

Treasury Report: 2005 Budget Bilateral Briefing - Votes Labour and Immigration

Date:	25 February 2005	Treasury Priority:	High
Security Level:	B-S-UNTIL-BUDGET-DAY	Report No:	T2005/340

Action Sought

	Action Sought	Deadline
Minister of Finance	Read the attached briefing and use it as the basis for making decisions in your bilateral with Hon Paul Swain, Minister of Labour and Immigration.	8.00 a.m., Tuesday 1 March 2005
Associate Minister of Finance (Hon Trevor Mallard)	Read the attached briefing and use it as the basis for making decisions in your bilateral with Hon Paul Swain, Minister of Labour and Immigration.	8.00 a.m., Tuesday 1 March 2005

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[information withheld under s 9(2)(a) of the OIA]		[information withheld under s 9(2)(a) of the OIA]	✓
Mark Sowden	Manager, Labour Market and Income	[information withheld under s 9(2)(a) of the OIA]	

Enclosure: No

25 February 2005

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Treasury Report: 2005 Budget Bilateral Briefing - Votes Labour and Immigration

Attached is a briefing for the bilateral between the Minister of Finance and Hon Paul Swain at 8.00 a.m., Tuesday 1 March 2005 to discuss the Budget initiatives for Votes Labour and Immigration.

The bilateral briefing is structured as follows:

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Background

The Budget initiatives for Votes Labour and Immigration need to be considered in the context of the Department of Labour's (DoL's) realignment of strategic direction in the last 12 to 18 months. As part of this realignment DoL has started to take on a labour market leadership role in order to respond more effectively to labour market issues. This shift in direction for DoL has started to result in a refocusing of the outputs that are being delivered. The agency is also currently undergoing an internal restructuring.

In December 2004, DoL received between-Budget spending of approximately \$6 million¹ in 2004/05 and \$8 million in 2005/06 and outyears to address capability issues that were impacting on its ability to play an effective labour market leadership role [CAB Min (04) 40/3 refers]. Given that there was a need for ongoing capability requirements to be considered more robustly, particularly in light of DoL's shift in strategic direction, Cabinet agreed that the agency undertake an internal review of baselines over the next 12 months and an immigration fees review.

The baseline review, to be undertaken in consultation with the Treasury and the State Services Commission (SSC), will aim to identify a robust and sustainable baseline for DoL in 2006/07 and outyears. The terms of reference for this review will propose a specific focus on identifying the appropriate outputs and requisite capability requirements in DoL. This work will need to be based on a discussion centred on clarifying DoL's role, particularly in terms of its breadth and depth.

The immigration fees review will include ensuring that the principles underlying the appropriate split between Crown funding and third-party fees have been applied consistently across the activities funded as part of DoL's between-Budget spending. DoL expects to report back to Cabinet on the fees review by 23 May 2005. DoL and Treasury intend to engage in 2005 on the application of the overarching principles of immigration fee-setting to ensure that they are applied appropriately.

¹ All dollar amounts in this briefing are GST inclusive unless otherwise noted.

Key issues for discussion

The initiatives proposed by DoL can be considered within two broad headings:

- core DoL activities in Votes Labour and Immigration that officials propose to be funded from a DoL allocation; and
- other initiatives that officials propose to be considered separately from the DoL allocation. These initiatives relate to activities that are not core DOL activities, or that officials propose Ministers agree as contingency items given that policy parameters are still being developed.

Allocation for DoL initiatives

Treasury option

Treasury proposes that operating funding of **\$5 million in 2005/06 and outyears** be allocated for Budget initiatives relating to core DoL activities. We note the following key issues with regard to this allocation:

- **What the allocation will achieve** - This allocation will enable the implementation of all initiatives that Treasury has assessed as either non-discretionary, or discretionary and important to do. These initiatives are focused on meeting the Government's objectives in the areas of offshore and border security, addressing skill shortages, meeting international obligations and work-life balance.
- **Remainder of allocation** - Approximately \$1.2 million in 2005/06, \$0.6 million in 2006/07, \$1 million in 2007/08, and \$2 million remain in outyears after allocating the \$5 million across the above initiatives. We recommend that you invite Hon Swain to prioritise these amounts over a number of different Immigration initiatives that we have assessed as being desirable to implement.
- **Preventing Occupational Disease through Improved Occupational Health Services initiative** - The above approach means that a small number of DoL initiatives will either be scaled down or not be supported. This is likely to have most impact on the occupational health initiative. This bid represents DoL's key capability initiative for this Budget, which Treasury does not support given the baseline review that will be carried out in 2005. The capability requirements in this initiative should be considered as part of the review. This would help to ensure that the type of capability employed is appropriate for the nature and level of outputs identified, and that funding needs are met, in the first instance, through reprioritisation of existing baselines.

DoL is concerned that the occupational health initiative receives support as there remains, ahead of the baseline review, a risk to DoL's overall capability in this area and specifically its ability to respond effectively to the National Occupational Health and Safety Advisory Committee (NOHSAC) report. Should Ministers wish to provide some funding for occupational health capability in 2005/06, Treasury has identified a second-best option of interim funding for one year (\$0.821 million in 2005/06 only). This funding would progress components of the initiative that DoL has indicated as critical and that are of relatively low risk in terms of pre-empting the findings of the baseline review. This interim funding can be met from the remainder of the \$5 million allocation.

- **State sector wages pressures** - Treasury's overall recommended funding levels for DoL's Budget initiatives also reflect the need to take into account wider State sector wages pressures. The size of the State sector wage bill has increased significantly over the last five years and continued increases are likely to significantly constrain Ministers' ability to fund new policies in the near future. Our view is that reprioritisation of resources is the most appropriate response to managing these pressures.

Reprioritisation should be feasible for policy and evaluation elements of DoL's bids given that the appropriations for policy advice, analysis and research for labour market policy and workplace issues over Votes Labour and Employment amount to approximately \$16 million in 2005/06 and outyears.

