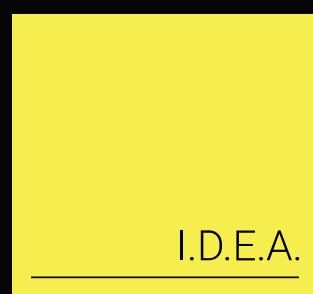


The Pipeline of Potential

How New Zealand can better connect
businesses with untapped local talent

Institute for Democratic and Economic Analysis (IDEA)

JULY 2025



Contents

Acknowledgements	3
Executive summary	4
Summary of recommendations	9
Part I: The situation	16
1. Focus of this report	17
2. ALMPs: The core theory	18
3. ALMPs: The global evidence base	25
4. Welfare, work and unemployment: core facts	35
5. New Zealand's welfare-to-work provision	48
<i>Stories & case studies 1 // Michelle Blau</i>	66
6. What we heard from stakeholders	68
Part II: General recommendations	75
7. System issues	76
<i>Stories & case studies 2 // Nicky Austin</i>	88
<i>Stories & case studies 3 // Ash Jones</i>	90
8. Connecting employers and jobseekers	92
<i>Stories & case studies 4 // Arnold Lomax</i>	100
9. A more personalised system	102
10. More multifaceted interventions	109
<i>Stories & case studies 5 // New Zealand Post</i>	112
11. Seamless access to support	114
12. Building connections among jobseekers	122
<i>Stories & case studies 6 // Tyrone Clark</i>	125
13. Vocational education	127
<i>Stories & case studies 7 // Mahina Leong</i>	128
14. Business responsibilities	130
Part III: Population-specific recommendations	133
15. Māori and Pacific Peoples	134
16. Disabled people	138
<i>Stories & case studies 8 // Dylan La Roche</i>	144
17. Young people	145
18. Older workers	154
19. Women	155
20. Non-citizens and recent migrants	158
Part IV: Concluding material	159
21. Indicative costs and benefits	160
22. Conclusion	163
Appendix 1: Literature review	164
Appendix 2: Catalyst Trust workshop	177

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How New Zealand can better connect businesses with untapped local talent

The Institute for Democratic and Economic Analysis

The Institute for Democratic and Economic Analysis (IDEA) is an independent public policy think-tank dedicated to solving the intertwined problems of poverty and political exclusion.

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We are also grateful to everyone who helped organise and host the public feedback 'roadshow' sessions, and all attendees. The especially detailed workshop feedback from the Catalyst Trust is summarised in Appendix 2.

Stories & case studies

Dotted throughout this report are profiles of individuals and programmes making a difference in the world of welfare-to-work. These profiles are based on interviews carried out during research for this report.

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Executive summary

Executive summary

One hallmark of a successful economy is its ability to connect employers seeking staff with individuals seeking work. Our labour market should provide businesses with a pipeline of potential – hence this report’s title.

Too often, however, this connection is missed. In good times, firms struggle to find suitable and highly skilled staff. And jobseekers are poorly supported by a system that invests roughly half as much in them – in training, pastoral care and other welfare-to-work schemes – as the typical developed country would. The pipeline of talent, in short, remains blocked.

The damage this does to the New Zealand economy is significant. Companies struggle to reach their potential; productivity is reduced; talent is left unused. The unemployment rate and the benefits bill are both larger than they should be, and too many people face economic exclusion.

These problems would be serious at any point in history, but are all the more so now. Forces like climate change and AI are redrawing the map of the workforce, removing jobs while creating opportunities. Unless New Zealand rapidly learns to make better use of the talent at its disposal, and builds a system capable of responding to this disruption, our economy will continue to struggle in the twenty-first century.

Fortunately there are investments – in training, wage subsidies and other jobseeker supports – that could be the building blocks of a new, more dynamic economy. These schemes connect employers with jobseekers, enhance the latter’s skills and capabilities, provide firms with work-ready staff, and boost employment and incomes. A strategic use of these investments could unblock the pipeline of talent and, in so doing, unlock the potential of Kiwi firms held back by a lack of skilled staff.

The situation

Around 5.1% of the labour force – 150,000 New Zealanders – are unemployed.

More broadly, ‘underutilisation’ – which includes people wanting more hours – affects 400,000 individuals. Separately, around 400,000 people are on one of the three main benefits, including 120,000 who have been on Jobseeker Support for more than one year. Of those in work, 35-50% experience a significant skills ‘mismatch’, being either over- or under-qualified for their job. Business groups frequently place skills and labour shortages high on their list of economic concerns.

Supporting the shift

To aid the transition from welfare to paid work, most developed countries invest significant amounts in active labour-market policies (ALMPs).

These include **job brokering services** connecting jobseekers with vacancies, **vocational education** and training, mental health and other **pastoral care, wage subsidies, start-up grants and public-sector job creation**. These schemes aim to create a pipeline of potential staff with the skills that local employers need. They typically lift participants’ chances of **finding work by 5-12 percentage points** – e.g. from 50% to 62% – and **increase earnings by around 17%**. Large investments in ALMPs are associated with big falls in unemployment.

These schemes can also help limit the effects of economic turmoil, investing in jobseekers’ education and retraining during downturns then connecting them to work opportunities in upturns. By raising incomes and taxes paid, and reducing welfare payments, such schemes can pay for themselves over the medium-term, quite apart from the wider social and economic benefits they bring.

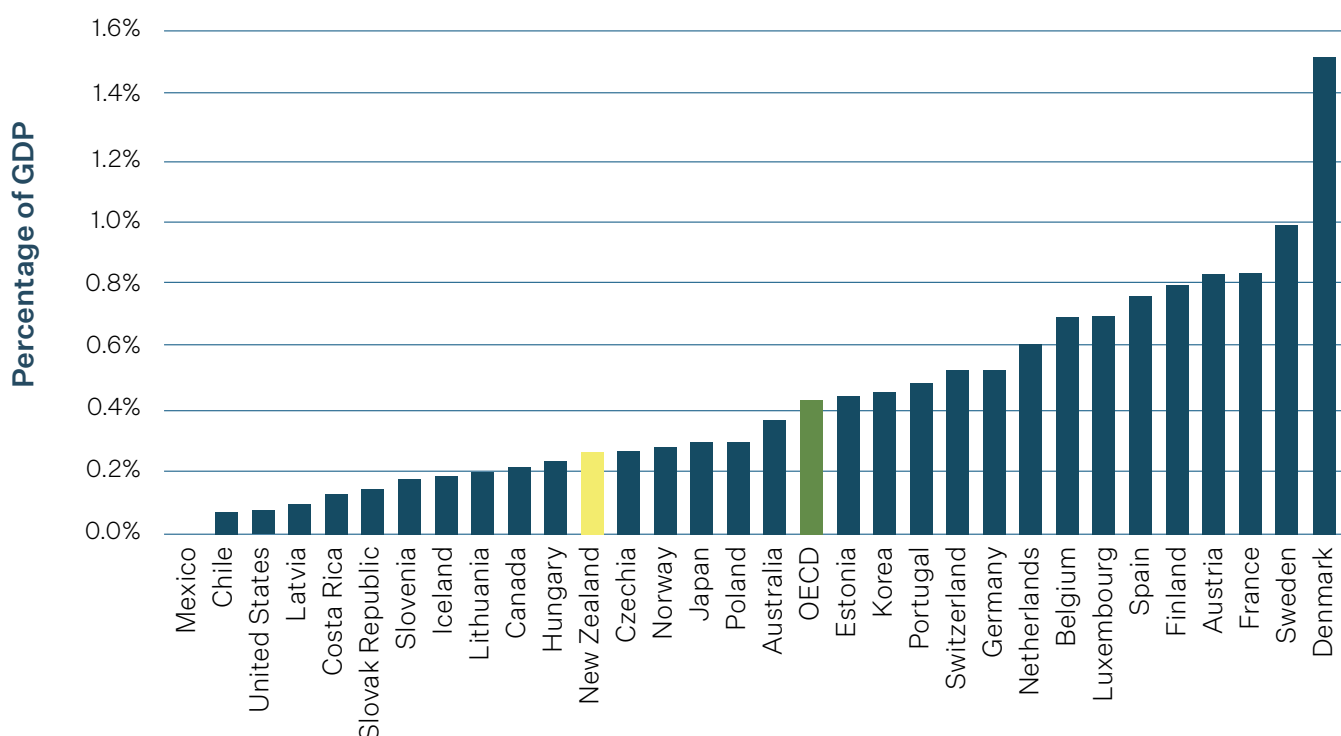
400,000

individuals are affected by
underutilisation



What New Zealand does

New Zealand, however, invests half the developed-country average in these schemes, leaving both firms and jobseekers under-supported.



Other weaknesses of our welfare-to-work system include:

- ▶ too few schemes that explicitly aim to connect employers and jobseekers;
- ▶ an overstretched system in which Work and Income case managers are supposed to support an average of 110 jobseekers each;
- ▶ variable experience and training among those staff, meaning they struggle to adequately understand industry needs and screen applicants for positions;
- ▶ a reported failure to adequately assess jobseekers' histories, skills, aspirations and needs;
- ▶ a corresponding failure to build them a tailored package of training and other supports to maximise their potential;
- ▶ too few holistic schemes that would help the most disadvantaged jobseekers deal with multiple challenges, especially in mental health; and
- ▶ an overall welfare-to-work system that, although it contains valuable individual schemes and evaluates those schemes carefully, can be disjointed and duplicative.

Our recommendations

If New Zealand businesses are to innovate and grow, we must ensure they have a pipeline of highly skilled employees.

In this report, we suggest multiple innovations that could help jobseekers become part of this pipeline, creating a workforce responsive to the needs of Kiwi firms. Running through these recommendations are several themes: investing in the welfare-to-work system's core capacity, building closer connections between employers and jobseekers, matching the right people to the right jobs, funding more multifaceted interventions, and giving beneficiaries a tailored pathway to employment. This could be summarised as moving from 'basic' to 'bespoke' services.

Our 10 key recommendations are as follows.

1. Connecting employers and jobseekers

The welfare-to-work system needs to better involve employers and jobseekers in designing schemes, fund more 'community connectors' who can link both groups, and use better screening to provide firms with more suitable candidates.

2. Better profiling of jobseekers

We should continue the government's move towards providing more detailed and thoughtful assessments of jobseekers' skills and needs, and drawing up comprehensive 'job plans'. This could be supported with a common assessment tool, better technology and training, and lower caseloads for Work and Income staff.

3. Providing more holistic support

Completing the rollout of Individual Placement Support – a successful scheme that embeds employment specialists in community mental health teams – would be one key way to provide more multifaceted support for jobseekers facing multiple challenges.

4. Supporting staff redeployment

In mass redundancy situations, 'community connectors' should be employed to help people find new work, and employers and unions should be funded to prepare their staff for economic and technological change.

5. Preventing workforce churn

To address low job-retention rates, and give firms a better chance of holding onto good staff, more support should be trialled for jobseekers post placement into work, and more attention given to matching people to the right job.

6. Freeing up NGOs to deliver

Short-term, inflexible contracts are constraining NGOs' ability to support people into work, and failing to put either employers or jobseekers at the centre. Greater freedom to deliver – with tight accountability – could transform results.

7. 'Community commissioning' of youth services

Some great schemes support youth employment, but their impact could be multiplied – and public funds better used – if these schemes were more coordinated. Joint bids from NGOs, councils and Māori providers could put communities in charge of delivering results.

8. A Circuit-Breaker Job Guarantee

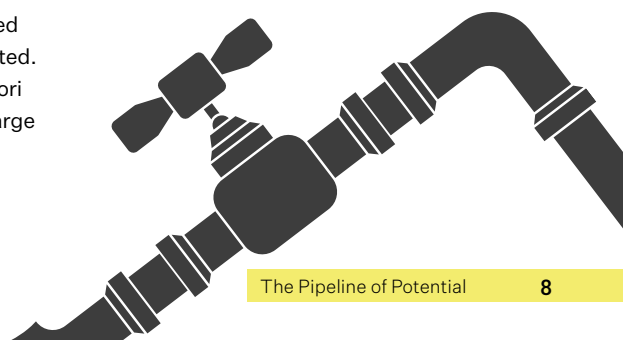
Building on successful overseas models, New Zealand should offer a guaranteed job placement – in either the private or public sector – to any young person at risk of long-term unemployment, thereby boosting their CVs, work skills and earnings prospects.

9. Helping jobseekers help each other

New Zealand should copy the European 'Launching Pads' schemes that have massively lifted beneficiaries' employment rates. These schemes bring jobseekers together, under the supervision of a trained job coach, to share life lessons, build self-esteem and develop plans for employment and entrepreneurship.

10. Lifting our investment rates

Given the evidence of ALMPs' effectiveness, and the need to fund the initiatives outlined above, New Zealand should set a medium-term goal of doubling its investment in this area to match the developed-country average.



Summary of
recommendations

Summary of recommendations

System issues

(see Chapter 7)

- ▶ Leave current institutional boundaries largely intact, but look to consolidate ALMP provision within MSD
- ▶ Reorient MSD's mission towards a greater emphasis on ALMPs and supporting people through change
- ▶ Make it an explicit aim of policy to balance multiple goals, including enhancing jobseekers' outcomes, and adopt corresponding targets for skills matching, retention of employment, and so on
- ▶ Allow providers greater flexibility as to how they achieve specified outcomes, though with strong accountability for those outcomes
- ▶ Trial a shift towards joined-up community commissioning of services
- ▶ Contract longer term support where immediate movement into work is not realistic
- ▶ Evaluate not just individual ALMPs but the performance of the system as a whole
- ▶ Create mechanisms to bring providers together and ensure better performers can support weaker ones
- ▶ Cautiously make better use of benefit-to-cost ratio analysis
- ▶ Strengthen MBIE's workforce planning and provision of the relevant information to case managers
- ▶ Streamline the online provision of ALMP information
- ▶ Consider, as other institutions evolve, the need for forums to coordinate planning, training and other provision at the regional level

Connecting employers and jobseekers

(see Chapter 8)

- ▶ Create a stakeholder forum, with especially strong employer and beneficiary advocate representation, to ensure stakeholder views help shape the entire ALMP system
- ▶ Check whether MSD regional offices are consistently building strong links with local businesses, and lift the level of the weaker performers
- ▶ Where possible, ensure ALMP contracts allow providers to hire 'community connectors' with strong links to jobseekers and employers
- ▶ Better screen jobseekers, and make job-search requirements more flexible, so as to provide businesses with a more reliable pipeline of candidates
- ▶ Relatedly, establish a clearer and more rigorous process for allowing jobseekers to refuse job opportunities that represents too great a skills (or other) mismatch

A more personalised system

(see Chapter 9)

- Ensure that, where appropriate, contracted providers are funded to provide a holistic range of supports to jobseekers
- Increase the number of case managers employed by MSD, so that they are able to give more dedicated attention to the beneficiaries with whom they work
- Increase the training given to case managers, with particular emphasis on ensuring they deeply understand the full range of ALMPs available to jobseekers
- Take other steps, including improving pay and conditions, to aid retention of case managers
- Explore the potential for AI systems to improve services and free up case manager time
- Consider allowing case managers more flexibility in the support they provide, with appropriate checks
- Continue moves to deepen the initial assessment of jobseekers' history, attributes and aspirations
- To support that, develop a standardised assessment tool that ensures case managers build up a holistic picture of the jobseeker
- Continue moves towards constructing detailed job plans for beneficiaries
- Consider adopting models that involve multidisciplinary assessment and support for high-needs jobseekers

More multifaceted interventions

(see Chapter 10)

- Increase funding for multifaceted interventions where there is demonstrable need and doing so is likely to be cost-effective
- In particular, complete the IPS rollout at a cost of approximately \$10 million
- Investigate options for delivering integrated health and employment support to a wider range of people, especially those with mental health conditions
- Investigate ways to bring ALMP provision – where possible – up to the standard offered by ACC

Seamless access to support

(see Chapter 11)

Pre-unemployment

- ▶ Mount an education campaign to encourage firms to help employees prepare for coming workplace disruption
- ▶ To support that, maintain funding streams for employers to work with workforces at risk of significant disruption or redundancy
- ▶ If necessary, restore MSD's Early Response service as a properly resourced stand-alone unit
- ▶ Create funding to employ local figures to assist displaced workers in mass-redundancy events
- ▶ Create a legal duty on employers commencing redundancy proceedings to inform MSD of the fact, to help ensure the appropriate supports are delivered

Post-placement

- ▶ Commission research with High Entry-Exit Clients on new or improved services that they believe would assist job retention
- ▶ Pilot the extension of schemes like He Poutama Rangatahi to include two years rather than one year of post-placement support, to see if this makes a significant difference
- ▶ Increase the value of the Transition to Work grant, to reflect recent inflation
- ▶ Reform In-Work Support (IWS) in line with international research, to ensure it is delivered earlier, better resourced and more flexible
- ▶ In addition, pilot reforms to make IWS time-unlimited in the same manner as Individual Placement Support, again to explore if this delivers greater success
- ▶ Where new workers experience workplace problems like bullying or harassment, strengthen providers' ability to support them and, where necessary, refer them to mediation or other services
- ▶ As above, develop a defensible process for allowing refusal of poor job matches, to address the fact that individuals stay longer in work for which they are well-suited
- ▶ Address wider issues such as childcare costs and housing availability
- ▶ Tackle insecure and precarious work

Building connections among jobseekers

(see Chapter 12)

- Explore elements of existing programmes that already work a little like Europe's Launching Pads, to see what can be learned from them
- Relatedly, explore indigenous and Pacific traditions of group discussion, so that they can influence policy design
- Establish a training centre, whether within MSD or elsewhere, capable of suitably training job coaches. This could harmonise with efforts to improve case manager training
- Pilot ten Launching Pads at an approximate cost of \$1 million
- Investigate adding Launching Pad elements to existing programmes for young people

Māori and Pacific Peoples

(see Chapter 15)

- Ensure that Māori and Pacific Peoples providers are empowered to deliver services in ways that are culturally appropriate for their communities
- Restore the Māori Trades and Training Fund, at least long enough to evaluate its success
- As with NGOs, fund Māori and Pacific Peoples providers to go "above and beyond" for participants where appropriate
- Provide contracts longer than one year
- Give providers greater freedom to achieve outcomes, with accountability for those outcomes
- Implement the recommendations of Te Ara Mahi Māori
- Develop schemes that help Pacific Peoples progress within the workforce

Disabled people (see Chapter 16)

- Expand Here Toitū unless in-progress reports or formal evaluations suggest otherwise
- Implement Maxim's recommendations for employer education, support and training
- Carry out a large-scale public education campaign on the benefits of employing disabled people
- Reform contracts with providers so that they have greater flexibility and can provide support tailored to the individual's needs, rather than dictating set periods of support
- On similar lines, make contracts more flexible so that outcomes such as training are counted alongside employment
- Restore the minimum wage top-up for people affected by the minimum wage exemption

Young people (see Chapter 17)

- Ensure contracts do not prevent providers from working with at-risk 16- and 17-year-olds not currently receiving benefits
- Undertake a detailed review of youth ALMPs
- Create a mechanism that allows providers to share lessons and lift system performance
- Provide better mental health services to which providers can refer young people
- Provide longer term contracts for NGOs
- Trial community commissioning for youth ALMPs to make better use of existing pools of funds
- Implement a Circuit-Breaker Job Guarantee, a paid work placement for young people who have been employed for over a year

Older workers (see Chapter 18)

- Research the experiences of older jobseekers to ascertain whether they are receiving the ALMPs they require
- Investigate the potential of schemes that allow older employees to shift roles
- Ensure retirement policy provides livable incomes, such that working later in life is a genuinely free choice

Women

(see Chapter 19)

- Improve the availability and affordability of childcare
- Reform precarious work to ensure that a job is a more reliable guarantee of improved well-being
- Maintain access to training programmes
- Improve the delivery of self-employment programmes
- Give frontline case managers greater flexibility to support women into work in the way that is most appropriate to them

Non-citizens and recent migrants

(see Chapter 20)

- Strengthen employment support through immigration services
- Create better pathways for migrants to have overseas qualifications recognised

Part I

The situation

1. Focus of this report

This report examines the assistance provided to New Zealanders moving from welfare to paid work, notably through schemes known as active labour-market policies (ALMPs).

Although this touches the work of many government agencies, including the Ministry of Business, Innovation and Employment, the Ministry of Education and the Tertiary Education Commission, this report focuses largely on the Ministry for Social Development (MSD). This is partly because MSD delivers or contracts most ALMPs and its case managers are responsible for referring people into those schemes.

A principal focus on one agency also helps render the subject more tractable.

Although vocational education is one of the most crucial areas of ALMPs, this report does not focus on it extensively. First, it has already been the subject of relatively detailed attention both by decision-makers and by external researchers.

Second, it is in a state of some upheaval, as the previous government's polytechnic mega-merger, Te Pūkenga, is being unwound and the wider institutional set-up substantially reformed. This makes it hard at present to draw definitive conclusions.

Our research, carried out during late 2024 and early 2025, had several core elements:

- a review of the extensive international literature (see Appendix 1);
- a review of the more limited domestic research;
- discussions with government officials and decision-makers;
- 12 public events that garnered feedback on our draft conclusions (see Appendix 2);
- two focus groups with jobseekers, in Nelson and Auckland; and
- over 40 interviews with iwi providers, NGOs, unions, businesses, trade representative groups and others with an interest in the system.

Despite this sustained attention, any sector that boasts around 100 currently active schemes – as welfare-to-work policy does – is hard to summarise, and inevitably none of those schemes can be treated in detail. In addition, this report is broadly qualitative; more detailed quantitative work will follow.

2. ALMPs: The core theory

An ideal welfare system works like a trampoline, cushioning the shock of job loss before helping people spring back up into paid employment. The move (back) into paid work can bring immense benefits – to individuals, in the form of greater income and well-being; to the economy, in the form of increased employment and productivity; and to the government, in the form of higher tax revenues. Paid employment can also provide a source of meaning, fulfilment and identity.

Paid work is not, of course, the be all and end all. Unpaid labour – including volunteering, child-rearing and caring for the elderly – is immensely important. Many people have valid reasons for long-term benefit receipt.

Paid work must also come with good pay and conditions, else it risks being worse for people's well-being than living on a benefit. An evidence review for the 2019 Welfare Expert Advisory Group found that although employment generally had a positive effect on beneficiaries' mental health, low-paid and stressful workplaces might have the opposite effect. A 2020 MSD evidence review found that employment's beneficial health effects "depend on the nature and quality of work", and that "poor quality jobs, or jobs and work environments that have a poor fit with a person's condition, can be detrimental".¹ Australian research likewise shows life satisfaction is closely tied to job quality.²

Moreover, a job is not a sure route out of poverty: four out of 10 Kiwi children in hardship have a parent in full-time work.³ There are also periods – as at the time of writing – when the economy has stalled and paid employment is scarce.

1 Fiona Cram, Sheryl Jury, Jesse Kokaua, Bryan Ku, Helen Lockett and Moira Wilson, 'Individual Placement and Support (IPS) in Aotearoa New Zealand – New Insights from Linked Administrative Data', Ministry for Social Development, November 2020, p.8.

2 Cited in Leah Haines and Arthur Grimes, 'What Matters for the Well-being of Mothers and Children in Material Hardship? Application of a Modified Indicator Framework', *Social Indicators Research*, 162, 2022, pp.449-74. Even research focussed on all transitions to work finds small impacts on people's life satisfaction: David Rea, Simon Anastasiadis, Vinay Benny, Wen Jhe Lee, Conal Smith and Ben Vandenbroucke, 'Exploring a new approach to well-being measurement: Are people who move from benefit to paid employment better off?', presentation prepared for the Welfare Expert Advisory Group, Ministry for Social Development, 2018. For the Australian data, see: https://www.vichealth.vic.gov.au/sites/default/files/Work_Life-Satisfaction_Scoping-Study.pdf.

