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Vote Employment

Four-year Budget Plan

Revised version

3 February 2011

Submitted by:

The Department of Labour

Section 1: New Baseline and Summary of Changes

Priorities for Vote Employment

Vote Employment provides strategic and integrated advice on the labour market and its contribution to the economy. The Department of Labour's (the Department's) overall intention is to ensure that the work programme is positioned to support strong economic growth. Building on the priorities for Vote Employment agreed for the last two years, there are four priorities for the next four years:

1. providing strategic labour market intelligence – developing and refining the range of labour market information and tools to ensure information collated is relevant, timely and accessible
2. contributing to economic and employment growth – working with government and non-government organisations to inform and influence activities focused on getting people into jobs, improving workforce productivity and supporting long-term economic growth
3. supporting workforce development for economic growth – improving the skill levels of the workforce, as well as those emerging from education and training, and
4. maximising the impact of government investment – contributing to initiatives in particular industries and sectors (such as construction, building and housing) that have the potential to add to improved employment and skills outcomes and economic growth.

Re-organising the Department to improve Vote Employment's performance

It is the expectation that recent changes to the structure of the Department, combined with a renewed focus on supporting strong economic growth, will ensure a more effective and efficient use of available resources. The Department's new Policy and Research Group is designed to ensure that Vote Employment capitalises on connections with immigration and labour market regulation.

The Vote Employment work programme will be delivered within current baselines. This includes the \$0.5 million in 2011/12 and outyears from the adjustment to the research programme into language literacy and numeracy in the workplace, which is being used to support the delivery of research and policy projects to support the Minister for Social Development and Employment's identified priorities for Vote Employment.

Overall impact for Vote Employment

Operating (Departmental)	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Current Baseline (OBU 2010)	14,286	13,816	13,794	13,829	13,776
Generic Cost Pressures	-	368	748	1,135	1,531
Business Specific Cost Pressures	-	-	-	-	-
Cost Reductions	-	(368)	(748)	(1,135)	(1,531)
New baseline	14,286	13,816	13,794	13,829	13,776

Further details of the cost pressures and cost reductions are scheduled in Appendix 1.

The Department forecasts cost pressures of 2 percent to 3 percent per annum over the four years 2011/12 to 2014/15. The Department will manage these cost pressures within its existing baseline, thereby avoiding the need to seek additional funding. Details of how this will be achieved are provided in Appendix 2.

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

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

Department of Labour context across Votes

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

Managing significant cost pressures across Votes

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

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

¹ Health and Safety

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

The Department's transformational journey to date...

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

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

Transformational changes to date include:

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

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

A programme of continuous change for the Department...

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

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

- ensuring functional alignment with Government's priorities
- developing and aligning the ICT infrastructure to support business needs
- identifying business process and operational improvements, and

- setting a future direction involving the use of lower cost delivery and processing channels [2]

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

Section 2: Vote Priorities and Pressures

Role of Vote Employment

The Department is the Government's primary source of advice on the labour market and work. The Vote Employment function brings a cross-cutting, integrated focus to the analysis of the labour market and its contribution to the economy, thereby making a significant contribution to the Government's Economic Growth Agenda. Specifically, Vote Employment provides vital information on the performance of the labour market, including advice on emerging employment opportunities across sectors and regions. Such labour market intelligence enables the effective development and timely mobilisation of resources, ensuring that opportunities for economic growth are maximised and that the labour market is well positioned to deliver greater prosperity to all New Zealanders. Work undertaken within the Vote supports cross-agency initiatives to build a capable workforce and to maximise the impact of Government's investment in infrastructure development.

How the Department's intentions for Vote Employment fit with Government priorities

The Department has identified four priority areas for Vote Employment. These priorities build on work initiated in the Vote in the past two years. However, they represent a tighter focus on the Government's key objective to lift the long-term performance of the economy.