DoL option

DoL considers that the allocation should be at the quantum of **\$6.061 million in 2005/06, \$5.858 million in 2006/07, \$5.431 million in 2007/08, and \$4.342 million in 2008/09 and outyears**. This level of funding will enable the implementation of all the initiatives to be considered within the allocation, but at scaled-down minimum levels for the occupational health initiative (i.e. Treasury's second-best option as above), Border Security at Airports, and Removals and Onshore Borders and Investigations.

Initiatives to be considered outside DoL allocation

There are six initiatives for which funding needs to be considered outside the DoL allocation. These are briefly outlined below.

- **Extending Paid Parental Leave (PPL) to the Self-Employed** - given that Cabinet has made policy decisions on this initiative, should Ministers wish to fund this initiative the costs are approximately \$1.7 million in 2005/06, \$6.8 million in 2006/07, and \$7.1 million in 2007/08 and outyears.
- **Partnership Resource Centre** - Treasury recommends that you **do not support** this initiative, given that the work programme of the Centre appears to be unclear. In addition, we have a concern that there may be boundary issues between the role of the Centre and that of other parts of the DoL, and other agencies such as SSC. However, should Ministers consider this a desirable initiative, we have identified the option of providing time-limited funding at a reduced level of \$1.5 million for three years, with the consideration of funding in outyears being contingent on a report back on the effectiveness of the Centre.
- Four initiatives to be recognised as **risks against the contingency** in the 2005 Budget:

[information withheld under s 9(2)(f)(iv) of the OIA]

- First Principles Review of the Immigration Act.

Recommended Action

We recommend that you **read** the attached briefing and use it as the basis for making decisions in your bilateral with Hon Swain at 8.00 a.m., Tuesday 1 March 2005.

Mark Sowden

Manager, Labour Market and Income
for Secretary to the Treasury

Hon Dr Michael Cullen

Minister of Finance

Recommendations

Overview of initiatives

- a **note** that the initiatives proposed by DoL can be considered within two broad headings:
- core DoL activities in Votes Labour and Immigration that officials propose to be funded from a DoL allocation; and
 - other initiatives (relating to activities that are not core DOL activities, or that officials propose Ministers agree as contingency items) that officials propose to be considered outside the DoL allocation.
- b **note** the following overview of the initiatives in terms of operating funding:

Operating (GST incl)	\$million - increase/(decrease)				
	2004/05	2005/06	2006/07	2007/08	2008/09 & Outyears
DOL ALLOCATION					
DoL recommendation	-	6.061	5.858	5.431	4.342
Treasury recommendation	-	5.000	5.000	5.000	5.000
OUTSIDE DOL ALLOCATION					
i) Extending PPL to the Self-Employed					
DoL recommendation	-	1.916	6.857	7.127	7.127
Treasury recommendation	-	1.799	6.790	7.060	7.060
ii) Partnership Resource Centre					
DoL recommendation	-	2.000	2.000	2.000	0.000
Treasury recommendation	-	0.000	0.000	0.000	0.000
Risks against the 2005 Budget contingency					
iii) [information withheld under s 9(2)(f)(iv) of the OIA]					
iv) [information withheld under s 9(2)(f)(iv) of the OIA]					
v) [information withheld under s 9(2)(f)(iv) of the OIA]					
vi) First Principles Review of the Immigration Act					

- c **note** that the initiatives above result in total capital expenditure of \$6.257 million in 2005/06 and \$0.850 million in 2006/07 (all GST n/a).

Size of DoL allocation

- d **note** Treasury's view that the DoL allocation should be set at \$5 million of operating funding in 2005/06 and outyears, which would allow for implementation of all initiatives that we have assessed as either non-discretionary or discretionary and important to do.
- e **note** that the approach in recommendation (d) above would result in a residual of the \$5 million allocation, which can be prioritised by Hon Swain over a number of different Immigration initiatives that Treasury has assessed as being desirable to implement.

- f **note** DoL's view that the DoL allocation should be set at a quantum of \$6.061 million in 2005/06, \$5.858 million in 2006/07, \$5.431 million in 2007/08, and \$4.342 million in 2008/09 and outyears.
- g **note** that the level of funding proposed by DoL will enable the implementation of all the initiatives to be considered within the allocation, but at scaled-down minimum levels for Preventing Occupational Disease through Improved Occupational Health Services, Border Security at Airports, and Removals and Onshore Borders and Investigations.
- h **note** that the key differences between Treasury's and DoL's proposed level of funding for the DoL allocation are:

Initiatives	Treasury's recommended level	DoL's recommended level
Border Security at Airports	Will be funded at a scaled option of 11 staff down from 18 May be funded for more than 11 staff if Ministers choose option of using remainder of \$5 million allocation	Will be funded for a scaled down option of 15 staff down from 18
Intelligence Upgrades, and Removals and Onshore Border and Investigations (assessed by Treasury as desirable to implement)	May be funded if Ministers choose option of using remainder of \$5 million allocation	Will be funded, but with Removals staff scaled down from 10 to 5
Preventing Occupational Disease through Improved Occupational Health Services	May be funded for one year for critical elements if Ministers choose option of using remainder of \$5 million allocation	Will be funded for one year for critical elements
Work-Life Balance	Will be funded at a slightly lower level with staff capability components to be reprioritised within baselines	Will be funded at proposed levels

EITHER

- i (i) **agree** that the DoL allocation should be set at a level of \$5 million operating funding in 2005/06 and outyears.

[Treasury option]

Agree/disagree.

OR

- (ii) **agree** that the DoL allocation should be set at a level of \$6.061 million in 2005/06, \$5.858 million in 2006/07, \$5.431 million in 2007/08, and \$4.342 million in 2008/09 and outyears.

- (iii) **invite** Hon Swain to write to the Minister of Finance by 11 March 2005 to confirm the initiatives that will be funded from the DoL allocation, and to seek agreement for the associated capital expenditure required.

[DoL option]

Agree/disagree.

Should Ministers agree to recommendation (i) (i) above (TREASURY option), please proceed to recommendation (j) ('Initiatives to be considered within \$5 million DoL allocation').

Should Ministers agree to recommendation (i) (ii) above (DOL option), please proceed to recommendation (t) ('Initiatives to be considered outside the DoL allocation').

