

**Vote Employment**

## Baseline Alignment Proposal

4 March 2010

Submitted by:

**Hon Paula Bennett**  
**Minister for Social Development and Employment**

## **Section 1: Alignment to Government Priorities**

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### **Role of Vote Employment**

Vote Employment supports the Government's economic growth agenda and social priorities by providing information and advice on the labour market. This advice is about getting people into work and ensuring people have the right skills to support growth. Both of these priorities assist firms and sectors to grow. The Vote contributes by:

- providing information and strategic advice about the current state of the labour market and what can be done to improve its performance, including opportunities to improve employment and skills
- providing advice on the future supply of, and demand for, skilled labour; industry needs and practices; and demographic issues and trends
- producing reports and information tools designed for industry and the community to use in workforce planning activities
- contributing to the work of the Department and other Government agencies by providing economic advice and labour market analysis to support policy and programme development.

Vote Employment is being refocused to ensure it fully supports the Government's key economic and social outcomes with timely and robust labour market advice.

### **Economic contribution**

Vote Employment supports improvements in the performance of the labour market and economic growth. It does this by identifying current and emerging skill shortages and providing advice on ways to ensure employers have access to the skills they need to grow. It also works directly with industry representatives and the vocational training system to get a better match between the supply and demand for skills. It provides advice about demographic issues and trends as they impact on the labour market.

Vote Employment has the unique role of providing a whole-of-labour market and skills perspective. The Department can therefore support decision-making in a range of economic and social development portfolios.

### **My intentions for Vote Employment**

I have been working with the Department of Labour to develop a work programme for Vote Employment that focuses more broadly on economic growth, while continuing to focus on getting people into work and developing skills to support growth.

The Chief Executive is reviewing how the Department is configured to best support the Government's Vote Employment objectives. *[Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

My intention is aligned with the Government's goals to:

- support firms to overcome barriers to enterprise and access the ideas, finance and skills they need to grow and succeed
- ensure that New Zealand has the skills needed to support economic growth.

## **My priorities and required actions**

My priorities and required actions for the remaining term of government are detailed below.

### **Priority 1: Monitoring labour market trends**

- Regular assessments of areas of weakness and opportunity in the labour market context for the Government.
- Advice on implications arising from labour market evidence and proposed action.
- Publication of a new quarterly “State of the Labour Market Assessment” report outlining current trends and potential actions, including measures to address labour market weaknesses and build on opportunities.

### **Priority 2: Growing employment and the economy**

- Proactive labour market advice, identifying opportunities to maximise economic growth. This includes advice on:
  - options for increasing the supply of jobs for unemployed people, and improving the match between people with particular skills and vacancies available
  - areas of job growth accessible to people on benefits, including the training requirements needed to assist them into employment
  - how to assist people at risk of long-term unemployment to stay in work, and get better work.
- This work includes a quarterly report on emerging skill shortages to assist the Ministry of Social Development to focus on the right skill development and help people into sustainable employment.

### **Priority 3: Maximising impacts of Government investment**

- Advice about the employment and skills impacts of key policy and programme changes across the Government, building on infrastructure investment work to provide employment and training opportunities for the unemployed.
- Advice on the labour market implications of other agencies’ policy development, relevant to the employment portfolio, about ways to improve labour market outcomes, focusing on:
  - the work led by MSD on benefit reform
  - ACC reforms, in particular the ‘return to work’ aspects
  - tertiary education reforms, in particular ways to ensure training is better directed at achieving good employment outcomes
  - labour market implications of tax changes.

### **Priority 4: Ensuring a capable workforce**

- Advice about actions to ensure the availability of the right mix of skilled labour needed to fuel growth, including:
  - establishing further industry reference groups in the Government’s priority sectors to develop skills actions plans to meet future skills and labour demands
  - assisting with investment decisions by providing advice on future workforce requirements to ensure the right skills are available to employers/industry/sectors.

- Launching the report on the upskilling evaluation of literacy, numeracy and language provision.
- Examining future workforce requirements to assist the Government with making investment decisions to ensure the right skills are available at the right time.

### **Level of ambition and risk mitigation**

My proposed direction for Vote Employment is ambitious and I plan to make a strong contribution towards ensuring New Zealanders have access to good employment opportunities and the right skills to support economic growth.

