EMPLOYMENT PLAN 2014

NEW ZEALAND

CONTENTS

1. Employment and labour market outlook

The New Zealand economy entered recession in early 2008, before the effects of the Global Financial Crisis set in later in the year. A drought over the summer of 2007/08 led to a decline in dairy production in the first half of 2008. Domestic activity slowed sharply as high fuel and food prices dampened domestic consumption, while high interest rates and falling house prices drove a rapid decline in residential investment.

New Zealand experienced six quarters of negative economic growth between the March quarter 2008 and the June quarter 2009, totaling 4.0% of real GDP. The relative shallowness of the recession compared favorably with other nations in the OECD, with New Zealand the sixth least affected out of 34 member nations.

The New Zealand economy subsequently grew for four consecutive quarters up to mid-2010, totaling 3.0% of real GDP. The recovery was led by exports, with strong demand from major trading partners, Australia and China. This was helped by historically high prices for New Zealand's commodity exports, which flowed through to high farm incomes.

The New Zealand economy is currently recording solid growth. Real GDP growth of around 2.8% was recorded in 2013, and forward looking indicators are pointing to faster growth in 2014. Current forecasts predict growth will be around 3.8% in 2015 and around 3.0% in 2016, above the initial projection of around 2.5%.

Following a two-year period of volatility in the unemployment rate after it rose from a low of 3.3% in the December quarter 2007 to 7.1% in the September quarter 2012, the labour market is showing signs of improvement. The unemployment rate was 5.6% in the June 2014 quarter, 1.5% point lower than its peak in September 2012, while annual employment growth accelerated to 3.7%. The labour market is expected to continue to strengthen, consistent with the positive outlook for the New Zealand economy. The unemployment rate is expected to trend down gradually, declining to below 5% by March 2016.

Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)

	GDP growth[1]		GDP per capita (USD terms)[2]		Employment Growth		Employment to population ratio	
Country	-0.9%	2.8%	$29,075	$32,163	0.6%	2.1%	65.6%	64.1%
G20 Average	1.4%	1.9%	$25,339	$26,243	1.1%	0.9%	57.7%	57.1%
	Unemployment rate		Incidence of long-term unemployment[3]		Youth unemployment rate[4]		Youth unemployment to population ratio	
Country	4.2%	6.2%	4%	10.6%	11.4%	15.8%	7.2%	9.4%
G20 Average	6.3%	6.1%	24.1%	31%	N/A	N/A	6.9%	7.8%
	Participation rate		Female participation rate		Informal employment rate		Collective bargaining coverage	
Country	68.5%	68.4%	62.2%	62.9%	N/A	N/A	N/A	N/A
G20 Average	60.2%	60.3%	50.0%	51.8%	N/A	42.2%	N/A	28.8%
	Minimum wage (% of median wage)		Gini coefficient5		School completion rate6		Literacy rate	
Country	64.0%	63.7%	0.330	0.323	66.5%	78.6%	N/A	N/A
G20 Average	34.9%	34.9%	0.341	0.376	76.5%	78.9%	N/A	N/A

*Foot notes - [1] Real GDP Annual average % changes December year -RBNZ, [2] OECD statistical profile USD current PPPs 2008 and 2012, [3] Unemployed for longer than 12 month –Annual, [4] Young people aged 15-24 Annual December year, [5] 2007/8 and 2011/12 numbers, [6] Attainment of NCEA level 2 or equivalent qualifications

Table 2: Labour market forecasts for 2015

Employment growth	Unemployment rate	Participation rate	Employment rate
2.7%	5%	69.5%	66.0%

2. Employment challenges for New Zealand

New Zealand has a very fluid labour market. In any given year 12-14% of total jobs are created and ceased every year (one of the highest in the OECD). The unemployment rate fell steadily through the 1990s and 2000s to one of the lowest in the OECD and New Zealanders tend to move through unemployment and into work quickly. New Zealand's workforce is also becoming more qualified in recent years. Almost 40% of 25-64 year-olds have a university degree. This compares with an OECD average of 32%.

While generally the labour market matching process works well, some groups continue to be at higher risk of unemployment and welfare dependency. Although increased qualification levels have delivered some productivity gains, further improvements need to be made to lift the returns from tertiary qualifications.

The Government is committed to raising New Zealand's long-run productivity growth rate while maintaining and increasing the country's high rate of labour force participation. The main challenge is around boosting the level of education and increasing the economy's skills-base, while ensuring that the correct matching-tools are in place to aid both employers and job-seekers.

CHALLENGE: BOOSTING PARTICIPATION

Between 1992 and 2007, a strengthening labour market reduced New Zealand's unemployment rate from over 10% to under 4%. Our labour market participation is also consistently one of the highest in the OECD. However, even at its lowest, the unemployment and jobless rates for some groups remained stubbornly high, particularly for those without educational qualifications and for Mâori. In addition, while overall labour force participation rate is high, around 8% of New Zealand's working age population is on a main benefit.

Female labour force participation is relatively high in New Zealand, but more women than the international norm work part time, and women with pre-school age children have high rates of withdrawal from the labour market. Our sole parent employment rates look particularly unusual. In many OECD countries, sole mothers have similar or higher employment rates to partnered mothers. In New Zealand two in three partnered mothers with dependent children are in employment but only about half of solo mothers are. There are also considerable intergenerational effects, as a mother's education and family incomes are major predictors of child outcomes. For example, in 2009 40% of children from families earning under $20,000 were in early childhood education, compared to 70% of children from families earning over $70,000.

CHALLENGE: ADDRESSING THE PERSISTENTLY DISADVANTAGED GROUPS

Our formal education system is a strong performer internationally, and young New Zealanders do well in international assessments (such as PISA). 53.8% of 25 to 34 year-old New Zealanders have a level four qualification or higher, making us one of the most qualified countries in the OECD.

However, we have a significant 'tail' of underachievement, meaning that some New Zealanders do not have sufficient skills to find and maintain suitable employment. This pattern has strong ethnic and socio-economic dimensions. For example, only about half of Mâori 18-year-olds leave school with NCEA level 2 or above (completion of upper secondary education). This is improving, but is still well below the rate for New Zealand Europeans.

The 2006 Adult Literacy and Life Skills Survey found that the literacy and numeracy skills of around 44% of New Zealand adults are lower than is required for full participation in a modern economy (at level two or below). Based on the June 2014 Household Labour Force Survey, around 21.5% of New Zealand's working age population has no qualifications.