Initiatives to be considered within \$5 million DoL allocation

- j **note** Treasury's view that the \$5 million allocation should be spent on initiatives that we have assessed as either non-discretionary or important to do (numbers i – viii in recommendation (l) below).
- k **note** that Treasury also supports three fully-funded Immigration initiatives that we have assessed as desirable to do (numbers viii to x in recommendation (l) below).
- l **agree** to support the following initiatives:

No.	Initiative	Amounts	Analysis
i	Offshore Branch Security	- operating \$0.110m in 2005/06, \$0.165m in outyears - capital \$0.412m in 2005/06	p14
ii	Tarawa Visa Processing	- fully fees funded	p14
iii	Intergovernmental Consultations on Migration	- operating \$0.164m in 2005/06 and outyears	p14
iv	Workforce Restructuring: Staff Capability	- fully fees funded	p14
v	Seasonal Labour Strategy	- operating \$0.250m in 2005/06 and \$0.210m in 2006/07	p15
vi	Enterprise Security	- fully fees funded	p15
vii	Pacific Accommodation	- operating \$0.305m in 2005/06 and \$0.385m in outyears - capital \$0.500m in 2005/06	p15
viii	Alerts and Risk Profiling	- operating \$1.221m in 2005/06, \$1.397m in 2006/07, \$1.388m in 2007/08 and \$1.088m in outyears - capital \$2.880m in 2005/06 and \$0.850m in 2006/07	p16
ix	Business Information (Workforce)	- fully fees funded	p16
x	Application Management System (AMS) Upgrade	- fully fees funded	p16
xi	Operational Data Store	- fully fees funded	p16

m **discuss** the following initiatives, as Treasury has alternate recommendations given the need to take into account wider State sector wages pressures:

i. **Border Security at Airports**

Discretionary	Vote Minister rank = 10	Treasury rank = 10
<ul style="list-style-type: none"> • DoL proposes an additional 16 officers and 2 service leaders in total to be located at the Auckland, Christchurch, and Queenstown Airports. This capability is required in response to the growth in international passenger numbers (7.1 % in 2003 over 2002) and an increase in Customs staffing (resulting in an increase of referrals to Immigration officers). • DoL's view is that the risks of not increasing staff numbers include reduced customer service (i.e. long waiting times), decreased staff morale from stress and potential for rushed jobs leading to poor outcomes. • DoL supports this bid as necessary to address the increases in travellers. It notes that all non-New Zealanders detected breaching New Zealand's border regulations have to be referred to Immigration officers. • DoL considers that 15 staff (at \$1.689 million per annum) is the minimum level at which additional funding would be able to keep pace with passenger growth. • Treasury supports this initiative, but at a reduced level of 9 officers and 2 service leaders in total. Treasury's view is that there is not a clear case for a linear relationship between increased Customs activity, which largely focuses on illegal substances, and an increase in Immigration activity. • There is an option for Ministers to agree to further funding for this initiative (i.e. for more than 11 staff) from the remainder of the \$5 million allocation (as in recommendation (r) below). 		

<i>Vote Immigration</i>	<i>\$million - increase/(decrease)</i>				
<i>Operating (GST incl)</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09 & Outyears</i>
DoL	-	1.861	1.861	1.861	1.861
Treasury	-	1.232	1.232	1.232	1.232
Treasury minimum	-	0.000	0.000	0.000	0.000

<i>Vote Labour</i>	<i>\$million - increase/(decrease)</i>				
<i>Capital (GST n/a)</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09 & Outyears</i>
DoL	-	0.280	0.000	0.000	0.000
Treasury	-	0.280	0.000	0.000	0.000
Treasury minimum	-	0.000	0.000	0.000	0.000

ii. **Work-Life Balance (Vote Labour)**

Discretionary	Vote Minister rank = 11	Treasury rank = 11
<ul style="list-style-type: none"> DoL proposes a three-year work programme including pilot projects to implement work-life balance initiatives in three industries, dissemination of best-practice tools, awareness raising and policy work around leave and flexible work arrangements. DoL's view is that this initiative has the potential to facilitate participation in paid employment, increase workplace productivity and promote quality of life. Cabinet has previously considered this proposal and agreed that it be forwarded for consideration in the 2005 Budget. The funding includes a staff capability component, i.e. a project leader and one senior analyst. Treasury supports this initiative but recommends that the staff capability component (\$0.146 million per year) be reprioritised within existing baselines, given that it is a relatively small proportion of the funding requested and in light of State sector wages pressures. DoL recommends that the staffing component be supported given that there is insufficient funding within current baselines to carry out this work. 		

Operating (GST incl)	\$million - increase/(decrease)				
	2004/05	2005/06	2006/07	2007/08	2008/09 & Outyears
DoL	-	0.650	0.997	0.789	0.000
Treasury	-	0.504	0.851	0.643	0.000
Treasury minimum	-	0.000	0.000	0.000	0.000

- n **note** that \$1.214 million in 2005/06, \$0.596 million in 2006/07, \$1.023 million in 2007/08, and \$1.966 million remain in 2008/09 and outyears after allocating the \$5 million across the above initiatives (assuming that Ministers agree to Treasury recommended costings for the Border Security at Airports and Work-Life Balance initiatives).
- o **note** that Treasury **does not support** the **occupational health** initiative given that this risks pre-empting the findings of the upcoming baseline review in terms of the capability required and possible funding options, but that one-year funding can be provided should Ministers wish to provide some resources in this area (**analysis on p32**).
- p **note** that DoL considers that critical one-year funding should be supported at a cost of \$0.821 million of operating and \$0.120 million of capital in 2005/06 only, and that this would fund surveillance and data analysis on occupational disease; sampling, analysis and equipment calibration; upgrading of occupational health equipment and training of staff in the use of new equipment.
- q **note** that the remainder of the \$5 million allocation can be spent **EITHER** on one-year funding for the occupational health initiative, **OR** allocated across the following Vote Immigration initiatives that Treasury has assessed as being desirable to implement:
- further increase of funding for Border Security at Airports, additional to the Treasury recommended amount of \$1.232 million in 2005/06 and outyears in recommendation (m) (i) above;

- Intelligence Upgrades (**analysis p35**); and
- Removals and Onshore Border and Investigations (**analysis p38**).

EITHER

- r (i) **agree** not to support the occupational health initiative.