The proposed activities make a direct contribution to the Government's Economic Growth Agenda. The Department works with stakeholders in a range of sectors to contribute to:

- better outcomes in terms of skill development, retention and utilisation as firms move up the value chain (e.g. the inter-agency Skills Challenges work, the continuing research on workplace literacy, language and numeracy skills (LLN) training approaches, the industry-led productivity partnership with the building, construction and housing sector)
- business support initiatives that assist firms to overcome barriers to enterprise and access the skills they need to grow and succeed (e.g. the tools and information available on the Skills Highway website), and
- the development of more productive workplaces and sectors and more people in quality work with good career progression (e.g. through the development of the Auckland Council's Spatial Plan and the Economic Development Strategy).

Collectively, the priorities ensure that the Government has accurate and timely information and advice on the performance of the labour market, and has a sound evidence base from which action can be taken to address emerging labour market challenges and opportunities.

Priorities for Vote Employment

The priorities for Vote Employment for 2011 build on and refine the priorities for the Vote that were agreed over the last two years, as shown in Appendix 1. They are described in the

following section. The detailed supporting work programme will be agreed with Ministers once this FYB has been agreed.

Priority 1: Providing strategic labour market intelligence

The Department provides strategic and integrated advice on labour market trends. This advice draws on a range of internal and external sources to identify key areas of weakness and opportunities, as well as options for improving the effectiveness of the labour market. Vote Employment enables the Government to respond to presenting issues, as well as to anticipate and respond to emerging, longer-term issues.

The Vote delivers a significant labour market monitoring and analysis programme. Key outputs include:

- the quarterly labour market scorecard, which goes to Cabinet to inform them about the performance on the labour market against the growth accounting framework
- the associated quarterly policy assessment which goes to all labour market Ministers and provides advice on the appropriateness of a range of policy settings to the current or emerging labour market conditions, and
- quarterly intelligence on employment and unemployment for the Minister for Social Development and Employment which informs the Social Development portfolio.

Drawing on its forecasting capability, the Department will continue to enhance its recently developed indicators of changes in the labour market:

- the 'leading indicator of employment' which gives early warning to Ministers and stakeholders on when employment (as measured by the Household Labour Force Survey (HLFS)) is likely to reach a peak or trough – this helps Ministers and other agencies such as the Ministry of Social Development, Treasury and the Reserve Bank of New Zealand to plan ahead
- the Jobs Online index, which provides a comprehensive view of job advertisements across the country. This provides intelligence about employers' recruitment activities and the current employment opportunities open to all job seekers, and
- occupation and industry forecasting to support, for example, the quarterly report on employment opportunities and the operation of the Recognised Seasonal Employers scheme.

The information and analysis undertaken to support this priority also supports the Department's work under the other three priorities for the Vote. The Department will enhance its focus on tools and information sources that are effective and efficient with other less relevant or information-only reports and tools being dropped.

Priority 2: Contributing to economic and employment growth

The Department provides up-to-date and forward-looking advice on increasing the effectiveness of the labour market to grow sustainable employment and the economy. The

new structural arrangements within the Department offer an integrated whole-of-labour market perspective. The Department will provide practical and robust advice on ways in which the Government can respond in the short-term and medium-term to challenges and opportunities facing the labour market, such as skills shortages across sectors and changes such as the ageing population.

As New Zealand begins to recover from the recession, there is a strengthening focus on assisting the most vulnerable groups into employment. The Department continues to work with a range of stakeholders, including the Ministry of Social Development, Ministry of Education, Business New Zealand, the New Zealand Chambers of Commerce, the Mayor's Taskforce on Jobs and others, to improve the labour market outcomes for youth and other marginalised groups, including work-ready beneficiaries, the low-skilled, and Maori and Pacific peoples.

