

The Treasury

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Vote Labour

Four-Year Budget Plan

10 February 2011

Submitted by:

The Department of Labour

Section 1: New Baseline and Summary of Changes

Priorities for Vote Labour

Vote Labour supports economic growth through the effective operation of the labour market. Improving the quality and performance of the labour market is critical to strengthening New Zealand's future economic prospects. The Department of Labour's (the Department's) overall intention is to ensure Vote Labour maximises its contribution to the Government's Economic Growth Agenda. There are two priorities for Vote Labour over the next four years:

- ensuring the regulatory framework for Employment Relations provides flexibility in the workplace to increase employment and productivity
- promoting workplace productivity by reducing workplace accidents.

These two priorities will support the Government's Economic Growth Agenda through the more effective operation of the labour market and by providing better smarter public services.

Overall Impact for Vote Labour

Operating (Departmental)	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline (OBU 2010)	82,386	78,751	77,503	77,741	77,375
Generic Cost Pressures	0	2,209	4,486	6,807	9,174
Business Specific Cost Pressures	200*	1,775	2,946	2,846	2,641
Cost reductions	(200)	(2,759)	(6,207)	(8,428)	(10,590)
New baseline	82,386	79,976	78,728	78,966	78,600

* Adventure Tourism

Operating (Non-Departmental)	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline (OBU 2010)	7,333	7,600	7,600	7,600	7,600
Cost of new/increased activities	0	0	0	0	0
Amount reprioritised	0	(1,225)	(1,225)	(1,225)	(1,225)
New baseline	7,333	6,375	6,375	6,375	6,375

The Department forecasts cost pressures of 2 percent to 3 percent per annum over the four years 2011/12 to 2014/15. If nothing else changes, Vote Labour will need an

increase in baseline of around \$12 million by the end of 2014/15. The Department will manage these pressures within existing baselines. Details of how this will be achieved are summarised on pages 10 and 11.

Final decisions on the cost reduction initiatives and strategies will be subject to further discussions with the Department and agreement by Ministers.

The Vote Labour Four-Year Budget Plan should be considered in the context of the Department as a whole and read in conjunction with the Vote ACC, Vote Employment and Vote Immigration Four-Year Budget Plans.

Department of Labour context across Votes

The Government’s overall goals are to lift the long-term performance of the economy, make New Zealand a more prosperous country and provide world-class public services. The Department contributes by growing New Zealand’s economy and improving the quality of lives through a high performing labour market and immigration and accident compensation systems.

Managing significant cost pressures

The Department is facing the challenge of managing cost pressures of \$38 million over the next four years as inflationary pressures and unavoidable costs set in. The table below shows how these costs will accumulate over the next four years.

Departmental Expenditure	\$ millions			
	2011/12	2012/13	2013/14	2014/15
Vote ACC	2.844	2.842	2.845	2.839
Vote Employment	13.816	13.794	13.829	13.776
Vote Immigration	205.594	206.236	206.799	205.782
Vote Labour	78.751	77.503	77.741	77.375
Baseline (OBU 2010)	301.005	300.375	301.214	299.772
Cost Pressures	7.775	15.782	23.944	32.263
Hazardous Substances & New Organisms	1.017	2.108	2.108	2.108
Adventure Tourism	0.400	0.400	0.300	0
H & S ¹ and Special Equipment - Depreciation	0.156	0.236	0.236	0.331
Immigration NZ Operational Priorities	2.702	2.702	2.702	2.702
Publications ²	0.202	0.202	0.202	0.202
Sub-total Specific Pressures	4.477	5.648	5.548	5.343
Accumulated Funding Pressures	12.252	21.430	29.492	37.606
Pressure as % of Baseline	4.1%	7.1%	9.8%	12.5%

¹ Health and Safety – Depreciation relates to Serious Harm Online Notification, Online Representative Forum, and specialist equipment for occupational health and energy safety

² Revenue no longer earned from sale of publications

To manage this pressure and ensure it can operate sustainably within baseline, the Department is in year two of a five year change programme to radically transform its business structure and operations.

The transformational journey to date...

The first phase of change in Budget 2009, involved a line-by-line review to identify potential cost reductions and efficiency gains. This included reducing staff numbers, reviewing all travel, reducing expenditure on lower-value functions, and reprioritising work programmes. To align activities with Government priorities, some functions including the Labour Market Knowledge Managers, Employment Relations Education Contestable Fund (ERE) and the Pay and Employment Equity Policy Unit have been rationalised or stopped.

