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Chair
Cabinet

LABOUR MOBILITY: \$3K TO CHRISTCHURCH INITIATIVE

Proposal

- 1 I propose introducing a package which will connect beneficiaries nationwide to the Canterbury labour market. The package will provide a financial incentive of \$3,000 for beneficiaries outside of Canterbury¹ to move to Canterbury for work during 2014/15 only. The financial incentive will provide the financial certainty beneficiaries need to relocate. The proposal will:
 - address the need for more workers in Canterbury
 - help employers to source New Zealand labour
 - help beneficiaries gain employment.

Executive summary

- 2 The Canterbury Rebuild is putting increasing pressure on the local labour market. There are unemployed beneficiaries outside of Canterbury who could do this work but do not necessarily have the financial means or impetus to move.
- 3 The proposed package has two components. The first component focuses on connecting beneficiaries to the Canterbury labour market by promoting opportunities to beneficiaries outside the region. The second component involves providing a financial payment as an incentive for beneficiaries to move.
- 4 The financial incentive will be a lump sum payment of \$3,000 to beneficiaries outside of Canterbury who are interested in moving to Canterbury for work in any occupation. All eligible beneficiaries would need proof of a confirmed full time job offer of at least 30 hours a week and for more than 91 days to receive the payment.
- 5 The payment would be non-recoverable in most circumstances. In cases where a beneficiary came back on to benefit within three months of receiving the payment without a good and sufficient reason they would be required to repay the money.
- 6 Other financial support would continue to be available to beneficiaries eligible for the \$3,000 incentive, such as Transition to Work grants which assist beneficiaries to find work, and wage subsidies for eligible beneficiaries.
- 7 I propose funding 1,000 beneficiaries who have job offers to move over the 12 months from 1 July 2014 to 30 June 2015. Funding of \$3.5 million has been sought through Budget 2014.

¹ Canterbury refers to Ashburton, Hurunui, Selwyn, and Waimakariri District Councils and the Christchurch City Council. This is consistent with the definitions used in other social security assistance provisions (e.g. the Canterbury Earthquake (Social Security Act) Order (No 2) 2010).

Background

- 8 The rebuild following the Canterbury earthquakes has strengthened employment opportunities in Canterbury where the labour market is strong. According to the December 2013 quarter of the Household Labour Force Survey, the Canterbury unemployment rate is 2.3 per cent.
- 9 Work obligated client numbers have been steadily declining since the implementation of Welfare Reform changes in July 2013. As at March 2014, there were fewer than 3,000 full-time work obligated clients left in the Canterbury region and slightly fewer with part-time work obligations. Still fewer of these clients are work-ready, with just 342 18-24-year-olds being rated with a low likelihood of long-term benefit receipt (LLTBR). The total Canterbury pool of work-obligated jobseekers of all ages with a low LLTBR is just 732, compared to the national total of 16,736.
- 10 The area of greatest labour growth in Canterbury is the construction sector, which has increased its workforce by 90 per cent since 2012. This growth equates to around 15,000 additional workers in the construction sector. There will be employment growth in other sectors, such as hospitality and retail, as a result of servicing this growth. The Canterbury rebuild across all its work streams is poised to accelerate over the next year. The forecast work programmes imply a need to double the current flows of labour supply into Canterbury (from around 500 construction workers per month to around 1,000), with a considerable increase in pressure on an already tight housing market.

Comment

- 11 The package I am proposing has two components. The first component focuses on connecting beneficiaries to the Canterbury labour market by promoting opportunities to beneficiaries outside the region. The second component involves a lump sum financial incentive.
- 12 While it will be open to all beneficiaries, the promotion of the initiative will be targeted at those aged 18 to 24 years. Currently there are around 19,000 part-time and full-time work obligated beneficiaries living outside of Canterbury who are aged 18 to 24 years. There is therefore a large pool of beneficiaries who may take up job opportunities in Canterbury if they were given the financial means and impetus to move.
- 13 As well as ensuring there are more workers available for the rebuild effort, this financial assistance provides an opportunity for beneficiaries to move to Canterbury to use existing skills and gain valuable work experience which will reduce their chance of coming back on to benefit. It also means New Zealanders have first choice to access work opportunities over migrants and provides additional support for them to be able to do this.
- 14 While providing a payment to beneficiaries to move to Canterbury may create equity issues with other regions where there may also be labour shortages, I consider that Canterbury is a special case. The Government needs to support the Canterbury rebuild and assist Cantabrians to rebuild Canterbury as quickly as possible. If the package is successful, it could be rolled out more widely in the future.

Component One: connecting beneficiaries to the Canterbury labour market

- 15 Work and Income already provides a range of employment assistance and training to assist beneficiaries into employment. This primarily focuses on local employment opportunities. There is an opportunity to do more to match beneficiaries to employment in other regions,

particularly Canterbury where there will be a range of jobs available in different industries. While open to all beneficiaries the focus will be on those aged 18 to 24 years.