The main outputs, both long-term and short-term, are:

- the quarterly reports on likely areas of employment opportunities for the Minister for Social Development and Employment, which also go to the Ministry of Education, the Tertiary Education Commission and the Ministry of Social Development to inform their policy development, funding decisions and service delivery. This identifies job opportunities and potential for job creation, particularly for the lower skilled/unemployed. The Department will work to extend the quarterly employment opportunities reports to focus on pathways into sustainable careers, and to provide regional reports particularly for the Auckland region
- helping to raise Auckland's economic performance by working with the Auckland Council and others to improve the regional labour market performance. This will involve leading the skills and productivity papers for the development of the Economic Development Strategy, in order to ensure that strategy and its implementation consider the Auckland labour market as a whole. The Chief Executive's participation in the Auckland Chief Executives' meetings will also help drive economic development initiatives
- supporting New Zealand's export-related and tradeable sectors by supporting the human resource aspects of emerging Free Trade Agreements particularly in the Pacific region and by helping address relevant skills and labour issues through industry-led engagements, including marine manufacturing, the Rugby World Cup, export education, ICT, the ultrafast broadband roll-out and the Canterbury reconstruction, and
- improving the labour market resilience of vulnerable groups (youth, low skilled, Maori and Pacific peoples). For example, supporting the development of initiatives in the next stages of the interagency work on the youth 'pipeline'.

Priority 3: Supporting workforce development for economic growth

Sector and productivity growth requires a workforce of the right size, with the right skills, at the right time. New jobs and new skills will be needed, as firms and industries move up the value chain and the economy shifts from non-tradeable sectors to tradeable sectors in order to drive an export-led economic recovery. To provide effective support to firms, to guide tertiary education providers and prospective students as to employment options and to

increase the responsiveness of the immigration system, the Government needs an evidence-based understanding of the skills challenges and opportunities facing the New Zealand economy.

The Department's focus will be on practical actions to ensure that, as far as possible, labour supply and demand are well-aligned and that the right mix of skilled labour is available to fuel economic growth. The Department is particularly concerned to ensure that work in this area includes a focus on the whole-of-labour market picture, including the interplay between immigration, education, welfare and employment policies.

The main outputs, both long-term and short-term, are:

- development of approaches to addressing longer-term skills issues. The Department is leading an inter-agency work programme, based on its Skills Challenges analysis, it will coordinate cross-agency proposals to Cabinet on options for action to address identified skills challenges over the next ten years
- actions to improve the literacy, language and numeracy skills of the workforce. For example, the Department will continue its involvement in the inter-agency research work programme on the effectiveness of language, literacy and numeracy training in workplaces, and
- supporting cross-agency work on youth engagement in education, employment or training. For example, this will build on the work of both the youth pipeline and the youth guarantee to explore with industry and business ways in which their contribution can be improved.

Priority 4: Maximising the impact of government investment

The Department works with others to ensure that government's significant investment in the skills system, in infrastructure, and as a procurer of services, such as aged care, improve employment and skills outcomes and contribute to economic growth.

The main outputs, both long-term and short-term, are:

- assisting with Health Workforce New Zealand's workforce service review of the aged care sector by providing a whole-of- labour market approach to their modelling, forecasting and scenario testing, and
- contributing to industry-led productivity focused initiatives such as the Department of Building and Housing's Productivity Partnership with the building, housing and construction sector.

Implications of the priorities identified for Vote Employment

Activities undertaken within these four priority areas align with macro-economic policy and directly contribute to Government's Economic Growth Agenda – in particular improved education and skills; innovation and trade; investment in infrastructure; and better public services.

What will be achieved

Specifically, the Department is ensuring that:

- monitoring of labour market trends is targeted to providing early intelligence on the risks and opportunities in the labour market, the implications of these for the economy, and potential responses
- its research and promotional activities are tied much more closely to the policy work programme, in order to ensure that the projects in the work programme deliver the Ministerial priorities and reflect labour market dynamics and trends, are targeted effectively and based on a robust evidence base, and
- its work also assists Ministers and agencies to understand the wider relationship between skills, wage levels and productivity growth to help re-tilt the economy from a low skill and low-wage equilibrium to a high-skill and high-wage equilibrium.