[Treasury preference]

Agree/disagree.

- (ii) **agree** that Hon Swain can allocate the remainder of the \$5 million allocation across any of the other Immigration-related initiatives.

OR

- (iii) **agree** that Hon Swain can allocate the remainder of the \$5 million allocation across any of the proposed initiatives (including occupational health).

Agree/disagree.

- s **invite** Hon Swain to write to the Minister of Finance by 11 March 2005 with information on how the remainder of the \$5 million has been allocated, and agreement for any associated capital expenditure required.

Initiatives to be considered outside DoL allocation

- t **discuss** the following initiatives, as Treasury has alternate recommendations:

i. Extending PPL to the Self-Employed

Discretionary	Vote Minister rank = 4	Treasury rank = 4
<ul style="list-style-type: none"> • Cabinet has previously made policy decisions on extending the PPL scheme from 1 April 2006 to provide for 14 weeks income replacement to women who have been self-employed for at least six months immediately preceding the birth or adoption of a child. • The majority of the costs of this initiative (\$1.462 million in 2005/06, \$6.790 million in 2006/07, and \$8.060 million in 2007/07 and outyears) impacts on Vote Revenue, that is Crown payments and Inland Revenue Department payment processing costs. • DoL seeks \$0.454 million in 2005/06 and \$0.342 million in 2006/07 and outyears to fund a communications strategy and evaluation work (first year only), and additional Labour inspectors required as a result of the initiative. • Should Ministers decide to implement this initiative, Treasury recommends that the DoL staff capability component for evaluation and Labour inspectors (\$0.117 million in 2004/05 and \$0.067 million in 2005/06 and outyears) be reprioritised within existing baselines, given that it is a relatively small proportion of the funding requested and in light of State sector wages pressures. • DoL recommends that the staffing component be supported given that the proposal extends the role of the Labour inspectorate to a new set of clients. There is insufficient resource to absorb this additional work in 2005/06 ahead of the baseline review. 		

Votes Labour and Revenue	\$million - increase/(decrease)				
Operating (GST incl)	2004/05	2005/06	2006/07	2007/08	2008/09 & Outyears

DoL	-	1.916	6.857	7.127	7.127
Treasury	-	1.799	6.790	7.060	7.060
Treasury minimum	-	0.000	0.000	0.000	0.000

ii. Partnership Resource Centre

Discretionary	Vote Minister rank = 21	Treasury rank = 22
<ul style="list-style-type: none"> DoL proposes ongoing funding for the Partnership Resource Centre, which received funding of \$1 million in 2004/05 only. Its role is to facilitate the development of workplace partnership structures and processes in order to build productive and rewarding employment relationships in the public and private sectors. The Centre was established, from the end of October 2004, as a semi-autonomous unit attached to the DoL. The advisory board of the Centre was tasked with considering and providing advice on a comprehensive work programme for the Centre in 2004/05, to be supported by detailed costings. Treasury does not support this initiative because the work programme of the Centre is unclear. In addition, there may be boundary issues between the role of the Centre and that of other parts of the DoL, and other agencies such as SSC. For instance, the work programme proposes to address labour supply issues in seasonal industries, an area in which a number of departments are already involved. However, should Ministers wish to implement this initiative, Treasury proposes that funding of \$1.500 million be provided for three years, with consideration of funding in outyears subject to a report back to Cabinet on the effectiveness of the Centre as well as options for increasing the cost recovery component. This amount proposed by Treasury is lower than the \$2 million requested by DoL, due to \$0.500 million of staff capability that we recommend the Vote Minister reprioritise within existing resources, particularly in light of State sector wages pressures. 		

<i>Vote Labour</i>	<i>\$million - increase/(decrease)</i>				
	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09 & Outyears</i>
<i>Operating (GST incl)</i>					
DoL	-	2.000	2.000	2.000	0.000
Treasury (preferred option)	-	0.000	0.000	0.000	0.000
Treasury (second-best option)	-	1.500	1.500	1.500	0.000

- u **agree** to note the following initiatives as risks against the 2005 Budget contingency, as policy work is yet to be completed:

Initiative	Amounts	Analysis
[information withheld under s 9(2)(f)(iv) of the OIA]		pError! Bookmar k not defined.
[information withheld under s 9(2)(f)(iv) of the OIA]		pError! Bookmar k not defined.
[information withheld under s 9(2)(f)(iv) of the OIA]		pError! Bookmar k not defined.
First Principles Review of the Immigration Act	<ul style="list-style-type: none"> operating funding of up to \$0.341m in 2005/06 only 	p18

Analysis of Initiatives

Offshore Branch Security

Recommendation (I)

Non-Discretionary

Vote Minister rank = 1

Treasury rank = 1

1. DoL proposes upgrading the security of their offshore branches, which is consistent with the findings of an MFAT / SIS offshore security assessment and is, therefore, non-discretionary.
2. Treasury supports this initiative.

Tarawa Visa Processing

Recommendation (I)

Non-Discretionary

Vote Minister rank = 2

Treasury rank = 2

3. DoL proposes to reinstate visa processing services in Tarawa, Kiribati. The lack of an Immigration presence in Tarawa has been identified as hindering the promotion of the Pacific Access Category locally.
4. Treasury supports this initiative. We understand that the Prime Minister has signalled the reinstatement of visa processing in Tarawa to the Government of Kiribati.
5. This bid can be fully funded by fees (\$0.079 million in 2005/06 and outyears).

Intergovernmental Consultations on Migration

Recommendation (I)

**Non-Discretionary and
Discretionary Components**

Vote Minister rank = 3

Treasury rank = 3

6. DoL seeks funding:
 - to meet the annual fee of the International Governmental Consultations on Asylum, Refugees and Migration Policies in Europe, North America and Australia, that New Zealand has committed to joining and is, therefore, non-discretionary (\$0.164 million per annum); and
 - to provide policy advisor support to help in the preparation of material for representatives to the range of consultations undertaken by DoL (immigration) staff (\$0.158 million per annum).
7. Treasury supports providing funding for only the non-discretionary component, that is the annual fee. The employment of a staff member for policy support is not a priority and our view is that DoL should be able to reallocate resources to meet this need.