CHALLENGE: LIFTING THE CONTRIBUTION OF TERTIARY EDUCATION TO PRODUCTIVITY

Despite having a well-qualified workforce, this has not translated to significant growth in productivity. We also have significantly lower returns to qualifications (both public and private) than typically found overseas. Outcomes also vary widely across fields of study and between providers delivering the same field of study, beyond the level predicted by differences in student characteristics. There are multiple reasons why these qualifications may have not been fully translated into skills in the New Zealand workplace. For example, our low population reduces the efficiency of labour market matching and distance from major markets also creates considerable barriers. However, the mix of qualifications offered and the way in which they are delivered are also important.

3. Current policy settings and new commitments

Building a more competitive and productive economy for New Zealand is one of the Government's key priorities. Our primary focus is to grow competitive businesses that will drive economic growth and build a more successful economy with more and better jobs for New Zealanders. The Business Growth Agenda is an ambitious programme of work designed to support New Zealand businesses to grow, in order to create jobs and improve New Zealanders' standard of living. The Business Growth Agenda focuses on six key "ingredients" of business growth: export markets, innovation, infrastructure, skilled and safe workplaces, natural resources, and capital.

Each of the six elements of the Business Growth Agenda is critical for business success. There are strong links between these elements. For instance, a sustainable lift in New Zealand's exports will come not just from increasing the volume of the products and services we export, but from firms' ability to develop new or improved products and services through increased innovation, and by utilising New Zealand's natural resource base. Additionally, firms need access to skilled labour and capital to help them develop and market these new products and services, as well as access to effective infrastructure to ensure they can reach their customers. Our Business Growth Agenda therefore takes a coordinated approach across all six elements – setting out an integrated programme of work that we are delivering to create a more productive and competitive economy.

One of the key focuses of the Business Growth Agenda is to improve the safety and skills of our workforce. For New Zealand to prosper we need productive, internationally competitive businesses with access to a growing workforce of skilled employees to support innovation and further productivity gains. The Building Skilled and Safe Workplaces element of the Business Growth Agenda brings together a set of ambitious targets and initiatives for lifting New Zealanders' skills and qualifications, reducing long-term unemployment and improving workplace health and safety.

These initiatives also highlight the work the Government is doing to break the welfare dependency cycle and improve outcomes for families. This includes supporting people to move off benefits and into work, and assisting at-risk young people to stay successfully involved and motivated in education, training or work.

Overall the New Zealand Government is committed to Building Skilled and Safe Workplaces in these key areas:

Lifting the Achievement of Young People

- *Goal: In 2017, 85% of 18 year-olds will have achieved NCEA Level 2 qualification or equivalent (78.6% in 2013)*

Having at least an NCEA Level 2 (completion of upper secondary education) qualification gives people the foundation-level skills they need to have greater opportunities in further education, employment.

Strengthening Tertiary Education

- *Goal: 55% of 25–34 year-olds with a qualification at Level 4 or above in 2017 (currently 53.8%)*

The performance of New Zealand's tertiary education system is critical to the supply of skills to the economy. A system that delivers more, highly skilled graduates, better quality provision and more relevant information that will inform students' choices is essential to supporting a growing economy.

Delivering Vocational Education and Training that Lifts Skills

- *Goal: 55% of 25–34 year-olds with a qualification at Level 4 or above in 2017 (currently 53.8%)*

In order to best utilise New Zealand's pool of talent we must have effective and flexible pathways for students and trainees with diverse learning needs so they may acquire the skills in demand by employers. It is essential that the system delivers the skills businesses need.

Moving People off Benefits and into Work

- *Goal: By June 2017, reduce the number of long-term beneficiaries on Job Seeker Support by 30% (currently 69,000)*

High levels of employment are a hallmark of a well-functioning, high performing economy. As the economy grows, we will need to make full use of the talent pool available, and improve outcomes for families by breaking the welfare dependency cycle.

Making Workplaces Safe

- *Goal: Reduce the number of fatalities and serious injuries by at least 25% by 2020*

Safe working environments are fundamental to improving productivity and protecting workers from harm. Our workplace safety regime needs to be up with world-best practice.

Attracting Skilled Migrants and Investors

- *By 2016, 85% of skilled migrants will be employed in a job that matches their skills and qualifications (currently at 81%)*

In an increasingly competitive world, we need to ensure that skilled migrants can move quickly and easily into work that demands their expertise without displacing New Zealand workers.

Making the Job Market More Responsive

- *Maintain New Zealand's top-4 ranking in OECD countries with the lowest share of people who are unemployed for six months or more*

Workplace technologies and people's lifestyles are changing, and recent global shocks underscore the need for businesses and employees to be able to adjust quickly. Our regulatory regime needs to be fit for purpose, balancing flexibility and employee protection.

BROAD ECONOMIC SETTINGS

New Zealand has a small open economy which operates on free market principles. It has sizable manufacturing and service sectors complementing a highly efficient export-oriented agricultural sector. New Zealand is highly dependent on the primary sector with commodities accounting for around half of total goods exports. Exports of goods and services account for around one third of real expenditure GDP.

Economic policy reforms in the past have provided a strong foundation for economic performance, bringing:

- Macroeconomic stability – low inflation and sustainable fiscal policy, under-pinning confidence to save, invest and innovate.
- Micro-economic competitiveness – an emphasis on efficient regulatory and tax systems to enable productive firms to grow.
- Increasing human capital and labour supply – enabling more people to complete qualifications, and increasing the level of employment.
- An accountable state sector – making the state sector more efficient and transparent.

Fiscal stability and flexible labour markets have enabled the economy to respond to big structural changes during the 1990s and 2000s. Declines in employment in some industries were more than offset by growth in others, so that the unemployment rate fell and employment increased until the onset of the Global Financial crisis.

The Government and the Reserve Bank of New Zealand (RBNZ) responded to the crisis with a range of measures designed to alleviate its effects. The RBNZ lowered the Official Cash Rate (OCR) from its level of 8.25% over the year to July 2008 to a low of 2.5% at the end of April 2009. The Bank also introduced a range of facilities to ensure that adequate liquidity was available in the banking sector.

The Government introduced retail and wholesale bank guarantees aimed at restoring confidence in the banking sector and underpinning banks' access to wholesale funding. Other measures taken by the Government in December 2008 were aimed more directly at alleviating the downturn's effects on economic activity, including infrastructure projects and a temporary relief package to assist small and medium-sized businesses.