As a result, in Budget 2009, a cost reduction of \$17 million was realised. A total of \$6 million was returned to the Crown and \$11 million was reinvested in the Department. This resource has been used to manage immediate cost pressures (including remuneration and rent) and to drive the transformational change programme.

Transformational changes to date include:

- centralising all corporate functions to provide shared services and to reduce duplication and better support the Department's delivery arms, which took effect from 1 July 2010
- creating an integrated policy, research and evaluation function, to take effect from 1 December 2010.

These initiatives have already realised a further \$3.4 million for reinvestment into the Department's change programme. A number of secondary corporate model reviews are underway relating to the Department's ICT, communications and marketing, and finance functions. These reviews are expected to identify further cost reductions to support service delivery improvements and help ensure the future sustainability of the Department.

A programme of continuous change...

To ensure the Department is sustainable into the future, operational efficiencies need to be accompanied by more radical and enduring change. The next phase of transformation involves moving to lower cost delivery models.

The ongoing Immigration New Zealand Change Programme is positioning the Department to transition to lower cost delivery and processing channels for immigration services. A similar approach will be taken to a review of the Labour group. As well as establishing strong leadership and governance, components of transformational change include:

- ensuring functional alignment with Government's priorities
- developing and aligning the ICT infrastructure to support business needs

- identifying business process and operational improvements
- setting a future direction involving the use of lower cost delivery and processing channels [2]

Ongoing operational efficiencies will be identified to provide the investment resources required to support this transformation change. The Department will continue to review all aspects of expenditure to ensure the best use of resources.

Section 2: Vote Priorities and Pressures

Role of Vote Labour

Improved workplace health and safety is an economic enabler and has positive benefits for workplaces and communities. Poor workplace health and safety is a significant barrier to economic growth. Annually the cost of work-related injury, fatality and disease is estimated at \$16 billion. Loss of life and loss of quality of life accounts for the majority of this cost at \$12.4 billion.

An efficient regulatory framework for employment relations facilitates economic development by providing flexibility in the workplace which will increase employment and productivity.

Key Vote Labour 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 workplaces
- manage New Zealand's international labour commitments (including trade labour components of Free Trade Agreements).

How the Department's intentions fit with Government priorities

The overarching goals in the Labour portfolio are to:

- promote productivity by reducing workplace accidents
- promote flexibility in the workplace so as to increase employment and productivity
- reduce the compliance costs of health and safety and employment obligations.

This focus supports the Government's priorities to improve the regulatory environment for business, encourage productivity and innovation.

Priorities for Vote Labour

To achieve these goals the Department will focus on two priorities for Vote Labour.

Priority 1: Ensuring the regulatory framework for Employment Relations provides flexibility in the workplace to increase employment and productivity.

This includes:

- a stocktake of the employment relations secondary regulations assessing their quality and identifying opportunities for reducing compliance costs
- examining the need for further clarification of the status of independent contractors in the labour market
- reviewing the status of the Employment Court
- implementation of changes to the Holidays Act and Employment Relations Act
- reviewing collective bargaining provisions in the Employment Relations Act.

Priority 2: Promote workplace productivity by reducing workplace accidents

This includes:

- implementation of the Health and Safety National Action Agenda. In particular for the next year focussing on harm reduction in the agriculture and construction sectors including work on reducing accidents on quad bikes and falls from heights
- design and implementation of the outcomes of the review of safety in the adventure tourism industry
- supporting business leaders to take greater leadership and promotion of improved health and safety practices in workplaces through the Business Leaders' forum
- undertaking an investigation and contribute and respond to the inquiries relating to the incident at Pike River Mining.

One of the medium-term priorities for the Minister for the Environment is to review frameworks for managing the risks posed by chemical and biological hazards. The Department will also contribute to this work.

Pressures and risks over the next four years

Vote Labour faces the challenge of transforming services to improve effectiveness and efficiency whilst managing accumulated operating cost pressures of around \$12 million by 2014/15. The Department forecasts cost pressures of 2 percent to 3 percent per annum comprising remuneration increases, market related rental adjustments, and price increases as a consequence of inflation. Pressure is also coming from a range of

business costs which include funding for HSNO Act workplace enforcement and the Adventure Tourism review.