Workforce Restructuring: Staff Capability

Recommendation (I)

Discretionary

Vote Minister rank = 5

Treasury rank = 5

8. DoL proposes establishing 12 new positions in the new Workforce International Group comprising the Pacific and Settlement groups, and two fourth-tier Workforce positions related to Border and Investigations. This proposal is important to the agency's ongoing strategic alignment and restructuring process.
9. This initiative will also help support the Pacific Access Category (PAC) and Samoan Quotas and successful settlement. The Border and Investigations positions will help

strengthen service in this area and may help lead to fewer people being unlawfully in New Zealand.

10. Treasury supports this initiative. DoL has provided assurance that there will be no difficulties in recruiting staff to fill the 12 new positions.
11. This bid can be fully funded by fees (\$2.176 million in 2005/06 and outyears).

Seasonal Labour Strategy

Recommendation (I)

Discretionary

Vote Minister rank = 6

Treasury rank = 6

12. In late 2004 the DoL and the Ministry of Social Development began piloting an initiative that uses immigration responses to meet labour needs of seasonal industries, where no suitable local labour is available [CAB Min (04) 28/4 refers]. DoL is seeking funding into outyears to continue this initiative.
13. Treasury's view is that while it would be desirable to extend this pilot, funding should be provided for only two years, with consideration of further funding subject to a review of the effectiveness of the pilot.
14. DoL supports Treasury's view and has withdrawn its request for funding in 2007/08 and outyears.

Enterprise Security

Recommendation (I)

Discretionary

Vote Minister rank = 7

Treasury rank = 7

15. DoL proposes to improve detection of and protection against hackers for the Workforce ICT environment.
16. Treasury supports this initiative given that these systems hold a vast amount of sensitive material about individuals.
17. This bid can be fully funded by fees (\$0.270 million only in 2005/06).

Pacific Accommodation

Recommendation (I)

Discretionary

Vote Minister rank = 8

Treasury rank = 8

18. DoL seeks funding to upgrade the three Pacific Immigration branches in Apia, Nuku'alofa, and Suva to meet current standards and to provide for ongoing maintenance. They consider that the current sub-standard accommodation is compromising service delivery.
19. Treasury supports this initiative. From a service point of view it is important to keep these offices functional. This initiative would send a message consistent with government policy on the Samoan and Pacific Access Category Quotas.
20. While the upgrade could be deferred, doing so may lead to further degradation of the facilities and increased costs in future years.

Alerts and Risk Profiling*Recommendation (I)***Discretionary****Vote Minister rank = 9****Treasury rank = 8**

21. DoL is proposing a range of initiatives to enhance their alerts and risk profiling capability including cooperating with Australia and America on information pertaining to visa and passport theft, and developing systems to standardise risk assessment across branches.
22. Treasury supports this initiative. Given the current geo-political climate around security these initiatives will help ensure that New Zealand is not perceived as a soft target for illegal activity. They also offer some good opportunities for further strengthening ties and cooperation with Australia and America.

Business Information (Workforce)*Recommendation (I)***Discretionary****Vote Minister rank = 15****Treasury rank = 13**

23. DoL proposes consolidating all information from Workforce systems into one data warehouse.
24. Treasury supports this initiative given that it will improve efficiency of Immigration operations and accuracy of information. However this initiative can be deferred if necessary.
25. This bid can be fully funded by fees (\$0.113 million only in 2005/06).

Application Management System (AMS) Upgrade*Recommendation (I)***Discretionary****Vote Minister rank = 16****Treasury rank = 14**

26. DoL proposes to upgrade the AMS to a secure internet-based platform.
27. Treasury supports this initiative given that the smooth running of AMS is important to the integrity and efficiency of the Immigration Service. However this initiative can be deferred if necessary.
28. This bid can be fully funded by fees (\$0.169 million only in 2005/06).

Operational Data Store*Recommendation (I)***Discretionary****Vote Minister rank = 17****Treasury rank = 15**

29. DoL proposes to create a data store that can be used by online and enquiry type systems and services. This is expected to improve the performance of core operating systems supporting the Skilled Migrant category.
30. Treasury supports this initiative given that it will result in faster and more accurate responses to queries. However this initiative can be deferred if necessary.
31. This bid can be fully funded by fees (\$0.281 million in 2005/06 and \$0.034 million in 2006/07).

Preventing Occupational Disease through Improved Occupational Health Services

Recommendation (r)

Discretionary

Vote Minister rank = 13

Treasury rank = 21

32. DoL proposes to increase its capability to provide leadership in occupational health and improve the management of occupational health hazards by workplaces and the self-employed. This initiative contains a range of interrelated components, including occupational disease surveillance and data analysis, upgrading of equipment, occupational health programmes, technical leadership and field staff training.
33. Treasury does not support this initiative given our view that enhancement of capability in this area should be considered as part of the upcoming baseline review. This will allow for more detailed work to be undertaken on DoL's appropriate role in occupational health and safety, the outputs that need to be delivered to fulfil this role and the requisite capability requirements. The baseline review will also enable DoL to identify the extent to which existing resources can be refocused to the occupational health area, if needed. An investment in enhanced capability at this stage risks pre-empting the findings of the review.
34. Should Ministers wish to provide some resources in this area, Treasury recommends agreeing to DoL's option of one-year funding. Treasury's view is that the elements funded are of relatively low risk in terms of pre-empting the baseline review. Ongoing funding of these elements can be considered as part of the baseline review.

Intelligence Upgrades

Recommendation (r)

Discretionary

Vote Minister rank = 14

Treasury rank = 12

35. DoL proposes a number of intelligence upgrades to help them receive timely information for use at the border.
36. Treasury's view is that while these upgrades would be desirable to carry out, they are not essential in the next financial year.
37. DoL notes that this initiative is supported by all members of ODESC, and considers that it should be implemented in 2005/06.