3 Bryan Perry, *Household incomes in New Zealand*, Ministry for Social Development, 2019, p.172.

Rationales for government action

With those caveats, however, welfare-to-work transitions are often both feasible and positive. And many people will make that transition unaided. For them, the labour market is relatively efficient: it rapidly matches potential jobseekers with potential employers.

In many other cases, however, there are significant market failures. Jobseekers and employers ‘miss’ each other for multiple reasons. On the employer’s side, their search for employees may not reach all potential jobseekers. Employers may be nervous about taking on previously unemployed people, or not know about government schemes that could help minimise the risk of doing so. And the welfare system may not deliver them suitably qualified candidates.

On the jobseeker’s side, they may struggle to select the correct path – training, apprenticeships, or other options – in the face of uncertainty, limited information, and various risks. They may suffer discrimination or experience physical and mental health problems. They may not be able to afford to retrain. Above all, they may, through no fault of their own, lack the attributes – including the skills and work habits – that would help them succeed in the labour market.

Types of ALMPs

For these and other reasons, developed countries have long invested in what are technically known as active labour-market programmes (ALMPs). As opposed to the *passive* support of benefit payments, these are schemes that provide *active* support for people to achieve their goals for paid employment. That can involve moving into the workforce, finding a new job when redundancy looms, or progressing within one's industry.

The essential elements of ALMPs are as follows:

- **job brokering and placement:** providing jobseekers with information about potential employers and vice versa, so as to connect one with the other;
- **wage subsidies:** payments to encourage private employers to take on jobseekers they might otherwise not employ;
- **wraparound support:** physical and mental health services, and pastoral support, to assist people to find paid employment;
- **job-creation initiatives:** incentives for unemployed people to start their own businesses; and
- **vocational training:** work-related education that includes trades training, apprenticeships, and mid-career retraining;
- **public-sector job creation:** creating positions within public bodies, NGOs and councils.

The above elements are organised according to the intensity of state action they involve. Job brokering, for instance, simply makes labour markets work more smoothly through better information-sharing; creating jobs in the public sector, by contrast, involves significantly less reliance on market forces. Some ALMPs combine several of these elements.

ALMPs can do more than just support the welfare-to-work transition. As above, some assist people already in work to move into higher skilled jobs; others help people into paid work even when they are not on welfare, for instance when their partner earns too much for them to be eligible for a benefit. This report, however, is largely focused on the ALMPs that help people achieve good and sustainable movements out of the benefit system.

Benefits of welfare-to-work programmes

Critics of ALMPs argue that such schemes may be a poor use of public funds on at least four grounds.

Lock-in effects may occur when people spend time in training programmes instead of looking for work. Alternatively, programmes may look effective only because they take on the most talented and motivated beneficiaries; this is known as **cream-skimming**. Programmes may also face **substitution** effects, in which employers hire beneficiaries but only at the expense of hiring someone else, and **deadweight** effects, which occur when beneficiaries receiving ALMPs would in the long run have got jobs anyway. Another criticism is that ALMPs, crudely put, do not actually create jobs.

Nonetheless welfare-to-work schemes are backed by strong theoretical justifications (and empirical evidence, as discussed below). There are three basic mechanisms through which they can improve the functioning of the labour market: an improved matching process; increased and enhanced labour supply; and increased labour demand.⁴

ALMPs can, most obviously, improve jobseekers' work-readiness, making them better able to fill whatever jobs are available. By deepening the pool of available jobseekers, they can boost the number of applicants for a given job, increasing employers' options and heightening the likelihood of the right person finding the right position.

Relatedly, ALMPs can help employers fill positions more quickly and efficiently.

Welfare-to-work schemes can be particularly important in helping prevent the scarring effects of long-term unemployment (known technically as hysteresis). The longer people are out of paid employment, the more their skills atrophy, and the harder they find it to return to the labour force. ALMPs can help maintain people's work habits and routines, and (re)build the skills and other employment-related attributes known as human capital.

“There are three basic mechanisms through which they [ALMPs] can improve the functioning of the labour market: an improved matching process; increased and enhanced labour supply; and increased labour demand.”

ALMPs can also reduce wage scarring. Motu research has found that New Zealanders who lose their jobs are, even five years on, earning one-fifth less than their peers. Even if they find another job, it typically pays 15% less than their old one.⁵ This is in part because people made redundant often feel forced to take the first job on offer, even if it represents a significant skills mismatch. ALMPs can help ensure better skills matching, and with it greater productivity.

High-quality training programmes, meanwhile, generate well-established productivity increases in their own right. ALMPs that successfully offer incentives for people to start their own businesses can create a double dividend: reduced welfare costs and an increased number of jobs. Finally, ALMPs can affect the supply of jobs.⁶ Employers do not necessarily have a ‘fixed’ number of positions available irrespective of the supply of potential employees. If they know there will be more qualified workers available, firms may invest more and create more jobs. (As the 2019 Welfare Expert Advisory Group concluded, “The number of jobs responds quite quickly to the effective supply of labour.”⁷) Business representatives argue that many potential positions are not formally advertised or set in stone. Instead, if approached in the right way by a government agency with a strong candidate, employers may decide they can take on an extra staff member.⁸

Some of the potential downsides of ALMPs, moreover, can be avoided with careful policy design. Systems can be structured to focus attention on those requiring the greatest assistance, which – by not pouring resources into helping those who would probably find paid work regardless – can simultaneously deal with cream-skimming, substitution and displacement effects.

Welfare-to-work policies also can, and should, adjust to wider economic conditions, in downturns focusing more on skills and training (so that people are ready to fill jobs when they become available) and in upturns focusing more on assisting people directly into work.⁹ Adjusting policies in such a fine-grained manner is, of course, challenging.

5 Dean Hyslop and Wilbur Townsend, ‘The longer term impacts of job displacement on labour market outcomes’, Motu Working Paper 17-12, Wellington, May 2017.

6 Escudero notes that ALMPs can “affect the demand for labour therefore increasing the number of available jobs”. Veronica Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals? An international comparison’, ILO working paper no. 3, 2015, p.2.

7 Welfare Expert Advisory Group, *Employment & Labour Market: Active labour market policies in the New Zealand context*, Wellington, 2019, p.10.

8 Participant interviews, 2025. One interviewee estimated that 70% of entry-level jobs are never formally advertised.

9 John Martin, ‘Activation and active labour market policies in OECD countries: stylised facts and evidence on their effectiveness’, *IZA Journal of Labor Policy*, 4 (1), 2015, p.21. Escudero also stresses the importance of policy continuity, funding ALMPs both in upturns and downturns, as this is linked to lower unemployment rates. Escudero, ‘Are active labour market policies effective?’, pp.14-15.

Potentially increased need for ALMPs

It is plausible that workforce ‘churn’ – that is, occupations disappearing and being created, individuals moving in and out of jobs, and general disruption of the labour market – may increase in coming years. Climate change, for instance, may eliminate emissions-heavy occupations and require policies to ensure lower-paid workers can find environmentally friendly jobs, in what is sometimes labelled a ‘just transition’.

Advances in technology, in particular AI, may also significantly disrupt the labour market. In the most extreme cases, widespread joblessness is predicted to occur from AI taking over a broad range of human occupations. But although such possibilities cannot be ruled out in the long term, it would not be sensible to proceed on that basis in the short term.

In good economic times at least, there are still thousands of jobs waiting to be filled, and thousands of people seeking work. There is also a vibrant debate about how far AI will actually substitute for tasks carried out by humans, as opposed to complementing their work and thus making it more efficient. In the short-term, its effect may be felt more as task-shifting – that is, taking over some but not all of the tasks required within a given job. If, for instance, AI can carry out some of the tasks currently performed by lawyers, this may make legal work more efficient, cheaper, and thus more affordable for more people. This would lift demand and lead to an increase, not decrease, in the number of lawyers.¹⁰

Moreover, despite immense technological advances in recent decades, the proportion of people in paid work has never been higher. While societies should certainly be preparing for long-term disruption of the workforce, they should not neglect short-term priorities.

There is, what’s more, a logical overlap between preparation for the effects of AI and steps the welfare-to-work system should be taking anyway. AI is already reshaping the types of positions available, in particular removing some entry-level jobs in industries like coding and data analysis. If this continues, it will significantly affect the normal forms of job progression and opportunities for mentoring and on-the-job learning. A policy response to these trends would be consistent with the broad – and urgent – need to boost skills and general work-readiness for the new jobs (or the new make-up of tasks within jobs) being created in green tech industries, areas already affected by automation, and so on.

10

Whether this is a positive development is left to the reader to judge.

Wider factors

Welfare-to-work policies are affected by multiple social and economic factors, among them the following:

- ▶ **Poverty traps:** As people move into paid work, or up the income scale, the combination of rising income taxes and benefit clawbacks can create so-called poverty traps in which people retain very little of their extra earnings.
- ▶ **Obstacles to work:** Individuals may face social and economic barriers to work, for instance a lack of affordable childcare or affordable transport (if public transport is not available or car ownership is overly expensive). Precarious housing situations may cause such disruption that holding down paid work becomes difficult or impossible.
- ▶ **Wider public services:** In line with the above point, if core public services – in particular the primary and secondary education systems – functioned better, fewer ALMPs would be needed to address jobseekers' health, skills and other issues.
- ▶ **Work quality:** Paid work currently guarantees neither an escape from poverty nor an improvement in well-being. In particular, low-paid and precarious work needs urgent policy attention.
- ▶ **Workforce planning:** To deliver future-proofed training, officials need to understand workforce trends and the future make-up of jobs into which they are attempting to place jobseekers. While these issues of workforce planning are touched on below, they merit separate and more detailed attention.
- ▶ **Economic development strategies:** Especially outside the main centres, well-paid jobs may be scarce. Despite being often rhetorically invoked, coherent strategies to shift towards high-value-added exporting and enhance regional economic development are in short supply.
- ▶ **Inflation policy:** In recent decades, policy-makers have explicitly tolerated high levels of unemployment because this is regarded as helping constrain inflation. Unless wider policies are in place to support lower unemployment, ALMPs may simply change who gets which jobs, not how many people are employed.
- ▶ **Immigration:** New Zealand benefits immensely – both economically and socially – from the diversity that immigration brings, but there are reasonable concerns that migrant labour is sometimes seen as a way to avoid dealing with questions around skills and labour shortages and job opportunities not being filled by already-resident jobseekers. A greater emphasis on ALMPs would have implications for immigration policy.

3. ALMPs: The global evidence base

Most developed countries spend significant sums on welfare-to-work supports. Generally, they have lifted this spending over time, realising that the traditional focus on *passive* welfare measures – that is, paying out core benefits and other transfers – needs to be complemented with *active* ones. Research suggests the two forms work best when each is well-resourced: without the security of reasonably generous income support, beneficiaries may lack the stable foundation from which to (re)engage with paid employment, while a lack of ALMPs may leave people on benefits longer than is desirable.¹¹

ALMPs play an important role in the context of wider economic cycles, in which unemployment is frequently driven upwards by recessions and other responses to pandemics and overseas shocks. As a largely involuntary phenomenon, unemployment requires a broad societal response. Unsurprisingly, interest in ALMPs often spikes during episodes of such turmoil, such as the global financial crisis (GFC) and the covid-19 pandemic.

In the last two decades, a burgeoning body of academic research has investigated the effectiveness of welfare-to-work policies. This work compares the outcomes of people who receive ALMPs with peers who do not, and is compiled into meta-reviews that draw conclusions from all current research. This growing academic information base is outlined in a literature review (see Appendix 1), while the key conclusions are set out below.

¹¹ Clemente Pignatti and Eva Belle, 'Better together: Active and passive labour market policies in developed and developing economies', Research Department Working Paper No. 37, International Labour Office, 2018.

ALMPs: general lessons

Several decades' worth of research into ALMPs suggests they are often effective, especially when it comes to lifting employment and incomes.

A comparison is sometimes made with an American community college degree (roughly equivalent to a polytech diploma, and a relatively expensive investment on the state's part), the holders of which are 10 percentage points more likely to be employed than those with only a high school degree.¹² On a related basis, an extra year's formal schooling, again a relatively expensive investment for the state, has been estimated to increase the average worker's earnings by around 5-10%.¹³

If ALMPs can achieve even vaguely similar results – despite generally lasting just 4-6 months, costing a few thousand dollars per participant, and often being aimed at people with significant disadvantages – they will represent good value for money.¹⁴ (They should not, conversely, be expected to raise people's earnings by thousands of dollars a year: this would, in the words of the economist James Heckman, “imply that these social investments have an extraordinary rate of return”.¹⁵)

Effects on employment

Do ALMPs in fact achieve similar effects to an extra year's schooling? According to a recent meta-review, people who participate in an ALMP typically have a long-run employment rate 5-12 percentage points higher than comparable people who do not. This would be equivalent to a lift from, say, 50% employment rates for non-participants to 55-62% rates for participants. The authors of this meta-review, economist David Card and colleagues, describe this effect as “economically meaningful”.¹⁶ More specifically, their paper found that participation in an ALMP boosted someone's likelihood of being in employment by 8.7 percentage points (pp) for all programmes, 6.7pp for training schemes, 1.1pp for job-search assistance, 21.1pp for wage subsidies, and 0.8pp for public-sector employment schemes.¹⁷

12 David Card, Jochen Kluve and Andrea Weber, 'What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations', *Journal of the European Economic Association*, 16 (3), 2018, p.895.

13 Jeff Borland, 'Dealing with unemployment: What should be the role of labour market programs?', *Evidence Base*, 4, 2014, p.15.

14 “Given the modest investment (and opportunity cost) of a 4-6 month programme, an impact on the order of a 5–10% permanent increase in labour market earnings might be large enough to justify the programme on a cost-benefit basis.” David Card, Jochen Kluve and Andrea Weber, 'Active Labour Market Policy Evaluations: A Meta-Analysis', *The Economic Journal*, 120, 2010, p.460.

15 Cited in Borland, 'Dealing with unemployment', p.15.

16 Card et al., 'What works?', p.895. Separate research finds that participating in an ALMP boosted jobseekers' employment rate by around 7-9 percentage points – a similar finding. Trine Filges, Geir Smedslund and Anne-Marie Klint Jørgensen, 'Active Labour Market Programme Participation for Unemployment Insurance Recipients', *Research on Social Work Practice*, 28 (6), 2018, pp.653-681.

17 Card et al., 'What works?', p.907.

Other research finds broadly similar effects. In one meta-analysis, the majority of studies suggested that ALMP spending reduces both short- and long-term unemployment.¹⁸ Another paper concluded that countries with effective ALMP systems “experienced more moderate increases in unemployment since 2007–8 than previously ... This suggests that effective activation strategies [i.e. ALMPs] can help make labour markets more resilient to adverse shocks”.¹⁹ Even in periods of severe recession, re-employment programmes implemented in countries like the US and Portugal have significantly cut benefit duration and welfare spending, and sped up exits from benefit into work.²⁰

In more detailed terms, a 2015 paper by economist Veronica Escudero finds that “spending on training, employment incentives, supported employment and rehabilitation and direct job creation measures has a significant negative effect on the total unemployment rate and the unemployment rate of the low-skilled”.²¹ Spending more on core programme administration also helps reduce unemployment, both by improving the efficiency of individual ALMPs and by helping case managers refer people to the right schemes.

Another study estimated that, in European countries, a one percentage point increase in state spending on ALMPs reduces unemployment by somewhere between 1.9 and 3.47 percentage points.²²

Yet another detailed study deployed the concept of a ‘policy cluster’ – bringing together training, employment incentives, supported employment and rehabilitation, and direct job creation policies – to estimate the effect of different schemes operating in tandem. This paper estimated that, in 2015, spending an additional US\$4,800 per unemployed person would reduce the overall unemployment rate, in European countries, by around two percentage points and the low-skilled unemployment rate by three percentage points.²³

A figure of US\$4,800 is equivalent to NZ\$7,800 on a straight currency conversion; adjusting for inflation since 2015 increases this figure to NZ\$10,000. A two percentage point decrease in New Zealand’s unemployment rate, meanwhile, would imply a fall from around 5% to 3%. This would of course represent a significant expenditure – \$10,000 on each of our 150,000 unemployed people would be \$1.5 billion – and the above estimate was for European countries with different unemployment histories to ours. Any falls in unemployment would also be dependent on economic cycles and other wider factors. But such research nonetheless points to the potential large-scale effects of ALMP spending.

18 Guillermo Guzmán, ‘How effective are active employment policies to reduce unemployment in EU countries?’, *Atlantic Review of Economics*, 2, 2014, pp.1-15. The same result is found by Martin, ‘Activation and active labour market policies in OECD countries’, p.6.

19 Martin, ‘Activation and active labour market policies in OECD countries’, p.21.

20 Cited in *Ibid.*, p.21.

21 Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals’, p.14.

22 Guzmán, ‘How effective are active employment policies to reduce unemployment in EU countries?’, p.12.

23 Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.17. We principally use the 2pp figure because it derives from credible modelling and appears to be somewhere in the middle of other estimates. A separate paper by Escudero estimates that even a smaller amount (US\$1,000) could still reduce unemployment by 1.6pp. At the upper end, Guzmán (as above) estimates an extra 1pp spent on ALMPs (a different measure of spending) reduces unemployment by as much as 3.47pp. At the lower end, Sahnoun and Abdennadher estimate that an extra 1pp in spending reduces unemployment by just 0.16-0.18pp. Further work to understand the differences in these estimates would be useful. Veronica Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals? An international comparison’, *IZA Journal of Labor Policy*, 7(1), 2018; M. Sahnoun and C. Abdennadher, ‘The assessment of active labor market policies: evidence from OECD countries’, *Economia Politica*, 35(2), 2018, pp.257-283; M Sahnoun and C. Abdennadher, ‘A simultaneous-equation model of active labour market policies and change in unemployment rate: evidence from OECD countries’, *Policy Studies*, 43 (1), 2022, pp.3-20.

Incomes

Fewer research papers have produced definitive results on the effect of ALMPs on earnings. One recent paper, however, has findings that are especially interesting because they are based solely on randomised controlled trials (RCTs), in which people are randomly allocated to either participate in a programme or not. These are often called the ‘gold standard’ of research because they most closely identify the effects of a given scheme.

The 2019 meta-review, by Harvard economist Eduardo Yeyati and colleagues, found that ALMPs often had significant impacts on earnings. Wage subsidies and what they termed ‘independent worker assistance’ (that is, support for people to become self-employed) increased people’s median earnings by around 16.5% in each case. Vocational training programmes increased earnings by a smaller amount, 7.7%, although most of the studies surveyed, which looked at impacts 3-4 years after programme completion, would not have picked up the full impact. Finally, employment services (basic job-search assistance) had “an almost negligible impact”.²⁴

Well-being

Although few studies have looked at impacts on well-being, one 2019 paper found that the existing research “points towards a positive impact”. In findings echoed elsewhere, the paper observed that multifaceted interventions, combining different kinds of support in one programme, made the biggest difference, as did the schemes most similar to permanent private-sector employment. These schemes enhanced well-being through “increase in income, stimulation through mental/physical effort, status through the job itself, behavioural confirmation as well as possibly affection”.²⁵

24 Eduardo Levy Yeyati, Martin Montane and Luca Sartorio, ‘What Works for Active Labor Market Policies?’, CID Working Paper Series, 2019.358, Harvard University, 2019.

25 Damaris Rose, ‘The impact of active labour market policies on the well-being of the unemployed’, *Journal of European Social Policy*, 29 (3), 2019, pp.396-410.

Do ALMPs pay for themselves?

To date, the global research has focused more on establishing whether ALMPs are effective in a broad sense, and much less on analysing their specific benefit-to-cost ratio – that is, what return they deliver for a given amount of spending. But in the rare cases where such ratios have been established, they suggest many ALMPs have a net positive social effect.²⁶

An important early review by Heckman et al., focussing on US job training, public works, wage subsidies and job search assistance programmes, found “modest but overall persistent positive impact[s] on the labor income of the participants”. Under certain scenarios, these interventions seemed to be “remarkably cost effective”.²⁷

Escudero’s work, meanwhile, suggests that most countries, even those that spend significantly more on ALMPs than New Zealand, spend less than the economically “efficient” amount – that is, the amount that would deliver the most bang for buck. Estimates produced for a range of European countries show that France, for instance, would need to spend 65% more on training incentives for these policies to reach their most economically effective level.²⁸

Some schemes, in addition, show very significant effects: evidence from Germany, for instance, suggests that 20 months after participating in a wage-subsidy ALMP, people’s likelihood of being in regular employment is around 40 percentage points higher. Other research presents evidence that by bringing long-term unemployed workers back into employment, “These hiring subsidies could be self-financing via saved unemployment benefits payments and additionally generated tax revenue.”²⁹

The above conclusion is, to date, only an imprecise one. But the long-run effects of boosting people’s employment rates by 5-12 percentage points, and median earnings by 7-16% (for the more effective ALMPs), will clearly be significant. Even if that ‘only’ means that an individual earns, say, \$500-600 extra a year, that rapidly makes a large difference to their long-run earnings.

The savings from not paying benefits, and the extra tax on those earnings, will plausibly pay off the fiscal cost of a given ALMP over the medium term. The New Zealand government, for instance, expects its 2025 Budget investment in ALMPs to recoup nearly half its costs within just four years. And, given everything that we know about the (broadly) positive effects of employment on well-being, family functioning and other issues, the full social benefits of ALMPs are likely to be significant indeed.

26 For instance, Jespersen et al. present a detailed cost-benefit analysis for various Danish programmes and conclude that subsidised public and private sector employment programmes have a positive net social benefit, whereas classroom training programmes do not. Cited in Card et al., ‘Active Labour Market Policy Evaluations’, p.460. Another paper finds that “longer-term evaluations clearly indicate cost-effectiveness from a longer-term perspective. This contrast is especially highlighted for training programs; evidence shows significantly positive long-run have impacts. This is especially clear for on-the-job training and those targeted at disadvantaged outsiders. ALMPs improving labor market matching have an impact only in the short-run but are highly cost-effective.” Alessio Brown and Johannes Koettl, ‘Active labor market programs – employment gain or fiscal drain?’, *IZA Journal of Labor Economics*, 4 (1), 2015.

27 Cited in Yeyati et al., ‘What Works for Active Labor Policies?’, p.26.

28 Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.20.

29 Both cited in Brown and Koettl, ‘Active labor market programs’, p.13.

ALMPs: specific lessons

The global ALMP research also draws more detailed conclusions.

The long run matters

The longer the period over which ALMPs' effects are measured, the greater the reported benefits; many schemes assessed as having negative effects in the short term turn positive in the long term. This is especially true for training and skills-based schemes. Whereas 'work-first' programmes, which aim to place people directly into jobs, have better employment outcomes after 1-3 years, after 7-9 years it is the training programmes that generate the greatest employment gains.³⁰ Another paper, meanwhile, found that creating jobs in the public sector and subsidising private-sector employment "have negative impacts in the short term but turn positive after 36 and 12 months respectively".

You get what you pay for

Research suggests that small-scale interventions are unlikely to substantially change individuals' outcomes. To quote an Australian research paper: "Minimal interventions are unlikely to bring about substantial improvements in outcomes for the unemployed."³¹ One 2019 meta-review found that short programmes, those lasting four months or less, were "significantly" less effective than longer ones.³²

Quality may matter more than type

A decade or so ago, the consensus might have been that some types of ALMPs – training in particular – were more effective than others, and that creating jobs in the public sector was notably ineffective. The most recent research, however, suggests that any kind of ALMP can be effective in the right circumstances. As one recent paper concluded: "The intervention type is less decisive: much depends on context and how services are chosen and delivered."³³ Another argued that the "design, targeting and implementation of a policy" are "vital for its effectiveness". Yet another concluded: "The impact of individual policies varies considerably across studies. The effectiveness of labour market policies depends crucially on their implementation and duration."