A comprehensive programme of transformational change is underway. This will deliver more effective and efficient delivery of services to workplaces; improved and more cost effective policy advice; and leaner, more customer focussed corporate functions.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

Corporate functions

The Corporate Model Implementation Project (CMIP), which was implemented in 2009/10, brought all of the corporate functions together to create a strong centre for the Department. A number of secondary reviews of the Department's marketing and communications, finance and information technology functions are underway. These reviews will deliver more effective, more efficient services and will support the sustainability of the Department's external functions over the forecast period.

Policy and Research functions

The Policy, Research, Evaluation and Vote Employment (PREE) changes which were implemented on 1 December 2010, created a strong central Policy and Research Group to provide strategic whole-of-labour market advice and leadership backed by robust policy, research and evaluation. This initiative will deliver continued performance improvement, and will enable the Department to deliver high quality policy advice whilst managing cost pressures and generated some savings which will support other departmental change programmes.

Service delivery functions – the Labour Group Change Programme

The Labour Group Change Programme will transform the way health and safety and employment relations services are delivered so that they can better assist workplaces to meet their obligations and ensure compliance when they do not.

In order to achieve this, the Department will reprioritise to sharpen the focus on core services, reducing activities which, whilst useful, are not essential.^[2]

Delivery of this programme will enable the Department to lift its performance whilst managing cost pressures over the forecast period.

This section provides details of the cost pressures within Labour Group, the operational decisions that will be made subject to the outcomes of the internal change process and the decisions required from Budget Ministers. The following table provides a summary of how the Labour Group Change Programme (LGCP) will manage service delivery cost pressures.

The change programme costs will be met through a combination of the savings released through PREE and CMIP changes and the LGCP.

Labour Group Savings Summary#	2011/12	2012/13	2013/14	2014/15
	\$000	\$000	\$000	\$000
Cost Pressure	3,242	5,952	7,423	8,821
Funded by:				
Part one: Operational decisions				
<i>Structural Changes:</i>				
Disestablishing funded vacant positions and reduction in contractor and consultants	(900)	(1,100)	(1,100)	(1,100)
Flatter management structure	(1,500)	(1,500)	(1,500)	(1,500)
<i>Total Funds Reprioritised From Structural Changes</i>	<i>(2,400)</i>	<i>(2,600)</i>	<i>(2,600)</i>	<i>(2,600)</i>
Remaining Cost Pressure/(Surplus)	842	3,352	4,823	6,221
<i>Productivity Improvements:</i>				
Hazardous Substances and New Organisms (HSNO) – Deliver HSNO services in-house in tandem with HSE services and reduce external contracting	(1,000)	(1,000)	(1,000)	(1,000)
Rationalisation of Information Services	(1,000)	(1,000)	(1,000)	(1,000)
<i>Total Funds Reprioritised From Productivity Improvements</i>	<i>(2,000)</i>	<i>(2,000)</i>	<i>(2,000)</i>	<i>(2,000)</i>
Remaining Cost Pressure/(Surplus)	(1,158)	1,352	2,823	4,221
<i>Reprioritisation from Policy services:</i>				
Funds reprioritised from research to cover the implementation of Adventure Tourism health and safety regime	(400)	(400)	(300)	0
<i>Total Policy Reprioritisation</i>	<i>(400)</i>	<i>(400)</i>	<i>(300)</i>	<i>0</i>
Remaining Cost Pressure/(Surplus)	(1,558)	952	2,523	4,221

Table continues on next page

Part two: Budget Decisions				
Repriorisation Options to fund future year deficits:				
<i>Repriorisation of funding from lower priority activities:</i>				
Completion of workplace productivity research and demonstration projects (PWG)	(595)	(595)	(572)	(572)
Reduction of the Employment Relations Education Contestable Fund (ERE)*	(678)	(678)	(678)	(678)
Removal of EEO Trust unmatched funding*	(547)	(547)	(547)	(547)
Disestablish the Partnership Resource Centre (PRC)	(500)	(1,173)	(1,173)	(1,173)
<i>Total Savings Repriorisation from lower priority activities</i>	(2,320)	(2,993)	(2,970)	(2,970)
Additional costs associated with Pike River	(2,000)	0	0	0
Funds for reinvestment in change programme	(1,878)	(2,041)	(447)	1,251
Part three: Post-Budget 2011 decisions				
<i>Access to third party funding</i>				
[2]				

Indicative savings summary which may change once final decisions made

* Non-departmental appropriation

The following sections provide a summary of the changes proposed in the table. Further details, including options for consideration, are contained in Appendix One.

