

Vote Labour

Baseline Alignment Proposal

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Submitted by:

**Hon Kate Wilkinson
Minister of Labour**

Section 1: Alignment to Government Priorities

Role of Vote Labour

Vote Labour facilitates economic development through policy and services that build healthy and productive workplaces. The key functions are to:

- advise Government on health and safety and employment relations policy
- provide employment relations, and health and safety education and enforcement to support fair, safe and productive work places
- manage New Zealand's international labour commitments (including trade labour components of Free Trade Agreements).

Economic contribution

Vote Labour contributes to economic growth by providing labour market interventions which support the development of high-performing workplaces.

My intentions for Vote Labour

I intend to improve the operation of labour market regulation, and through that the effectiveness of the services and information that is provided to labour market participants. Regulation and interventions that reduce compliance costs and provide an appropriate balance between the interests of employers and employees will contribute to workplaces that are more productive and, in turn, will contribute towards growing the New Zealand economy.

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

- remove red tape and improve regulation
- support business innovation and trade (including Free Trade Agreements)
- lift productivity and improve services in the public sector (including improving support for frontline services).

My priorities and required actions

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

Priority 1: Holidays Act Review

- The Ministerial Advisory Group will continue with the current review, following a public consultation process.

Priority 2: Employment Relations

- I will review personal grievances as part of work on the Employment Relations Act to ensure individual workplace disputes are resolved in a fair and reasonable manner, and will undertake public consultation on options for Cabinet consideration.
- This work will reduce compliance for businesses, and will include examining the resourcing and statutory powers for the dispute resolution services funded by Vote Labour (including Mediation Service and Employment Relations Authority).

Priority 3: Renewed Health and Safety Strategy

- I will advance the Strategy, with an increased emphasis on occupational health issues. This will include an action agenda for the next three years.

Priority 4: Skills Forum

My fourth priority, as Chair of the Skills Forum, is to work with my colleagues to contribute to ensuring that New Zealand has the skills we need for economic growth.

[Deleted – free and frank], I will also be acting to maintain existing funding for the Department of Labour's role in enforcing Hazardous Substances and New Organisms (HSNO) legislation in workplaces.

Level of ambition and risk mitigation

My proposed direction for Vote Labour is important as it addresses areas of:

- cost of labour market regulation
- fair balance between employers and employees

I am confident that I am well on my way to achieving my intentions over the next three years.

Priority 1: Holidays Act Review

- The Advisory Group has completed the review. I am currently considering advice from officials on appropriate changes to the legislation.

Priority 2: Employment Relations

- I have been engaging widely with portfolio stakeholders who have indicated that there are issues with the current personal grievance regime, which prevent the resolution of individual workplace disputes in a fair and reasonable way.

Priority 3: Renewed Health and Safety Strategy

- A final report has been received. The next phase is to develop a prioritised action agenda for the strategy covering the next three years.

Priority 4: Skills Strategy

- My colleagues and I are currently finalising the work programme for the Skills Strategy. I propose to expense transfer funding allocated for the 09/10 year for the strategy into 10/11 to enable the work to be completed.

Changes to activities to meet priorities

I am continuing to assess other programmes to ensure alignment with the Government's priorities.

Department of Labour context across Votes

The Vote Labour 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 Employment 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 *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*.
- 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>				
Total				

[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>[Minister's preferred option]</p> <p>Budget allocation for Vote ACC –\$2.000m <i>[Deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> • This funding was originally allocated to meet anticipated costs from the Non-Earners' Account. • The Government made a decision not to fully fund the Non-Earners' Account. • 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.
2	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> • <i>[Deleted – confidentiality of advice]</i>
3	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> • <i>[Deleted – confidentiality of advice]</i>
4	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> • <i>[Deleted – confidentiality of advice]</i> • <i>[Deleted – confidentiality of advice]</i> • <i>[Deleted – confidentiality of advice]</i>