**"Minimal interventions
are unlikely to bring about
substantial improvements
in outcomes for the
unemployed."**

30 Borland, 'Dealing with unemployment', p.14.

31 Ibid., p.15.

32 Veronica Escudero, Jochen Kluve, Elva López Mourelo and Clemente Pignatti, 'Active Labour Market Programmes in Latin America and the Caribbean: Evidence from a Meta Analysis', *Journal of Development Studies*, 55 (12), 2019, pp.2644-61.

33 Jochen Kluve, Olga Susana Puerto, David A. Robalino, Jose M. Romero, Friederike Rother, Jonathan Stöterau, Felix Weidenkaff and Marc J. Witte, 'Do Youth Employment Programs Improve Labor Market Outcomes? A Quantitative Review', *World Development*, 114, 2019, pp.237-53.

Tailored support is vital

Research has repeatedly found that services should be tailored as much as possible to the individual jobseeker's needs, rather than delivered uniformly. One paper notes that, for instance, "early and frequent meetings with jobseekers have been identified as an efficient way of assisting job seekers", but adds that "evidence emphasises the need for personalised services".³⁴ Another argues that "clear targeting and tailored support measures are key to successful programmes".³⁵

Yet another presents strong evidence for so-called customised employment, which "matches the unique strengths, needs and interests of a job candidate with the employer's needs".³⁶ The steps in the latter process typically include a 'discovery' stage of ascertaining the jobseeker's strengths and weaknesses; finding and negotiating with an employer; customised support via health and other services; in-work support; and possibly on-the-job training.

On similar lines, the research finds that different groups of jobseekers benefit from different kinds of interventions. One paper found that the long-term unemployed benefited particularly from training-based schemes and wage subsidies. Conversely, they received relatively little benefit from 'work-first' programmes such as those encouraging job search or unsubsidised employment, perhaps because these individuals had multiple work-related barriers that had to be addressed first.³⁷

Multifaceted interventions can be multi-effective

Research consistently finds that multifaceted schemes – combining, for instance, wage subsidies, mental health supports and on-the-job training – are often more likely to be effective than single-focus schemes. This is especially true for the long-term unemployed. As one recent paper notes, "programmes that integrate multiple interventions are more likely to succeed because they are better able to respond to the different needs of beneficiaries", especially where those individuals face multiple barriers to paid employment.³⁸ Another paper found that ALMPs which integrate multiple services "are more successful".

One such scheme cited in the research is Britain's 2000s-era New Deal for the Young Unemployed, a package of measures – including job-search assistance, wage subsidies, training and temporary government jobs – aimed at facilitating the transition into work of beneficiaries aged 18-24. Those who participated in the scheme were around five percentage points more likely to find paid work than those who did not.³⁹

34 Cited in Welfare Expert Advisory Group, *Employment & Labour Market*, p.9.

35 Anne Riley, Libby Gerard and Kieran Forde, 'Review of Active Labour Market Programmes', report prepared for Future of Work Tripartite Forum, MSD/MBIE/MoE, September 2021, p.6.

36 Anne Riley, Libby Gerard and Kieran Forde, 'Review of Active Labour Market Programmes – Gaps Analysis and Investment Principles', report prepared for Future of Work Tripartite Forum, MSD/MBIE/MoE, December 2021, at para 94.

37 Card et al., 'What Works?', p.895 and 923-4.

38 Kluge et al., 'Do Youth Employment Programs Improve Labor Market Outcomes?', p.2. See also: Anne Laurantson and Marius Lüske, *Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity*, OECD Social, Employment and Migration Working Papers No. 262, Paris, 2021; Amy Richardson and Kiri Saul, 'Integrating Employment Support with Primary Healthcare Services A Review of Models and Evidence', Ministry for Social Development, Wellington, May 2023.

39 Ekkehard Ernst, Rossana Merola and Jelena Reljic, *Labour market policies for inclusiveness: A literature review with a gap analysis*, ILO, 2022, p.19.

Connections matter

The global research underlines the need for ALMPs to not just consider the needs of jobseekers and employers but to actively connect the two. As one paper argues, such schemes “are best carried out via relationships between a) businesses willing to provide opportunities for the unemployed and b) locally responsive service providers who can give the unemployed the basic capabilities employers require to take them on”.⁴⁰ This implies that governments need to fund or facilitate solutions that are both decentralised and locally responsive. Echoing other findings above, this paper notes that such solutions “are likely to involve tailored intervention and may be relatively expensive”.

Replicating paid work is important

Studies stress that the more an ALMP mirrors what happens in the paid workforce, the greater its chances of success. Industry-specific, on-the-job training is more likely to generate permanent private-sector employment than generalised, classroom-based training. One estimate is that adding an on-the-job component to classroom training increases its chances of a positive impact by 30%.⁴¹ Similarly, public-sector job creation schemes are most likely to be successful when the jobs thus created closely resemble private-sector activity.⁴²

Building human capital helps

Card et al.’s 2018 meta-review found there were larger average gains for programmes “that emphasise human capital accumulation”, notably skills and training schemes.

Privatisation does not appear to help

Multiple studies have found no evidence that outsourcing service delivery to the private sector achieves better outcomes than conventional ‘in-house’ delivery by government agencies. One paper found “little evidence of a positive impact of the non-public sector”. Another concluded that when specific French public employment services were outsourced to private agencies, the public providers performed better. Similar results were found in research examining the contracting-out of German job-placement services.⁴³ And a review of Australia’s decades-long privatisation found it had largely “failed”, despite good intentions.⁴⁴

40 Borland, ‘Dealing with unemployment’, p.17.

41 Cited in Brown and Koettl, ‘Active labor market programs’, p.21.

42 Sianesi’s main finding from a review of Swedish labour market programmes in the 1990s was that “the more similar to a regular job, the more effective a program is for its participants”. Cited in Borland, ‘Dealing with unemployment’, p.14. Likewise, a 2021 New Zealand stock-take found that “training programmes with an on-the-job component that provide skill development specific to industry needs are more effective than other forms”. Riley et al., ‘Review of Active Labour Market Programmes’, December 2021, at para 97.

43 Yeyati et al., ‘What Works for Active Labor Market Policies’, p.18; Ernst et al., *Labour market policies for inclusiveness*, p.18.

44 <https://www.theguardian.com/australia-news/2023/nov/30/australias-broken-employment-services-system-needs-public-provider-parliamentary-review-finds>.

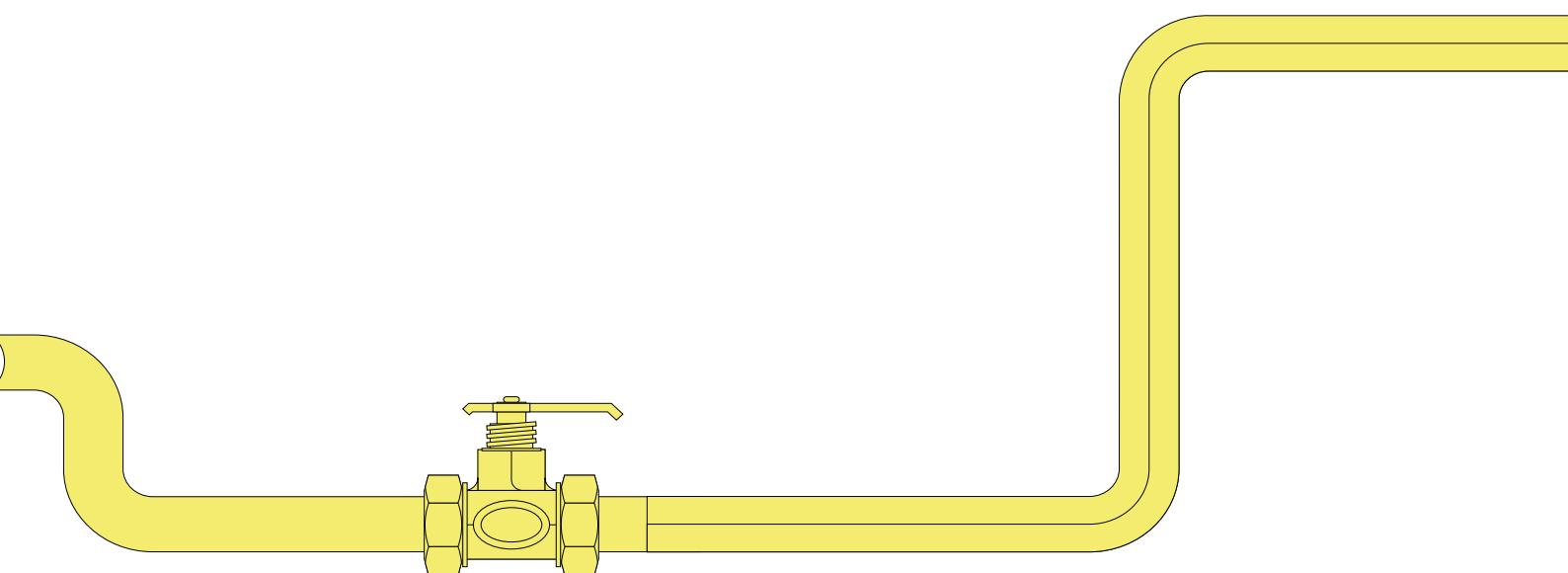
Building core capacity is important

Multiple studies show that increased spending on “public employment services” – that is, the core administration of ALMPs within central government – helps the rest of the system work better. A 2015 paper showed that raising administrative spending “has a reducing effect on the unemployment rate ... Micro-econometric studies carried out in OECD countries [also] show consistently positive outcomes from investing in [programme administration].”⁴⁵

Timing matters

A 2018 meta-review suggests that “programs in recessionary periods tend to have larger average impacts, particularly if the downturn is relatively short lived”. Relatedly, it finds that schemes are particularly successful “if participants are enrolled in a program during a downturn and exit the programme during a period of favourable economic conditions”.

Combined with findings about the effectiveness of human capital schemes for the long-term unemployed, this all “points to a potentially important policy lesson”, the authors of the meta-review argue. “The number of long-term unemployed rises rapidly as a recession persists. This group has a high probability of leaving the labor force, risking permanent losses in the productive capacity of the economy. One policy response is to deploy countercyclical job-training programs and private employment subsidies, which are particularly effective for the longer term unemployed in a recessionary climate.”⁴⁶



45 Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.14.

46 Card et al., ‘What Works?’, pp.895, 923-4 and 928-9.

ALMPs: specific programme types

Wage subsidies

According to a 2014 paper, some Australian evidence indicates that wage subsidy schemes “can have a positive effect on labour market outcomes”.⁴⁷ A 2015 study on OECD countries highlights multiple successful wage subsidies, including some that reportedly led to 40 percentage point rises in employment rates. It adds: “In order to enhance their cost-effectiveness, hiring subsidies can be targeted at disadvantaged workers, for example long-term unemployed workers.”⁴⁸

Public-sector job creation

A 2014 Australian paper argues that successful schemes appear to have been mainly “bottom-up” and targeted to meet the local needs of jobseekers and employers. They work “by giving participants extra skills that are relevant to local jobs, and providing a pathway to a permanent job.” As above, replicating conventional private sector employment is vital.⁵³ A 2015 meta-review found that “direct job creation” by the public sector was among the “most favourable” schemes for reducing unemployment.⁵⁴

In recent years, Dutch and Austrian municipalities have experimented with semi-permanent public-sector job creation schemes for long-term unemployed adults. Rather than preparing people for fully conventional private sector employment, these schemes aim to find people meaningful occupations – sometimes in social enterprises – with a degree of pastoral support from the state. These small-scale schemes significantly boost life satisfaction, income and sense of purpose. And because the participants are earning (at least some) income and are (at least partly) off benefits, the cost to the state is relatively manageable.⁵⁵

Support for self-employment

A 2018 paper argued that businesses created via German self-employment ALMPs “are often characterised by relatively high survival rates”. Local chambers of commerce helped evaluate proposed business cases, increasing rigour. Around 70-80% of businesses survived for at least the initial few years, and around 30% of them had at least one further employee.⁴⁹ A 2015 paper argued that start-up incentives have a “negative [that is, lowering] and significant” effect on unemployment rates.⁵⁰

Another 2015 paper found “more positive impacts” from recent research, including German analysis that showed participants in self-employment ALMPs had “significantly” higher income five years later and were 20% more likely to be employed.⁵¹ More recent research is equally positive, finding that start-up incentives can significantly reduce unemployment.⁵²

47	Borland, ‘Dealing with unemployment’, p.11.	53	Borland, ‘Dealing with unemployment’, p.14. The paper also cites evidence that “the more similar to a regular job, the more effective a program is for its participants”.
48	Martin, ‘Activation and active labour market policies in OECD countries’, p.11-12.	54	Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.1.
49	Moritz Zoellner and Michael Fritsch, ‘An evaluation of German active labour market policies: a review of the empirical evidence’, <i>Journal of Entrepreneurship and Public Policy</i> , 7 (4), 2018, pp.377-410.	55	Kees Mosselman, Louis Polstra and Arjen Edzes, ‘Job Guarantee as an Active Labour Market Policy for Tackling Long-term Unemployment: Empirical Findings from The Netherlands’, <i>E-Journal of International and Comparative Labour Studies</i> , 12 (03/2023); https://docs.iza.org/dp16088.pdf . See also: Maximilian Kasy and Lukas Lehner, ‘Employing the Unemployed of Marienthal: Evaluation of a Guaranteed Job Program’, IZA DP No. 16088, April 2023.
50	Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.14.		
51	Brown and Koettl, ‘Active labor market programs’, p.14-15.		
52	Escudero, ‘Are active labour market policies effective in activating and integrating low-skilled individuals?’, p.20.		

4. Welfare, work and unemployment: core facts

Unemployment

As of March 2025, around 156,000 people, or 5.1% of the labour force, were deemed officially unemployed – that is, not in paid employment but seeking, and available for, such employment.⁵⁶

That figure had risen substantially from the 3.4% unemployment rate recorded immediately post-pandemic, and is at its highest level in eight years.

A significantly larger proportion of people, however, are covered by what is known as underutilisation, which alongside the officially ‘unemployed’ includes those deemed ‘jobless’ (wanting work but unable for whatever reason to actively seek it), and those deemed ‘wanting more hours’ (employed but not to the degree they would like). In March 2025, 390,000 people (12.3%) were officially ‘underutilised’.

Employment, unemployment and underutilisation vary by ethnicity, gender and region. Unemployment for Māori and Pacific Peoples is around twice the rate for Pākehā, and is significantly above the national average in Northland, Auckland and the Bay Of Plenty.

156,000

PEOPLE WERE DEEMED OFFICIALLY
UNEMPLOYED

“That figure had risen substantially from the 3.4% unemployment rate recorded immediately post-pandemic, and is at its highest level in eight years.”

⁵⁶ <https://www.stats.govt.nz/information-releases/labour-market-statistics-march-2025-quarter/>. Note that to be counted as “seeking” work they need to be doing more than just looking in newspapers/online.

Figure 1.
Employment, unemployment and underutilisation in New Zealand
 March 2025

Programme	Employment	Unemployment	Underutilisation
All	67.2	5.1	12.3
Men	71.4	4.9	10.4
Women	63.1	5.3	14.3
Pākehā	67.2	4.1	11.2
Māori	61.3	10.5	19.7
Pacific Peoples	62.1	10.8	18.9
Northland	56.9	5.7	14.7
Auckland	68.1	6.4	13.1
Waikato	63.4	5.6	13.2
Bay of Plenty	62.8	5.9	11.9
Gisborne/Hawkes Bay	64.2	5.6	13.2
Taranaki	64.1	5.1	11.6
Manawatū/Whanganui	66.4	4.7	12.9
Wellington	70.8	5.1	12.2
Tasman/West Coast	66.8	3.8	11.3
Canterbury	69.3	4.8	12.6
Otago	73.8	2.6	9.1
Southland	67.8	4.5	12.4

Source: Statistics New Zealand

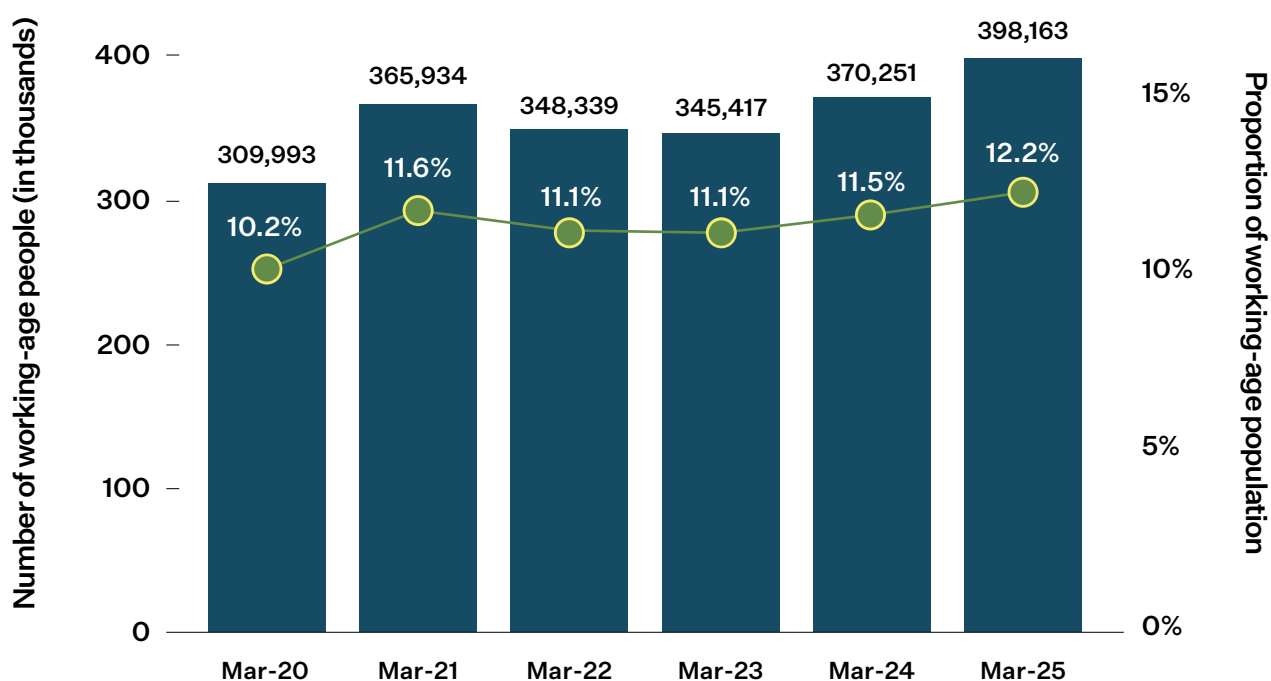
Beneficiary numbers

Nearly 400,000 New Zealanders are on one of the three main or ‘core’ welfare benefits: the Supported Living Payment (formerly the disability or invalids’ benefit), Sole Parent Support (formerly the DPB), and Jobseeker Support (formerly the unemployment benefit). The latter benefit is further divided into two categories: Jobseeker Support – Health Condition and Disability, and Jobseeker Support – Work-Ready.⁵⁷

Figure 2.

Number of people receiving one of the three main benefits in New Zealand

March quarter, 2020-25



Source: Ministry for Social Development

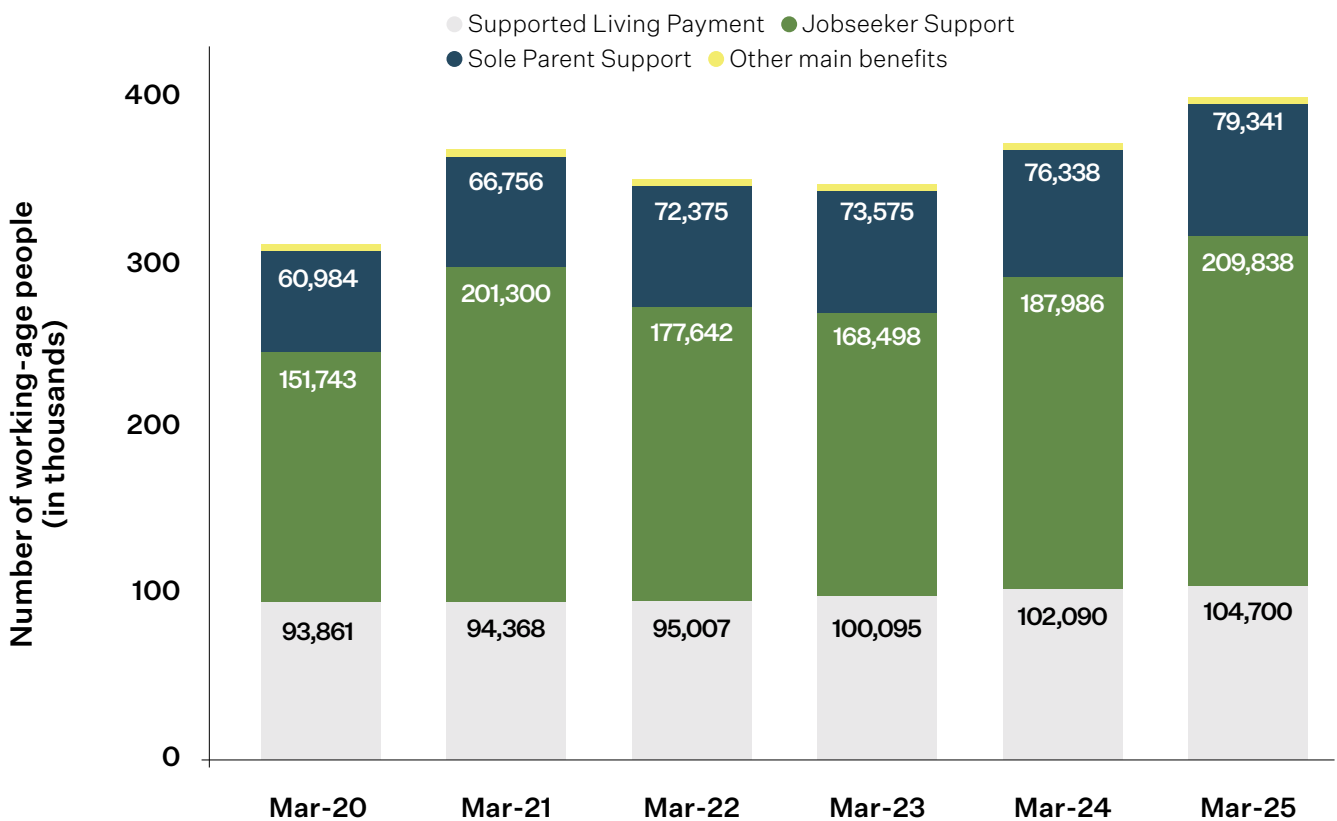
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<https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2025/benefit-fact-sheets-snapshot-mar-2025.pdf>.

Figure 3.

Number of people receiving each of the three main benefits in New Zealand

March quarter, 2020-25



Source: Ministry for Social Development

Each benefit is paid at a different rate (the figures below are for single adults):

- Jobseeker Support – \$361pw (\$18,700pa)
- Sole Parent Support – \$505pw (\$26,300pa)
- Supported Living Payment – \$411pw (\$21,400pa)

These payments are gradually clawed back (technically, ‘abated’) as people move into paid work. Other payments for which beneficiaries qualify, including the Accommodation Supplement and certain Working for Families tax credits, are likewise incrementally abated. This implies there can be significant fiscal savings for governments helping people move from welfare to work, although they may not be fully realised until an individual is in full-time employment.

Work obligations

Each class of benefit recipients faces different work obligations; these are set out below, ordered loosely by the intensity of the obligation.