As New Zealand recovers from the Global Financial Crisis, the Government's focus is on managing the current cyclical upswing, while lifting New Zealand's underlying growth rate so that beyond the peak of this economic cycle, incomes continue to rise and new jobs continue to be created. To achieve this the Government is working to ensure the economy is able to absorb the impact of earthquake reconstruction (estimated to be around 15% per cent of GDP over a decade) in the least distorting way possible. Increasing international connections, building higher levels of skills and creating better conditions for investment will lay the foundation for more innovation, more diversification and more capital intensity that will support higher productivity, exports and overall growth. Prudent fiscal policy via returning to fiscal surplus and rebuilding fiscal buffers by lowering debt will make growth more sustainable, counterbalancing New Zealand's large negative net external liability position. Robust domestic demand on the back of high terms of trade, earthquake reconstruction and higher employment and investment together with more internationally connected businesses will see increased two-way trade, people and capital flows.

Led by the private sector, the economy is growing steadily and growth of between 2 and 4% is forecast over the next four years.

Macroeconomic policy - Regulation, finance, incentives, investment and entrepreneurialism

New Zealand's macroeconomic framework comprises a freely floating exchange rate, the independent Reserve Bank of New Zealand operating a flexible inflation-targeting monetary policy regime, and a transparency-based fiscal framework anchored by achieving and maintaining prudent levels of debt and medium term sustainability. Demand management is typically the purview of monetary policy, supported by the operation of fiscal stabilisers.

In aggregate, macro policy settings are currently evolving toward managing the robust expansion underway and the likely opening up of a positive output gap, while looking to support rebalancing of the drivers of growth.

Fiscal Policy

The New Zealand Government presented its latest fiscal plans in the 2014 Budget on 15 May 2014. The Government is on track to achieve its fiscal objectives of returning the operating balance to surplus in the year ending June 30 2015 (and increasing surpluses thereafter) and returning net debt[1] to 20% of GDP. The Government outlined an additional short-term goal to manage its spending and revenue so that any change in fiscal settings do not have a material adverse impact on interest rates. Over the next four years fiscal policy is forecast to impart a negative fiscal impulse of 0.7% per annum on average. Government spending will continue the pattern of recent years, declining as a share of GDP, freeing up resources to be used elsewhere in the economy. Beyond 2020, the Government intends to maintain net debt within a range of around 10 to 20% of GDP. Repaying government debt will rebuild fiscal buffers, putting New Zealand in a better position to cope with future economic shocks or natural disasters. Increasing government saving will will help raise national saving and contribute to the sustainability of the expansion. The Government will also continue to explore ways to more efficiently manage its balance sheet, following completion of its Government Share Offer programme with with the sell-down of its shareholding in a further two state-owned companies .

[1] The Government's debt objective is set in net debt terms. The specific net debt measure used is a core crown measure and excludes financial assets ring-fenced for particular policy purposes, particularly the assets of the New Zealand Superannuation Fund and student loan advances. If these assets are included net debt is forecast to fall to around x.x percent in 2017/18.

Monetary Policy

The current stance of monetary policy is accommodative, but is expected to become less so over 2014 and 2015. Headline inflation is moderate, but inflationary pressures are increasing and are expected to continue doing so over the next two years. Following a historically low policy rate of 2.5%, the Reserve Bank of New Zealand began a process of moving the policy rate to a more neutral setting in March 2014. Further increases are expected, leading to a gradual but ongoing increase in short-term interest rates through 2014 and 2015, the precise pace depending on how inflation pressures evolve, including the extent to which the high exchange rate leads to lower inflationary pressure. By increasing the OCR as needed to keep future average inflation near the 2% mid-point, the Reserve Bank is seeking to ensure that the economic expansion can be sustained.

Macro-prudential Policy

Following the signing of a Memorandum of Understanding on Macro-Prudential policy between the Minister of Finance and Reserve Bank Governor, quantitative restrictions on the share of high loan-to-value ratio (LVR) loans to the residential property sector took effect on 1 October 2013. This policy means banks are required to restrict new residential mortgage lending at LVRs of over 80 percent to no more than 10 percent of the dollar value of their new housing lending flows. The use of macro-prudential tools is intended to promote greater financial system stability but their implementation can also support monetary policy objectives. The LVR policy is estimated to have reduced house price inflation by 2.5 per cent. The Reserve Bank expects the speed limit to remain in place until the housing market comes into better balance, with a more sustainable rate of house price inflation.

New Structural Policy Responses

As mentioned above, the Government's microeconimic policy agenda is laid out in its Business Growth Agenda. The Business Growth Agenda is the Government's blueprint for building a more competitive and productive economy. In addition to initiatives in relation to building skilled and safe workplaces, other examples of areas where policy initiatives are underway or being contemplated include:

Capital Markets: improving the functioning of New Zealand's capital markets via deepening public equity markets through partial privitisation of some State Owned Enterprises; establishing the Financial Markets Authority and implementing the Financial Markets Conduct Act to improve the regulatory framework; developing with others the Asian Region Funds Passport; facilitating the use of crowd-funding and peer-to-peer lending; encouraging international investment.

Export Markets: continue to progress and implement trade negotiations (e.g. Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), WTO); streamline border processes for exporters and importers; ensure the rules, regulations and policies– both in New Zealand and in key markets offshore – promote exports; strategically work with businesses to assist them to internationalise.

Innovation: progressing development of innovation infrastructure, including rollout of ultra-fast broadband and innovation hubs; improving connections between business and Public Research Organisations; aligning patent settings more closely with those of our trading partners; continuing to encourage businesses to undertake and commercialise their own R&D.

Infrastructure: ongoing work to rebuild Christchurch, including allocation of funding from the Canterbury Earthquake Recovery Fund to restore infrastructure and fund central city anchor projects; develop better infrastructure data and information; undertake work to make housing more affordable, improve construction sector productivity and improve social housing; various initiatives around roading, rail, sea and air infrastructure.

Natural Resources: encouraging business to use our natural resources more effectively, and ensuring they use them responsibly. This includes improvements to the resource management systems to enable faster economic growth while maintaining strong environmental standards.

LABOUR MARKETS AND SOCIAL PROTECTION

New Zealand's focus is on better developing, attracting, retaining and utilising the skills that the economy and employers need. This will become more important as the average age of our workforce increases. In response to the rapidly evolving needs of the economy, the Government is focusing on learners and employees gaining relevant, future-focused skills, and supporting safe and fair workplaces. Productivity gains will increase when a broader range of skills and people are deployed in innovative ways throughout the economy.

Labour market regulation

New Zealand's labour market regulation rates well on most measures of flexibility. In general our employment law is able to achieve equality and efficiency objectives and most employment relationship problems are resolved quickly at minimal cost. The Employment Relations framework is generally working well, and changes already made have improved the system. For example, reforms to the personal grievance system[2] have reduced delays, costs and vexatious claims.