The Department considers work under all of these priorities to be high-value. A recent independent review of the Department (Martin, Jenkins & Associates Ltd) confirmed the value of the activities undertaken within Vote Employment and noted that the Department has an unique opportunity to provide overarching policy leadership related to the labour market and its contribution to the economy.² The latest annual NZIER review also rated the Department's policy papers high relative to the other agencies reviewed.

The identified work priorities are more tightly focused on the Government's key objective to lift the long-term performance of the economy and will be periodically reviewed to assess their value-add to the Government's strategic direction.

How Vote Employment will deliver a step change in its performance in the coming year

The Department's re-organisation, which puts Vote Employment at the heart of its policy and research capability, while also reducing the associated staffing level by a net 22 full-time equivalent posts, will help deliver the required step change in performance. As a significant value for money exercise, this re-organisation provides a more integrated, efficient approach to managing policy, research, and evaluation functions and delivering more effective labour market and immigration advice.

The Department will measure its performance in delivering the priorities for Vote Employment, including through:

- Ministerial feedback – as well as seeking feedback from its Ministers on each briefing, the Department discusses its performance with Ministers regularly. It will also consider unsolicited feedback from Ministers, other stakeholders and central agencies
- stakeholder survey – the Department will improve its annual stakeholder survey in order to focus on value-add

² Martin, Jenkins & Associates Ltd (March 2010) *Review of Policy, Research, Evaluation and Vote Employment: Final Report*. p.13.

- quality review – the Department expects to further improve its performance ratings in the annual review by NZIER of the quality of policy advice by government agencies
- delivery of work programme – the Department will monitor and report on the deliverables in the agreed work programme. The Department will also continue to review the work programme to ensure that its research and monitoring activities relate directly to the priorities for the Vote, and that the policy projects build off a robust evidence base and reflect labour market conditions and dynamics to provide effective advice to Ministers
- external reviews – the Department will actively participate in, and respond to, central reviews of its performance, such as the Performance Improvement Framework Review, due to start in April 2011, and
- project management – the Department will improve its use of project management principles to ensure that the desired outputs are achieved effectively in terms of key deliverables, milestones, quality, timeliness and efficiency of resource usage.

Pressures over the next four years

Cost pressures

The Department will ensure that Vote Employment operates within baselines over the next four years. The Department has recently completed a value for money review of Vote Employment, as part of the wider review of policy, research and evaluation functions in the Department. As a result, these functions have been centralised, with Vote Employment capability located at the centre of the new group.

Offsetting any cost reductions from these reviews, the Vote also faces generic unavoidable cost pressures, which are remuneration cost increases, accommodation cost increases, depreciation costs and capital charges for use of assets, and general CPI increases.

Other risks in delivering against priorities

There are no identified risks in delivering against priorities. Vote Employment supports improvements in the performance of the labour market and economic growth through the provision of information and advice. It is therefore not subject to the variances experienced by portfolios with a service delivery function, or those dependent on third party funding.

Low value activities

The recent review of the Department's policy, research and evaluation functions included an examination of the nature and focus of the work and its alignment with Government priorities. As a consequence, Vote Employment activities have been scrutinised and steps have already been taken to eliminate activities considered to be 'low value'.

The Department has already ceased the Vote's regional representation function with the disestablishment of the Labour Market Knowledge Managers as part of Budget 2009 decisions.

Further, the Department is rationalising the suite of information products it makes available, to stop information-only products so that they can focus on adding more policy value.

The Department will continue over the next four years to closely monitor activities within the Vote to ensure that they remain closely aligned with the Government's priorities and have demonstrable utility. However, any further gains in this area are likely to be at the margins (e.g. production of information only reports).

What has to be delayed or stopped?

The Department is not proposing to delay or cease any further activities funded through Vote Employment. This is because the Department as already planned to meet its cost pressures, as identified in Appendix 1, through the change programmes for its policy, research and monitoring functions (PREE) and for its corporate services (CMIP) and the corporate cost reductions already identified in this section.