- 16 Under the proposal, Work and Income will actively raise awareness of the job opportunities in Canterbury through activities such as:
 - 16.1 advertising Canterbury Work and Income vacancies in other regions
 - 16.2 raising awareness of the Canterbury Skills and Employment Hub to beneficiaries and actively encouraging jobseekers to update their Jobseeker profiles so they are included in any data match for relevant jobs in Canterbury
 - 16.3 marketing the '\$3K to Christchurch' package to both beneficiaries outside of Canterbury and to employers within it
 - 16.4 facilitating employers to consider employing beneficiaries from other regions, for example, arranging for a group of jobseekers to meet a potential employer in one session.
- 17 This component of the package is critical for the rest of the package to be successful. As part of marketing the package to employers and beneficiaries, Work and Income will promote the range of assistance available to beneficiaries to help them into employment, such as Job Streams (a tailored, flexible package covering wage subsidies, training and in-work support).
- 18 Beneficiaries eligible for the '\$3K to Christchurch' package will still be able to access Transition to Work (TTW) to assist them with job search requirements, interviews, and clothing or equipment where necessary and within current rules. The maximum a person can currently access through TTW in a 52 week period is \$1500.
- 19 An example of how this would work in practise is outlined below:
 - James is a beneficiary living on the East Coast. He is 25 with no children. He has been unable to find work in the area and has been on and off the unemployment benefit for two years. He has done some training through Work and Income and some seasonal work but has not been able to find on-going work.
 - A case manager phones James and talks him through options for moving to Canterbury for work. The case manager encourages him to check vacancies on TradeMe and Seek and suggests uploading his details onto the Opportunities Canterbury website which links into the Canterbury Skills and Employment Hub.
 - James is interested in working in Canterbury and there is interest from a couple of employers. As James has been on benefit for a while, he is suitable for Flexi-wage. A video conference interview is arranged between James and the employer. In addition, Work and Income has arranged for an employer to travel to the East Coast to interview 10 beneficiaries for construction work, including basic labouring. James is one of these beneficiaries and is offered a job in Canterbury.

Component Two: Accessing the financial payment

- 20 I propose making the financial incentive available to any beneficiary outside of Canterbury who is interested in moving to Canterbury for work in any occupation.
- 21 All eligible beneficiaries will need to have proof of a confirmed full time job offer (i.e. at least 30 hours a week and for more than 91 days) through either a contract, a letter of offer or

confirmation from an employer. The payment is only available for beneficiaries who will move off benefit.

- 22 For the purposes of this proposal a beneficiary is a person who is currently receiving an income-tested benefit or a person who has applied and is eligible for an income-tested benefit.
- 23 I propose providing a one-off payment of \$3,000 to any beneficiary who meets the above eligibility criteria above. This ensures the payment is easy to understand, simple to administer and transparent. While this does not account for different relocation costs a person may have (based on whether they are single or a family unit) or their location, the payment will still make a substantial contribution to assist any eligible beneficiary to move. Beneficiaries may be able to access other financial support available, such as Recoverable Assistance Payment.
- 24 Beneficiaries will not be required to provide proof of costs and the money will be paid in one lump sum.
- 25 The payment will be non-recoverable where a beneficiary is off benefit for at least three months. In addition, it will be non-taxable and exempt from any income and asset tests. Being off benefit for three months ensures beneficiaries give moving to Christchurch a chance and become accustomed to a new environment.
- 26 In the main it is anticipated that most beneficiaries will make the most of this opportunity and use the payment wisely to further their employment prospects. However, there may be a number conditions under which we would expect the payment to be repaid, such as early return to benefit without a good and sufficient reason; serious misconduct leading to dismissal.
- 27 Examples of how this will work in practice are outlined below:
 - Seven weeks after John starts employment in Christchurch he gets made redundant and he applies for and is granted a benefit (the \$3,000 is non-recoverable).
 - After working for 2 months at her new job in Christchurch Sarah verbally abuses a client of her employer and she is fired for serious misconduct. Sarah then applies for a benefit and is subject to a voluntary unemployment stand-down (the \$3,000 is recoverable from Sarah, a debt would be established and she would be required to repay).
 - Under the 90 day trial provisions Matt's employers decided not maintain his employment and he applies for, and is granted a benefit (the \$3,000 is non-recoverable).
 - After six months Jo is dismissed for lack of attendance and applies for a benefit. He receives a voluntary unemployment stand-down (\$3,000 is non-recoverable because he has been off a benefit for more than three months).
 - Janie leaves her job in Christchurch after 2 months and returns to Auckland because her mother is seriously ill. She applies for and is granted a benefit because she has a good and sufficient reason (the \$3,000 is non-recoverable).
- 28 Transition to Work (TTW) will continue to be available to beneficiaries eligible for the \$3,000 payment but only for job search requirements and for bridging finance where a person is in between jobs. The \$3,000 financial incentive will only be available for a person to use once in a 52 week period, similar to current settings for TTW.