However we need to continue reforms where appropriate to provide employees and employers with the flexibility to make working arrangements that suit their needs, especially considering the increasing casualisation of work, while maintaining fairness in the workplace. Key initiatives include:

- Implement the starting out wage to lower the barriers to work for our youngest workers and least-experienced workers. Under the starting-out wage, eligible 16 to 19-year-olds can be paid 80 per cent of the minimum wage for six months or for as long as they are undertaking recognized industry training of at least 40 credits per year3.
- Grant employees the right to request flexible working arrangements, and allow parties to agree, without having to go through a formal process.
- Introduce a voluntary 90-day trial period to encourage businesses to take on new staff and give new employees an opportunity to enter the workforce. Under the trial period an employer and employee can enter into a written agreement that, during the trial period (no more than 90 days), the employer can dismiss the employee without the employee being able to take a personal grievance for reasons of unjustified dismissal.
- Improve the collective bargaining process to reduce bureaucracy and make the system fairer and more flexible for both workers and employers.

Making workplaces safer

In 2012 the New Zealand Government established the Independent Taskforce on Workplace Health and Safety (the Taskforce) to advise on possible ways to meet our goal of reducing the rate of fatalities and serious injuries in the workplace by at least 25% by 2020.

The Government has considered the recommendations by Taskforce and our response – Working Safer – outlines the programme of change necessary to improve health and safety at work. Working Safer represents the most significant reform of New Zealand's workplace health and safety system in 20 years. It aims to help foster a New Zealand culture that recognises that health and safety is not a burden but an investment in good business practice, improved productivity and reliability, and an engaged workforce.

To achieve this step-change in performance, the Government has set up a stand-alone workplace health and safety Crown agent – WorkSafe New Zealand to deliver this major package of reform. Further, recognising that there is no one problem and no one solution to improve the workplace health and safety system in New Zealand. The

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[2] Court dispute process between employers and employees
[3] Half full time equivalent study

Government is committed to working with businesses and workers to implement a comprehensive package of system-wide changes in order to create an effective workplace health and safety system.

The creation of WorkSafe New Zealand has made a significant contribution to this, but further changes are needed in order to meet the 2020 target, areas of focus include:

- strengthened leadership by government through a strategic national workplace health and safety system that is coordinated and integrated; the creation of an effective health and safety regulator, WorkSafe; and government agencies working together and showing commitment to workplace health and safety in their own activities as employers and purchaser
- a greater focus through legislation, prevention activities with business, education, enforcement and incentives on addressing acute, chronic and catastrophic harm including high-risk sectors (industries which have the highest numbers of fatalities and serious injuries) and major hazard facilities (operations which have the potential for one-off catastrophic events, such as large chemical plants)
- a system that gets the balance right and is proportionate for small and large low-risk businesses, where regulation, guidance and information makes it clear that businesses need health and safety practices which are proportionate to the risks in their workplace and the requirements are easy to comply with
- a new legislative framework, which continues the current performance-based approach, but recognises that a well-functioning health and safety system relies on participation, leadership, and accountability by government, business and workers. This includes ensuring:
    - the appropriate level of regulations and guidance to ensure people understand their obligations and can comply with them, without being overly prescriptive
    - an effective enforcement regime with graduated categories of offences and penalties to provide better guidance to the Courts about appropriate fine levels
    - obligations being placed on the people in a work environment who create the risk and are best able to manage the risk
    - a law which is flexible enough to work appropriately for small and large businesses and high and low-risk sectors, without imposing unnecessary compliance costs
    - a worker participation model which provides for better levels of participation and helps workers to have the knowledge and accountability to keep their colleagues safe
- a well-resourced regulator with a firm regulatory stance focused on the areas of most risk, that holds people to account and performs critical roles relating to guidance, education and providing incentives for injury prevention
- more resourcing and targeted activity to address the challenge and opportunity the Canterbury re-build provides in relation to workplace health and safety
- robust data, monitoring, reporting, analysis and evaluation of the system to understand system performance and to enable government and others to best target effort
- greater partnership and collaboration that makes the most of the skills and relationships of all government agencies operating in the workplace health and safety system to achieve the most efficient and effective collective impact of government's investment
- work within the regulator, and with industry bodies, to develop more depth and capability within the system and to develop agreed professional standards for health and safety professionals.

Social protection

New Zealand's benefit system differs from the benefit systems of most other countries by taking a 'social assistance' rather than 'social insurance' approach. Unlike countries with social insurance approaches, payment in New Zealand is not time-limited and the rate of payment does not depend on prior contributions or earnings. New Zealand's benefit system is funded through taxes, rather than by contributions from individuals.

The New Zealand benefit system also differs in that one organisation, Work and Income, is charged with delivering both income support and employment services.

It is important to see the benefit system within a wider context of other activities of Government. These include New Zealand Superannuation, which provides universal payments to people over 65 years of age; ACC payments for people who are injured; and Working for Families Tax Credits for families with dependent children. Other government-funded goods and services such as health, education and housing can also be seen as parts of the welfare system in its widest sense.

The Government has recently introduced significant reforms to the welfare system. The Government's goal is to improve outcomes for vulnerable New Zealanders by helping people at risk of long-term benefit dependencies to move into employment. In particular, our goal is to:

- reduce the number of people continuously receiving Job seeker Support[4] for more than 12 months by 30% by June 2017; and
- reduce the number of young people on welfare by 25% by 2017.

Our view is that achieving this objective will lead to improved health and wellbeing in the population, a more inclusive society and a stronger fiscal and economic position. In order to realise these outcomes we have introduced fundamental reforms to our welfare system with an active, work-based approach, starting with the belief that most people can, and want to, work.

These reforms are intended to result in a welfare system that is work-focused and expects and rewards independence. At the core of the new welfare system is the investment approach. The investment approach is designed to ensure the service delivery agency takes a long-term view, and focuses on investment to improve individuals' employment outcomes, thereby reducing the future liability of the benefit system. The investment approach also imposes strong accountability mechanisms on the delivery agency for this overall result, whereby performance is measured transparently and publicly against that future liability.

In addition to the welfare reforms, the Working for Families package is designed to support low-and-middle income families with children, and making work pay for parent who move off benefit into work.

Active labour market programmes

As mentioned before, a key feature of our welfare reform programme is the investment approach. We are taking an integrated investment management approach to some welfare expenditure based on a new, ground-breaking Return on Investment (ROI) framework, which looks at the government's return on investment from improved employment outcomes. We are also trialing new approaches based on the ROI framework to learn to work better to improve outcomes for those with highly-complex needs and prevent long-term benefit receipt. There will also be continued consideration of the potential to reinvest benefit savings in approaches that are proven to be effective in improving social and economic outcomes and reducing future costs. Key policy initiatives include:

- Redesign of the benefit system, including new benefit categories, to make it simpler, with clearer expectations regarding availability for work.
- Take an investment approach to focus services for the greatest impact, including trialing innovative approaches.