### **Changes to activities to meet my priorities**

I am not proposing to defer any activities to meet my priorities.

## **Department of Labour context across Votes**

The Vote Employment Baseline Alignment Proposal should be considered in the context of the Department of Labour as a whole and read in conjunction with the Vote ACC, Vote Immigration and Vote Labour Baseline Alignment Proposals.

### **Responding to the changed environment – delivering more for less**

The Department recognises that the Government requires agencies to fundamentally assess how they deliver services and to find new ways to deliver better public services for less.

A significant Business Improvement and Change Programme is being undertaken by the Department of Labour to transform all parts of its business.

The Business Improvement and Change Programme brings together existing change programmes and value-for-money reviews within the Department of Labour, including:

- Immigration New Zealand Change Programme
- Corporate Model Implementation Project
- Policy, Research and Evaluation, and Vote Employment Review
- Workplace Review
- Foundation Capabilities Programme.

These programmes are the first part of an ongoing programme of work that is systematically evaluating how the Department does its business and identifying opportunities for doing it better. The Department is further exploring innovative ways of doing business to lift performance and drive productivity, such as third party delivery of services, working at a sector level within Government, and supporting opportunities for shared services where possible.

This will transform the way the Department delivers its business, resulting in savings in outyears with some early benefits to be realised in 2010/11 as contributions to the Department's reinvestment programme. The Chief Executive is managing the Business Improvement and Change Programme as an integrated programme of work using programme methodologies that will demonstrate benefits and monitor delivery against agreed Key Performance Indicators. The Business Improvement and Change Programme is designed so that the costs of change are met within baselines.

### **Transforming the Department within reduced baselines**

The work under way to deliver business improvement and change is taking place within reducing baselines. In Budget 2009, the Department returned gross savings of \$17.414 million (\$6.588 million net) following the line-by-line review.

The Departmental appropriation is \$308 million for 2010/11, of which \$116 million is Crown funded. The balance of \$192 million is sourced from Fees and Levies and cannot be reprioritised to other activities.

In November 2009, the Department confirmed it could operate within this reduced baseline based on existing policy and legislative settings. Baseline Alignment Proposals to achieve that are detailed in Section 2.

Since November 2009, the Department has been asked by the Prime Minister and Minister of Finance to:

- fund additional ACC policy work [*deleted – confidentiality of advice*].

- find alternative ways to fund the Hazardous Substances and New Organisms (HSNO) enforcement and compliance activity short-fall (other than through legislative change), and
- contribute to the establishment of a Productivity Commission.

## Summary of cross-Vote Departmental Budget Alignment Proposals

### Overview

There are two key issues to address as a consequence of the post-November 2009 requests:

- Funding additional Department of Labour Vote ACC policy advice *[deleted – confidentiality of advice]*.
- Funding HSNO Act enforcement and compliance activity.

The request for Productivity Commission funding is being met within baselines and is outlined within Section 2 of the Baseline Alignment Proposals for Vote Labour, Vote ACC, and Vote Employment.

### Additional ACC policy work *[deleted – confidentiality of advice]*

The additional funding to be sourced is described in Table 1.

**Table 1:** Additional funding requirements for ACC policy work *[deleted – confidentiality of advice]*.

\$m	2010/11	2011/12	2012/13	2013/14 and outyears
Additional Department of Labour Vote ACC policy advice	2.000	<i>[Deleted – confidentiality of advice]</i>		
<i>[Deleted – confidentiality of advice]</i>				
<i>[Deleted – confidentiality of advice]</i>				
<b>Total</b>				

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

There are two components to the funding issue:

- Additional Department of Labour Vote ACC policy advice
- *[Deleted – confidentiality of advice]*

## Additional Department of Labour Vote ACC policy advice

Options for funding the component related to additional Department of Labour Vote ACC policy advice are outlined in Table 2 below.

**Table 2:** Options and commentary for funding additional Department of Labour Vote ACC policy advice

	Option description	Commentary
1	<p><b>[Minister's preferred option]</b></p> <p><b>Budget allocation for Vote ACC</b> –\$2.000m  <i>[deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• This funding was originally allocated to meet anticipated costs from the Non-Earners' Account.</li> <li>• The Government made a decision not to fully fund the Non-Earners' Account.</li> <li>• Given the high priority of the policy work for the Government, a portion of this funding could be re-directed to meet additional policy requirements within Vote ACC.</li> </ul>
2	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>
3	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>
4	<p><i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>

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

### **Funding Hazardous Substances and New Organisms (HSNO) Act enforcement and compliance activity**

The shortfall in funding (created by cessation of time limited funding) is described in Table 4.