Risks

- 29 In general, those in the target age group (18 to 24 years) may not have accumulated the skills or experience that is in demand from Canterbury employers. Assistance such as Job Streams can be used in conjunction with this incentive and assist these beneficiaries to access work opportunities.
- 30 I am aware that access to accommodation may be difficult. In addition, accommodation costs have increased in Canterbury meaning it may not be financially viable for some beneficiaries to move. However, I understand that some large employers are providing accommodation for workers for short periods of time. While a lack of accommodation is likely to reduce the number of beneficiaries who may be able to move, this may also create an incentive for beneficiaries to consider alternative options, such as staying with relatives.
- 31 I propose providing a single lump sum payment, which will reduce the administrative burden and place the onus on beneficiaries to use the money in a way that is most useful to them. The \$3,000 will only be accessible once beneficiaries have a confirmed job offer. Although eligible applicants could use the funds for other purposes there are a number of requirements which reduce the likelihood of this happening, such as requiring them to have a confirmed job offer.
- 32 A number of jobs offered are likely to have the 90 day trial period included in the employment contract or agreement. While beneficiaries may claim that they have lost their job through the 90 day trial period, they may in fact have been dismissed for misconduct. However, this would be difficult to verify and there would need to be strong evidence to determine this. The likelihood of beneficiaries moving solely so they can claim the \$3,000 is expected to be low.
- 33 There is a risk that more people take up the offer than anticipated and funds are quickly exhausted. If this is the case, I would consider expanding it further in the future. On the other hand, take up may be smaller than anticipated. MSD will monitor the uptake of this assistance and track demographic information such as region of origin, age, gender and benefit type. This will allow us to assess how widely this assistance is used and review whether further funding should be considered. There may also be opportunities for roll out to other regions if successful.

Consultation

- 34 The following government agencies have been informed about this paper: The Department of the Prime Minister and Cabinet, the Treasury, the Ministry of Business, Innovation and Employment, and the Canterbury Earthquake Recovery Authority.

Financial implications

- 35 The cost for the package will be \$3.5 million in 2014/15 only. Funding has been included in Budget 2014.

Human rights implications

- 36 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 37 Payment of the \$3K to Christchurch initiative will be implemented through a welfare programme established in accordance with the provisions of the Social Security Act 1964.

Regulatory impact and compliance cost statement

- 38 A regulatory impact statement is not required as the proposals in this paper do not involve changes to primary legislation or regulations. Payments proposed through a Welfare Programme are made under existing provisions of the Social Security Act.

Gender and disability implications

- 39 The initiative in this paper has no gender or disability implications.

Publicity

- 40 I intend to publicly announce this initiative following Cabinet's agreement.

Recommendations

- 41 It is recommended that the Cabinet:
- 1 **agree** to introduce a '\$3K to Christchurch' package to assist beneficiaries to move to Canterbury² for work;
 - 2 **agree** to the package containing two components which comprise of a pre-job offer component and a post-job offer component;

Component one: Connecting beneficiaries to the Canterbury labour market

- 3 **agree** that the first component will consist of Work and Income actively raising awareness of the job opportunities in Canterbury to beneficiaries through activities such as:
 - 3.1 advertising Canterbury Work and Income vacancies in other regions
 - 3.2 raising awareness of the Canterbury Skills and Employment Hub to beneficiaries and actively encouraging jobseekers to update their Jobseeker profiles so they are included in any data match for relevant jobs in Canterbury
 - 3.3 marketing the '\$3K to Christchurch' package to both beneficiaries outside of Canterbury and to employers within it
 - 3.4 facilitating employers to consider employing beneficiaries from other regions, for example, arranging for a group of jobseekers to meet a potential employer in one session;
- 4 **note** that beneficiaries who are eligible for the \$3,000 payment will continue to have access to Transition to Work (TTW) to assist them with job search requirements, interviews, and clothing or equipment where necessary;

² Canterbury refers to Ashburton, Hurunui, Selwyn, and Waimakariri District Councils and the Christchurch City Council.

- 5 **note** that beneficiaries eligible for the \$3,000 payment will continue to have access to other assistance to help them into employment, such as Job Streams (a tailored, flexible package covering wage subsidies, training and in-work support);

Component Two: Accessing the financial payment

- 6 **agree** to provide a financial payment of \$3,000 for up to 1,000 beneficiaries who live outside of Canterbury and relocate when they have a job offer;
- 7 **agree** to the following criteria:
- 7.1 that to be eligible for the \$3,000 a beneficiary must have proof of a confirmed full time job offer of at least 30 hours a week and for longer than 91 days in Canterbury
 - 7.2 that the \$3,000 payment will be available once only to the same person in the 52 week period
 - 7.3 a beneficiary is a person who is currently receiving an income-tested benefit or a person who has applied and is eligible for an income-tested benefit;
- 8 **agree** that the payment is recovered in the following circumstances;
- 8.1 where the beneficiary reapplies for a benefit within three months of receiving the payment, and
 - 8.2 the beneficiary has left their job without a good and sufficient reason;
- 9 **note** that funding of \$3.5 million for this initiative is being sought through the Vote Social Development Budget Package Cabinet paper for 2014/15 only.

Hon Paula Bennett
Minister for Social Development

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