[4] Beneficiaries with job search obligations

- Implement new pre-employment drug test requirements for beneficiaries with work expectations.
- Make financial assistance for young people conditional on further education, training or work based learning.
- Share information to quickly identify young people at risk of coming on to a benefit.
- Support Youth Service to ensure that at-risk young people are better supported to re-engage in education and training.
- Provide financial assistance for beneficiaries to take up work in Christchurch and contribute to the Canterbury economic recovery.
- Provide financial assistance for sole parent beneficiaries to exit the benefit system and enter tertiary study.
- Intensive case management for 16 and 17 year-olds and 16 to18 year-old sole parents to ensure that support across the welfare and education sectors is aligned.
- Introduce stronger work preparation expectations, requiring people to take reasonable steps to prepare for work.
- Intensive case management for certain targeted sole parents – getting them the skills and support to be work ready and available
- Intensive case management for certain targeted beneficiaries with a health condition, injury or disability – supporting these people to prepare for and be available for work where appropriate.

The Government also introduced a simpler, more flexible business-focused package of employment programmes. The Jobs Streams package consolidates existing employment programmes into two main streams:

- Skills for Industry: Training courses tailored to the needs of industry and employers. They aim to provide employers with trained employees and enable people to move towards sustainable employment. Work and Income (New Zealand's public employment service) will contract either directly with an employer or via a training provider to deliver employment training programmes within a particular sector. Once participants have gained employment, they will continue to receive job-specific training as required. The contracted employer/training provider is also required to provide placement support for 3 month post-employment.
- Flexi-Wage: Flexible wage subsidies that invest in a disadvantaged job seeker by making a temporary contribution to their wages and training which will aid them in accessing and maintaining employment. The primary aim of Flexi-Wage is to ensure that disadvantaged job seekers gain the skills employers need to help them move into sustainable employment. The expected outcome of Flexi-Wage is that the person retains the job when the subsidy ends.

Job Streams represents a fundamental change in the way we invest in active labour market programmes for beneficiaries. Funding is no longer linked to a set number of places but rather allocated to the Job Streams package to be used flexibly across the two programmes. This allows Work and Income to tailor the package to an employer's requirements and an individual's needs, thereby ensuring that the funding is used where it can make the most difference.

Policy measures targeting labour market disadvantaged

Lifting Mâori Economic Outcomes

Mâori are the indigenous people, or tangata whenua, of New Zealand. Mâori make up around 15% of the national population. They are the second-largest ethnic group in New Zealand. Disproportionate numbers of Mâori face significant economic and social obstacles, with lower life expectancy and income compared with other New Zealand ethnic groups and significantly higher unemployment/lower labour market participation levels than most other New Zealanders, in addition to higher levels of crime, health problems and educational under-achievement.

An independent panel appointed by Government has recently launched the Mâori economic development strategy "He kai kei aku ringa" – 'Food from our own hands' - to help grow a more productive, innovative and internationally connected Mâori economic sector to improve quality of life for Mâori and all New Zealanders. The Strategy, endorsed by government, sets out a blueprint for Mâori economic development through to 2040 to be achieved through a partnership between Maori, government and the private sector. The aim is to achieve a productive, innovative, and export orientated Mâori economy that will support better paying jobs and higher living standards.

The first Action Plan covers the period 2012-2017 and outlines 6 key goals and 26 action points to drive transformational change in Mâori economic productivity, socio-economic outcomes and national economic direction. Key focuses include:

- Lifting education participation and performance
- Building a skilled and successful workforce
- Increasing financial literacy and savings
- Partnering with Mâori to enable growth
- Creating new economic opportunities through the development of natural resources
- Ensuring Mâori inc as a driver of economic growth.

Government is working closely with the Mâori Economic Development Advisory Board (established to provide stewardship towards these goals) and across government agencies, Mâori business and peak organisations, and industry to refine and accelerate the most effective actions.

Lifting female labour market outcomes

Overall, New Zealand women are participating in the labour market at higher rates than ever before. The latest labour market statistics are showing signs that our welfare reform programme appears to be successful in getting more sole parents to participate in the labour market. Although patterns of participation do vary by age and ethnicity. In particular, more New Zealand women work part time and our sole parent employment rates are also low compared to other OECD countries. In terms of productivity, female productivity growth has averaged just under 0.7% per annum since 1990 compared to 1.5% per annum male productivity growth. Much of this variance is driven not by skill levels (New Zealand women outperform men in terms of qualifications achieved), but by higher female participation in relatively less productive industries.

Our focus is on boosting female participation in the labour market especially for the low-medium skilled women as well as encouraging women to seek careers in non-traditional and more productive sectors. Key initiatives include:

- The Working for families package: A tax instrument that is designed to make it easier to work and raise a family. It includes four different tax credits (family tax credit, in-work tax credit, minimum family tax credit and parental tax credit), and an accommodation supplement and support with childcare costs. Eligibility is determined by household income and family size.
- A series of welfare reform changes: We have introduced a number of welfare reform changes targeted at assisting sole parent beneficiaries to prepare for and take-up work. This includes balancing new job search obligations (based on age of youngest child) with supports to better connect them to opportunities to work or improve their skills.
- Better Early Childhood Education provision: The Government has been implementing a policy programme aimed at making suitable Early Childhood Education more available and appealing to most disadvantaged communities. All three, four and five-year old children are able to go to early childhood education services for six hours a day, 20 hours a week at no charge.

Lifting outcomes for young people

Currently 11.1% of young New Zealanders aged 15-24 are not in education, training or employment. It is well canvased that long periods of unemployment and low levels of skills and qualifications in youth are likely to translate into adult unemployment or underemployment, with consequent costs to the welfare, health and criminal justice systems. There is also a strong inter-generational transmission effect of educational and employment advantage and disadvantage. The Government has introduced a number of initiatives to lift outcomes for young New Zealanders by improving their skills and qualifications, these include:

- Introduced the Youth Service for 15 to 17 year olds who are NEET and are at risk of coming on to a benefit at age 18. Under the service, community based providers deliver ongoing mentoring and support to these young people, to support them to re-engage in education, training or work-based learning that is leading towards at least NCEA level 2 or equivalent (completion of upper secondary education).
- Strengthened the Youth Guarantee initiative to provide new opportunities for young people to achieve NCEA level 2 or equivalent (completion of upper secondary education), and to progress into further education, training or employment.
- Boosted overall apprenticeship funding to allow industry training organisations to invest in quality education for apprentices, lower fees for employers and encouraging growth in the uptake of apprenticeships.
- Lifted the profile of, and participation in, apprenticeships by giving an incentive payment to new apprentices and their employers.
- Launched vocational pathways that bring together the standards and skills recommended by five broad sectors of industry and linking these to study and employment possibilities.
- Introduced starting out wage and training wage (80% of the minimum wage) to lower the barriers to work for our youngest workers and least-experienced workers.
- Introduced a range of youth health initiatives aimed at improving prevention and treatment services for young people with, or at risk of, mental health problems such as depression, anxiety, conduct disorder and substance abuse.