Part One – Operational Decisions

The Labour Group was established following internal changes within the Department which created a platform for stronger corporate, policy and service delivery functions. These changes will allow the new Labour group to be a more targeted service delivery group, with a flatter management structure and a strong operational focus.

As set out in the table above, the Department will achieve \$4.8M in offsets to its cost pressures in the 2011/12 year through the first phase of the Labour Group Change Programme. This will be realised by implementing a flatter management and leaner head office support structure, rationalising information provision functions, and insourcing a significant amount of work currently delivered under the HSNO Act.

An important priority for Government is implementing the new health and safety regime in Adventure Tourism. Policy expenditure earmarked for research in the 2010/11 year will be reprioritised to fund this.

Part Two – Budget 2011 decisions

The operational initiatives outlined above will enable the Department to reinvest in Phase 1 of the LGCP, and will position the Department to improve the effectiveness of Vote Labour frontline services. Full implementation of the model will depend on reprioritising from non core services, [2]

The business transformation programme outlined above is focused on moving resources back to core business – the frontline delivery of health and safety and employment relations services through the Health and Safety Inspectorate, the Labour Inspectorate and the Mediation Service. Supporting these changes, the proposals for reprioritisation within Vote Labour are focused on ceasing or reducing a number of funded initiatives that are not directly aligned to these core services. These include:

- Ceasing work to improve workplace productivity though focusing on work practices at a firm level. The WPWG was set up by the previous government in 2003 to encourage workplace practices which promote workplace productivity. A productivity tool kit was developed and disseminated to business, and a number of demonstration projects with firms undertaken.
- Reducing the Employment Relations Education (ERE) Contestable Fund – this fund is allocated to employers, employers' organisations, unions etc. to provide training related to employment relations or health and safety – it is proposed the overall fund be reduced. The portion of the Fund spent on training of health and safety representatives would be increased from \$0.3M to \$0.5M.
- Cancelling the unmatched funding for the Equal Employment Opportunity (EEO) Trust. Originally set up in 1992, the government agreed to provide the Trust with funding matched 2:1 against contributions from members up to a maximum of \$0.445M. In addition, unmatched funding of \$0.547M has been provided. It is proposed that the un-matched funding be ceased but the matched contribution be retained.
- Ceasing the Partnership Resource Centre (PRC) – the Centre works with parties in unionised workplaces to assist the parties to improve employee relationships and workplace performance.

More details on each of these initiatives, including examples of the projects they have delivered in the past, are contained in Appendix Two.

As part of the Budget 2011 process, and in order to enable the Department to strengthen its core Vote Labour frontline services, it is requested that the Government considers winding up or reducing each of the above programmes and reprioritising the resources. Appendix One provides a breakdown of each of these outputs and the risks and trade offs relevant to each.

As noted above, the Department can manage the cost pressures operationally in 2011/12. If Ministers agree with all four of the above recommendations from 2012/13, their combined impact (\$2.88M per annum) would be sufficient to allow the Department to manage its cost pressures until 2014/15, when a forecast deficit of \$1.37M could be met by [2]

Part Three – Post Budget 2011 decisions

[2]

Section 4: Summary of Financial Movements

Four-Year Budget Plan - Financial Summary Report (Capital 2011)

Vote:	Labour	2010/11	2011/12	2012/13	2013/14	2014/15
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Capital						
Baseline (2010/11 OBU)		36,200	19,579	19,579	19,579	19,579
Proposals for new Capital Funding						
Refurbish/Replace						
Total Refurbish/Replace		0	0	0	0	0
Improve Functionality						
Total Improve Functionality		0	0	0	0	0
Meet Demand						
Total Meet Demand		0	0	0	0	0
Capital Associated with Operating Initiatives						
Total Capital Associated with Operating Initiatives		0	0	0	0	0
Total Capital Proposals		0	0	0	0	0
Total Proposed Capital Baseline		36,200	19,579	19,579	19,579	19,579

Four-Year Budget Plan - Financial Summary Report (Operating - Including Operating Associated with Capital Initiatives 2011)