Supported Living Payment

The Supported Living Payment is available to people who have, or are caring for someone with, a significant health condition, injury or disability. Recipients do not automatically have to look for work. They are, however, required to take part in assessments that determine whether they could be preparing for paid employment or directly seeking work.

This can involve being required to:

- ▶ undertake work preparation interviews;
- ▶ undertake work-related activities or programmes such as a work assessment, a programme or a seminar to increase particular skills or enhance motivation; or
- ▶ carry out any other activity required by MSD.

Sole Parent Support

People on Sole Parent Support, the vast majority of whom are women, are required to prepare for work if they are caring for children aged under three, and to look for part-time work if their youngest child is aged 3-13.

For parents with children under three, for work obligations include the following:

- ▶ take “reasonable” steps to prepare and plan for work;
- ▶ take part in work-related activities or programmes such as a work assessment, a programme or a seminar to increase particular skills or enhance motivation.
- ▶ take part in work preparation interviews; and

For parents whose youngest child is aged 3-13, their part-time work obligations include the following:

- ▶ be available for and take reasonable steps to get a suitable part-time job;
- ▶ take part in any suitable job interviews as requested by MSD.
- ▶ take any offer of suitable part-time or temporary work, or work that is seasonal or subsidised; and

Jobseeker Support – Health Condition and Disability

Jobseeker Support – Health Condition and Disability (JS-HCD) is a payment for people whose health status is, crudely speaking, somewhere between that of people on the Supported Living Payment and people on Jobseeker Support – Work-Ready (JS-WR). People on JS-HCD are deemed to have a health condition or disability that “affects” their ability to work, such that they have to reduce their hours or stop work for a period of time (but not indefinitely).

Their work-related obligations are to:

- prepare for work, if their health condition, injury or disability means they cannot work or can only work fewer than 15 hours a week; or
- look for part-time work, if their health condition, injury or disability means they can only work part-time.

Jobseeker Support – Work-Ready

Recipients of JS-WR are either unemployed and looking for work, or in part-time employment and seeking more work.

They face, as one might expect, the strongest work obligations, being expected to:

- be available for and take reasonable steps to get a suitable job;
- take any offer of suitable full-time, part-time or temporary work, or work that is seasonal or subsidised; and
- take part in any suitable job interviews as requested by MSD.

Jobseeker Support numbers

As of June 2025, there were approximately 210,000 people on the two different forms of Jobseeker Support.

This number does not line up with the official unemployment figure, for reasons that are complex but well-traversed elsewhere.⁵⁸ The number of people on Jobseeker Support has risen noticeably in recent years.

Figure 4.

Detailed breakdown of people on Jobseeker Support
December quarter, 2014-24

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Jobseeker Support - Work Ready	69,156	67,670	67,502	65,613	74,107	83,103	134,829	106,362	98,766	109,698	120,399
Jobseeker Support - Health Condition or Disability	55,475	55,257	56,809	57,428	59,941	64,362	77,637	81,627	71,337	80,100	92,922
<i>of which</i>											
1. Psychological						32,757	39,156	40,671	35,934	40,479	46,920
2. Musculo-skeletal						9,579	10,866	11,235	10,791	11,862	13,074
3. Accidents						3,543	4,758	5,478	4,260	4,956	6,210
4. Cardio-vascular						2,706	3,408	3,678	3,291	3,654	4,194
5. Pregnancy-related						558	723	615	375	327	483
6. Other disorders						15,219	18,729	19,953	16,689	18,816	22,044
Jobseeker Support - Categories combined	124,631	122,927	124,311	123,041	134,048	147,465	212,466	187,989	170,103	189,798	213,321
Jobseeker Support - One year or less	56,739	55,805	55,443	53,953	60,207	65,145	101,562	71,358	67,068	80,838	88,701
Jobseeker Support - More than one year	67,892	67,122	68,868	69,088	73,841	82,317	110,904	116,634	103,035	108,957	124,620
Percentage on JS more than one year	54%	55%	55%	56%	55%	56%	52%	62%	61%	57%	58%

Source: Ministry for Social Development

The number of people on Jobseeker Support was rising pre-pandemic, even while unemployment was falling, and remained high post-pandemic, even during a period of extremely low unemployment and – as was well-traversed in the media – significant labour shortages. This may be in part because the previous Labour-led government made benefits easier to access, or because people are registering as ‘on benefit’ for longer after Labour allowed them to earn more in paid employment before their benefits were withdrawn.

The current National-led government has a target to reduce Jobseeker Support numbers by 50,000. As the graphs above show, however, the numbers are heading in the opposite direction, owing to the economic contraction brought on by New Zealand’s inflation-targeting policies and public sector cost-cutting.

Of the people on Jobseeker Support, approximately 125,000 have been receiving it for more than a year. This long-term benefit receipt, as a proportion of all people on Jobseeker Support, has increased in recent years. This is of particular concern to policy-makers, given the well-established consequences of long-term unemployment.

58

For instance: <https://ganeshnana.substack.com/p/unemployed-on-the-dole-or-jobless>.

The situation for young people

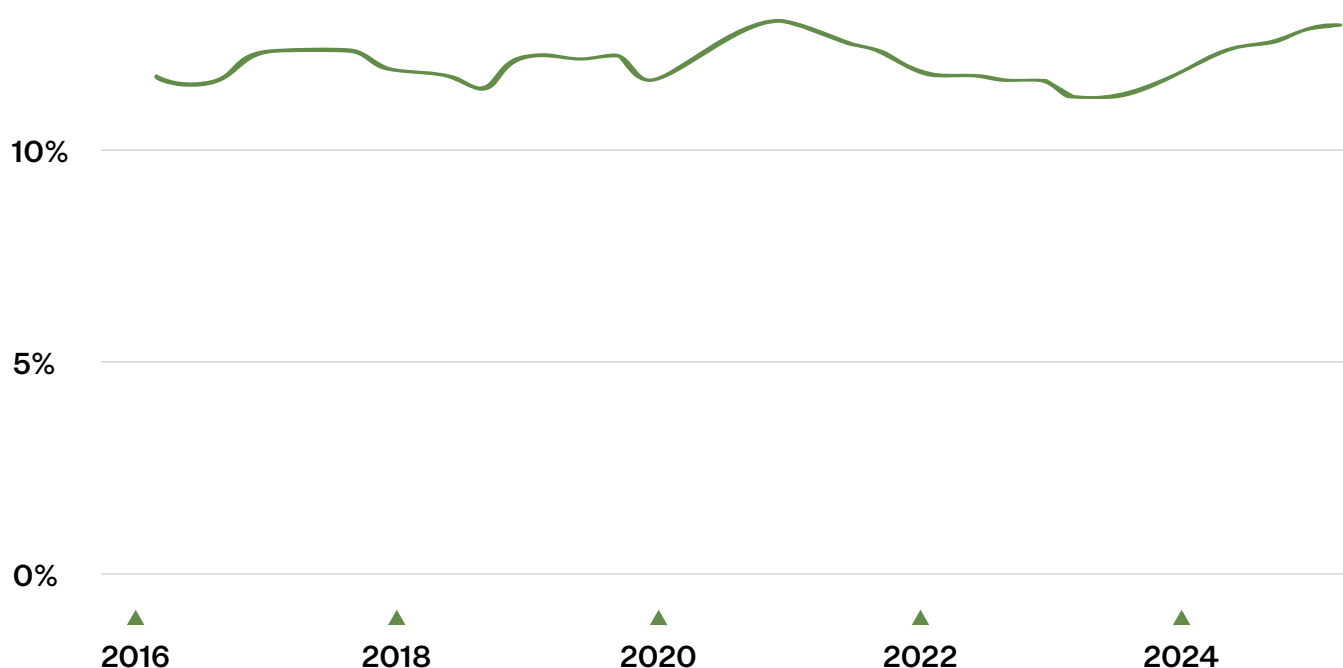
Employment and related outcomes for young people are of particular interest, given the problems that can occur in later life as a result of poor outcomes early on.

Sometimes alarming-sounding figures are cited: for instance, that one-quarter of the 15-19-year-old labour force is unemployed. It is more useful, however, to look at a slightly wider age range, and to note that young people can be gainfully occupied, even when not in work, if they are undergoing some kind of study. The main measure of concern, therefore, is the number of young people who are not in employment, education or training (NEET).

Figure 5.

People aged 15-24 not in employment, education or training (NEETs) in New Zealand

2016-25



Source: Infometrics

As the graph above shows, the proportion of NEETs – 12.9% currently – is as high as it's been in the last decade.⁵⁹ Young people have been hit especially hard by the recession's impact on employment.

59

<https://qem.infometrics.co.nz/new-zealand/labour-market/neet-rate?compare=new-zealand>.

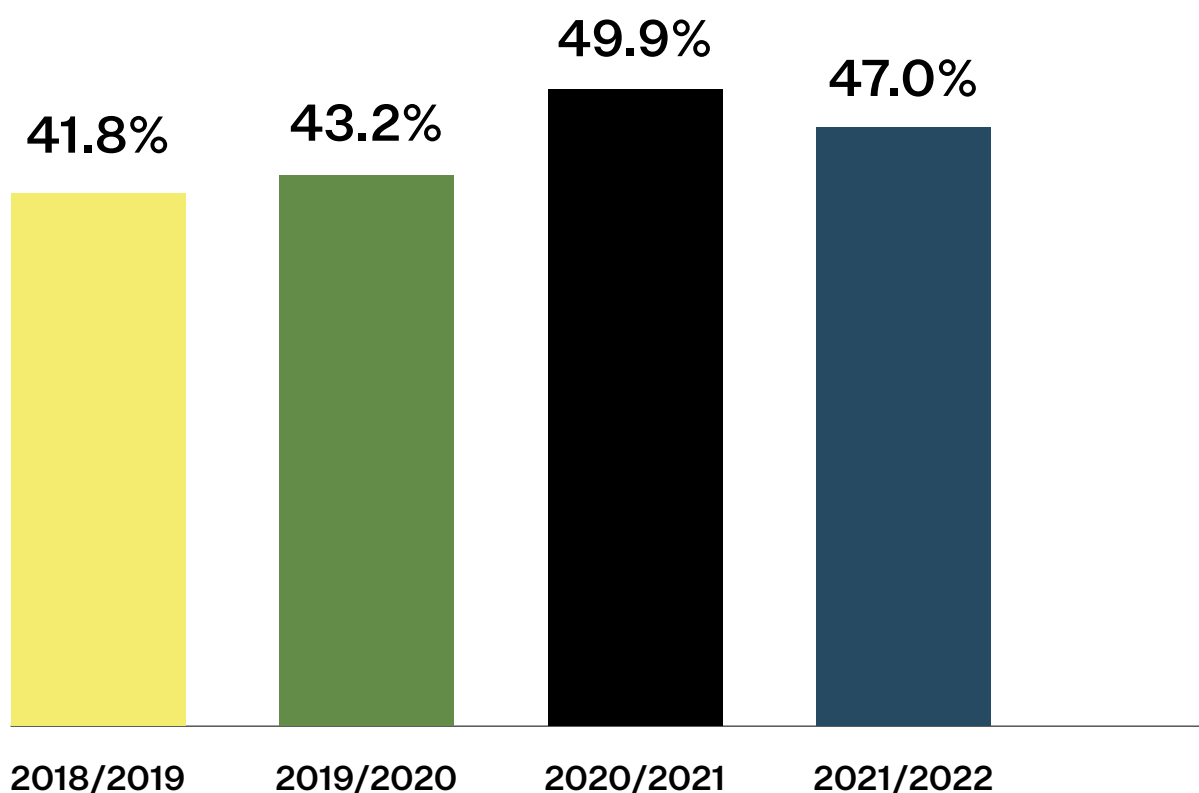
Off-benefit outcomes

When we look at what happens to people leaving the welfare system, the results are not encouraging. According to the most recent update, which looks at people who left the benefit system in 2022, only 60% of them moved into paid work (defined as earning at least \$21,700 a year). Of that 60%, just half were still in employment one year later, and that figure declines to 40% after 18 months. In other words, of all the people leaving benefits in the year up to June 2022, just one-quarter (24%, i.e. four-tenths of 60%) were still in work a year and a half later.⁶⁰

Figure 6.

Proportion of people coming off a benefit who are still in employment one year later

2019-22

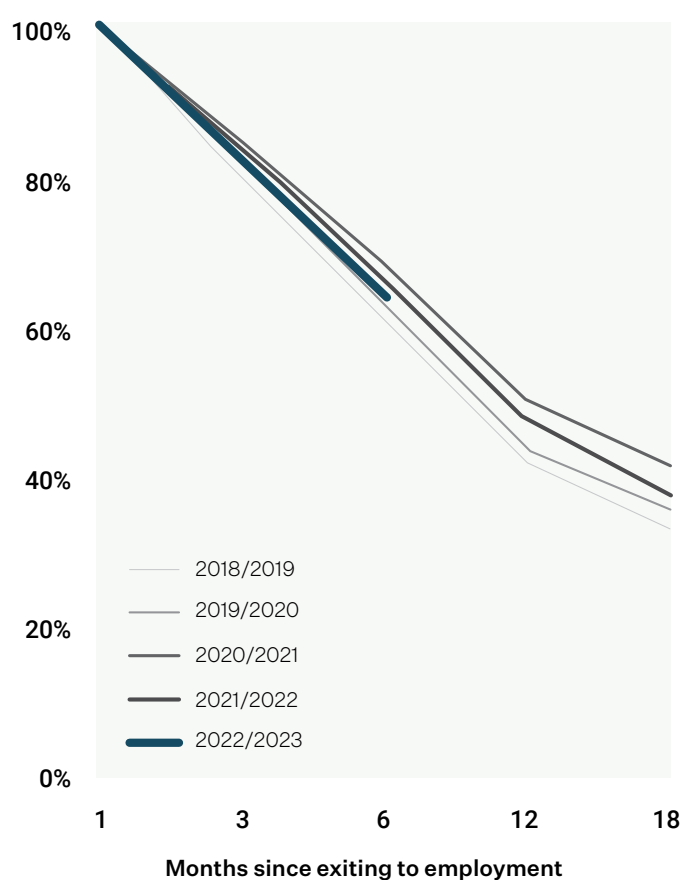


Source: Ministry for Social Development

60

Ministry for Social Development, 'What happened to people in the 12 months after they left the benefit system, up to June 2023', September 2024, Wellington, pp.3-6.

Figure 7.
Proportion of people coming off a benefit who are still in employment 18 months later
 2019-23



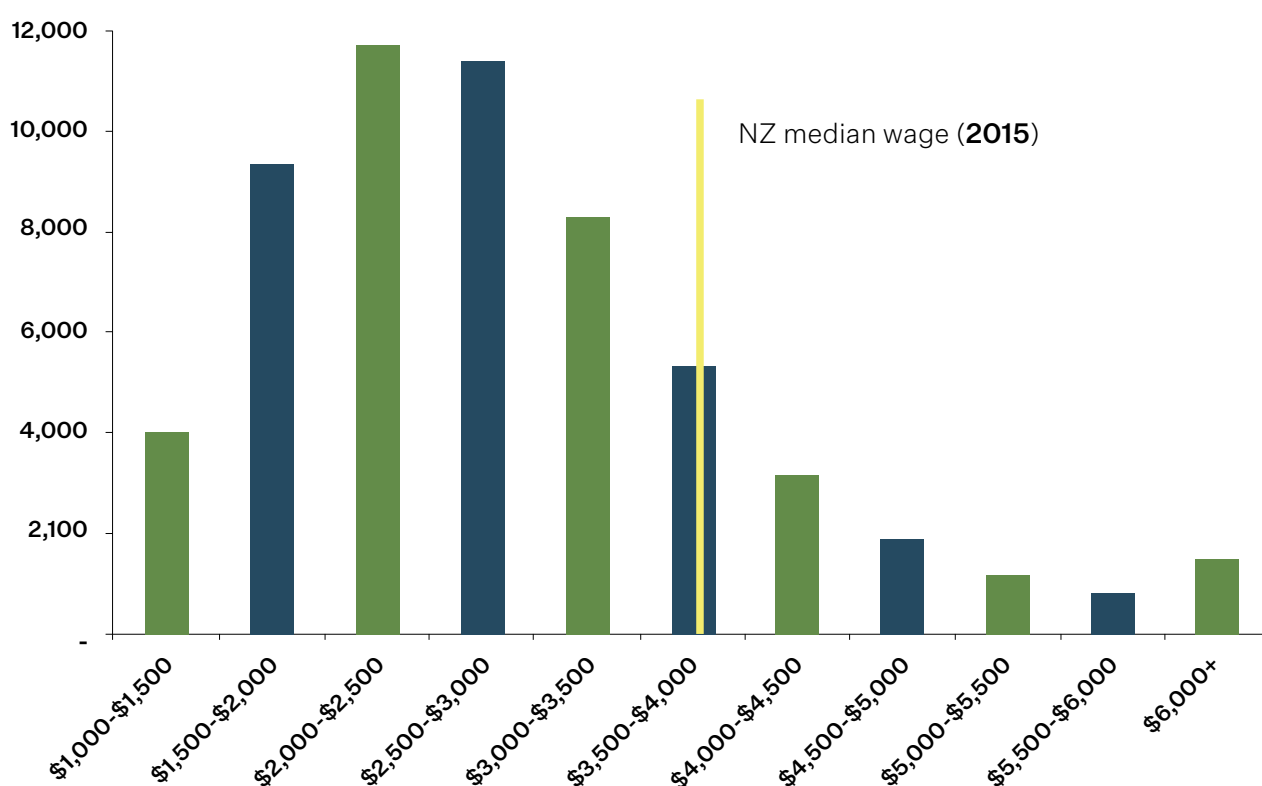
Source: Ministry for Social Development

This reflects, as above, a high degree of churn in the welfare system, in which people leave the system only to return relatively quickly. Sometimes they leave for explicitly seasonal work, such as fruit-picking. And they often move into poorly paid industries with relatively precarious conditions, notably: administrative and support services; employment services; café, restaurants and takeaway food services; and meat and meat product manufacturing.⁶¹

Research carried out by the 2019 Welfare Expert Advisory Group noted that most of those who left benefits had relatively low incomes, even when in paid employment.

⁶¹ 2018 research showed that 46% of people who left the benefit system returned there within 18 months. <https://www.beehive.govt.nz/release/new-approach-needed-keep-people-benefit>. For the industries that beneficiaries most commonly enter, see: Ministry for Social Development, 'What happened to people in the 12 months after they left the benefit system', p.7.

Figure 8.
Initial monthly salary for people moving from welfare to work
2015



Source: Welfare Expert Advisory Group

On similar lines, the most recent analysis shows that, even among those who stayed in employment for a year, the average income was just \$5,300 per month (approximately \$63,000 in annual terms). This was lower still for Māori and Pacific people, who were earning on average \$5,100 and \$5,200 a month, and for people who had spent more than two years on a benefit before finding a job, who were earning around \$4,900 per month.⁶³

The high degree of churn will also reflect the multiple struggles experienced by jobseekers, some of whom live in challenging households or communities. Finding and holding down paid employment also brings new stresses: work-related expenses such as equipment and clothing, costs such as transport and childcare, and the difficulties of navigating the workplace's routines and demands.

⁶² Ministry for Social Development, 'What happened to people in the 12 months after they left the benefit system', p.7.

⁶³ Ibid., p.8.

The current government's approach

The current National-led government has maintained many of the previous government's ALMPs, but with a much stronger focus on reducing beneficiary numbers.

Key features of its approach include:

- a target of reducing the number of people on Jobseeker Support by 50,000 by 2030;
- a much greater emphasis on work obligations (requirements for beneficiaries to complete work-related activities, such as applying for jobs, in order to continue receiving the benefit);
- correspondingly, for those who do not meet those obligations, an increased use of sanctions (such as partial or full suspension of the benefit, compulsory community work, or management of their spending by MSD); and
- compulsory job seminars for those beginning receipt of benefit (Kōrero Mahi – Let's Talk Work), and six-monthly 'check-ins' (Kōrero Mahi – Work Check-In).

Sanctions

The sanctions element of this policy platform is especially contested. There is some evidence that sanctions lead people to leave benefits more quickly. Even that evidence, however, suggests those movements off-benefit are often to "unknown destinations" rather than into employment, and can involve people giving up altogether on seeking paid work.⁶⁴

Other research is even more negative. A 2023 report for Britain's Department of Work and Pensions showed that a significant increase in sanctions "leads the average claimant to exit less quickly into PAYE [regular work] earnings and to earn less upon exiting". Recent Dutch research reaches similar conclusions, noting that the negative effects of sanctions can be seen in individuals' lower incomes (compared to those who are not sanctioned) several years later.⁶⁵

Research compiled in 2018 by MSD officials shows that imposing a sanction typically "reduces earnings, hours of work and job stability", and "has a negative impact on income over a two-year follow-up [period]." Evidence from the US and UK, finally, suggests that a very harsh sanctions regime can "drive people away from, rather than closer to, employment, and might worsen rather than improve the long-term chances of children in the families affected".⁶⁶

64 Ministry for Social Development, 'Obligations and Sanctions Rapid Evidence Review Paper 2: Work-related Sanctions', paper prepared for the Welfare Expert Advisory Group, November 2018, pp.12-13; National Audit Office, 'Benefit sanctions', report HC 628, 30 November 2016, p.9.

65 <https://www.gov.uk/government/publications/the-impact-of-benefit-sanctions-on-employment-outcomes-draft-report/the-impact-of-benefit-sanctions-on-employment-outcomes>; Bas van der Klaauw and Heike Vethaak, 'Empirical Evaluation of Broader Job Search Requirements for Unemployed Workers', IZA DP No. 15698, 2022.

66 Ministry for Social Development, 'Obligations and Sanctions Rapid Evidence Review Paper 2', p.13 and 20.

Some researchers, accordingly, argue that the intellectual premise behind increased sanctions – that beneficiaries need to be motivated by the threat of punishment – is mistaken. Often, instead, beneficiaries do not lack motivation, but lead challenging lives in which they are confronted with a labyrinthine welfare bureaucracy and the daily struggle to pay their bills. Sanctioning them may, therefore, simply add more complexity to already complex lives, further weakening their ability to focus on finding paid work.

Research also highlights the negative effects of sanctions, notably increased poverty, stress and ill-health. For instance, a 2015 British report on the Conservative Party’s extensive sanctions found that “removing benefits increases hardship, destitution and foodbank use as well as damaging physical and mental health”.⁶⁷ In particular, these effects are felt by the children of beneficiaries, who bear no moral responsibility for their situation. So although any welfare system that is not unconditional will have some sanctions for those who repeatedly flout its rules, the above evidence does not suggest that an extensive use of sanctions is justified.

Other measures

In addition to its high-profile sanctions, the current government is also implementing policies that could be deemed to be more supportive. It has announced that it wants 70,000 jobseekers to receive personalised job plans, based on a “comprehensive” assessment of their individual needs. It has also issued a request for proposals for providers to act as ‘job coaches’.

Budget 2025, meanwhile, contained \$343 million in funding to continue Kōrero Mahi seminars – work-skills forums for new jobseekers – and the positions of 490 case managers who work with beneficiaries. Those 490 staff will help provide the Early Response Redeployment Service, a scheme that assists workers in situations of mass redundancy, connecting them with other jobs and businesses.

The \$343 million also supports an expansion of community job coaching for two years for up to 6,000 people. This is designed to provide jobseekers with coaching, an assessment of their needs, and an individual plan for employment. Finally, the funding continues flexi-wage subsidies for people who need extra support and upskilling to get a job, and programmes that integrate health and employment services.

This \$343 million in funding was estimated to achieve \$147 million in savings over four years (the ‘forecast’ period). This figure, calculated using a joint Treasury and MSD ‘invest-to-save’ framework, is based on the savings expected from people moving off benefits and no longer needing (as much) state support. It does not calculate savings from extra tax paid and related issues.