[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

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

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"> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i>
2	<p><i>[Deleted – confidentiality of advice]</i></p> <p>Active management in 2009/10 of Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure to enable a funding transfer, <i>[deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> • 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. • This is not a sustainable solution beyond 2010/11. • <i>[deleted – confidentiality of advice]</i>
3	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i>

	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 Labour 2010-11

TITLE	\$m
International Services	0.629
Policy Advice - Labour	10.979
Services to Promote and Support Fair and Productive Employment Relationships	25.573
Services to Promote and Support Safe and Healthy People and Workplaces	38.069
Services to Promote and Support the Safe Management of Hazardous Substances in the Workplace and Amusement Devices	3.119
TOTAL	78.369
Employment Relations Education Contestable Fund (ERE)	1.778

Source: CFI\$net (2010 February Baseline Update)

Funding sources

Vote Labour forms 25.4% of the Department's operating budget of \$308.829 million for 2010/11. Achieving the priorities within Vote Labour is therefore dependent on achieving improvements in the wider Department of Labour functions.

The Departmental Baselines in 2010/11 total \$308.829 million, of which \$116.765 million is Crown funded and is available to fund new projects and activities and meet a share of internal cost pressures.

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

\$m	Departmental		Revenue			
	Appropriation		Crown	Dept*	Fee	Levy
Labour	78.369		36.326	1.394	0.502	40.147
	Non-Departmental					
Vote	Appropriation		Employment Relations Authority		International Labour Organisation	
Labour	8.200		3.180		1.400	

* 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 Labour – 2010/11

The key changes required to meet priorities in Vote Labour are:

Title	Purpose	Change	\$m
HSNO	Maintain funding for HSNO beyond 2009/10.	<i>[Deleted – confidentiality of advice]</i>	2.198
Productivity Commission	Support establishment of Productivity Commission	Workplace Productivity Agenda to Productivity Commission	1.212 (over three years)
Vote ACC	Increase policy capacity	<i>[Deleted – confidentiality of advice]</i>	

Hazardous Substances and New Organisms (HSNO)

Time limited funding of \$2.198 million per annum, within the current baseline of \$5.254 million, for HSNO Act compliance and enforcement activities ceases on 30 June 2010. Maintenance of this funding will enable current levels of compliance and enforcement activity to continue. In the longer term, as resources permit, a higher level of compliance work is required.

The Environmental Risk Management Authority (ERMA) has, for two successive years, formally notified the Minister for the Environment of their view that the level of enforcement and compliance activity in the HSNO area is manifestly inadequate. This is due in large part to the lack of resource available to the Department of Labour.

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

The immediate effect of the Department reducing its HSNO Act activity would be to:

- remove the significant enforcement lever in workplaces and reduce incentives for high risk workplaces to meet HSNO controls and obtain test certificates
- remove the proactive inspection of workplaces holding high risk hazardous substances, such as petrol stations, cool stores, LPG facilities, transit depots, and other major hazard facilities
- remove a significant national channel of advice for workplaces on how to safely manage hazardous substances by applying HSNO controls, and
- reduce nationwide emergency response capacity for hazardous substance incidents in workplaces.

These would all contribute to reduced HSNO Act compliance in workplaces, with wider flow-on effects to increasingly unsafe workplace management of hazardous substances and the increased potential for injury, illness and death.

There are three options for ensuring funding for HSNO:

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"> • <i>[Deleted – confidentiality of advice]</i> • <i>[Deleted – confidentiality of advice]</i> • <i>[Deleted – confidentiality of advice]</i>
2	<i>[Deleted – confidentiality of advice]</i>	

	Option description	Commentary
	<p>Active management in 2009/10 of Vote Labour (\$1.500m) and Vote Employment (\$0.500m) expenditure to enable a funding transfer, <i>[deleted – confidentiality of advice]</i></p>	<ul style="list-style-type: none"> • 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. • This is not a sustainable solution beyond 2010/11. • <i>[Deleted – confidentiality of advice]</i>
3	<i>[Deleted – confidentiality of advice]</i>	<ul style="list-style-type: none"> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i> • <i>[deleted – confidentiality of advice]</i>

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

2. *[Deleted – confidentiality of advice]* **Active Management of 2009/10 expenditure in Votes Labour and Employment**

This option transfers funding from 2009/10 in Vote Labour (\$1.500 million) and Vote Employment (\$0.500 million) to fund the HSNO compliance shortfall for 2010/11 only. The Department will actively manage programmes and expenditure in Vote Labour and Vote Employment to generate this funding. This is only an interim option.

