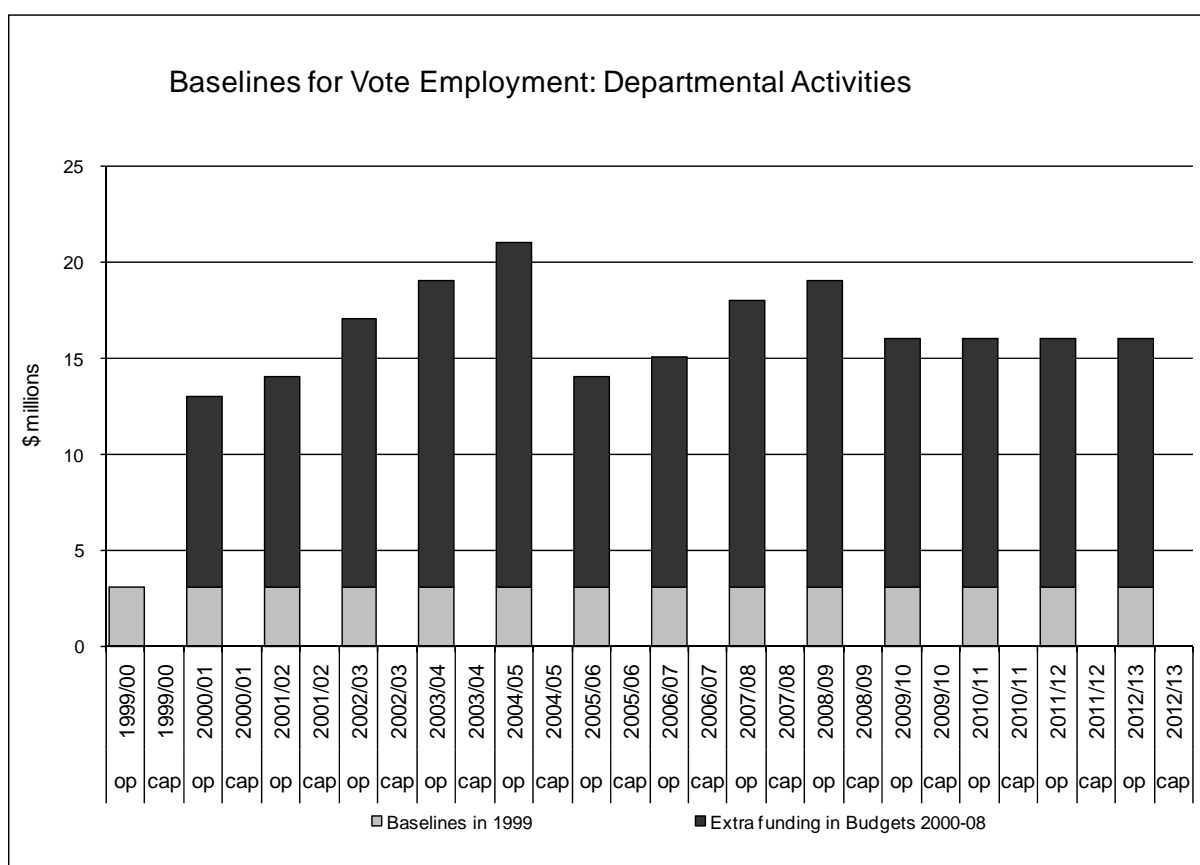
(xxxix) **Savings in Literacy, Language and Numeracy (LLN) of \$0.500m for 09/10 and outyears:** Savings are from projects to raise demand for LLN and are consistent with reductions for the rest of the LLN strategy funded by Vote Education.

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

65. During the Vote Labour bilateral, it was agreed that savings identified in Vote Labour to cover wage and rental pressures and foundation systems projects (e.g. Electronic Document System) could be retained by the Department. We recommend a consistent approach be adopted across Department of Labour Votes, and therefore support the Department retaining \$0.834m in savings in 2009/10 for Vote Employment (not included in above table) to meet these pressures.

### Analysis of Vote

66. Vote Employment baselines are shown in the graph below. Since 1999/00, Vote Employment has increased by 467% in nominal terms and 344% in real terms. However the nature of the Vote has changed considerably over this period, and has previously included non-departmental output classes. The large spike in Vote Employment (in 2000/01) funding is the result of transfers from the Department of Work and Income to the Department of Labour for Community Employment Services and Development. The drop-off after 2004/05 is largely the result of these functions being transferred to MSD.
67. Since that time, Vote Employment has been focused on a monitoring and analysis of the labour market. This includes raising the demand for Language, Literacy and Numeracy programmes and evaluating the effectiveness of these.



## **Recommendations**

Treasury recommends that you:

- (xxxiii) Support the total savings (\$8.000m over the forecast period) in the table below:

	<i>\$million - increase/(decrease)</i>				
<b>Operating (GST excl)</b>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>	<i>2012/13 &amp; Outyears</i>
<b>Savings bids submitted</b>					
Vote Employment Departmental savings	-	(1.500)	(1.500)	(1.500)	(1.500)
Language, Literacy and Numeracy Savings	-	(0.500)	(0.500)	(0.500)	(0.500)
<b>TOTAL SAVINGS</b>		<b>(2.000)</b>	<b>(2.000)</b>	<b>(2.000)</b>	<b>(2.000)</b>

***Agree/Disagree***

### **Emergency Pressure**

68. No emergency pressure bid was submitted for Vote Employment.

### **Value for Money/Strategic Direction**

69. *[information deleted in order to maintain the effective conduct of public affairs through the free and frank expression of opinions].* The Government may want to look more generally at overlaps in policy advice across departments in this area, and whether efficiencies can be made. *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

### **Vote Employment - Analysis of Policy Priorities**

70. No policy priority bid was submitted for Vote Employment.