SKILLS DEVELOPMENT

New Zealand has a well performing school education system by international standards. On average, our students perform well in reading literacy, mathematics and science in the OECD Programme for International Student Assessment (PISA) at age 15. New Zealand's recent PISA results show that New Zealand 15-year-olds who came through the education system from 2001-2012 are continuing to score above the OECD average in all three topics. However, New Zealand's ranking on the OECD scale is lower than the last PISA report, particularly for maths and science. There is also significant underachievement for ethnic groups (Mâori and Pasifika) and learners lower socio-economic groups. While we are seeing improvements – for example, the achievement of Pasifika in tertiary education has increased over the last five years – too many young people are still leaving school without a qualification that will take them onto meaningful further training, study or employment.

School education

School is the best place to achieve the foundation skills that are necessary for success in later years. Achieving at least level two qualifications puts a young person on a pathway towards a successful working career. At a national level, a strong achievement in schooling is an essential building block for growing a more innovative and productive economy.

New Zealand's schooling system currently performs strongly for the majority of students, but not all. Latest 2013 data reports that 78.6% of all 18 year-olds have NCEA Level 2 or above (completion of upper secondary education). Our goal is to ensure that by 2017, 85% of 18 year-olds will have achieved NCEA Level 2 or an equivalent qualification. To do this, the Government is adopting a range of measures to significantly lift our school-level achievement and is implementing quality alternative pathways for students at risk of leaving the school system without the necessary tools for long term success. Key initiatives include:

- Raising achievement in schools and improve quality teaching: The Government is working intensively with schools and their communities, and on engaging parents and families. The Government is also expected to spend very significant sums over four years on professional learning and development for teachers in primary and secondary schools. This work also involves building a better quality management system, appraisal, monitoring, recognition and reward.

- Delivering results with Youth Guarantee: Youth Guarantee provides the opportunity for young people at risk of dropping out of school the opportunity to study towards level 1 to 3 qualifications at a tertiary provider, on a fees-free basis.
- Expanding flexible school-based provision through trades and service academies: Trades and service academies, alongside Gateway programmes, allow young people to explore vocational career opportunities while still at school. These academies are designed to motivate more students to stay engaged in learning and training by providing them with a greater number of options for study and a formalised learning arrangement set in the workplace on a fees-free basis.
- Providing foundation education to all young New Zealanders: The Government has invested in foundation education in order to make it available in both secondary and tertiary settings for students under the age of 25 on a fees-free basis. This means that all young New Zealanders will be able to gain the literacy and numeracy skills necessary for them to participate effectively in the workforce regardless of their experience at school.

Apprenticeships, vocational training and higher education

For most young New Zealanders, achieving a tertiary qualification is a crucial milestone towards a successful working career. One of the great strengths of the New Zealand's tertiary education system is its flexibility and seamlessness. The single learner record and the New Zealand Qualifications Framework provide a common language for recording learners' progress through schools and all tertiary education organisations. This model ensures achievement is retained and built on as learners progress.

The New Zealand student support system is based on the idea that students and their families should make a contribution to their studies because of the significant private benefit an individual gains from tertiary education. Nevertheless, New Zealand's student support system is also one of the most generous in the world. OECD countries spend, on average, 22% of their public budgets for tertiary education on financial aid to students. New Zealand spends more than double this proportion (47%).

The Government provides tuition subsidies to all New Zealand students, which cover, on average, 71% of the cost of tuition. Students pay on average 29% through tuition fees. Many students pay their fees through the Student Loan Scheme which is heavily subsidised with income contingent repayments and zero interest rates for New Zealand residents. With each dollar loaned costing the government around 40 cents, adjusting for this factor, the share of the full cost paid by the government is around 82%.

In recent years the Government has worked to improve the performance and value for money of the tertiary education system. At the same time, the Government has made significant investments in tertiary education, with a focus on improving the achievement of young people and participation in higher level study. Key initiatives include:

- Purchasing additional places to meet demand: We continue to adjust the number of additional tertiary places as required to meet demand. This includes investing in engineering, science and research-led learning in tertiary institutions. Our focus is on redressing the under-supply of engineering skills and increasing our investment in training scientists to help fuel the innovation required to grow our economy.
- Setting up new ICT Graduate Schools: To respond to strong demand for more ICT graduates, the Government is setting up three new ICT Graduate Schools based in New Zealand's major population centres: Auckland, Wellington and Christchurch. These programmes will aim to help create collaborative initiatives that connect top students with our high-value and high-tech firms.
- Completing the Targeted Review of Qualifications: We are reducing the overall number of qualifications and simplifying pathways for trainees and employers. Reducing the proliferation of qualifications helps to reduce confusion and make the system easier to understand and navigate for all parties.

- Reviewing the Industry Training system: The Government has recently reviewed its industry training system to ensure a durability that will lift performance and qualification levels for all trainees. As result of the review the Government has moved to boost the number of people in apprenticeships by combining all apprenticeships into a single nationwide scheme, and providing new financial incentives for employers and workers to take up more apprenticeships, especially in the 'priority trades' where there is strong demand for new trainees. There have also been efficiency gains through changes to the size and expectation of Industry Training Organisations.
- Introducing clear vocational pathways: The Government has introduced five Vocational Pathways to help school students who are interested in trades to make good study and subject choices, and get a head-start on their career while they are still at school. The Vocational Pathways provide a flexible road map that provides easy to understand pathways that lead to five industries: Manufacturing and Technology; Construction and Infrastructure; Primary Industries; Services Industries; and Social and Community Services. A sixth Vocational Pathway in Creative Industries will be introduced during 2014.
- Improving information for students: The Government has made it easier for students to better identify the right study choices by providing information on the performance of tertiary providers and the employment outcomes of their studies

Building towards an outcome focused education system

In recent years, the New Zealand Government has The Government has made major improvements towards a more result focused education system. We are investing in educational success in the compulsory sector, by resourcing and promoting professional leadership in every school. This will achieve a significant step up in our system's performance for all students. We have improved the value for money of tertiary education by setting better performance incentives on providers and students. We have also focused the system towards higher-level study. In addition, we have significantly improved the information available for students about the performance of providers and the employment outcomes of their study. Building on the gains made in the past five years, the Government has just published a new Tertiary Education Strategy which has signaled a deliberate shift to focus on outcomes. While we will continue to have high expectations of institutions in regards to efficiency and student achievement, our view is that a stronger focus on the labour market and research outcomes of tertiary education is needed. This recognises that educational achievement does not stand alone, instead providing a stepping-stone to assisting communities and individuals to realise their full potential.