Removals and Onshore Border and Investigations

Recommendation (r)

Discretionary

Vote Minister rank = 12

Treasury rank = 17

38. This initiative focuses on increasing the detection and removal of over-stayers by employing 10 additional Border and Investigations officers.
39. Given previous attempts to reduce over-stayer numbers have had little effect in the medium-term, Treasury's view is that it is unclear that extra investment in this area is warranted [CAB Min (04) 24/1A refers]. If Ministers wish to place more resources into this area, the initiative could easily be scaled back in size. This funding can be met from within the remainder of the \$5 million allocation.
40. DoL notes that removals have increased dramatically as additional resources have been invested in this area, but that the current economic climate has considerably increased incentives for unlawful work. The additional staff would also undertake increased cooperative activity with other agencies such as Corrections to share and match information as preventative measures.

[information withheld under s 9(2)(f)(iv) of the OIA]

First Principles Review of the Immigration Act

Recommendation (0)

Discretionary

Vote Minister rank = 22

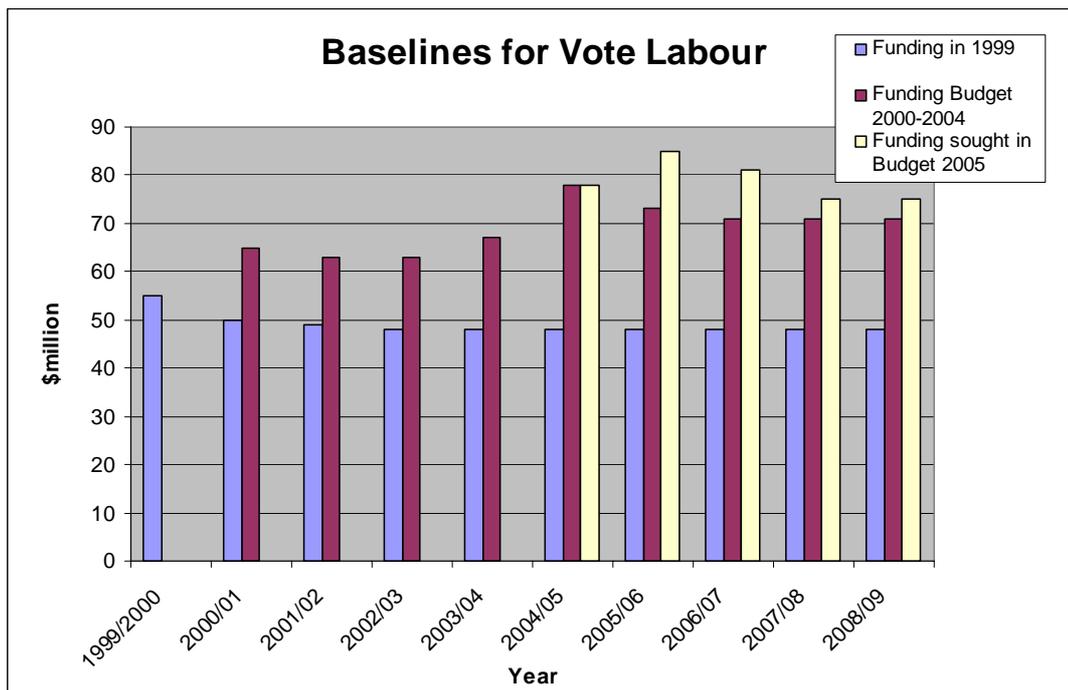
Treasury rank = 20

41. DoL is currently preparing advice to Cabinet on whether the planned review of the Immigration Act 1987 should be focused on short term enhancements or be a first principles review. Ministers will consider this advice in March.
42. Should Cabinet agree to undertake a first principles review, substantive public consultation would begin in January 2006. Contingency funding (of up to \$0.341 million) for the second half of 2005/06 only is therefore sought to support this work. DoL anticipates that additional costs in 2005/06 and outyears will be met from existing baselines.
43. Treasury proposes that this initiative (operating funding of **up to \$0.341 million in 2005/06 only**) be recognised as a risk against the 2005 Budget contingency.

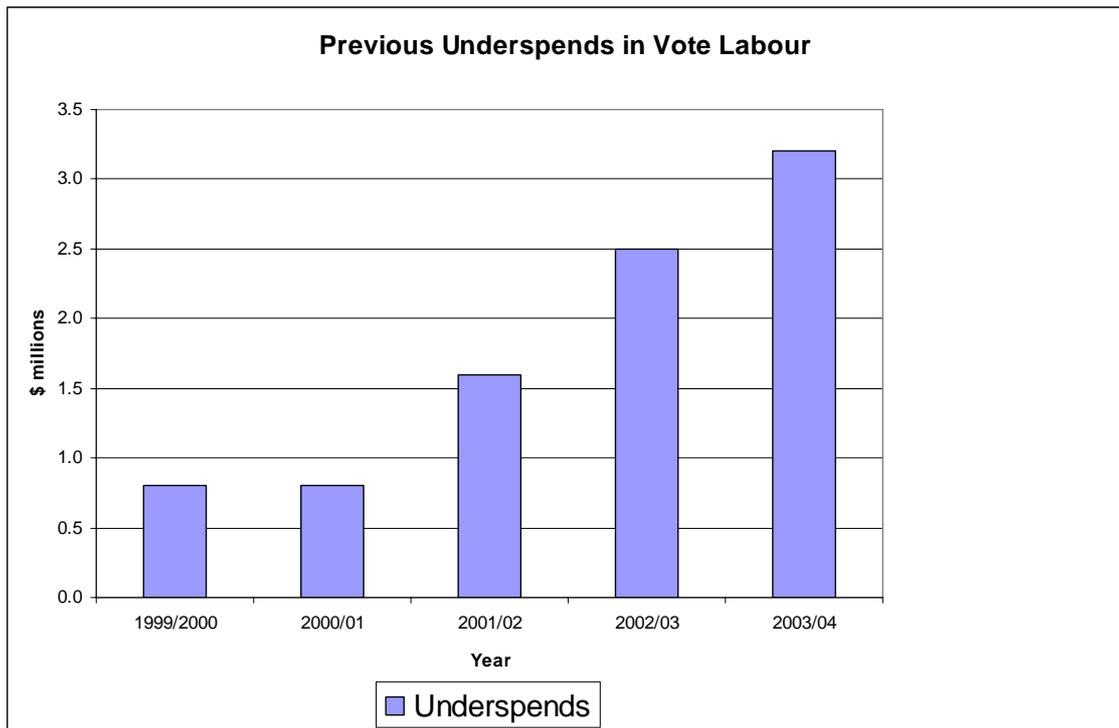
Analysis of Votes Labour and Immigration

Analysis of Vote Labour

- 44. Vote Labour baselines are currently approximately \$78 million in 2004/05. The majority of this funding relates to Departmental Output Classes to promote fair and productive employment relationships, and safe and healthy people and workplaces.
- 45. The Vote has increased since 2000 mainly due to the implementation of the Employment Relations Act 2000 and the need to meet subsequent demand for problem resolution services.