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

In Vote Employment, the availability of \$0.500 million has been actively managed through holding vacancies and delaying recruitment in the Sector Skills National Programme and through holding expenditure on commissioned research to underpin the Vote Employment policy programme.

This option could provide one off funding of \$2.000 million in 2010/11 but is required for the ongoing management of the original Votes in outyears. *[Deleted – confidentiality of advice]*

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

Productivity Commission

The Department will reallocate \$0.166 million in 2010/11 rising to \$0.327 million in 2011/12 and \$0.350 million in 2012/13 and outyears from the Workplace Productivity Agenda (WPA) to contribute to the funding of the proposed Productivity Commission. The remainder of the money in the WPA will be used to continue to work on workplace productivity and support the work of the Commission.

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

Reprioritisation from Policy Advice - Labour to International Services

\$0.310 million will be transferred from Policy Advice to International Services to enable the Department to successfully implement Free Trade Agreements. This will enable fair access to the markets of our trading partners and will enable exporters to access world markets and compete with countries that have committed to fair labour practices. The reduction in funding for policy advice will have no impact on the delivery of the agreed work programme.

Reprioritisation from ERE to Services to Promote and Support Fair and Productive Employment Relationships

\$0.600 million will be transferred from the ERE to *Services to Promote and Support Fair and Productive Employment Relationships* for primary contact centre and practice leadership activities for 2010/11 and outyears. This supports the Government's goal to continue to move resources to improve frontline services.

Reducing the ERE will lead to fewer projects being approved in the annual contestable funding round. These initiatives receive time limited funding, and could potentially be funded from private sources. The loss in the short term will be the funding for Health and Safety

Representative training under the Health and Safety in Employment (HSE) Act. However, increasing funding to service delivery will help maintain core service delivery.

These reprioritisations are summarised in the table below.

Change	Contribution	Purpose	\$m
Policy Advice to International Services	Free Trade Agreements	Successful implementation of Free Trade Agreements	0.310
ERE To Services to Promote and Support Fair and Productive Employment Relationships	More frontline services	Support primary contact centre and practice leadership activities	0.600

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

Section 3: Summary of Financial Movements

Vote: Labour					
	2009/10	2010/11	2011/12	2012/13	2013/14
	\$000	\$000	\$000	\$000	\$000
Departmental	78,428	78,369	76,387	76,253	76,491
Non-Departmental	8,967	8,200	8,200	8,200	8,200
Baseline (2009/10 FBU)	87,395	86,569	84,587	84,453	84,691
Share Allocation	0	0	0	0	0
Centralised Saving	0	0	0	0	0
Reprioritisation					
Change Management, Primary Contact Centre and Practice Leadership -ERE Savings	0	-600	-600	-600	-600
Labour Change Management, Primary Contact Centre and Practice Leadership	0	600	600	600	600
Free Trade Agreements	0	310	310	310	310
Policy Advice reprioritised	0	-310	-310	-310	-310
Total Reprioritisation	0	0	0	0	0
Transfers Outside Vote					
Hazardous Substances and New Organisms	0	2,198			
New Zealand Productivity Commission	0	-166	-327	-350	-350
					<i>[Deleted – confidentiality of advice]</i>
Total Transfers Outside Vote	0	2,032			<i>[Deleted – confidentiality of advice]</i>
Total Changes	0	2,032			<i>[Deleted – confidentiality of advice]</i>
Total Proposed Baseline	87,395	88,601			<i>[Deleted – confidentiality of advice]</i>