The new Tertiary Education Strategy supports a shift to a more outcome-focused and engaged tertiary education system, with strong links to industry, community and the global economy. This includes focusing on employment, the relationship between people's tertiary education and their earnings following study, and access to skilled employees for business as critical outcomes. The new Tertiary Education Strategy highlights the need to build international relationships that contribute to improved competitiveness, support business and innovation through development of relevant skills and research, continue to improve the quality and relevance of tertiary education and research, and improve outcomes for all. The first steps to achieving these shifts are outlined in the Tertiary Education Strategy's six priorities:

- Priority 1: Delivering skills for industry
- Priority 2: Getting at-risk young people into a career
- Priority 3: Boosting achievement of Mâori and Pasifika
- Priority 4: Improving adult literacy and numeracy
- Priority 5: Strengthening research based institutions
- Priority 6: Growing international linkages.

4. Monitoring of commitments

Delivering better public services within tight financial constraints is one of the Government's top priorities. And achieving results that make a difference to New Zealanders is at the heart of that. The Government has set 10 challenging results for the public sector to achieve over the next five years. Ministers and a public sector chief executive have been appointed to lead each result areas and will be accountable for demonstrating real progress against his or her result. These results fall into five themes:

- **Reducing long-term welfare dependency**

  1. Reduce the number of people who have been on a working age benefit for more than 12 months.

- **Supporting vulnerable children**

  2. Increase participation in early childhood education.

  3. Increase infant immunisation rates and reduce the incidence of rheumatic fever.

  4. Reduce the number of assaults on children.

- **Boosting skills and employment**

  5. Increase the proportion of 18-year-olds with NCEA level 2 or equivalent qualification.

  6. Increase the proportion of 25 to 34-year-olds with advanced trade qualifications, diplomas and degrees (at level 4 or above).

- **Reducing crime**

  7. Reduce the rates of total crime, violent crime and youth crime.

  8. Reduce reoffending.

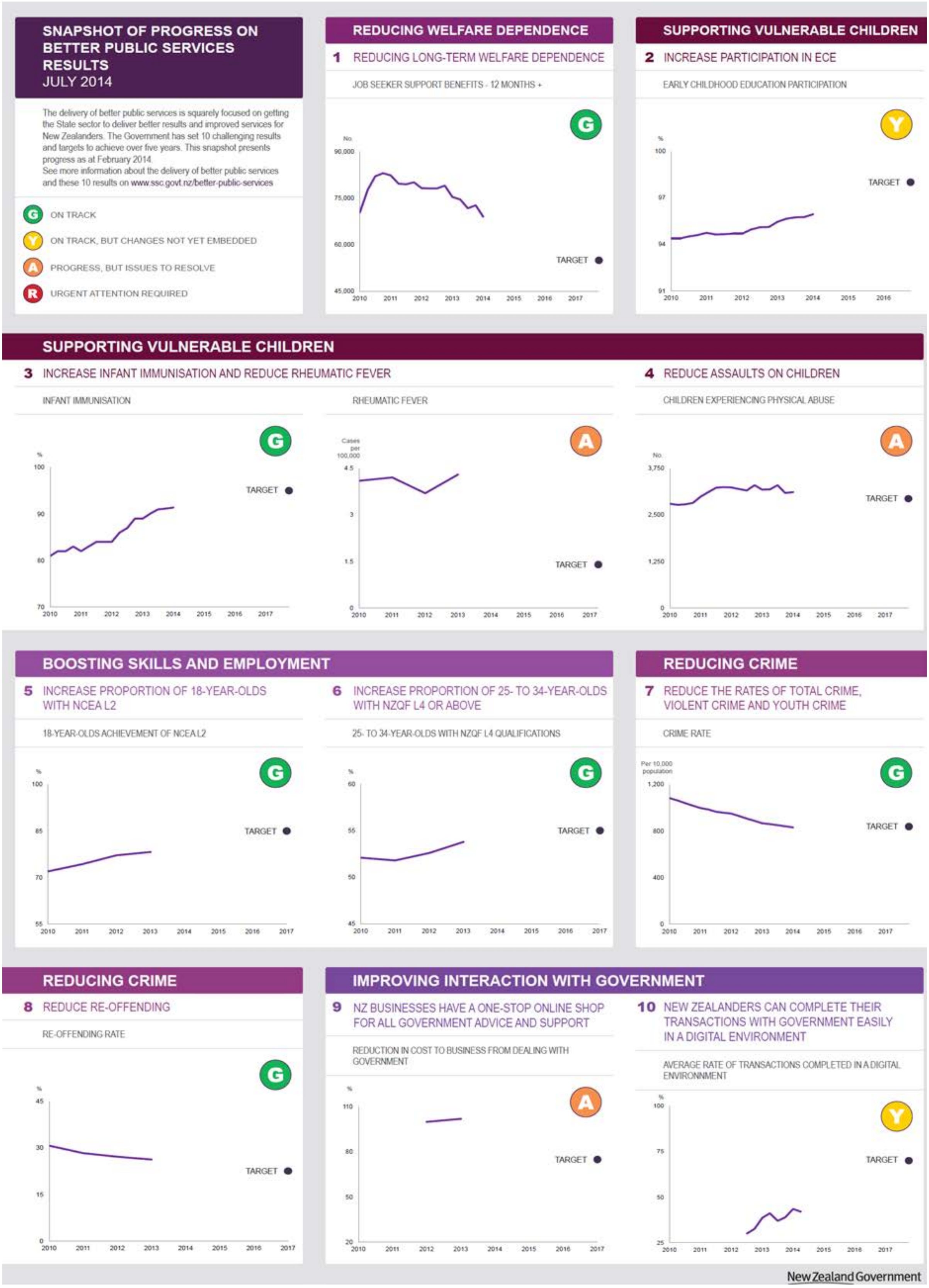
- **Improving interaction with government**

  9. New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their business.

  10. New Zealanders can complete their transactions with government easily in a digital environment.

Progress made towards these results areas are published annually, see below for a snapshot of progress as of July 2014.