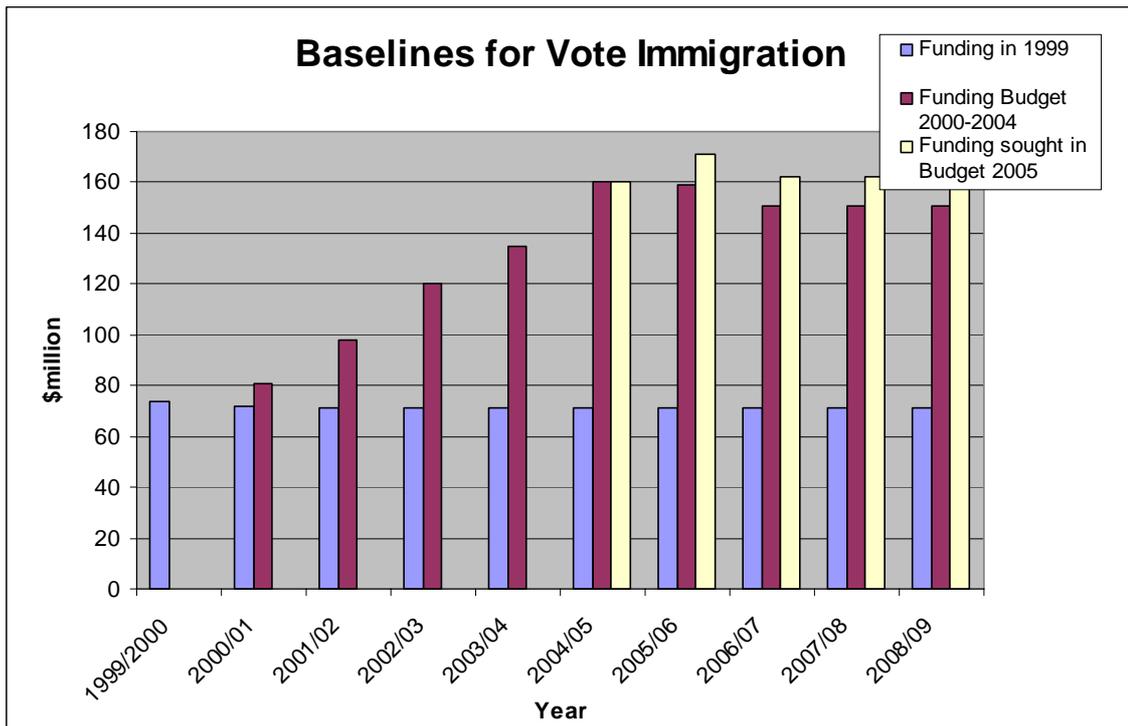
46. The following graph details the history of underspends in the Vote.



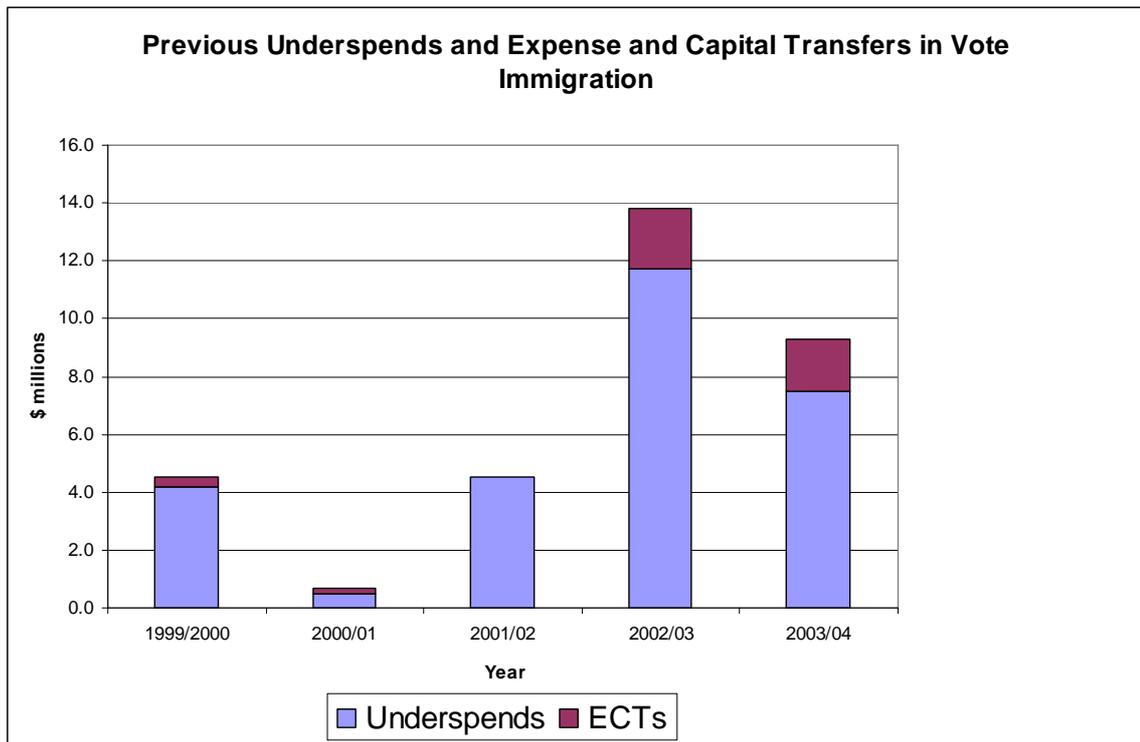
47. A significant amount of underspend in each year since 2001/02 is caused by under-subscription to the employment relations education contestable fund. Some further underspends can be explained by employment problem resolution taking longer than expected.