The Department has already achieved a number of efficiencies through the new corporate operating model that came into effect on 1 July 2010. This model centralised corporate functions across the organisation, reducing duplication to best support business groups and provide more effective service delivery. Further reviews to consolidate the efficiency gains in the Department's corporate services will be undertaken in 2011.

Vote Employment resources have been effectively redirected to the Minister for Social Development and Employment's agreed priority areas and the re-focused work programme. The Vote will continue to be responsive and flexible.

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Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

What will be new or different?

The work priorities outlined above represent a tightening of focus to ensure that there is strong alignment between the Vote Employment outputs and the Government's priorities. This will be supported by recent structural changes within the Department intended to enhance the strategic labour market policy capability of Vote Employment. Better use will be made of labour market information and analysis, and the Department will take a stronger and more authoritative policy leadership role.

Section 4: Summary of Financial Movements

Four-Year Budget Plan - Financial Summary Report (Operating - Including Operating Associated with Capital Initiatives 2011)					
Vote: Employment	2010/11	2011/12	2012/13	2013/14	2014/15
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Share Allocation	0	0	0	0	0
Operating					
Baseline (2010/11 OBU)	14,286	13,816	13,794	13,829	13,776
Changes:					
Centralised Saving					
Total Centralised Saving	0	0	0	0	0
Reprioritisation					
Total Reprioritisation	0	0	0	0	0
Transfers Outside Vote					
Total Transfers Outside Vote	0	0	0	0	0
Total Changes	0	0	0	0	0
Total Proposed Operating Baseline	14,286	13,816	13,794	13,829	13,776

	2010/11	2011/12	2012/13	2013/14	2014/15
	\$000	\$000	\$000	\$000	\$000
OBU 2010					
VOTE: EMPLOYMENT					
Departmental Output Expenses					
Labour Market Analysis and Knowledge	8,666	8,433	8,415	8,436	8,404
Policy, Research and Evaluation	5,620	5,383	5,379	5,393	5,372
Total Fixed Baseline	14,286	13,816	13,794	13,829	13,776
Total Annual and Permanent Appropriations	14,286	13,816	13,794	13,829	13,776

Appendix 1: Vote Employment Cost Pressures 2010/11 to 2014/15

	2010/11 \$000	2011/12 \$000	2012/13 \$000	2013/14 \$000	2014/15 \$000
Cost Pressures					
Remuneration cost pressures	0	263	536	814	1,098
CPI Impact and Capital Charge	0	99	200	303	408
Accommodation cost pressures	0	6	12	18	25
Total Cost Pressures (cumulative)	-	368	748	1,135	1,531
Cost reductions					
<i>CMIP and PREE</i>					
Changes to corporate support model (CMIP)	0	(19)	(19)	(19)	(19)
Corporate Cost reductions	0	(56)	(114)	(172)	(231)
Changes to policy, research and evaluation services (PREE)	0	(293)	(615)	(944)	(1,281)
Total Cost reductions (cumulative)	0	368	748	1,135	1,531

Final decisions on the cost reduction initiatives and strategies will be subject to further discussions with the Department and agreement by Ministers to the development of the work programme. A key outcome of the PREE exercise was to release resources for reinvestment in higher priority areas. These priority areas are identified through the development of the work programme to support the Minister's priorities for Vote Employment.