Further, to help monitor progress and drive performance, the Government is holding itself accountable to the business community and to the public through programmes such as the Business Growth Agenda. Ministerial groups are responsible for monitoring progress in all six Business Growth Agenda work streams, and ensuring that the each of the Business Growth Agenda initiatives maximise competition and productivity. The Government has just published the Business Growth Agenda – Future Direction 2014 report which outlines the progress the Government has made in delivering the 350 plus actions across all the Business Growth Agenda work streams.


SNAPSHOT OF PROGRESS ON BETTER PUBLIC SERVICES RESULTS
JULY 2014
The delivery of better public services is squarely focused on getting the State sector to deliver better results and improved services for New Zealanders. The Government has set 10 challenging results and targets to achieve over five years. This snapshot presents progress as at February 2014.
See more information about the delivery of better public services and these 10 results on www.ssc.govt.nz/better-public-services
G ON TRACK
Y ON TRACK, BUT CHANGES NOT YET EMBEDDED
A PROGRESS, BUT ISSUES TO RESOLVE
R URGENT ATTENTION REQUIRED
REDUCING WELFARE DEPENDENCE
1 REDUCING LONG-TERM WELFARE DEPENDENCE
JOB SEEKER SUPPORT BENEFITS - 12 MONTHS +
SUPPORTING VULNERABLE CHILDREN
2 INCREASE PARTICIPATION IN ECE
EARLY CHILDHOOD EDUCATION PARTICIPATION
SUPPORTING VULNERABLE CHILDREN
3 INCREASE INFANT IMMUNISATION AND REDUCE RHEUMATIC FEVER
INFANT IMMUNISATION
RHEUMATIC FEVER
4 REDUCE ASSAULTS ON CHILDREN
CHILDREN EXPERIENCING PHYSICAL ABUSE
BOOSTING SKILLS AND EMPLOYMENT
5 INCREASE PROPORTION OF 18-YEAR-OLDS WITH NCEA L2
18-YEAR-OLDS ACHIEVEMENT OF NCEA L2
6 INCREASE PROPORTION OF 25- TO 34-YEAR-OLDS WITH NZQF L4 OR ABOVE
25- TO 34-YEAR-OLDS WITH NZQF L4 QUALIFICATIONS
REDUCING CRIME
7 REDUCE THE RATES OF TOTAL CRIME, VIOLENT CRIME AND YOUTH CRIME
CRIME RATE
REDUCING CRIME
8 REDUCE RE-OFFENDING
RE-OFFENDING RATE
IMPROVING INTERACTION WITH GOVERNMENT
9 NZ BUSINESSES HAVE A ONE-STOP ONLINE SHOP FOR ALL GOVERNMENT ADVICE AND SUPPORT
REDUCTION IN COST TO BUSINESS FROM DEALING WITH GOVERNMENT
10 NEW ZEALANDERS CAN COMPLETE THEIR TRANSACTIONS WITH GOVERNMENT EASILY IN A DIGITAL ENVIRONMENT
AVERAGE RATE OF TRANSACTIONS COMPLETED IN A DIGITAL ENVIRONMENT
TARGET
New Zealand Government

APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

SAINT PETERSBURG ACTION PLAN

Structural reforms

Investing in infrastructure, including road, rail and energy (Argentina, Brazil, Canada, India, Indonesia, Saudi Arabia, United Kingdom, United States).

Measures to strengthen service industries (China, Italy).

Reducing labour costs through tax credits (France).

Boosting foreign direct investment through tax and regulatory reform (Japan, Korea).

Reforms to streamline business regulation (Russia, South Africa, Spain).

Tax reforms to reduce the burden on business (China, United Kingdom).

A new disability insurance scheme (Australia).

Reforms to improve skills development through schools and tertiary education (Australia, Brazil, India, Korea, South Africa, United States).

Strengthening active labour market programs to create jobs (Canada, Italy).

Labour market reform to encourage jobs and growth (France, Mexico).

Implementation of the Youth Employment Initiative (European Union).

Reforming welfare and pensions to encourage growth and jobs (France, United Kingdom)

Reducing informality through incentives for SMEs (Indonesia)

Reducing the tax wedge (Italy)

Expanding childcare to encourage women to enter the workforce (Japan, Korea)

Increasing women's participation in the workforce (Turkey)

Implementing stronger financial regulations to increase the resilience of national financial systems (Brazil, France, Germany, European Union, Japan, Korea, Mexico, South Africa, United Kingdom, United States)

Measures to strengthen financial literacy and consumer protection in the finance sector (Russia, Saudi Arabia, Turkey)

Link: http://www.g20.utoronto.ca/2013/2013-0906-plan.html

LOS CABOS JOBS AND GROWTH ACTION PLAN

Promoting investments in infrastructure to increase productivity and living standards in the medium term by addressing bottlenecks (Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, UK).

Promoting green and sustainable growth (Australia, Korea, Germany, Mexico).

Encouraging formal sector employment through better education or skill development (Brazil, Indonesia, Mexico, South Africa).

Improving employment opportunities for targeted groups such as youth and persons with disabilities (Canada, Korea, UK).

Encouraging the participation of younger workers through apprenticeships (UK).

Retraining of long-term unemployed (US).

Increasing wage flexibility, such as decentralized wage setting (Italy).

Reducing labour tax wedges (Brazil, Italy).

Unemployment insurance reforms to make it more effective and efficient in supporting job creation (Canada).

Tax and benefit reforms to enhance productivity and improve incentives to work (Australia, Germany, Italy, UK).

Skills development (Spain).

Enhancing education, training and skills development (Australia, Canada, France, Germany, Italy, Turkey, South Africa).

Providing targeted support for the poor or strengthening social safety nets (India, Indonesia, China, Mexico, Saudi Arabia, South Africa).

Encouraging the participation of females in the labour force through, for example, reforming benefit systems and providing affordable child care services (Australia, Germany, Japan, Korea).

Link: http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.pdf

OTHER KEY DOCUMENTS

G20 Strategies for Youth Employment through the G20 Labour and Employment Ministers Conclusions (17-18 July 2012) (http://www.g20.utoronto.ca/2012/2012-0518-labour.pdf)

'Key Elements of Quality Apprenticeships' (2012) (http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_218209.pdf)

'A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy' (2010) (http://www.ilo.org/wcmsp5/groups/public/---dgreports/--integration/documents/publication/wcms_151966.pdf)

G20 Labour and Employment Ministers' Declaration, Moscow, 18-19 July 2013 (http://en.g20russia.ru/load/781649316)

The G20 Labour and Employment and Finance Ministers' Communiqué, Moscow, 19 July 2013 (http://en.g20russia.ru/load/781652947)