Vote:	Labour	2010/11	2011/12	2012/13	2013/14	2014/15
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Share Allocation		0	0	0	0	0
Operating						
Baseline (2010/11 OBU)		89,719	86,351	85,103	85,341	84,975
Changes:						
Centralised Saving						
Transfer ERE Funding		0	-678	-678	-678	-678
Transfer Joint EEO Trust unmatched funding		0	-547	-547	-547	-547
Total Centralised Saving		0	-1,225	-1,225	-1,225	-1,225
Reprioritisation						
Reprioritise ERE Funding		0	678	678	678	678
Reprioritise Joint EEO Trust unmatched funding		0	547	547	547	547
Total Reprioritisation		0	1,225	1,225	1,225	1,225
Transfers Outside Vote						
Total Transfers Outside Vote		0	0	0	0	0
Total Changes		0	0	0	0	0
Total Proposed Operating Baseline		89,719	86,351	85,103	85,341	84,975

Vote Labour Appropriation Summary

OBU 2010	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
VOTE: LABOUR					
Departmental Output Expenses					
International Services	989	936	935	937	934
Policy Advice - Labour	10,820	10,302	10,268	10,292	10,254
Services to Promote and Support Fair and Productive Employment Relationships	26,538	25,454	25,414	25,492	25,372
Services to Promote and Support Safe and Healthy People and Workplaces	38,672	37,866	37,791	37,913	37,725
Services to Promote and Support the Safe Management of Hazardous Substances in the Workplace and Amusement Devices	5,367	4,193	3,095	3,107	3,090
Total Fixed Baseline	82,386	78,751	77,503	77,741	77,375
Non-Departmental Output Expenses					
Employment Relations Education Contestable Fund	889	1,178	1,178	1,178	1,178
Health and Safety in Employment Levy - Collection Services	869	869	869	869	869
Total Non-Departmental Output Expenses	1,758	2,047	2,047	2,047	2,047
Non-Departmental Other Expenses					
Bad Debt Expense	15	15	15	15	15
Employment Relations Authority Members' Salaries and Allowances PLA	3,202	3,180	3,180	3,180	3,180
International Labour Organisation	1,400	1,400	1,400	1,400	1,400
Joint Equal Employment Opportunities Trust	943	943	943	943	943
New Zealand Industrial Relations Foundation	15	15	15	15	15
Total Non-Departmental Other Expenses	5,575	5,553	5,553	5,553	5,553
Departmental Capital Expenditure					
Department of Labour - Capital Expenditure PLA	36,200	19,579	19,579	19,579	19,579
Total Departmental Capital Expenditure	36,200	19,579	19,579	19,579	19,579
Total Annual and Permanent Appropriations	125,919	105,930	104,682	104,920	104,554

Appendix One: Detail Regarding Proposed Changes for Budget 2011

Part One – Operational Changes

1. Develop and implement a new service delivery model

As noted above, the Labour Group Change Programme will transform Vote Labour service delivery functions. This programme complements the corporate and policy changes made by the Department in the 2010/11 year.

Phase One of the programme will flatten the management structure, trim the national support functions, bring some HSNO service delivery in-house and streamline information provision. Phase One will be implemented by July 2011 and will enable the Vote Labour services to meet generic and specific cost pressures in the 2011/12 year.

During the 2011/12 year, Phases Two and Three of the Programme will make fundamental changes to the service delivery model. A new operating model for frontline delivery will: a single point of customer access which will increase efficiency and enable sharper and nationally consistent prioritisation of service response; more proactive targeting of services to areas of need or persistent problems with more collaboration with others on those problems; more services responses provided electronically or by telephone; streamlined proactive provision of information to workplaces and stakeholders; more robust and targeted use of enforcement tools; better matching and more flexibility in matching resources to demand; and improved national consistency and customer service.

Contribution to Government's priorities

The changes will contribute to the Government's priority of better, smarter public services.

2. Pike River Mine Investigation

Following the explosion at the Pike River Coal Mine, the Department is undertaking an investigation within its mandate under the HSE Act. In addition the Department will support the Commission of Inquiry.

The costs of the Department's investigation are uncertain. It is likely to be the largest investigation the Department has ever undertaken. Should the Department move into prosecution, it will be very resource intensive.

The Department will fund the costs pressure for 2010/11, which is estimated to be in the range of \$2.00M to \$2.50M. This is being funded through vacancies held during organisational changes in 2010/11. The 2011/12 costs, which are approximately \$2.00M, will be met through the reprioritisation of funding from low priority activities.

Once a robust cost estimate can be determined, a funding plan will be developed in consultation with The Treasury.