Appendix 2: progress on the 2010 Priorities for Vote Employment

Priority 1: Monitoring labour market trends

Monitoring the functioning of the labour market and providing a regular assessment of areas of weakness or opportunity

Key Projects	Progress in 2010
Quarterly State of the Labour Market Scorecard and Policy Assessment	The scorecard identifies areas of strength and weakness across the labour market, and the policy assessment provides advice on the responsiveness of policy settings to the labour market implications identified by the scorecard.
Supply of labour market information and tools	<p>The Department provided regular Labour Market Updates to Cabinet and labour market information to support the development and implementation of the Government's actions aimed at keeping people in work.</p> <p>The Department also continued to provide these tools and information:</p> <ul style="list-style-type: none"> • <u>Jobs Online Report</u> – presents the results of monitoring of changes in job advertisements drawn from the major internet job boards. It provides an early indicator of changes in the demand for labour. • <u>Leading Indicator of Employment</u> - designed to give advance warning of a turning point in employment. • <u>SkillsInsight Tool</u> - designed to help organisations, such as government agencies and tertiary education organisations, in their workforce decision-making. • <u>Sector employment and skills snapshots</u> - provides a quick overview of current trends and prospects for a number of industries.

Priority 2: Growing employment and the economy

Providing proactive advice about actions that can be taken to address identified areas of weakness or maximise opportunities for economic growth, now and into the future

Key Projects	Progress in 2010
Quarterly advice on employment opportunities	These reports provide regularly updated analysis about which industries and occupations are likely to provide employment opportunities over the next four years.
Impact of welfare reform on the labour market	The Department wrote one paper and contributed to another issues paper to the Welfare Working Group to inform the next stage of the group's work. The first paper, Labour Market Dynamics and Future Challenges, provided information about the key trends and dynamics in the New Zealand labour market and how this impacts on beneficiaries' employment opportunities. The Department (along with the Ministry of Education and the Ministry of Social Development) also provided input to a second paper, Childcare for Sole Parents and Beneficiaries. This paper discusses the interaction between childcare and employment among sole parents and beneficiaries.
Youth in work and training	<p>The Department contributed to an MSD-led Cabinet paper at end-2010 on a package of initiatives to refocus efforts within baselines on how to find, connect, and deliver services to disengaged young people. The Department's focus is on sustainable employment outcomes, and will be involved in the follow-up work to develop new youth-focused initiatives within baseline.</p> <p>The Department was involved in work on the Youth Opportunities package, Youth Guarantee scheme, and on improving the tertiary education system and its alignment with the needs of employers and employees.</p>

Mayor's Taskforce for Jobs	The Department worked with the Mayors' Taskforce for Jobs to develop joint action plans to address youth employment matters and the impacts of the recession on communities. The Action Plan for Youth Transitions has been developed and agreed to across agencies and the Taskforce. Terms of Reference for a senior agency Officials' Group to lead and manage progress has been reviewed and agreed to.
Redundancy and Employment Transitions Advisory Group	The Department participates in the Redundancy and Employment Transitions Advisory Group (RETAG), chaired by Business New Zealand. RETAG is an avenue for government agencies to consult with business and union groups on policy development and service delivery of employment-related initiatives aimed at preventing, or responding to, redundancy events. Its recent focus has been on the skills needed for the Canterbury reconstruction work and the possibility of redundancies once the Earthquake Support Subsidy ends.

Priority 3: Maximising impacts of Government investment

Providing advice about the employment and skills impacts of key policy and programme changes across Government

Key Projects	Progress in 2010
Maximising infrastructure investment	The Department has supported the proposal by the Department of Building and Housing for the sector to form a Joint Venture with Government aimed at achieving a 20% increase in sector productivity by 2020. Progress on setting up the Joint Venture has been slow. If this work remains a priority, the Department's contribution will focus on skills supply/development and on embedding skills development in the Government's procurement practices to ensure quality and value for money.
Employment opportunities through broadband investment	The Department provided a briefing to Ministers Bennett and Joyce on possible skills and employment issues for the Ultra Fast Broadband roll-out. Following decisions about partner selection, the Department and Ministry of Economic Development will provide further advice in early 2011 on employment and skills issues associated with the roll-out, once decisions are made about the preferred partners and project phasing.
Assisting tertiary education organisational planning	The Department co-ordinated a series of meetings around the country with tertiary education organisations on sources of labour market information to assist their strategic planning and new qualification developments. The meetings included input from MSD, Statistics New Zealand, Career Services, Tertiary Education Commission, Economic Development Agencies, and Chambers of Commerce.