67 <https://www.jointpublicissues.org.uk/wp-content/uploads/Time-to-Rethink-Sanctions-Report.pdf>. WEAG also noted that increased sanctions had “compound[ed] social harm and disconnectedness” for parents. A recent meta-review also noted “significant associations with increased material hardship and health problems” and “some evidence that sanctions were associated with increased child maltreatment and poorer child well-being”. <https://pmc.ncbi.nlm.nih.gov/articles/PMC7613403/>.

5. New Zealand's welfare-to-work provision

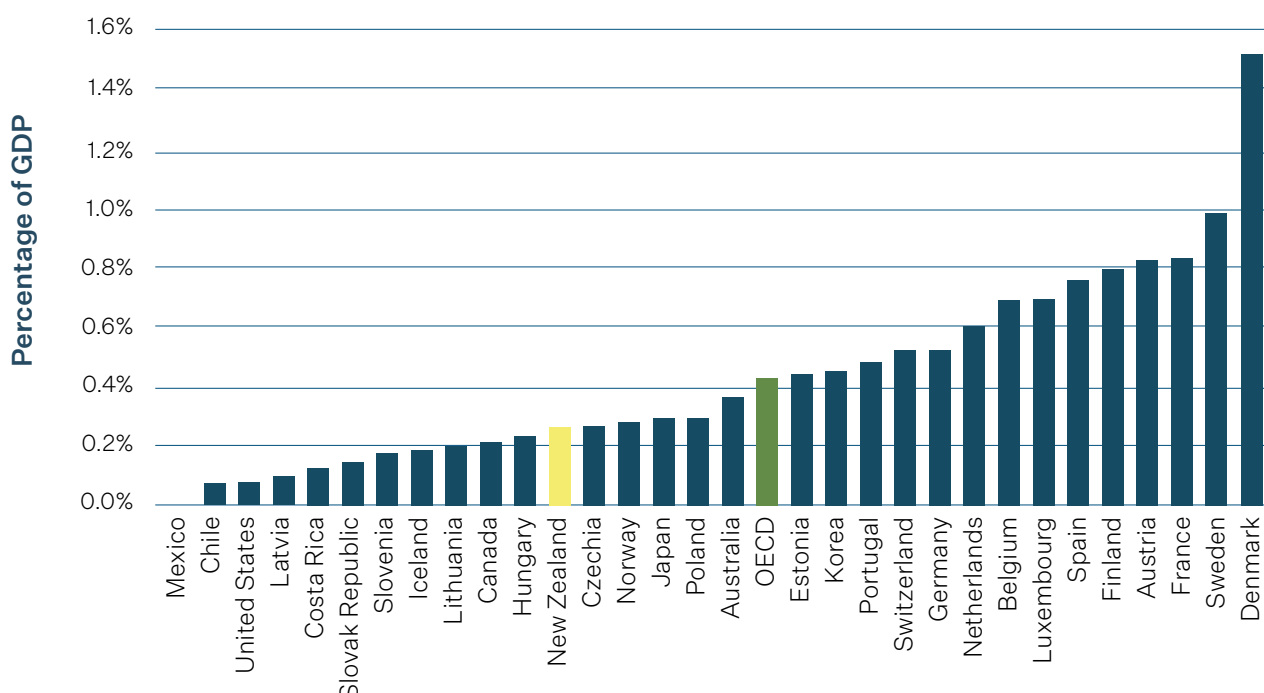
ALMPs are not especially novel in New Zealand. Interviewees for this report described study trips in the 1960s to investigate Swedish active labour-market policies. In the 1980s, a Planning Council document, *Employment: Towards an Active Employment Policy*, recommended job creation policies, tripartite working groups with employers and unions, and stronger vocational education.

As recently as the 1990s, New Zealand was a relatively enthusiastic user of ALMPs, spending around 0.9% of GDP on schemes such as Taskforce Green and the PEP programmes.⁶⁸ Today, New Zealand spends just 0.26% of GDP on ALMPs – around half the developed-country average, as is evident from the graph below.⁶⁹

Figure 9.

OECD countries' spending on active labour-market policies, as a proportion of GDP

2023



Source: OECD

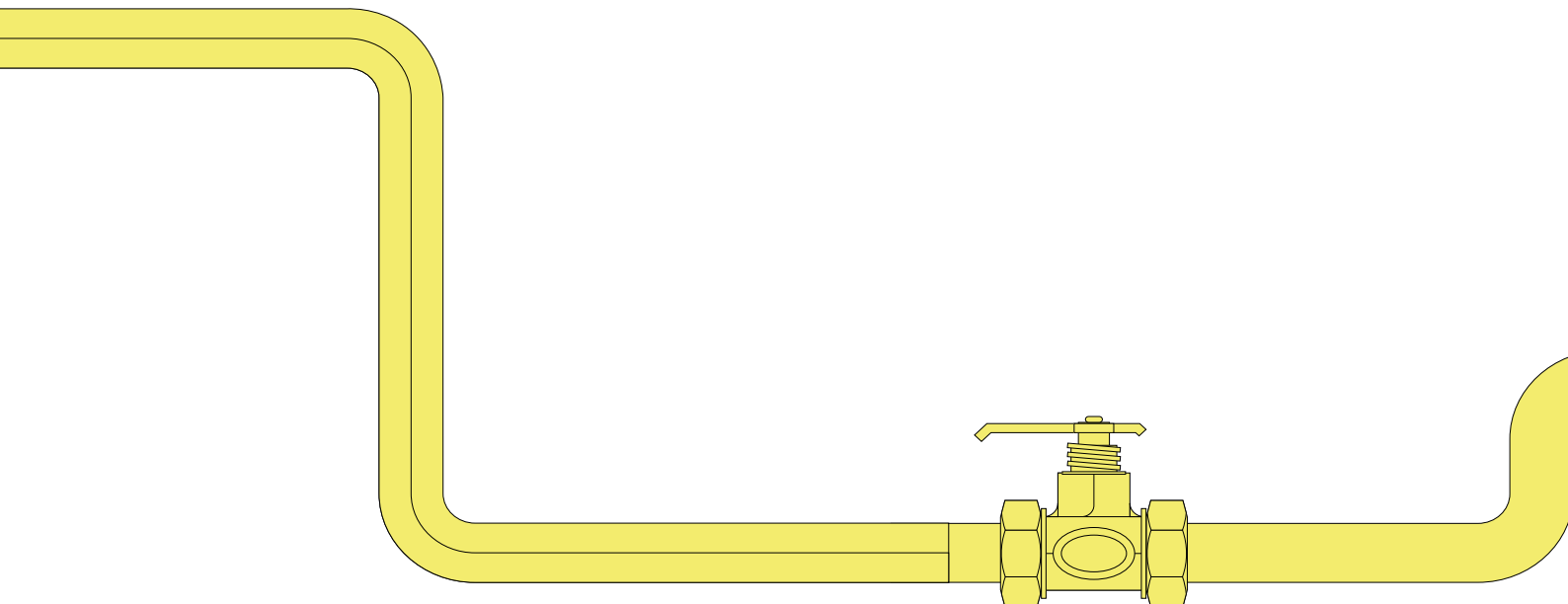
⁶⁸ Unemployment was, of course, rather higher then (7% and rising), so greater spending would be expected. Riley et al., 'Review of Active Labour Market Programmes', p.24.

⁶⁹ https://www.oecd-ilibrary.org/employment/data/oecd-employment-and-labour-market-statistics/labour-market-programmes-expenditure-and-participants_data-00312-en. Note that this figure is imprecise, as it is hard to reliably compare spending across countries.

This relatively low spending has sometimes been defended on the basis that New Zealand has relatively low unemployment, and thus relatively little need for ALMPs. At the time of writing, however, New Zealand's unemployment rate of 5.1% was approximately the OECD average.

It could still be argued that New Zealand's labour market historically has produced low unemployment (and low long-term unemployment), in general managing relatively well without high ALMP spending. Given the evidence of their effectiveness, however, it is more likely that any positive features in New Zealand's labour market occur despite our lack of investment in ALMPs not because of it. And we experience worse wage scarring, skill mismatches and skills shortages than most developed countries. These failings are all likely to be exacerbated by global trends such as climate change, AI and the ageing population. In this context, ALMPs look even more important.

Just spending more money is not, of course, a guarantee of better outcomes. How the money is spent is extremely important. As above, however, research indicates that most countries are spending less than the economically efficient amount on ALMPs; there is no reason to think that New Zealand is any exception. The general finding that one gets what one pays for is also relevant. And while there are always public-sector efficiencies to be found, they are not realistically going to be big enough to make up the spending gap between New Zealand and the average OECD country.



Recent trends

Spending on ALMPs has fluctuated significantly in recent years as a result of covid-19, which spurred the Labour-led government to invest heavily in measures to cushion its economic shock and maintain employment levels. In 2023-24, this investment began to unwind. Comparable figures for 2024-25 have not yet been tabulated.

Figure 10.

Ministry for Social Development spending on active labour-market policies

2012-24



Source: Ministry for Social Development

Although the above figure covers only MSD's spending, it is fairly representative as the amounts spent by other agencies are limited.

MSD staffing

Various groups of workers within MSD have crucial roles in assessing jobseekers' abilities and needs, assigning them to specific ALMPs, and liaising with employers. Information supplied by MSD shows that, as of June 2024, around 2,300 people were employed as case managers. A further 320 people worked in 'Employment Service Delivery', of which the largest number were 220 work brokers.

Figure 11.

Case managers employed by the Ministry for Social Development

June 2024, full-time equivalents (FTEs)

Position description	Number
Case Manager	2,072.5
Case Manager Housing	64.4
Integrated Services Case Manager	170.1
Total	2307.0

Source: Ministry for Social Development

Figure 12.

Other employment-focused staff employed by the Ministry for Social Development

June 2024, full-time equivalents (FTEs)

Position description	Number
Employment Co-ordinator	44.9
Employment Liaison Advisor	20.8
Regional Labour Market Advisor	24.0
Regional Labour Market Manager	11.0
Work Broker	220.5
Total	321.2

Source: Ministry for Social Development

Case management

Case managers sit at the heart of the welfare-to-work system, even though ALMP-related work is not their core business. Case managers work with jobseekers primarily to assist them with their income support needs, determining and facilitating access to core benefits, payments like the Accommodation Supplement, and grants such as Temporary Additional Support. Case managers also control beneficiaries' access to ALMPs, assessing their skills and backgrounds before referring them, where relevant, to specific welfare-to-work programmes. (Potential reforms to this role are discussed in later sections.)

By no means is every beneficiary assigned to a case manager. As at June 2024, of the approximately 381,000 people on core benefits, just 72,000 were receiving case management. (Of those people, around 56,000 were on Jobseeker Support.) MSD notes, however, that by December 2024 an additional 10,000 people were receiving phone-based case management.

Figure 13.

People on main benefits receiving different kinds of case management

June 2024

Case management type	Total
Employment Case Management	60,439
Integrated Case Management	4,695
He Poutama Taitamariki	3,423
Housing Integrated Case Management	3,030
Other	679
Total	72,266

Source: Ministry for Social Development

Figure 14.

People on Jobseeker Support – Work Ready receiving different kinds of case management

June 2024

Case management type	Total
Employment Case Management	50,841
Integrated Case Management	2,098
He Poutama Taitamariki	1,232
Housing Integrated Case Management	814
Other	555
Total	55,540

Source: Ministry for Social Development

MSD officials advised us that, given the realities of the agency’s funding structure and current operating model, its approach to case management and ALMPs is “essentially one of constrained optimisation”. Ministerial priorities “largely dictate the cohorts that should be receiving case management”; within that framework, case managers decide “on a case-by-case basis” which jobseekers should receive case management. At the time of writing, unemployment was high and beneficiary numbers rising, implying “an increasing number of [MSD] clients who aren’t in employment case management”.⁷⁰

Work brokers

Recent job descriptions for work brokers set out their role as “represent[ing] MSD in the employment sector”. Their job is to build strong relationships with employers, persuading them to participate in ALMPs like Mana in Mahi and to list vacancies with MSD. They are also supposed to promote jobseekers as potential employees, provide post-placement support, and help employers with the “[job] advertising, promotion and screening process”. Although, in short, their principal orientation is towards employers, they at least partly face both ways, connecting jobseekers to employers.

⁷⁰ Personal communication with MSD officials, 19 March 2025 and 22 May 2025.

The most significant ALMPs

The table below lists MSD's largest programmes by cost, along with their effectiveness rating.

Figure 15.

MSD's largest active labour-market programmes, by cost
2023-24

Programme	Cost	Rating
Childcare Subsidy	\$115.9m	Not feasible
Skills for Industry	\$67.3m	Effective
OSCAR Subsidy	\$53.0m	Not feasible
Flexi-Wage	\$47.8m	Effective
Employment Placement or Assistance Initiative	\$35.8m	Effective
He Poutama Rangatahi	\$35.2m	Effective
Employment-Related Case Management	\$33.2m	Not feasible
Māori Trades and Training Fund	\$31.7m	Not rated
Employment Participation and Inclusion Services	\$31.5m	Promising
Jobseeker Support Work Ready 52-week Benefit Reapplication	\$27.5m	Effective
Transition to Work Grant	\$23.3m	Not feasible
OSCAR Provider Assistance	\$23.2m	Not feasible
Driver Licence Programmes	\$22.4m	Effective

Source: Author's tabulation from Ministry for Social Development, 'Effectiveness of MSD employment assistance', May 2025

Note: 'Not feasible' means the scheme could not be evaluated; for the explanation of that and other terms, see p.59

The table below again lists the largest ALMPs, this time across all government departments, by participant numbers and as at 2021. (More recent data was not available at the time of publication.)

Figure 16.

Largest active labour-market programmes, by participant numbers
2021

Programme	Numbers	Rating
Transition to Work Grant	64,000	Not evaluated
Stay at Work (ACC)	58,000	Not evaluated
Te Ara Mahi (MBIE)	29,000	Not evaluated
Job Connect	28,000	Not evaluated
Apprenticeship Boost	27,000	Not evaluated
Childcare Subsidy	24,000	Not evaluated
Vacancy Placement – Full Time	15,000	Effective
Back to Work (ACC)	12,000	Not evaluated
Course Participation Assistance	11,000	No difference
Flexi-Wage	11,000	Promising
Skills for Industry	10,000	Promising
Employment Placement or Assistance Initiative	9,000	Effective

Source: MSD/MBIE/MoE, 'Review of Active Labour Market Programmes', December 2021

Note: Schemes delivered by MSD except where noted in brackets: MBIE denotes the Ministry for Business, Innovation and Employment, and ACC the Accident Compensation Corporation. Note that numbers, and ratings, are as of 2021

Selected key initiatives

The following are ALMPs that cropped up repeatedly during research for this report, regardless of whether or not they were among the largest (by cost or participant numbers). In brackets are their 2023-24 costs as specified by MSD reports.

\$5K to Work (\$11.1m)

A non-taxable payment for people who need to relocate to secure full-time work.

Apprenticeship Boost Initiative

A TEC-supervised subsidy of up to \$500 a month to employers with apprentices in their first two years of study, introduced during Covid and believed to have significantly increased apprentice numbers.⁷¹

Childcare Subsidy (\$115.9m)

Subsidises the cost of childcare for working parents.

Connected

A whole-of-government site, led by MSD, that provides information on jobs, study, training and business support, for both jobseekers and employers.

Direct Career Service

Phone-based or face-to-face careers advice that helps people put together a personalised career plan.

Connected

A whole-of-government site, led by MSD, that provides information on jobs, study, training and business support, for both jobseekers and employers.

Direct Career Service

Phone-based or face-to-face careers advice that helps people put together a personalised career plan.

71

The New Zealand Initiative notes that in 2023, around 77,500 people were in apprenticeships, up from around 55,500 in 2018. "It is likely that this increase was largely driven by Apprenticeship Boost ... [However] that scheme will be greatly pared back from 2025 and may not continue beyond 2028." Michael Johnston, *Trade Routes: Charting New Pathways from Secondary School to Industry Training*, New Zealand Initiative, Wellington, March 2025.

Driver Licence Programmes (\$22.4m)

Schemes to help people, especially the young, obtain driver's licences where the lack of one is an obstacle to employment.

Employment Placement or Assistance Initiatives (\$35.8m)

Contracted programmes, paid by results, to place people into jobs.

Flexi-wage (\$47.8m)

Provides subsidies for firms to employ people who don't meet entry-level job requirements, and are at risk of long-term benefit receipt. Subsidies are paid in three bands up to \$22,000.

Flexi-Wage Self-Employment (\$11.5m)

A wage subsidy to support people disadvantaged in the local labour market to start their own business. Often packaged up with the Business, Training and Advice Grant.

He Poutama Rangatahi (\$35.2m)

Delivers wraparound life skills, training and employment opportunities to local young people at risk of poor outcomes.

He Poutama Taitamariki

A wraparound case management service for young people aged 15-24 and receiving a benefit in Northland.

Jobs and Skills Hubs (\$12.8m)

Local places where people can find training, apprenticeship and careers information on construction and infrastructure jobs, and connect with employers.

Limited Services Volunteer (\$9.7m)

A Defence Force-delivered six-week residential motivational training course for 18-24-year-old NEETs.

Mana in Mahi (\$15.5m)

A multifaceted work and training scheme for disadvantaged young people, including: a wage subsidy worth up to \$16,000; industry trainin; a \$3,000 incentive payment to the employee; up to \$8,000 for training course fees; and free coaching and mentoring services.

Mayors' Taskforce for Jobs (\$13.8m)

A scheme in which 36 district council mayors work with NEETs and other disadvantaged people to connect them with local employers.

Oranga Mahi – Here Toitū (\$6.1m)

A dedicated support team service, delivered in conjunction with primary health organisations, for people on benefits with health conditions or disabilities.

OSCAR (Out-of-School Care and Recreation) Subsidy (\$53.0m)

A subsidy that helps families with the cost of before- and after-school programmes and school holiday programmes.

Skills for Industry (\$67.3m)

Short-term job-focused training for people who require up-skilling for specific requirements identified by industry. MSD's main pre-job training programme, it combines training and job placement, and is suitable for those with minor barriers only.

Stay at Work

An ACC-delivered scheme in which physiotherapists work with employers to draw up plans for employee to stay at work with changed tasks.

Training Incentive Allowance (\$16.0m)

Financial assistance for sole parents, people with health conditions and carers to undertake employment-related training.

Transition to Work Grant (\$23.2m)

A non-taxable grant that helps defray costs associated with moving into paid work.

Vacancy Placement (\$15.8m)

Two services, for full- and part-time jobs, where employers can list vacancies and work brokers can connect them with candidates.

Evaluation of spending

While MSD does not yet comprehensively evaluate the benefit-to-cost ratios for programmes, it does examine their impacts across six domains, looking for increases in employment, income, time spent studying, and qualifications gained, as well as decreases in time spent on benefit and in corrections services.

Schemes then get one of the following rankings:

- ▶ **Effective:** an improvement in at least one of the categories and no decreases in the others
- ▶ **Promising:** on current trends, the scheme is expected to have a significant positive overall impact
- ▶ **Mixed:** both positive and negative impacts
- ▶ **No difference:** no statistically significant difference
- ▶ **Likely negative:** on current trends, the intervention will have a negative impact
- ▶ **Negative:** a negative impact on at least one category and no increases in the others
- ▶ **Too soon to rate:** two years of data are not yet available
- ▶ **Not rated:** the scheme has not yet been evaluated for some other reason
- ▶ **Not feasible:** data limitations make evaluation impossible

These rankings are then collated in an online Employment Assistance Evidence Catalogue and annual reviews of ALMP spending. These programme reviews, which draw on detailed information on individuals held in the Integrated Data Infrastructure (IDI), represent a striking commitment to accountability on the part of MSD, one which we applaud. As a 2020 Productivity Commission report noted, any investment in labour-market assistance “needs to be accompanied by robust systems to evaluate effectiveness; to redesign, re-target or close poorly performing programmes; and to move resources to better-performing alternatives ... MSD ... has many such elements of a learning system in place.”⁷²

The evidence base does, however, have its limitations. Ideally, results would be based on randomised controlled trials (RCTs), in which individuals are randomly assigned to receive a particular service or not. This means both the ‘treatment’ group (those receiving the service) and the ‘control’ group (those not) are largely identical. Because, however, they require people to be assigned to a scheme based on random chance rather than their evident need, RCTs can be seen as problematic ethically, and frontline welfare workers may refuse to comply with them.

Partly as a result, MSD’s evaluations rely largely on something called propensity score matching, which essentially involves searching the IDI and putting together treatment and control groups that are as similar as possible based on observable factors such as ethnicity, age, gender and so on. (This is augmented by data from outcomes-based evaluations, evidence briefs, qualitative research and international evidence.) Although reasonably robust, this method may be biased by unobservable factors. In particular, individuals with stronger motivation may be more likely to take part in ALMPs, biasing their evaluations upwards.

For the moment, MSD’s evaluations are taken as being reasonably accurate. Even there, however, there are caveats. The author of the main evaluation report notes, given the complexities of the real world – and the many other services individuals may be receiving – it is hard to definitively isolate the effects of a given ALMP: “The information in this report, on its own, is insufficient to make recommendations on the future of any individual intervention.”⁷³

72 Productivity Commission, *Technological change and the future of work*, Wellington, March 2020, p.82.

73 Marc de Boer, ‘Effectiveness of MSD employment assistance: Report for 2023/2024 financial year’, Ministry for Social Development, Wellington, May 2025, p.5.

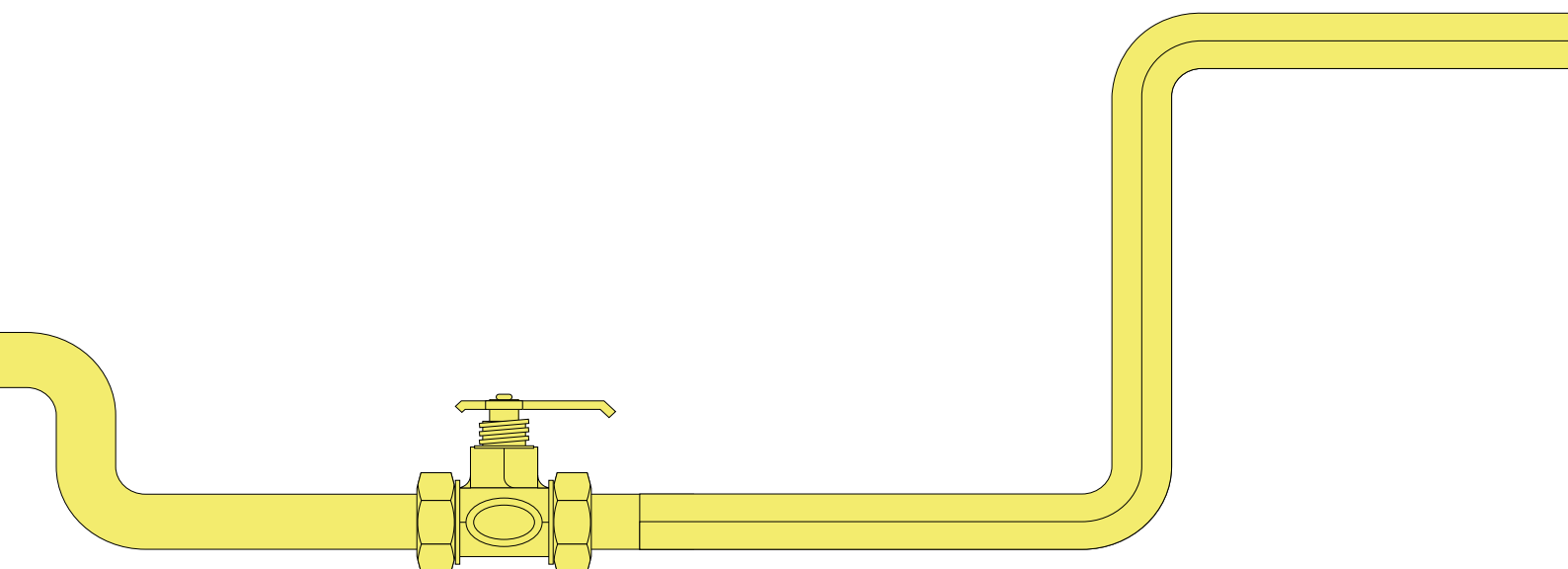
Evaluation results

Of the total \$845m spent by MSD in 2023-24, \$288m or 34% couldn't be rated, most of it childcare subsidies and MSD's internal case management.⁷⁴ Another \$127m (15%) was awaiting evaluation, including the Māori Trades and Training Fund (\$32m) and Jobs and Skills Hubs (\$13m).