The outcome of the Royal Commission may also call for changes in the nature and role of the Department with regard to mining and other high hazard industries. These will need to be considered in due course.

3. Adventure Tourism Review

Background

In September 2009, the Minister directed the Department to lead an inter-agency group to investigate and report back on ways of improving risk management and safety in the adventure tourism sector.

On 18 August 2010, Cabinet agreed in principle to introduce a compulsory registration scheme for the adventure tourism sector (excluding adventure aviation activities, commercial jet boating and rafting for which rules-based requirements already exist) with a requirement for upfront and periodic external safety audits and an obligation on operators to keep their registration up-to-date.

Cabinet also noted that the Minister had directed the Department to work on a package of complementary initiatives to: facilitate establishing an industry-led entity; evaluate and investigate accrediting the safety auditing schemes; investigate whether New Zealand should be represented on the International Organisation for Standardization's working group for adventure tourism; and improve knowledge and practice in the sector [EGI Min (10) 19/10 refers].

Issues

The Department will face implementation costs for the package of initiatives of approximately \$1.30M between 2010/11 and 2014/15. \$0.20M of this cost is incurred in the 2010/11 year.

Preferred option

The implementation costs will be met by reprioritised funds from the Policy work programme currently earmarked for research in the current year, to support the implementation costs over the next three financial years.

Part Two – Budget 2011 Decisions

Please note: further details of these initiatives can be found in Appendix Two

1. Productivity

The previous Government established the Workplace Productivity Working Group, a tripartite project, in 2005. The WPWG last met in October 2008. Under the leadership of the WPWG, the Department established a productivity work programme, which sought to raise labour productivity through focussing on work practices at the workplace level. The 2010/2011 work programme will see the completion of productivity projects instigated in 2009.

Alignment to Government priorities

The government has created alternative approaches to improving workplace productivity through the creation of the Productivity Commission and the High Performance Working Initiative.

Preferred option

The Department recommends disestablishing the productivity work programme by ceasing to fund any new productivity projects and maintain, but not enhance, current dissemination of materials.

Currently, \$0.05M is committed past June 2011 (in a joint project with Dairy New Zealand).

Risks

The High Performance Working Initiative, established by the Government in 2010, may be oversubscribed. This proposal would reduce the ability of the Department to meet that demand in other ways.

2. Employment Relations Education (ERE) Contestable Fund

The ERE Contestable Fund is administered by the Employment Relations Ministerial Advisory Committee (EREMAC). EREMAC makes recommendations to you about the allocation of resources from the ERE Contestable Fund and provides strategic or general advice to you about the overall programme and future of employment relations education.

Alignment to Government priorities

The training for workplace safety representatives is recognised with employers being required to provide their staff with two days paid leave to attend the training. Funding the courses is an efficient mechanism for improving the health and safety capability of

New Zealand workplaces. The other initiatives funded through the ERE Contestable Fund can be ceased without impacting on the Government's priorities.

Preferred option

The Department proposes that ERE funding is reduced overall, with funding allocated to Health and Safety (H&S) courses increasing over the forecast period. The remaining funds would be reprioritised within Vote Labour.

In the 2010/11 funding of \$0.30M was allocated to H&S representative training. It is proposed that this be increased to \$0.50M over the forecast period with the remaining \$0.68M being reallocated within Vote Labour.

Risks

In the 2009/10 funding round, you accorded priority to H&S related proposals with no funding approved for employment relations proposals. This decision was criticised by unions and employers.

3. Equal Employment Opportunity (EEO) Trust

The EEO Trust is a not-for-profit organisation that provides information and tools to employers to support diversity in workplaces. The Trust is funded through membership fees, matched funding from government and unmatched funding. The intention was that the Trust be funded in equal parts from both the private and public sector.

Alignment to Government priorities

The work of the EEO Trust is not closely aligned to the Government's priorities.

Preferred option

Cease unmatched funding for the EEO Trust. The funds would be reprioritised within Vote Labour.

Risks

The cessation of the un-matched funding will likely require the EEO Trust to reduce their activities or cease operating. This would likely attract criticism.

4. Partnership Resource Centre (PRC)

The PRC assists firms to improve productivity, innovation, and service delivery, and to create better jobs, by modernising employer union relationships in the workplace through the development of partnerships between employers and unions.

Alignment to Government priorities

The focus on improved employment relations between unions and employers to improve workplace productivity is aligned to Government priorities.