Analysis of Vote Immigration

- 48. Vote Immigration baselines are currently \$159 million, the majority of which relates to Departmental Output Class “Services to Increase the Capacity of New Zealand through Immigration”. The objectives of this output class are to promote skilled and inclusive communities, grow business and employment opportunities and minimise the adverse effects of immigration.
- 49. Vote Immigration baselines have doubled since 2000, largely as a function of increased migrant flows which have increased the amount of fees revenue gained through revenue Other and required increased appropriations.



50. The following graph details the history of underspends in the Vote.



51. Underspends in Vote Immigration in the past have been driven by unexpected increases in visa and permit volumes. When DoL has not adjusted staffing levels quickly enough to meet this demand underspends have occurred. Favorable exchange rates have also had an impact by reducing offshore operating costs.

Table of Initiatives

Below is the summary of submissions made by Hon Swain and Treasury's assessment for discussion. The table shows:

- a comparison of the different initiatives that would be funded from the Treasury recommended allocation of \$5 million, and the DoL recommended allocation of \$6.1 million; and
- the initiatives to be considered outside the allocation.

The table shows only the operating amounts. Details of the capital expenditure required are outlined in the respective recommendations.

Rec No.	Initiatives <i>* = fees funded</i>	Description	Vote Minister Seeks Operating \$million					Treasury Recommends Operating \$million				
			2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
	DoL Allocation (initiatives agreed between Treasury and DoL)											
I	Offshore Branch Security	Non-discretionary	0.000	0.110	0.165	0.165	0.165	0.000	0.110	0.165	0.165	0.165
I	Tarawa Visa Processing*	Non-discretionary	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
I	Intergovernmental Consultations on Migration	Non-discretionary. Treasury only supports the consultations fees. DoL agrees with Treasury advice.	0.000	0.164	0.164	0.164	0.164	0.000	0.164	0.164	0.164	0.164
I	Workforce Restructuring*	Important to do	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
I	Seasonal Labour Strategy	Important to do	0.000	0.250	0.210	0.000	0.000	0.000	0.250	0.210	0.000	0.000
I	Enterprise Security*	Important to do	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Rec No.	Initiatives <i>* = fees funded</i>	Description	Vote Minister Seeks Operating \$million					Treasury Recommends Operating \$million				
			2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
I	Pacific Accommodation	Important to do	0.000	0.305	0.385	0.385	0.385	0.000	0.305	0.385	0.385	0.385
I	Alerts and Risk Profiling	Important to do	0.000	1.221	1.397	1.388	1.088	0.000	1.221	1.397	1.388	1.088
I	Business Information (Workforce)*	Good to do	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
I	Application Management System Upgrade*	Good to do	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
I	Operational Data Store*	Good to do	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
m(i)	Border Security at Airports	Important to do. DoL has requested 18 new staff but is prepared to scale back to 15 staff. Treasury recommends 11 staff.	0.000	1.681	1.681	1.681	1.681	0.000	1.232	1.232	1.232	1.232
m(ii)	Work-life Balance	Important to do. Treasury supports this initiative, with the exception of the staffing component. DoL supports the entire initiative.	0.000	0.650	0.997	0.789	0.000	0.000	0.504	0.851	0.643	0.000
Sub-Total			0.000	4.657	5.096	4.667	3.578	0.000	3.786	4.404	3.977	3.034

Rec No.	Initiatives <i>* = fees funded</i>	Description	Vote Minister Seeks Operating \$million					Treasury Recommends Operating \$million				
			2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
o	Remainder of DoL Allocation (initiatives with split recommendations)											
	Preventing Occupational Disease through Improved Occupational Health Services	Treasury does not support this initiative and recommends it form part of the wider DoL baseline review. DoL sees partial funding of the initiative for one year as important to do .	0.000	0.821	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
r	Intelligence Upgrades	Good to do.	0.000	0.108	0.108	0.108	0.108	The residuals of the \$5 million allocation come up to \$1.214 million in 2005/06, \$0.596 million in 2006/07, \$1.023 million in 2007/08, and \$1.966 million in 2008/09 and outyears. Treasury recommends that these residuals be allocated, by Hon Swain, across Intelligence Upgrades, Removals and Onshore Border and Investigations, and Border Security at Airports (if Ministers have not already fully funded this initiative).				
r	Removals and Onshore Border and Investigations	Treasury would support this initiative, at a scaled back level, as good to do . DoL views this initiative as important to do with a minimum of 5 new staff.	0.000	0.751	0.751	0.751	0.751					
Total of DoL Allocation			0.000	6.061	5.858	5.431	4.342		0.000	5.000	5.000	5.000

Rec No.	Initiatives <i>* = fees funded</i>	Description	Vote Minister Seeks Operating \$million					Treasury Recommends Operating \$million				
			2004/05	2005/06	2006/07	2007/08	2008/09	2004/05	2005/06	2006/07	2007/08	2008/09
	Initiatives Outside the DoL Allocation											
t (i)	Extending PPL to the Self-Employed	If Ministers agree to fund this initiative Treasury recommends that the DoL staff capability component be reprioritised within baselines. DoL supports the staff capability on the grounds that there is insufficient resource to absorb this work.	0.000	1.916	6.857	7.127	7.127	0.000	1.799	6.790	7.060	7.060
t (ii)	Partnership Resource Centre	Treasury does not support this initiative as the work programme of the Centre is unclear and there may be boundary issues between the work of the Centre, other areas of DoL and other agencies e.g. SSC.	0.000	2.000	2.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000
000	[information withheld under s 9(2)(f)(iv) of the OIA]											
000	First Principles Review of the Immigration Act	Contingency	0.000	0.341	0.000	0.000	0.000	0.000	0.341	0.000	0.000	0.000
	Sub-total		[information withheld under s 9(2)(f)(iv) of the OIA]					[information withheld under s 9(2)(f)(iv) of the OIA]				
	TOTAL		[information withheld under s 9(2)(f)(iv) of the OIA]					[information withheld under s 9(2)(f)(iv) of the OIA]				