Of the remaining half of spending that was evaluated, 92% of it (\$387m) was rated promising or effective. No interventions received a negative rating, but 8% (\$34m) got a mixed score, including the Youth Service (NEETs), a scheme that has long performed poorly.

In broad terms, the trend over time is towards more schemes being rated positively. This is to be welcomed. Positive results for individual schemes, however, do not mean that the system as a whole functions as well as it should. There could, for instance, be multiple well-evaluated programmes that duplicate each other's functions.

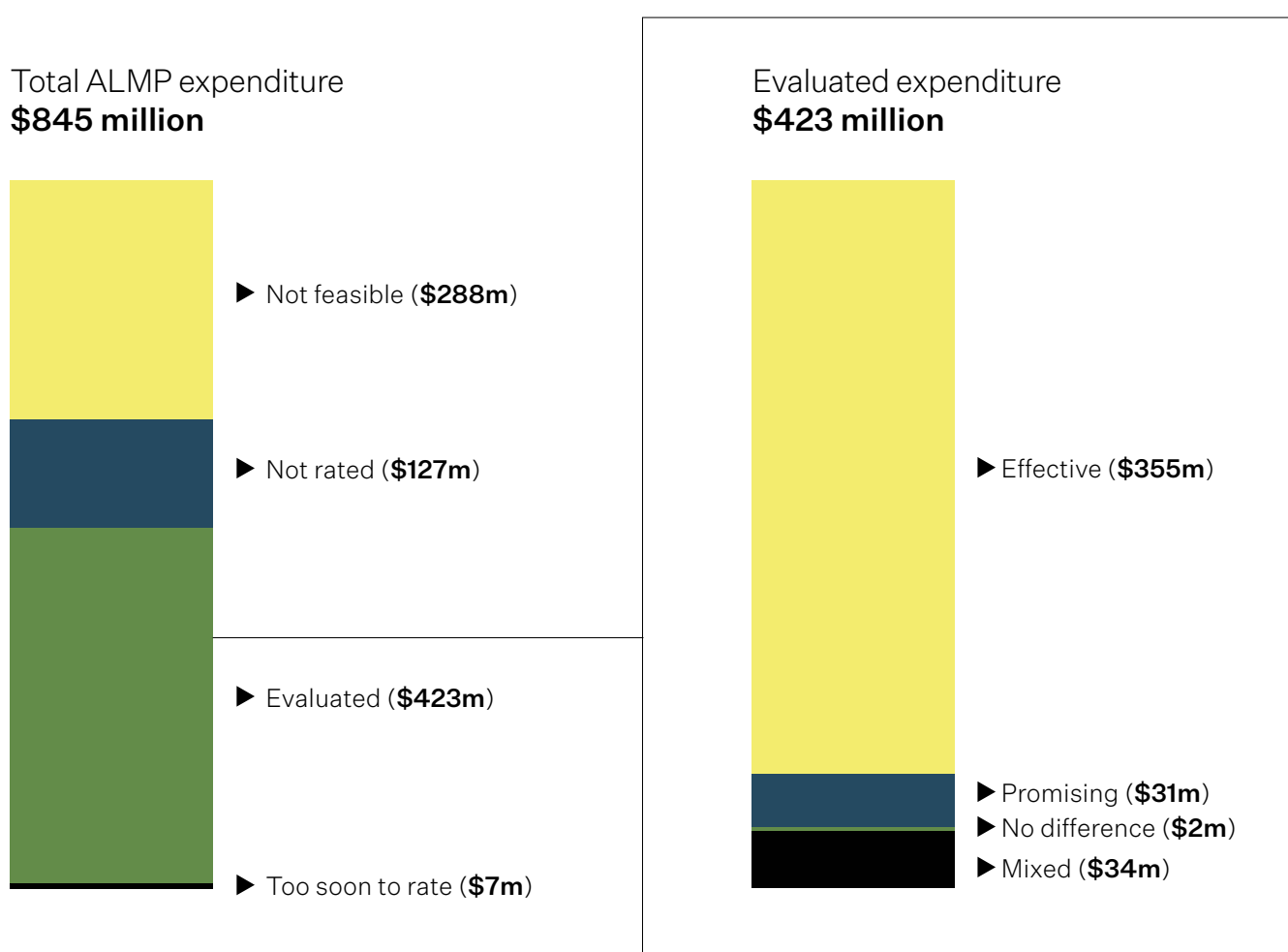
It is worth noting that MSD operates in part through regional offices that have some discretion over commissioning of ALMPs.⁷⁵ Given the need for public services to be tailored to local needs, this is broadly positive, although there will also inevitably be some conflict with the desire for consistency and standardisation driven from the centre.



⁷⁴ In both cases, virtually every eligible person receives the service, meaning there is no control group (people not receiving the service) with whom a comparison could be drawn.

⁷⁵ MSD's 2022-25 investment strategy notes that around \$100 million is allocated via annual regional purchase plans. Ministry for Social Development, *Employment and Social Outcomes Investment Strategy 2022-2025*, Wellington, June 2022, p.12.

Figure 17.
Evaluation of Ministry for Social Development spending on active labour-market policies
 2024



Source: Ministry for Social Development

Note: Column on left shows all Ministry for Social Development spending on active labour-market policies, according to whether it has been evaluated for effectiveness. Column on right pulls out only the spending that has been evaluated

Towards benefit-cost analysis?

In keeping with the international literature, MSD evaluation largely focuses on whether or not schemes have positive outcomes, rather than trying to carry out a benefit-cost analysis that would determine how much was spent achieving those outcomes. Benefit-to-cost ratios (BCRs) are, however, calculated in some cases. The table below looks at the cost of achieving specified employment and earnings outcomes for selected schemes.

Figure 18.

Cost-effectiveness of different active labour-market policies

2021

Programme	Average cost of one additional week in employment per year	Average number of additional weeks in employment per year	Average earnings difference per year
Vacancy Placement Part Time	\$91	8.2	\$2,313
Vacancy Placement Full Time	\$147	7.4	\$3,616
Flexi-wage	\$325	14.2	\$7,761
Employment Placement or Assistance Initiative	\$534	4.7	\$2,282
Mana in Mahi	\$571	21.4	\$13,350
Skills for Industry	\$787	8.3	\$4,393

Source: Ministry for Social Development

MSD plans to increase its BCR analysis. This is to be encouraged. However, analysts are aware that BCRs are not a 'magic' number that, if calculated for every programme, would allow perfect comparisons between them. Programmes to help jobseekers with multiple barriers will, for instance, cost more to achieve an extra \$1,000 of earnings than schemes whose clients have relatively few issues.

Such issues could theoretically be resolved by calculating a scheme's lifetime savings, as the social investment approach is supposed to do. Because jobseekers with multiple barriers would otherwise spend longer on benefits, and require greater spending by the state, calculating the lifetime avoided state spending from these schemes – and their wider social benefits – could give a truer estimate of their overall merit. Such calculations, however, are complex, involve significant assumptions, and might imply a false degree of certainty. While further developments in this kind of analysis are welcome, a wide range of evidence is already available to guide policy decisions.

Basic not bespoke

New Zealand's spending can also be analysed by programme type. In the graph below, produced by the OECD, the vertical axis measures how much countries spend on 'basic' services like encouraging jobseekers to apply for vacancies. The horizontal axis measures spending on more complex or 'bespoke' services, including training and skills programmes, wage subsidies, wraparound support and public-sector job creation.

Figure 19.

New Zealand spending on 'basic' and 'bespoke' active labour-market policies, compared to other OECD countries 2018



Source: OECD

This chart suggests New Zealand spends most of its money at the 'basic' end of the spectrum of services rather than the 'bespoke' end. It puts relatively large sums into services like job-brokering – connecting jobseekers to work opportunities – which have limited costs but deliver similarly limited benefits.⁷⁶ It spends relatively little on other forms of ALMPs, which can be more expensive but also deliver larger, more long-lasting benefits.

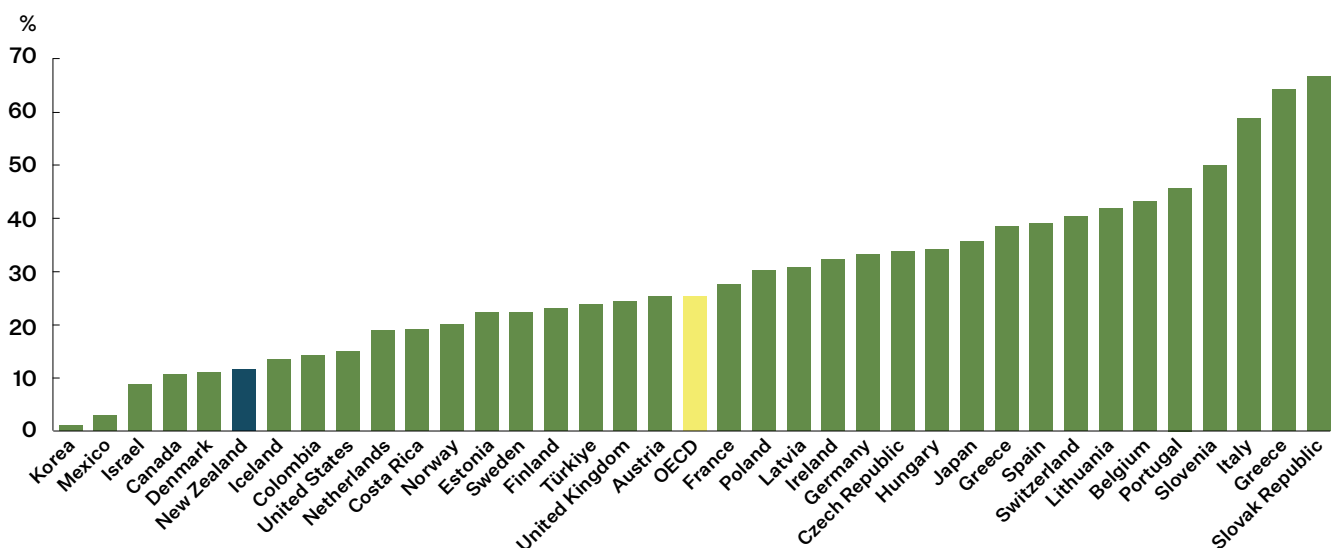
⁷⁶ Brown and Koettl note that ALMPs that improve labour market matching "have an impact only in the short-run but are highly cost-effective". Brown and Koettl, 'Active labor market programmes', p.2.

A partial explanation

New Zealand's spending may have traditionally been weighted towards the basic end because it has had relatively few long-term unemployed.

Figure 20.

Proportion of all unemployed people who have been unemployed for more than one year
2022



Source: OECD

There are, nonetheless, approximately 125,000 people who have been on Jobseeker Support for more than one year. This figure has almost doubled in a decade, rising from 54% to 58% as a proportion of all people on Jobseeker Support. This is at least suggestive of a greater need for more bespoke support for people with more complex needs.

Previous analysis of New Zealand policy

New Zealand's provision of ALMPs has received relatively little scrutiny. However, a major stock-take was carried out in 2020-21 for the then tripartite working group (comprising representatives of government, businesses and unions). OECD reports have also focused on specific aspects of welfare-to-work policy.

Key lessons from the above work includes:

- ▶ New Zealand delivers **around 100 separate ALMPs**. While this undoubtedly has some benefits (specialisation, local responsiveness, and so on), this may also lead to a disjointed, fragmented and duplicated system. The 2021 stock-take said there could be “scope to rationalise or consolidate the current suite of programmes”.
- ▶ New Zealand has few initiatives that **help prevent people becoming unemployed in the first place**.
- ▶ There are also few schemes that provide **1-to-1 personalised career guidance** and support to navigate training or retraining.
- ▶ There are relatively few **joined-up programmes that address multiple barriers**. In particular, there are few interventions for disabled people or people with health conditions who have multiple barriers, few early response interventions for people experiencing mental health deterioration, and few integrated health and employment supports for people with mental health conditions.
- ▶ There is a gap in support for women, Māori, Pacific peoples and young Peoples **to move into higher skill roles and industries**.
- ▶ Culturally appropriate training programmes “tend to perform well”.⁷⁷
- ▶ Successful programmes also tend to be **specific to industry and employer needs**; more general, classroom-based training schemes can have poor results, especially if detached from broader labour market demand.
- ▶ **Large numbers of New Zealanders lack basic literacy and numeracy skills**, and this is not well addressed by current ALMPs (or indeed other services). Roughly one-quarter of adults have low literacy or numeracy (26% and 28%, respectively), and within that a core of roughly one-tenth have very low literacy or numeracy (10% and 11%, respectively).⁷⁸

⁷⁷ Riley et al. ‘Review of Active Labour Market Policies’, p.2 and 6.

⁷⁸ In literacy, 26% of adults scored at Level 1 or below, meaning they have low literacy proficiency. At Level 1, they can understand short texts and organised lists when information is clearly indicated, find specific information and identify relevant links. Those below Level 1 can at most understand short, simple sentences. In numeracy, 28% of adults scored at or below Level 1 proficiency. At Level 1, they can do basic maths with whole numbers or money, understand decimals, and find single pieces of information in tables or charts, but may struggle with tasks needing multiple steps (e.g. solving a proportion). Those below Level 1 can add and subtract small numbers. https://www.oecd.org/en/publications/survey-of-adults-skills-2023-country-notes_ab4f6b8c-en/new-zealand_d67971ff-en.html.



Michelle Blau

Fair Food, an Auckland NGO that rescues three tonnes of food a day and distributes it to those in need, has recently got into the work-skills world. The charity's general manager, Michelle Blau, says they saw "a big need" to help their volunteers take the next step. "They are volunteering as a way to restore their wairua and get into a mindset for employment," she says. "We were looking at our volunteers, and thinking, there's all this talent, why is it not getting used?"

Their own research showed "a gap between CV skills and job coaches and all the bureaucratic elements of employability, and actual work skills. We thought that was a gap we could absolutely fill." In Fair Food's nine-week programme, the first iteration of which started last October, the participants learn warehousing and manufacturing skills. Everyone leaves with some kind of accreditation, be it in forklift driving, general health and safety, or food safety and hygiene.

The programme runs once a week, from 10am to 2.30pm, the first half dedicated to learning new skills and the second half to practising them. In between, participants get a hot lunch and extra food for the week. The instruction leans into Fair Food's natural strengths: working safely around trucks, using tail lifts, dealing with forklifts, and using a commercial chiller and freezer. It also covers "all things pallets", Blau says: things like using a pallet jack and scales, and learning how to stack and wrap a pallet.

The participants range in age from 15 to post-60. “They aren’t getting traction in finding work. They’re all spinning their wheels, just for different reasons.” Of the 30 to have completed the training so far, as many as half are either ineligible for state assistance, or reluctant to apply for it – people who have moved here with a partner who is on a work or student visa, for instance. “They are people who are incredibly skilled,” Blau says, citing the case of a man with a Masters of mechanical engineering currently doing “very precarious shift work”.

Hands-on training and work experience can break down multiple barriers to employment, she adds. “How do you get a job if you don’t have anything on your CV? Everyone wants you to magically have three years on your CV! Our programme gives them [participants] lines to fill in on their CV.”

The current welfare-to-work system is dysfunctional in many ways, Blau believes, especially when it pushes people into applying for multiple jobs they are unlikely to get. “Looking for work is a really agonising experience. It doesn’t do anything for your confidence ... From my experience, it actually does harm, because the more jobs you apply for and don’t get, the less good you feel about your employability.”

The Fair Food programme, by contrast, “is just reminding people of what they are good at”. Such support is all the more important when the standard Work and Income services are “just woefully inadequate. The case managers don’t have time to do anything except compliance. All they are looking at is, how many jobs have you applied for?”

Meanwhile, MSD’s Find a Job portal, where employers list work opportunities, is “so inadequate. None of our people who have used it have ever got a reply.” A job listed as being at a grocery store might turn out to be at a liquor store, for instance, or a ‘full-time’ position might end up involving casual overnight shifts. “Which is it? Because [if it’s the latter] you can’t send a single mother there.”

More generally, Blau thinks, the system responds poorly to jobseekers’ individual needs. “Not everyone can do a 45 hour per week job. Lots of people are very talented and employable, but take seizure medication, for instance. They will be great employees, huge value for money, but need days off. We have to do a lot of work at our end to find things that work for people – the rare things that will work for them.” Some of the trainees, she adds, “may be perceived as unemployable, but that’s only because the system sees them that way. No one is looking for them to get into employment, except me – and themselves!”

Fair Food currently runs the programme using its own funds, but with state support could do it “at such a bigger scale”, including an advanced version, potentially running for longer than nine weeks, which could help people get things like forklift and driver’s licenses. Fair Food also has deep community links, interacting constantly with businesses and other NGOs as it goes about rescuing and distributing food. And it is “relentless” in its advocacy for its trainees, Blau says. “Fair Food are nothing if not hustlers. We are always asking, ‘Where do you get people for that [position]? Would you mind if we introduced you to someone?’ ... We work with our networks, and tell people, ‘Don’t advertise that job! We will send you good people.’”

For its own part, Fair Food hires “almost exclusively out of people who are unemployed. And our staff are fabulous! People who have done it hardscrabble can walk and chew gum, you know? The level of adaptability and creativity, and the amount of gumption that is present ... It’s powerful. It gets the job done.”

6. What we heard from stakeholders

Around 60 people were interviewed for this report, including business owners, NGO providers, kaupapa Māori providers, jobseekers, disability providers, academics and unions. Amongst stakeholders, even those with traditionally opposed interests, there was remarkable consensus about what needs to change. (Many of the complaints were long-standing, suggesting little past appetite to reform the system.)

In particular:

- ▶ There is an excessive focus on putting people up for jobs, regardless of suitability. Because MSD is under pressure to meet targets for getting people off benefits, and jobseekers are under pressure to apply for jobs regardless of their suitability or desire for the position, employers receive large numbers of unsuitable applicants. We were told that the conversion rate of beneficiaries into employees was extremely low on average, although we could not confirm this. “We want MSD to operate more like a professional recruitment service,” as one business representative told us. The failure to do so does not serve businesses’ needs, and experiencing multiple rejections lowers jobseekers’ self-esteem.
- ▶ We were told of one instance where a Wellington café interviewed three people referred from MSD, of whom one turned up in their pyjamas, one clearly had no practical way to manage the work commute and their school run, and the third didn’t even show up. It was not obvious to the business that these issues were going to be addressed, and the interview process took up valuable staff time.
- ▶ This approach is also likely to be bad for the productivity and the economy in the long run. The New Zealand economy already has significant levels of skills mismatch – that is, individuals working in positions for which they are either under- or over-qualified. The evidence on off-benefit outcomes – which suggests that many beneficiaries leaving the welfare system earn very little and/or rapidly return to benefits – also indicates this approach is not leading to long-term sustainable increases in employment and incomes.
- ▶ Conversely, firms liked it when MSD staff “hustle like recruiters do”, in the words of one business representative. “If they have a candidate come on the books ... approach companies proactively and sell them [the candidate]. They may not be advertising for staff at the time, but if the candidate is keen and a good fit for the company, they often have a job that may be unfilled or know somebody is moving on shortly that they can get a head start on [replacing].”

“We want MSD to operate more like a professional recruitment service.”

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- There does not appear to be detailed assessment of jobseekers' abilities, skills deficits, potential and inclinations. While we have not been able to ascertain exactly what assessment process is carried out, jobseekers told us it often consists largely of examining a jobseeker's CV, even though that is at best a partial guide to their potential. This falls well short of what the international literature recommends and the best local schemes sometimes provide: a comprehensive assessment of the jobseeker, one that sees them as a 'whole' person, and which leads to a tailored plan for work readiness. On similar lines, beneficiary advocates report that case managers are often unaware of the full suite of ALMPs. This points to significant shortcomings in the current system.
 - To make these arguments is not to point the finger at case managers in general. Case managers may not receive consistent training, are under pressure to get jobseekers off benefits, and may be more focused on the income support side of their job (trying to ensure benefits are paid correctly) than the labour market aspect.
 - Reflecting the above concerns, stakeholders often felt they had insufficient input into the design of the ALMP system. While some schemes worked well, there was too much variability, and insufficient attention given to the crucial issue of connecting jobseekers with potential employers.
 - Contracted providers raised concerns about short-term and inflexible funding that, they felt, did not allow them to provide the services they knew were needed. Echoing issues frequently raised across the social sector, they felt that contracts were too top-down (and thus insufficiently responsive to local conditions), and imposed excessively tight, output-based restrictions on what they could deliver.

The views of jobseekers

Good policy is in significant measure bottom-up, driven by the views of the ordinary people who use a given system.

We accordingly organised two small-group conversations with jobseekers, to hear their experiences of and desires for the welfare-to-work system, as well as speaking with beneficiary advocates. These conversations were held with adult beneficiaries in Nelson and a combination of youth and adult beneficiaries in Auckland, covering around 15 people in total.

These accounts are, of course, subjective: Work and Income staff might have a different view of the trends and interactions described. Current beneficiaries are also, by their very nature, people who have not yet (or not recently) found paid employment, so their views of the overall system may before be more negative than those of others. Nonetheless their accounts are extremely important and should deeply inform policy.

Adult beneficiaries, Nelson

General experiences

Beneficiaries made frequent statements along the lines that Work and Income made “no attempt to understand the position I’m in”. There was often “shame” in going there for help, and people often went to great lengths – including going into debt – to avoid doing so. “I didn’t want to go on the benefit because I knew all the shit I would have to go through,” one told us. “I lived off savings, then got into so much overdraft.”

Another frustration was that services were often only available over the phone. One jobseeker told us: “They say, ‘We want to get to know you.’ But how can you on the phone?” Another jobseeker said they had “given up on phone calls – ACC, Work and Income, IRD. It’s too easy [for them] to be cold [on the phone]. That’s much harder when the person is right in front of you.”

A recurring theme was that Work and Income stuck too rigidly to rules, and viewed people less as rounded human beings and more as individuals to be categorised as quickly as possible. As one put it: “It’s that ‘other number’ thing. We are all categorised.”

Case managers

Beneficiaries voiced frustration with frequently having to see different case managers, or contacting case managers and not hearing back. Sometimes case managers were allegedly inattentive, failing to read jobseekers’ documents correctly. “[The problem is] not reading your file, not knowing their own rules and regulations, not knowing the law they dispense,” one said. Case managers being overloaded and very high staff turnover were also mentioned as contributing problems. Beneficiaries’ view was that, as far as they could tell, case managers received relatively little training, and were often not well-equipped for the job. It was not uncommon for case managers to fail to refer jobseekers to ALMPs for which they were eligible, purely through lack of knowledge of the system; sometimes this error was caught if the beneficiary was accompanied by an experienced advocate.

The rigidity of the benefit system was often brought up. Variable earnings were a particular problem: if a self-employed person earned \$800 in a week, Work and Income might assume they would continue to earn that much each week, when in reality it could be a whole month’s earnings. The effect on people’s benefit was often consequently unclear.