Preferred option

Disestablish the PRC. These funds would be reprioritised within Vote Labour.

Risks

Decisions to modify or discontinue with PRC would likely attract criticism, particularly from unions.

Part Three – Post Budget 2011 Decisions

[2]

[2]

Appendix Two: Details of Initiatives under consideration

Productivity*

(*excludes \$1.00M per annum for the High Performance Working Initiative approved by Cabinet on 30 August 2010)

<u>Purpose</u>	The Department's productivity work programme is concerned with raising labour productivity through focussing on work practices at the workplace level. This firm-level focus is intended to increase the uptake and use by individual firms of key productivity messages, knowledge and resources.
<u>Funding</u>	<p>\$0.75M has been provided in 2010/11.</p> <p>This will be reduced by \$0.16M in 2011/12 and \$0.18M in outyears. Part of the Department's contribution to the New Zealand Productivity Commission (NZPC) is funded from this source, and the contribution is to be increased in line with the NZPC becoming fully operational.</p>
<u>Governance</u>	The programme is managed within the Department (Information & Promotion, Labour Group).
<u>Outputs</u>	<p>Since 2006, the productivity work programme has focussed on implementation of action research productivity projects, which have consisted of working with trusted partners (e.g. industry organisations) to identify and support firms in implementing high performance working practices.</p> <p>The work programme for 2010/11 consists of the following elements:</p> <ul style="list-style-type: none"> • dissemination and general awareness raising activities • productivity projects, and • ongoing research and evaluation. <p>The 'dissemination' component consists of information resources providing practical advice as to how company managers and staff can improve their workplace practices, and thus raise productivity within their organisations.</p>

	<p>This funding may be used in the future to support the dissemination of productivity messages and resources developed as a follow-up to projects funded through the High Performance Working Initiative. This follow-up is regarded as integral to the intervention rationale for the programme.</p> <p>In its approval for the High Performance Working Initiative, Cabinet</p> <p>noted that the existing Workplace Productivity programme will be refocused so that communications activities, to disseminate and mainstream the lessons learnt, will have a prominent role and be explicitly designed to complement the new Initiative</p> <p>(CAB Min (10) 38/1 and EGI Min (10) 20/12 refer)</p> <p>The 'projects' component is intended to fund productivity projects initiated by the Department in support of its activities such as sectoral engagement. An example of this is the Construction Productivity Partnership, where a possible productivity project has been proposed as part of the Departmental input to the Partnership, especially to test elements relating to productivity, employment relations and health & safety.</p>
<p><u>Operations</u></p>	<p>The 2010/2011 work programme will see the completion of productivity projects instigated in 2009 (to which a significant share of funding is already committed). There are three projects still running – two will be completed before the end of this financial year and the third will be completed by April 2012.</p> <p>The dissemination component currently provides on-line and printed resource material for use by firms. This activity is to be reviewed, a revised strategy developed and the materials to be revamped accordingly.</p>

Employment Relations Education (ERE) Contestable Fund

<p><u>Purpose</u></p>	<p>The ERE Contestable Fund was established to support the development and delivery of approved courses of employment relations education approved under section 72 of the Employment Relations Act 2000 and H&S courses approved under section 19G of the Health and Safety in Employment Act 1992.</p> <p>Funding is contestable and may be allocated to employers, employers' organisations, unions, union organisations, and organisations recognised under the Education Act, or by NZQA, to deliver employment relations and H&S representative training.</p>
<p><u>Funding</u></p>	<p>As part of Budget 2009, the funding available to ERE was reduced from \$1.78M to \$0.89M for the 2010/11 funding round. Some funding was re-prioritised to frontline employment relations services and additional funding was re-prioritised to HSNO contingencies as the previous income stream for those purposes had ended.</p>
<p><u>Governance</u></p>	<p>Funding requests are considered by the EREMAC. Business NZ and the NZCTU are members of the EREMAC.</p> <p>Appointments are to be made to the EREMAC as the terms of members expired at the end of March 2010. In May 2010 you decided to reduce the size of the EREMAC from a chair and 10 members to a chair and 4 members. Business NZ is required to advise the names of its two nominees before the appointment process can proceed.</p>
<p><u>Outputs</u></p>	<p>Priorities for funding for the 2010/11 funding round agreed by you are H&S representative training for five sectors identified by the Department, and employment relations education with a focus on reducing workplace disputes.</p>
<p><u>Example of projects</u></p>	<p>The applications approved for workplace health and safety projects for the fiscal year ending 30 June 2010 were:</p> <ul style="list-style-type: none"> a Business New Zealand, Continued delivery of training courses for health and safety representatives, \$0.267M b Land Based Training Ltd, Delivery of Level 1 Health and Safety representative comprehensive introductory course, \$0.04M c Working Wise Ltd, Building productive healthy and safe workplace cultures, \$0.04M d New Zealand Council of Trade Unions (NZCTU), Health and Safety Representative Training Follow up Pilot, \$0.05M, and e Engineering, Printing and Manufacturing Union (EPMU), Komiti Pasifika Health and Safety Fono Project, \$0.01M.