**Table 4:** Funding requirements for HSNO activity

<b>\$m</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14 and outyears</b>
HSNO (Enforcement and compliance activity funding)	2.198	2.198	2.198	2.198
<b>Total</b>	<b>2.198</b>	<b>2.198</b>	<b>2.198</b>	<b>2.198</b>

Options for replacement funding of HSNO enforcement and compliance activity are described in Table 5.



**Table 5:** Options and commentary for funding HSNO enforcement and compliance activity

	Option description	Commentary
1	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>
2	<p><i>[Deleted – confidentiality of advice]</i></p> <p><b>Active management in 2009/10 of Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure</b> to enable a funding transfer, <i>[deleted – confidentiality of advice]</i>.</p>	<ul style="list-style-type: none"> <li>• Following the requests from the Prime Minister and Minister of Finance post-November 2009, the Department has been actively managing resources in Vote Employment and Vote Labour to provide options for the Government in finding ways to meet the cost pressures.</li> <li>• This is not a sustainable solution beyond 2010/11.</li> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>
3	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> <li>• <i>[Deleted – confidentiality of advice]</i></li> </ul>

	Option description	Commentary

**Preferred option:**

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

*[Deleted – confidentiality of advice] active management of 2009/10 Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure to enable a funding transfer (Option 2 in Table 5). [Information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*

## Section 2: Reprioritisation

### Baseline for Vote Employment 2010-11

TITLE	\$m
Labour Market Analysis and Knowledge	8.629
Policy, Research and Evaluation	5.660
TOTAL	14.289

Source: CFISnet (2010 February Baseline Update)

### Funding

The following table highlights the sources of funding for the appropriation.

\$m	Departmental	Funding sources	
		Crown	Dept*
Vote	Appropriation		
Employment	14.289	13.833	0.456

\* Revenue earned by a department from other departments and is eliminated for purposes of reporting the Crown's overall financial performance and position.

### Impact of priorities on Vote Employment – 2010/11

Vote Employment can operate within baselines for 2010/11. Funding has been reprioritised to contribute towards the New Zealand Productivity Commission. Cost pressures will be managed to maintain service delivery levels.

### Funding Productivity Commission

I propose to allocate \$0.070 million in 2010/11 rising to \$0.140 million in 2011/12 and \$0.150 million in 2012/13 from the Vote Employment Policy Research and Evaluation Departmental Output Expense appropriation to fund the Department's contribution to the proposed Productivity Commission. This is consistent with the proposals in the Cabinet paper proposing the establishment of the Commission. The Department's work programmes will be adjusted to reflect this funding change.

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

### **Impact of priorities on Vote Employment – 2011/12 – 2012/13**

The value-for-money review (Policy, Research and Evaluation and Vote Employment) is being undertaken by the Department. This review may impact on the need for reprioritisation in 2011/12 and 2012/13 as the Chief Executive reconfigures the Department to better meet the Government's strategic direction in this vote.

### Section 3: Summary of Financial Movements

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Vote: Employment					
	2009/10 \$000	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000
Departmental	14,597	14,289	14,206	14,194	14,229
Non-Departmental	0	0	0	0	0
<b>Baseline (2009/10 FBU)</b>	<b>14,597</b>	<b>14,289</b>	<b>14,206</b>	<b>14,194</b>	<b>14,229</b>
Share Allocation	0	0	0	0	0
Centralised Saving	0	0	0	0	0
Reprioritisation					
Total Reprioritisation	0	0	0	0	0
Transfers Outside Vote					
NZ Productivity Commission	0	(70)	(140)	(150)	(150)
Total Transfers Outside Vote	0	(70)	(140)	(150)	(150)
<b>Total Changes</b>	<b>0</b>	<b>(70)</b>	<b>(140)</b>	<b>(150)</b>	<b>(150)</b>
<b>Total Proposed Baseline</b>	<b>14,597</b>	<b>14,219</b>	<b>14,066</b>	<b>14,044</b>	<b>14,079</b>