Priority 4: Ensuring a skilled workforce

Providing advice about actions that can be taken to ensure the availability of skilled labour needed to fuel economic growth

Key Projects	Progress in 2010
Skills Challenges	The Department is currently developing advice for the Minister for Social Development and Employment on the key skills challenges facing the New Zealand labour market over the medium to longer term, to support economic growth. This advice was provided in December 2010.
Economic Growth Agenda	The Department is contributing to the work attached to the infrastructure, science, innovation, and trade and skills and education drivers, by: <ul style="list-style-type: none"> • supporting the growth of key sectors through immigration and improvements in the supply

	<p>of skilled workers;</p> <ul style="list-style-type: none"> • reducing the economic cost of workplace injuries and employment disputes; and • improving workplace practices to enhance productivity. <p>Under the science, innovation, and trade driver, Cabinet agreed in December 2009 to a cross-cutting and sectoral action plan. The Department reported back to Labour Ministers on sector specific actions and provided a summary report for a progress report back to Cabinet due in early 2011. Future report backs will be provided via the Weekly Reports.</p>
Literacy, language, and numeracy	<p><u>Information and promotion</u></p> <p>The Department continued information and promotion activities to raise employer awareness of the business benefits of workforce literacy, language, and numeracy (LLN) skills and provide practical support for addressing workforce literacy issues:</p> <ul style="list-style-type: none"> • the Skills Highway website (www.skillshighway.govt.nz) was launched in June 2010 to help employers identify and address literacy and numeracy challenges in their workplaces. The website and promotional activities were tested through a pilot in Canterbury in June - July 2010. • the Department worked in close collaboration with Employer Champions Forum and other business groups to raise awareness of the need for literacy training and to promote the Skills Highway website as a first point of call for information and resources. <p><u>Research and evaluation</u></p> <p>The Department continues to build evidence on effective ways to improve LLN skills in the workforce and the value of this investment in improving skills, through research, monitoring, and evaluation. Over the year, reports were published on:</p> <ul style="list-style-type: none"> • how to engage young people in literacy programmes; • the impact of literacy and numeracy support for modern apprentices; • the characteristics, jobs, and education and training patterns of workers with low literacy or numeracy skills; and • the Upskilling Partnership Programme evaluation of workplace literacy programmes.
Aged care workforce	<p>The Department has undertaken a stocktake of its work on the aged care sector and has identified that it will require a collaborative approach between a number of departments (particularly Health and MSD) and the sector to resolve the very difficult and complex issues regarding the aged care workforce. The Department will provide further advice to the Minister on the big issues facing the sector in the future and will report back to the Minister on potential options for a Government response to these issues.</p>
Supporting industry and sector-led initiatives	<p>The following two projects have been completed:</p> <ul style="list-style-type: none"> • broadband investment – see employment opportunities through broadband investment project under Priority 2 above. • review and assessment of industry plans for the future skills needs of the Marine sector. <p>Work on the following sectors remains on hold awaiting decisions about future Ministerial and Department Vote priorities:</p> <ul style="list-style-type: none"> • <u>Meat</u> – action plan completed in 2009, future focus would be on supporting and monitoring implementation. • <u>ICT</u> – draft sector skills and workforce development plan framework and example substantially completed and with sector and agencies for review. • <u>Food Production</u> – proposal under development with pan-industry sector lead groups through Primary Sector Group of ITOs. • <u>Aquaculture and Seafood</u> – a subset of Food production Sector. <p><u>Auckland</u> – planned work was completed on the Marine sector in July 2010 as a precursor to the Department's assessment of this sector as part of a larger EGA project. Since July, the focus has been on maintaining and strengthening relationships with the APO given appointment of the Chief Advisor for Auckland and the engagement with the new local government economic development structures.</p>