On a similar note, one beneficiary said that although Work and Income would have been willing to fund relatively expensive training courses, it would not even lend them money required to become a member of a professional association, even though this would open up more work opportunities. This request was declined because it had not, apparently, fit Work and Income’s criteria. Another beneficiary described the dynamic as being all about “restrictions – it’s like a book they go through. Regulations, criteria.”

One beneficiary described the work preparation services made available through Work and Income as “pathetic”. Instead of building confidence and skills, such services frequently just offered people inappropriate jobs, another beneficiary told us. The jobs offered sometimes did not take into account the fact that people had significant physical impairments and could no longer do work they had once done. In other cases, people were told to take jobs in stressful situations or customer-facing roles despite having significant anxiety issues.

Beneficiaries did, however, have some sympathy for case managers, noting that they often did not receive adequate training, were dealing with an immensely complex system, and received insufficient support and counselling from senior management when they had to deal with aggressive clients.

Positive experiences

Beneficiaries did point to occasional positive experiences.

One said MSD staff “will help you as much as they can without putting their jobs on the line. They can get you from A to B, [though] not from C to D to E.” Others spoke of having good experiences with individual caseworkers, particularly older or more experienced ones who had institutional knowledge.

What does good look like?

When asked what they would want in terms of employment supports, one beneficiary said that would involve “a job that would allow me not to be in direct [contact] with people. Something I could do by myself ... and feel good about doing”. Others spoke of a desire for more support for self-employment, a form of work that was particularly important to them because it provided the flexibility to manage difficult family situations (such as abusive partners) or health issues that limited their hours of work.

Another beneficiary argued that the focus should be on genuinely supporting people to be “getting self-reliant and feeling confident and mobile ... No-one wants to rely on it [welfare].” More supported work placements could “bring people out of their shell”, especially if they had a chance to demonstrate their ability. “We aren’t given opportunities to get into [X] situation to prove we can handle it.” Another argued: “If the principle was really about rehabilitation and encouraging people in meaningful ways, employers would resonate with that and get on board.”

Youth and adult beneficiaries, Auckland

General experiences

Younger beneficiaries frequently stressed the desire for more meaningful education and training. One said, “I want to get some more education, like in first-aid... What would help me in my workplace, upskilling and that, a place to get more value from my work?”

A lack of clear information from Work and Income was a recurring theme across both younger and older beneficiaries. One spoke of wanting to find out “information on what we are entitled to ... Where do we find that out? It’s not clear.” Another, older jobseeker told us: “I only found out what I’m entitled to because I did [my own] research, not because they told me.”

Many of the younger participants spoke of the dispiriting effect of being required to apply for multiple jobs and being rejected, or not even hearing back from prospective employers. One said: “Looking for mahi, it’s hard over time. Eventually, over time, you lose hope. You develop a [negative] mindset.” Although this young person wanted to be in a job themselves “where I can support young people”, currently they were “trying to secure anything just to get by.” They added, with a degree of understatement, “It’s a bit on hold at the moment, career-wise.”

Along similar lines, another younger jobseeker noted: “They [MSD] need to understand we have applied for so many jobs, and it’s just silence.” Another added: “It does get to the point where you don’t want to job search anymore.” An older jobseeker echoed these feelings: “How can you find a job when the market is like that?”

Case managers

In the discussion, case managers were described by one as “just ticking the boxes”. Referrals to training and work-related schemes were made in an allegedly perfunctory manner. One participant characterised case managers as saying, “‘Okay, you get [X], you get [Y].’ But they don’t screen [people for] that. They don’t see what our rangatahi come with. There’s trauma, there’s other stuff.”

One older beneficiary, recently made redundant, told us that Work and Income were “hands off with me”. This was, however, a mixed blessing: “They didn’t give me any information at all. I had to go looking for it.” In terms of the assessment this individual received, “They just wanted to see that I had a CV and was job-hunting. I had to tick boxes of what my skills were and what the work would be, but that was pretty quick.”

One younger beneficiary wished that case managers would “take the time to understand the rangatahi, their background, and where they come from”. Conversely, one described their case manager as “quite chill”.

Another beneficiary described variable experiences with case managers. “Some are understanding. Others will just start talking at me rather than with me.” They added: “It’s really hard when you are always changing case managers.” When asked if case managers considered them as a “whole person”, they replied: “Some of them do, but others want to get you out of there as quickly as possible.”

Other jobseekers reported even more negative experiences. One spoke of having to constantly ask case managers to explain processes in more detail. “I feel they don’t want to explain it properly so I can understand,” she said. The same person described Work and Income reacting negatively when she brought along a support person, even though she was entitled to do so.

Another young jobseeker described feeling like she had been “left to the side. [Case managers say] ‘I’m just doing my job.’ Yes, but you are doing minimal, just scraping the sides, bro, you know what I mean?” When asked to summarise how this made her feel, she said: “You just feel like you are left in the deep end.”

Bureaucracy

One older beneficiary described what they saw as “so many rules and regulations and protocols they have to follow. I feel like they aren’t helping as much as they used to.”

Another older beneficiary noted they had been blocked from getting the Accommodation Supplement because they had received a redundancy pay-out. “They want you to exhaust all other options. In a job market with no jobs, that’s difficult.” Then, after they had to temporarily go off the benefit while receiving ACC treatment, they were forced to reapply for the benefit, even though they had only been off it for a couple of months. Not only did the paperwork seem highly unnecessary, the individual was left with a feeling that “my time wasn’t valued”.

What would good look like?

The single most frequent request from this group of jobseekers was for better communications from Work and Income. “Clear and concise would be a good start. Open, transparent,” one said. “Just explain it in a way I can understand,” said another.

Another young jobseeker felt that Work and Income staff did not even communicate clearly or effectively with each other, citing an instance where “a case manager leaves a sticky note and the other case manager doesn’t understand it”. Yet another emphasised communication, adding, “That’s the big one. Also just making us aware of what there is out there [for welfare-to-work services]. Not holding back – [letting us know] that there are providers and services out there.”

Young people also spoke of wanting to feel “aroha” from case managers, a sense that they were being given the attention and respect they felt they needed. Often, they needed more tailored services than they received. One young jobseeker, who had suffered serious abuse as a child said, “I needed wraparound services, not just a house.”

Other issues

Jobseekers of different ages felt that Work and Income offices “are not welcoming places”, as one put it. “They are quite sterile.” Another agreed, saying: “The design of it – it’s like institutionalised.”

Issues related to drug use were cited by several younger beneficiaries. One noted that they used marijuana as a way to calm down, but were then rendered ineligible for many of the available jobs, which required them to pass drug tests. Another wanted more drug and addiction courses to attend while looking for jobs. When the issue of their drug use was raised by case managers, they said, “I lie, because I’m scared to say, no, I can’t take it [a drugs test]. I’m asked that all the time, and it’s never a nice conversation.”

Along similar lines, another young person, who had experienced significant childhood abuse, wished that case managers could provide “a safe space” in which people “feel okay to open up”. They added: “I do take drugs. It [life] is pretty hard, you know. You can feel the pressure at times.”

Another participant noted that having a criminal record “just kills things ... It’s like discrimination”.

A message to the Minister

When asked what message they would send to the Minister for Social Development, most jobseekers had relatively simple requests. “Help us,” said one. Case managers should be “people who care” was the request of another. “And people who have also been in that situation [of jobseeking],” added a third.

The need for “well-trained case managers consistently across the opportunities” was the message from one older jobseeker. Others stressed, variously, the need to increase the rate of Jobseeker Support, provide more assistance with financial literacy, better fund social services in general, and put more emphasis on creating jobs in the economy. Another had a final succinct message about the value of support rather than punishment: “Just the whole approach of the stick instead of the carrot doesn’t work.”

Part II

General recommendations

7. System issues

The temptation with reports is always to propose shiny new things. But as one interviewee pointed out, New Zealand policy-making suffers from “initiative-itis” – the tendency to tear up existing initiatives and replace them with new ones, heedless of the damage caused. Reading MSD’s otherwise invaluable Employment Assistance catalogue can be a dispiriting experience, in the sense that the same kinds of initiatives appear to recur again and again, operating for only a few years before being disestablished and, some years later, replaced with something relatively similar.⁷⁹

Other interviewees made a related – and telling – point: before developing new schemes, the government needs to better understand what supports employers and jobseekers actually need. The impetus to avoid institutional change is all the greater given the immense disruption affecting one element of the ALMP system, vocational education, and the change fatigue inflicted on its providers. In addition, international research suggests it can take affected staff multiple years to recover their former productivity after a major restructure.⁸⁰

This report still contains a couple of major new initiatives where the evidence has identified significant gaps in current provision. New initiatives, by concretising a direction of travel, can also play a valuable role in signalling intent. For the most part, however, this report focuses on making existing structures perform better and building up the system’s core capacity.

79 <https://ea.analytics.msd.govt.nz/>.

80 See, for instance: <https://www.instituteforgovernment.org.uk/comment/one-year-commission-centre-government>.

Overarching principles of the system

The structuring principles of welfare-to-work policy need attention. While it is reasonable to want to lower Jobseeker Support numbers, elevating that target above all others misses the point that beneficiary numbers are not by themselves a meaningful outcome. At a given point in time, it may be better for someone's well-being to be on a benefit rather than off. A single target is also incompatible with the basic reality that the goals of the welfare system are fundamentally plural.

In this context, one of the welfare system's aim should be to enhance jobseekers' ability to "lead lives that they value, and have reason to value", in the words of the Nobel prize-winning economist Amartya Sen. The state cannot guarantee that they will achieve those outcomes, but it can ensure they have the foundations for doing so.

The welfare system cannot, however, simply aim to maximise jobseekers' outcomes, because it must also steward the state's resources and ensure assistance is delivered as efficiently as possible. Currently, there are also tensions between reducing unemployment and limiting inflation. When inflation fell to 3.4% immediately after the pandemic, this was deemed to be below the non-accelerating-inflation rate of unemployment (NAIRU). In other words, 'excessively' low unemployment was thought to be worsening inflation by allowing workers to bargain for higher wages and pumping more money into the economy.

We believe other tools should be deployed for countering inflation, allowing unemployment to fall lower still. While there will always be some degree of unemployment as people lose jobs and look for new ones, it would be particularly valuable to eliminate long-term joblessness. But the exact target for unemployment, and its interaction with inflation targeting, is beyond this report's scope.

Regardless, we believe the welfare system should be reoriented around a set of ambitions to be balanced against each other, including:

- ▶ a long-term reduction in Jobseeker Support numbers over the economic cycle; but also
- ▶ the provision, to jobseekers, of a range of training and other supports that would allow them to develop their capabilities as much as is reasonably possible;
- ▶ the placement of jobseekers into positions which represent a good skills match or a reasonable chance of progression towards the same;
- ▶ the achievement of genuinely sustainable, high-quality work for jobseekers, with a corresponding increase in employment rates and earnings 18 months after leaving benefit; and
- ▶ an increase in employers' reported satisfaction with the ALMP system.

Balancing these competing objectives would be complex; but such is the nature of government. In any case, MSD already faces trade-offs – for instance, between investing larger amounts in a smaller number of people or smaller amounts in a larger number of people; between investments that produce immediate results and those that take longer to pay off; and between achieving employment and other outcomes such as training.⁸¹ A more balanced and clearly articulated set of principles, as above, might actually help resolve those trade-offs.

Targets that determine system behaviour

Relatedly, MSD documentation often notes the importance of “skill matching” and “sustainable” work, but there are not obviously any meaningful targets or requirements that would give effect to these aspirations. Performance measures in the Budget 2024 documents only cover matters such as “the number of exits from the main benefit” and the proportion of those leaving benefits who do not “access a main benefit again in the following six months”.

There is, though, an unambiguous target to get 50,000 people off Jobseeker Support. It is plain to see what will be prioritised. Targets based on other outcomes, as above, need to be developed, so that accountability in the system is not directed solely towards off-benefit outcomes.

81 Ministry for Social Development, ‘Employment and Social Outcomes Investment Strategy’, p.12.

Institutional structures

One key question is how best to arrange the ‘institutions’ – that is, the government agencies, departments and other structures – that organise and provide welfare-to-work services. The current setup is dominated by MSD, which (as above) controls the delivery of most ALMPs (either providing them in-house or contracting them to others) and, through its case managers, determines jobseekers’ access to those schemes.

Other agencies, however, are involved. In particular, the Ministry of Education (MoE) and the Tertiary Education Commission (TEC) have oversight of vocational training; Te Puni Kōkiri runs a small number of ALMPs aimed at the Māori population; ACC organises workplace-based schemes for those who have suffered serious injury; and the Ministry for Business, Innovation and Employment (MBIE) delivers a small number of employment-focused ALMPs as well as carrying out (limited) workforce planning and related tasks.

Challenges to MSD

Some interviewees challenged the prominent place MSD occupies in this ecosystem. Their concern was that MSD’s core focus – the provision of income support to beneficiaries – is detrimental to ALMP provision in two distinct but related ways. First, there are potentially many people who would benefit from ALMPs but do not come into contact with MSD – in particular, unemployed people who are ineligible for welfare support because their partner earns too much.

Second, MSD’s focus on delivering benefits may mean that welfare-to-work provision remains a ‘Cinderella’ service, receiving less attention, and delivered less well, than core benefits.⁸² And MSD’s own research shows that even core benefits are not always delivered adequately; one interviewee, a former MSD staffer, described the agency as “wildly under-resourced [even] to provide income support”.⁸³

On a related note, one interviewee argued that the attributes needed for good administration of core benefits (rule-following, administrative skills, diligence, etc.) were not the same as those needed for encouraging welfare-to-work transitions (understanding the labour market, having an entrepreneurial mindset, hustling, etc.). Asking case managers to provide both services at the same time was, on this view, unlikely to succeed.

Going further, another interviewee argued it was illogical to have employment-related services split between MSD and MBIE. They suggested the employment-related parts of both agencies should be split out and recombined into a new department that would, in effect, recreate the old Department of Labour, which was absorbed into MBIE last decade.

82 The WEAG argued in 2019 that “a spike in client demand for income support” had placed pressure on case managers’ time, “leaving employment support as a poor cousin”. Welfare Expert Advisory Group, *Employment & Labour Market*, p.5.

83 <https://www.rnz.co.nz/news/national/537131/fifth-of-beneficiaries-paid-too-little-msd-survey-shows>.

Making existing structures work

While all the above observations have some force, we are reluctant – for the reasons outlined above – to recommend large-scale institutional change. Recreating the Department of Labour might remove one illogical boundary line (between MSD and MBIE), but only at the risk of creating a new one (between the new department and MSD). Similarly, taking ALMP-related tasks away from case managers, and creating a new group of staff within MSD to carry out their work, would have some advantages from a point of view of specialisation; but it could also create a whole new interface for beneficiaries between their ‘core benefits’ case manager and their ‘employment-based’ one.

Our view, accordingly, is that it is best to leave the institutional structure largely as it is, and focus on trying to make it work better. Improved training and resourcing of case managers (as set out later on) is probably the best way to handle the complexities of trying to administer core benefits and ALMPs at the same time. In addition, the work one might informally describe as “hustling” is (theoretically) carried out by work brokers rather than case managers.

Relatedly, MSD may not be the ‘perfect’ agency to oversee ALMPs, but it is a more logical home than any other. We note moves towards consolidating ALMP provision there, notably the shift of He Poutama Rangatahi (a youth-oriented employment initiative) from MBIE to MSD, a move seen as logical by most providers.

It would be worth exploring whether any remaining ALMPs administered by MBIE could likewise be transferred. This might help improve case managers’ awareness of the relevant schemes, integrate them better with other ALMPs, and reduce duplication. This would not be without its own risks: the transfer of He Poutama Rangatahi, for instance, was noted in official evaluations to have meant that “funding was no longer aligned to expected employment growth and opportunities from those developments”, the latter being the province of MBIE.⁸⁴ But there should be ways to reconnect ALMPs with employment opportunities at the regional level (as discussed later on).

That could leave a more logical distribution of responsibilities: ALMP provision and policy with MSD, workforce planning and policy with MBIE (see below), vocational education with MoE/TEC, and population-specific schemes with the relevant ministries. To deal with the remaining interfaces, it would help to have better training of case managers – so that, for instance, they know to refer Māori beneficiaries to Te Puni Kōkiri schemes. A stronger focus on intervention pre-redundancy (see below) would help support people who would not otherwise come into contact with MSD.

If, as suggested above, spending on ALMPs was doubled long-term, it would come to occupy a larger place in MSD’s mission. That would logically be accompanied by a shift from the current mindset, in which administering benefits takes precedence over other matters, to one of supporting people through change.⁸⁵

84 K Spee, M Marama, H Moselen, N Wehipeihana, P Vermillion Peirce, N Wang, B Jarvis-Child, and T Mafile’o, *He Poutama Rangatahi Evaluation Report*, Ministry for Social Development, December 2024.

85 Our thanks to Bill Rosenberg for this point.

Beyond beneficiaries?

Because MSD is focused on beneficiaries, leaving it at the centre of the ALMP universe would make it hard to deliver schemes to people not currently on benefit. As many as two-thirds of people who report losing a job do not receive Jobseeker Support, according to the Productivity Commission.⁸⁶

The commission recommended that MSD's ALMP services be made available not just to beneficiaries but also to displaced workers, those at risk of displacement, and the underemployed.

This would, however, constitute an immense shift for the organisation. And this question, though undoubtedly important, lies outside this report's remit. But we do set out below some ways to improve ALMPs for people who are being made redundant or are likely to be so.

Improving system performance

While there are many good schemes, and good people working on ALMPs, the system suffers from being simultaneously too centralised and too localised.

Reforming service commissioning

We were struck by one education provider's account of assessing a cohort of rangatahi participating in a work-readiness scheme. Around 60% were assessed as having Year 1 reading levels – yet they were, under the provider's contract, expected to be placed in work within 10 weeks.

This suggests various things. Firstly, MSD is failing to carry out an early, accurate and foundational assessment of jobseekers' skills – something that would detect very low levels of literacy and numeracy. (Other interviewees made similar points.)

Secondly, the system may expect too much of relatively short ALMPs. In multiple New Zealand schemes, short-term improvements in participants' outcomes are not sustained by the two-year mark, and there is much 'churn' off and onto benefits. This may occur because foundational issues such as low literacy are not being addressed, making job retention difficult. (We discuss this further later.) One interviewee suggested that schemes like He Poutama Rangatahi had been set up precisely as long-term interventions, based on the premise that young people experiencing multiple struggles should not be expected to rapidly find employment. Although this approach brings upfront costs, we believe the government should be prepared to contract for longer, more patient support for those with greater need.

86 Productivity Commission, *Technological change and the future of work*, p.82.

Thirdly, even the supposedly more joined-up, life-skills-based ALMPs may be insufficiently holistic and lacking an emphasis on foundational abilities. Relatedly, commissioning of services is still too outputs-based ('you will deliver X services for a Y duration') and insufficiently outcomes-based ('you will deliver a mix of provision that you think best achieves the desired result').

Such problems are, of course, familiar to anyone who has studied public management in recent decades, and countless reports have recommended more outcomes-based commissioning without any noticeable effect. Political risk management, and distrust of providers, often militates against change. Nonetheless it is necessary.

Accordingly, we echo the now-familiar advice that contracts with providers should follow something like the tight-loose-tight schema, in which central government specifies outcomes tightly, allows providers a degree of freedom/looseness as to how they achieve those outcomes, then tightly measures whether, in fact, the outcomes have been achieved.

We also think MSD should at least trial a shift towards community commissioning, in which local councils, iwi and NGOs could bid for pooled, outcomes-based funds. We provide an example of how this could work in the section on youth ALMPs. This would build on the discretion MSD regional offices already enjoy. It would also be in line with encouraging those regional offices to consistently build strong links with local employers. And it would be consistent with the principles of successful schemes like Whānau Ora.

Levelling up

It is too simplistic, however, to say that the solution lies solely in ‘trusting the frontline’. A clearer view of the system is also needed centrally.

While we were impressed with MSD’s evaluation of individual schemes, it was not clear whether the system as a whole was being similarly evaluated. At least on the face of it, some programmes duplicate each other, and we suggest that MSD take the time to examine all its schemes, think about how they fit together, and look for duplication and gaps. This might also help rationalise the hundred-odd currently offered ALMPs. Some interviewees who had worked at MSD felt there was little appetite for identifying and stopping poorly performing schemes.

The localised delivery of services, spread across as many as 900 different providers, has its downsides.⁸⁷ It is inevitable that some providers will perform better than others (even within the same scheme), and we heard plenty of anecdotal evidence to that effect. Yet there were no obvious mechanisms to address this issue. One service provider we interviewed specifically noted how “isolated” they felt.

As we discuss in the section on He Poutama Rangatahi, MSD needs a system to evaluate the performance of individual providers and then ensure the stronger ones can share lessons with, and help lift the performance of, the weaker ones. It needs to ensure providers with strong local links can learn from people with the expertise born of large-scale programme delivery and training. This would be a logical complement to the enhanced local autonomy advocated above. If MSD is to give providers greater freedom to achieve outcomes, it is entitled to – and indeed should – demand greater accountability for those outcomes.

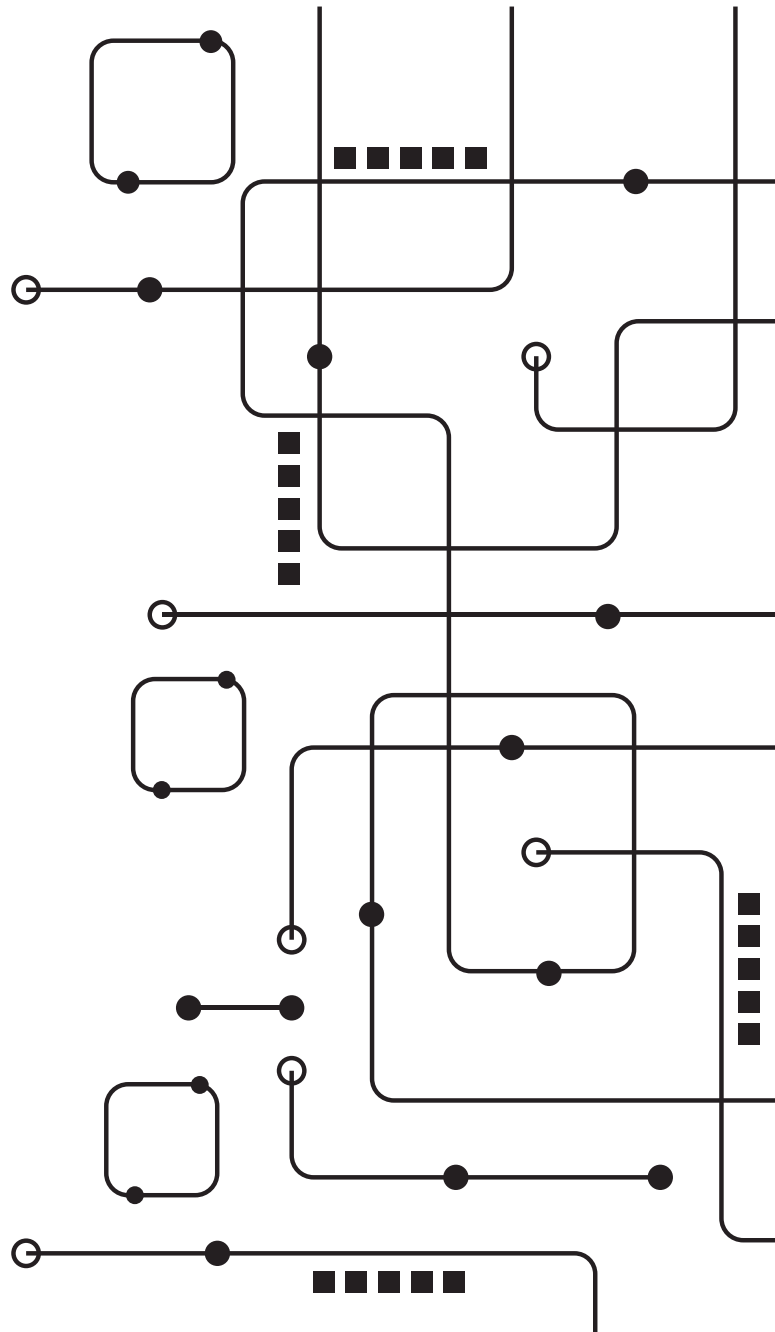
Scheme evaluation

As above, MSD plans to carry out more benefit-to-cost ratio (BCR) analysis that could help ‘put a price’ on a scheme’s outcomes.