Equal Employment Opportunity (EEO) Trust

<p><u>Purpose</u></p>	<p>The EEO Trust is a not-for-profit organisation tasked with providing EEO information and tools to employers and raising awareness of diversity issues in New Zealand workplaces.</p> <p>The EEO Trust assists employers in introducing and managing EEO thinking and practices, encourages diversity by promoting the recruitment and development of people on the basis of merit and generates awareness of the business benefits and rewards of an inclusive workplace.</p>
<p><u>Funding</u></p>	<p>The government provides matched funding on a 2:1 basis against the funding the Trust receives from membership fees paid by employers. The maximum funding available under the matched funding arrangement is \$0.395M (excl. GST) per annum. The government provides additional unmatched funding to the Trust. In 2009/10, the unmatched contribution was \$0.547M (excl. GST).</p>
<p><u>Governance</u></p>	<p>The EEO Trust is an independent not-for-profit organisation governed by Board of Trustees from both the private and public sectors.</p>
<p><u>Outputs</u></p>	<p>The EEO Trust provides information, tools and support to businesses to support diversity in New Zealand workplaces and provides awards to recognise exceptional firms in this field. The EEO Trust also undertakes and distributes research into diversity issues.</p>
<p><u>Example of members</u></p>	<p>The EEO Trust has an extensive range of member organisations including government departments, a full range of private companies from large employers to small to medium enterprises, and a range of charitable trusts.</p>

Partnership Resource Centre

<p><u>Purpose</u></p>	<p>International best practice and research suggests that improving employee and union engagement in firms can significantly improve workplace performance.</p> <p>The PRC assists firms to improve productivity, innovation, and service delivery, and to create better jobs, by modernising employer union relationships in the workplace through the development of partnerships between employers and worker representatives.</p>
<p><u>Resources and Personnel</u></p>	<p>The Partnership Resource Centre (PRC) is funded \$1.17M per year, for four full-time staff, including two in Auckland. The allocation also funds the projects undertaken with businesses and unions.</p>
<p><u>Governance</u></p>	<p>A six person Independent Advisory Board provides advice around the implementation of the work plan to the Secretary of Labour. The Board is independent of the Department and Members have backgrounds that reflect academic, and public and private sector union and employer experiences.</p>
<p><u>Outputs</u></p>	<p>The key outputs of the Centre include:</p> <ul style="list-style-type: none"> • being a catalyst and advocate for partnership initiatives • providing interventions and support to partnership projects such as training, consulting and facilitation • providing intellectual leadership through local and international research, including the monitoring and evaluation of good practice, and • disseminating the learning from experience, as well as good practice, through resources, case studies and networking.
<p><u>Operations</u></p>	<p>Services are delivered through the Advisory Board Members, Associates (accredited contractors with extensive experience and skills in employment relations and organisational development), and professional networks.</p>

Example of projects

Projects are generally focussed on real issues in workplaces and are jointly commissioned and agreed by the employer and union(s) of the particular organisation.

Some examples of recent PRC partnership projects are

- work with ACCOR Hotels and the Unite Union to reduce staff turnover through improved problem solving and staff engagement. The project is continuing but so far staff turnover rates in the two hotels in the project have reduced from around 75% in the year to Dec 2007 to 46% in the year to Dec 2008.
- projects with KiwiRail and the Rail and Maritime Union which have contributed significantly to a 15% improvement in productivity in Locomotive rebuilds at the Hutt Workshops and enabled track maintenance to move to a 24/7 operation without disruption.
- Assisting District Health Boards of NZ and the Resident Doctors Association in the follow up to their recent Collective Agreement settlement.

The Centre is also working on other projects in the private sector and in the health and public sectors to improve workplace productivity.