While BCRs must be used with caution, they can help highlight the best performers within classes of schemes. Even if schemes can claim intangible impacts not caught by the BCR, nonetheless the BCR helps clarify the grounds of debate. Understanding a scheme’s intervention logic is likewise essential. MSD could also consider running randomised controlled trials on new schemes or, if that is deemed problematic, making greater use of research designs like ‘difference in difference’, which allow statistically robust results without preventing people from using programmes they need.⁸⁸

87 The WEAG found 940 providers working with MSD. Welfare Expert Advisory Group, *Employment & Labour Market*, p.19.

88 <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/findings-from-tas-campaign/findings-from-the-tas-campaign-2018-.pdf>.



Online information

The information available online about ALMPs is somewhat disjointed. The Connected site is designed to be “a central place for information from the New Zealand Government about employment, education and training”, according to – ironically – the Work and Income site. It feels, however, relatively cursory, more a list of useful links than a comprehensive guide to the above issues.

A 2022 report noted that the site was set up to help workers and employers affected by covid-19, but that there “may still be a gap where key information is not all in one place nor necessarily targeted towards displaced workers or employers”, and it is not clear that this has changed.⁹⁰ It also has potential overlap with the Careers site (www.careers.govt.nz) and MBIE’s Business site (www.business.govt.nz).

Connected appears to substantially duplicate elements of the Work and Income site. That site, in turn, is more comprehensive, but still fails to provide adequate information on training options in particular. Information on schemes like Mana in Mahi and apprenticeships, for instance, is not readily available. This may reflect MSD’s institutional focus on income support and immediate off-benefit outcomes.

MSD, MBIE and other relevant agencies should jointly improve and streamline the work of the above sites. One option would be to wind down the Connected site, as its functions might be better handled by ensuring detailed information is available in separate locations:

- welfare-to-work supports, including training, on the Work and Income site;
- wage subsidies and other business-related components of ALMPs on the Business site.
- career guidance, and other ALMP services for those not on benefits, on the Careers site; and

This is only a suggestion, however; more detailed work would be needed to identify the right solution.

Integrated workforce planning

While governments cannot have perfect foresight of the labour market, nonetheless they can (indeed must) make some effort to predict its contours. It is, after all, hard for case managers to recommend which jobs beneficiaries should seek, and in particular which training they should undertake, unless those case managers have some idea about which jobs will be available in future.

Officials can predict with reasonable accuracy the staffing required in public-sector occupations (nurses, teachers and so on). Occupations closely linked to public-sector projects – such as tradespeople needed for infrastructure schemes – also have some predictability. And officials can explore workforce trends like AI and make at least broad-brush recommendations.

It is difficult, though, to make concrete suggestions about workforce planning given current institutional upheaval. Workforce development councils (WDCs), a Labour government innovation, are being replaced with industry skills boards (ISBs). The boards will apparently have similar responsibilities to the councils – that is, to oversee the development of skills and training within each individual sector. How this works in practice, though, is yet to be seen. In addition, MBIE does some workforce planning, though it is understood to be very limited.

All that said, a few broad points can still be made. Even if each ISB effectively oversees the workforce needs of its sector, MBIE should still strengthen its core capacity to analyse overall workforce trends, including climate change and AI.⁹¹ It will also need better mechanisms to share those insights with MSD case managers, whether through low-intensity methods – e.g. email bulletins containing recent insights – or more high-intensity ones – e.g. regular professional development sessions with case managers to explore workforce trends in greater detail. Such communication should be two-way, with MSD case managers feeding back to MBIE about the skills and interests that new jobseekers manifest.

91 The 2018 MBIE labour market forecast to 2028, for instance, predicted the strongest growth would be in retail trade, accommodation & food services, business services and construction. Employment growth was predicted to be strongest for highly skilled occupations and weakest for elementary skilled occupations. <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/archives/labour-market-forecasting/medium-to-long-term-employment-outlook-looking-ahead-to-2028>.

Regional issues

The above points touch on the dissemination of information, and coordination of provision, at the national and industry-specific level. But such questions are also important at the regional level. Each region has a different set of industries, different business ventures underway or in prospect, different institutions (including vocational education organisations), different current skills levels and different future skills needs. Centralised organisations are unlikely to fully understand and adapt to these local realities.

The previous government's innovation in this area, regional skills leadership groups (RSLGs), have been scrapped by the current administration, and in this case not replaced with any equivalent structure. Once the ISBs are fully operational, however, it will be worth exploring whether some new regional institutions are needed.

This might be something as simple as regional skills forums, in which all the relevant players – local polytechnics, private training establishments, iwi, chambers of commerce, major employers, unions, local and regional councils, local representatives of WDCs, MSD regional offices, etc. – come together to jointly map the region's likely need for workers, local training provision, and training delivery. While such forums can, of course, be talk-fests achieving relatively little, it should be possible to design them so that the coordination they achieve more than outweighs the effort expended. If they were to have real 'heft', however, they might have to have independent resources (for instance, their own board and secretariat) and some statutory ability to influence provision.

To try to streamline this work as much as possible, it could potentially be carried out under the auspices of the ISBs. It would also be vital to involve MSD work brokers and regional labour market advisers/managers.

The work of such forums would stretch well beyond the ambit of this report, given that the relevant workforce would include not just beneficiaries but also young people and those currently in work but needing to retrain. These forums would, nonetheless, be of potentially great use to MSD and jobseekers, given the need to connect local beneficiaries with local employment opportunities.

Recommendations

- ▶ Leave current institutional boundaries largely intact, but look to consolidate ALMP provision within MSD
- ▶ Reorient MSD's mission towards a greater emphasis on ALMPs and supporting people through change
- ▶ Make it an explicit aim of policy to balance multiple goals, including enhancing jobseekers' outcomes, and adopt corresponding targets for skills matching, retention of employment, and so on
- ▶ Allow providers greater flexibility as to how they achieve specified outcomes, though with strong accountability for those outcomes
- ▶ Trial a shift towards joined-up community commissioning of services
- ▶ Contract longer term support where immediate movement into work is not realistic
- ▶ Evaluate not just individual ALMPs but the performance of the system as a whole
- ▶ Create mechanisms to bring providers together and ensure better performers can support weaker ones
- ▶ Cautiously make better use of benefit-to-cost ratio analysis
- ▶ Strengthen MBIE's workforce planning and provision of the relevant information to case managers
- ▶ Streamline the online provision of ALMP information
- ▶ Consider, as other institutions evolve, the need for forums to coordinate planning, training and other provision at the regional level



Nicky Austin

As the manager of the Katikati Community Centre, Nicky Austin helps run the Poutama – Pathways for Rangatahi scheme, part of the wider He Poutama Rangatahi programme.

The scheme works with 16-24-year-olds who are at risk of going onto the benefit or “going down the wrong track”, Austin says. Four intakes a year go through an MSD-funded, 13-week course that teaches them a wide range of employment, behavioural and life skills. The programme is overseen by several staff: a youth career coach, who brings 20 years’ experience in education; a youth employment coach, who holds strong relationships with local firms; a part-time youth development coach with a specialism in mental health; and a part-time chef who is also a kaumatua at the a local marae.

Some of the young people just “come in off the street”, while others are referred by parents and grandparents; the programme also has good relationships with local high schools. Referrals also come through via Corrections, MSD, Oranga Tamariki and Te Runanga o Ngai Tamaharua. The Poutama team pick up the young people every morning and drop them off in the afternoon, having provided breakfast and a hot lunch along the way.

On the first week of the course, the young people have a go on the high-rope course in Tauranga, where – taken out of their comfort zone – they start to learn skills for dealing with challenging situations. Back in Katikati, the Poutama offices “very, very quickly become a safe space for them ... a safe space to start making some change. They can download, talk about their issues with every single one of the coaches. There’s a huge amount of positivity.”

That positivity is needed because many of the young people “are so confused and feel like there’s nothing out there for them”, Austin says. “When they come to us, it’s like a whole paradigm shift, this idea of going into work. They have just got absolutely no idea what that involves: how that feels, how to achieve that, what it might mean.”

In the Poutama programme, the young people take part in classroom-based learning, including writing CVs and carrying out mock interviews. The Poutama team have close relationships with the local Toi Ohomai Institute of Technology and Waihi's Pacific Coast Training Institute; young people might take part in training there while the Poutama team are hunting them out post-training opportunities.

The programme also puts on an employers' day, where the young people get to meet representatives of local firms. And in the last two weeks, they have paid work experience placements, often at a packhouse sorting local produce. "Low-level jobs are so important in teaching them what it is to actually work – and how much it sometimes sucks!"

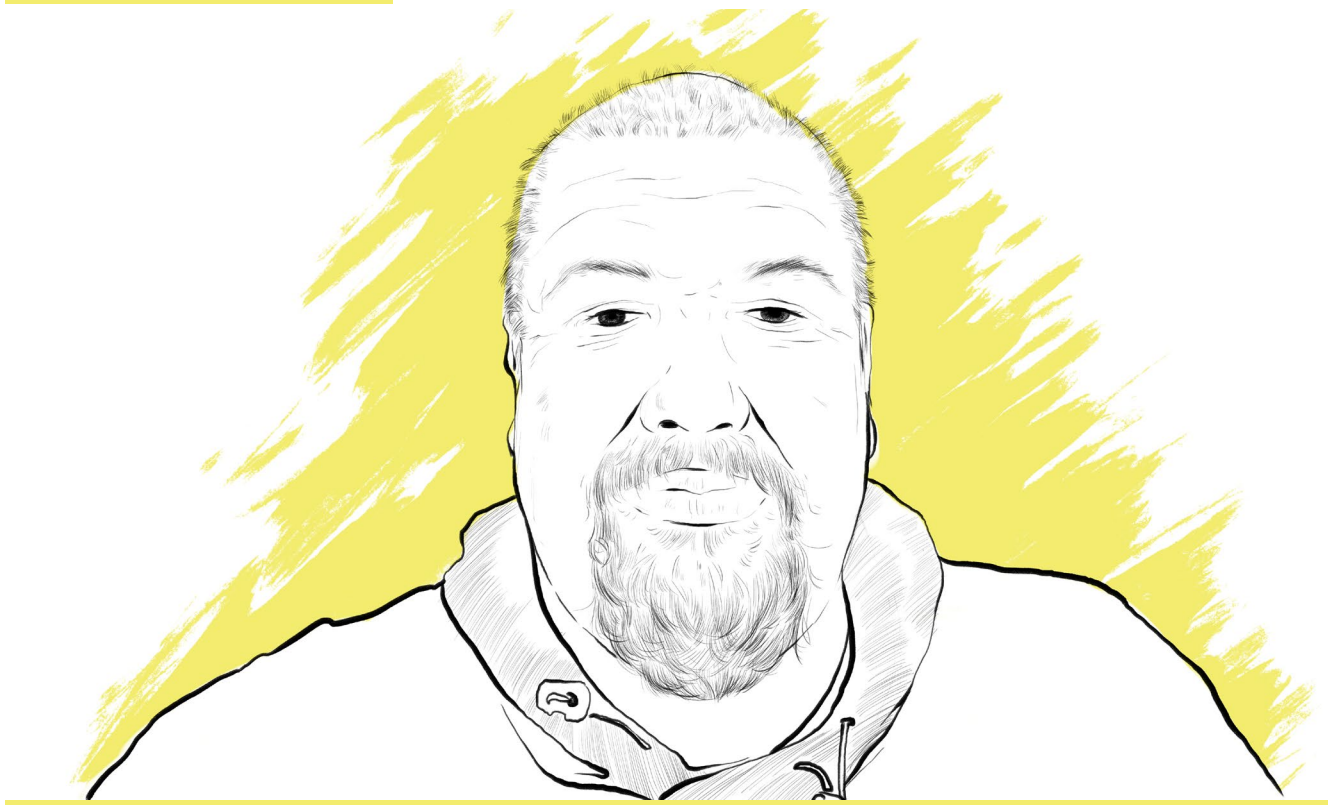
Contrary to popular belief, there are often "lots of jobs" going in the Bay of Plenty, Austin says. A packhouse in Mt Manganui was recently looking to employ 100 forklift drivers, jobs that paid \$28 an hour and required just two certificates – health and safety, and forklift driving. But, given these jobs often involve 10-hour days, "You have to train them [the young people] in how to work hard, especially if they've never held down a job of any type before."

Austin's success metrics include overall numbers – an 80%-plus hit-rate in getting young people into further education, employment or training – and individual stories. "One boy we placed at FCL [Earthworks] – he was absolutely over the moon." Another, largely illiterate young man, who initially hadn't been on track, eventually got a full-time job as a security guard. His verdict, Austin says, was, "I didn't want to work, but they [the Poutama team] wore me down and wore me down, and now I'm so happy that I got a job."

Austin isn't averse to the stick as well as the carrot: she sees a role for sanctions for those who turn down job offers they should be taking up. Nonetheless she has no time for the idea that these young people just need a kick up the backside, as some commentators argue. "That wouldn't work in any shape or form. There needs to be an underlying understanding of what it means to not want a job."

In general, if young people say they don't want to work, "It's because they don't know how. It's so terrifying. They've had no coaching, guidance, mentoring ... Many of them are growing up in households that are workless, or have parents who are living with addiction, or [they] have been brought up by older siblings. Then there are other situations where the parents are so busy they're not doing the mentoring. They think that it [the work ethic] happens by osmosis, and it doesn't."

The 13-week classroom aspect of the programme might ideally be longer, Austin acknowledges, but still achieves "some really significant changes", especially because her team are contracted to provide a year's worth of pastoral care. "Two years [of pastoral care] would be beneficial, absolutely no question. But of course that would cost money." She also sees scope to bring similar programmes together and reduce duplication. "I think NGOs are well placed to deliver," she says. "We could absolutely expand our genre [of provision] and do a really great job."



Ash Jones

Ash Jones works as a site manager and health and safety coordinator for Fotheringhame Contractors, an earthmoving firm based in Katikati. Over the last dozen or so years, at Fotheringhame and before that construction firm Downers, he has made a point of training up staff. At Fotheringhame, he says, “We decided to hire unskilled local people, so we could grow our skill base [locally] and give staff opportunities in the business. It’s a feel-good factor in the community.”

The firm has worked with various NGOs, and as of this year started taking young people from the Poutama programme (see previous story). The Poutama team, he says, “have been amazing”, screening each intake to determine which young people are ready for a work placement.

Fotheringhame have just taken on a 16-year-old from the Poutama programme. “He knows nothing, which is what we expected, but he’s keen to work, and keen to learn some new skills and knowledge and go somewhere in life. As an employer, we are here to help him along with that, as long as he turns up to work each day and just gives it 100% effort.” All Jones expects of young workers, more generally, is that they report for work “every day, on time, and with a good attitude. We’ll teach them the rest.”

Fotheringhame, he adds, “is a community-oriented business, and it’s our way of giving back to the community”. But it also makes financial sense. “There is a business advantage for us, in the fact that if we do this, we get a lot more loyalty and a lot less turnover of staff. It’s a win-win for everybody.” And that includes the long-term trade-off for the business. “It does cost us more money in the beginning, but we feel we get the benefit of it after 6-12 months.”

At that point, the extra skills gained by the young people – through the traffic management, health and safety or other training the firm pays for – make them more productive workers. One young man, whom the firm is putting through a drain-laying apprenticeship, has only been with them two months. “If we can see promise in a certain area, we’ll help them grow.”

Typically, the biggest stumbling block – apart from lacking a driver’s licence – is attitude, Jones says. “In the nicest possible way, the reality is that a lot of these young ones that are looking for work don’t actually understand what looking for work means. They talk a really good story, but with the life they have been growing up in, they have never seen mum and dad go to work every day.” As a result, their initial enthusiasm for the job often wanes after the first month and they just “chill out”, thinking the wages will keep being paid. “They don’t know how to manage money. They don’t realise that they have to keep coming into work every day.”

Most of Jones’s young workers have come right, though. He estimates that three-quarters of the young people he took on at Downers stayed with the firm, and the success rates are even higher for the current crop in Katikati. One young worker, who started with the company two years ago as a 16-year-old, is now handling a \$200,000 excavating machine. “They can move up very fast,” Jones says. “It sounds pretty crazy! But he’s capable of it, and we trust him. We keep putting time into him, and he keeps excelling.”

To ensure the firm reaps the rewards of its investment, Fotheringham does bond its young people for the length of their apprenticeship, if that’s the path they go down. Otherwise, Jones says, young workers are treated “exactly like any other staff” – who might, after all, move to another company. “We invest in our people,” he says.

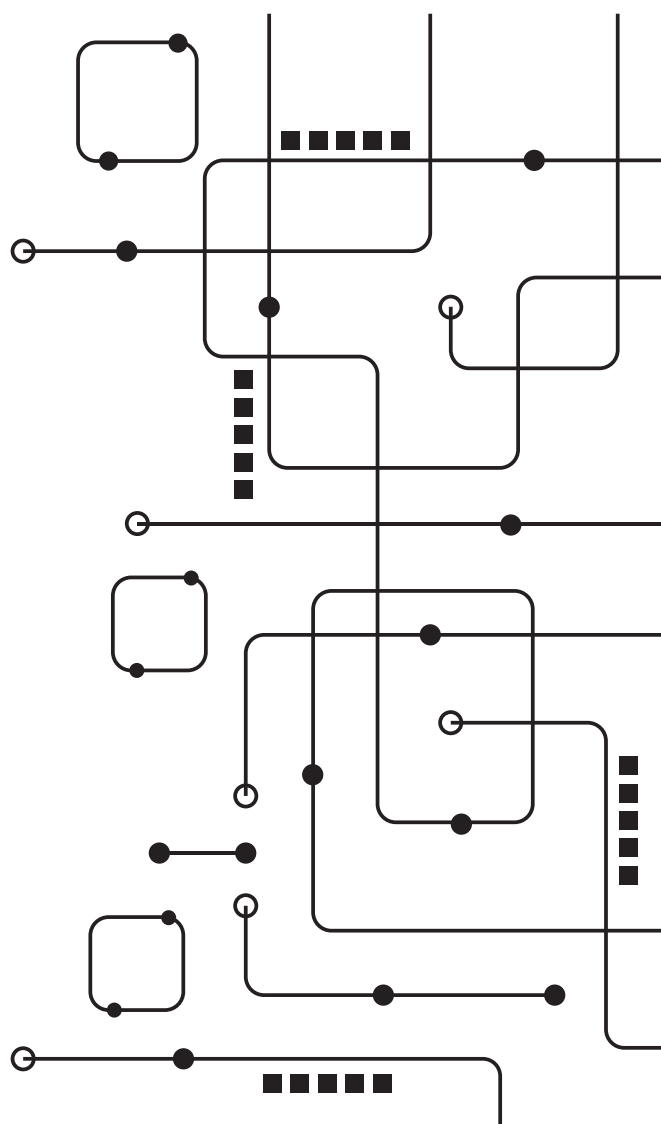
Even so, there are limits to what the firm can do unaided. Jones would like to see greater support for companies to put young workers through the more expensive forms of training. If there are subsidy schemes for which his company would be eligible, he hasn’t been made aware of them, he says. “There needs to be something where we can help them [young workers] to get into the trades and upskilled a little bit more easily.” Otherwise, he says, “The cost is very, very high, and I can understand why a lot of businesses hold back on training and apprenticeships ... I think government assistance somehow, in some way, would be very helpful.”

8. Connecting employers and jobseekers

At the heart of any good welfare-to-work system is the connection between employer and jobseeker – between those with job opportunities and those seeking them. And there are times when those connections are made. A 2021 stock-take found that schemes like Skills for Industry “work with employers to identify the skill needs for their business and then marries this with skill-based training programmes ... Such an approach supports businesses to meet projected labour demand”.⁹²

Along similar lines, a major Australian piece of research concluded that a successful welfare-to-work strategy would be implemented “at a decentralised level via relationships between a) businesses that are willing to provide opportunities for the unemployed, and b) the not-for-profit service providers who can do the work of giving the unemployed the basic capabilities employers require to take them on”. Governments needed to fund “decentralised and local solutions”, bearing in mind that these “are likely to involve tailored intervention and may be relatively expensive”.⁹³

Too often, however, that employer-jobseeker connection does not occur. One evaluation of Mana in Mahi, for instance, found that “the matching of client [jobseeker] to employer remains a challenge”.⁹⁴ And people interviewed for this report suggested that schemes were sometimes developed by central government without adequate regard for how they would affect – and connect – the above two groups. “MSD starts by thinking about the minister as its client,” one business representative said, arguing that this worked “at best 60% of the time”. Conversely, good results would be achieved “by focusing on, what does the employer actually need and how can candidates be qualified quickly? What I think the system doesn’t do very well is it doesn’t start there.”



92 Riley et al., ‘Review of Active Labour Market Programmes’, p.97.

93 Borland, ‘Dealing with unemployment’, p.17.

94 Allen and Clarke, *Formative and process evaluation of the Mana in Mahi prototype: Second evaluation report*, January 2020, p.5.

System design

We were impressed by some elements of MSD's provision, notably the commitment to evaluating programmes and seeking to improve them. We feel, however, that deeper stakeholder involvement in the design of ALMPs would further improve their performance and could help bring greater coherence to the overall system. The above Mana in Mahi evaluation, for instance, recommended the government establish "a working group for future co-design".⁹⁵ And there is some evidence that such mechanisms can help improve performance. The highly regarded German public employment service has tripartite boards – featuring representatives of government, business and unions – at every level of its structure.⁹⁶

The two most obvious stakeholders in the system are, as above, employers and jobseekers. Other groups, however, also have a role to play. Unions have deep understanding of workplace issues, especially from the vantage point of frontline staff; iwi providers have distinct interests in ensuring provision works for whānau Māori; NGOs also play a crucial role in provision; and councils should arguably have a greater stake in the system than they do currently.

These groups would logically be brought together in a forum that reported to MSD senior leadership and had oversight of the ALMP system, with the following broad responsibilities:

- ▶ Providing feedback on any new proposed ALMPs to ensure they reflect the needs, and fit with the on-the-ground realities, of the affected groups
- ▶ Providing advice on general principles to be threaded through the welfare-to-work system
- ▶ Conducting regular assessments of the system as a whole, or parts thereof
- ▶ Providing advice as to next steps and new initiatives

The forum would also provide an opportunity for the above groups to come together and (ideally) find common ground on how the ALMP system should develop. Employer and beneficiary groups could potentially have greater representation than others, to reflect their especially strong interest in this policy area. In this particular instance, beneficiary rights advocates – rather than beneficiaries themselves – might be the most suitable members of the forum, given the policy-heavy nature of the work, its system-wide focus and the potentially intimidating nature of the setting for those experiencing long-term unemployment. The design of individual ALMPs should, however, involve deep and genuine consultation – potentially even co-creation – with beneficiaries themselves.

95 Ibid., p.47.

96 Malo finds that social dialogue may enhance implementation, especially tripartite social dialogue at an aggregate level. Cited in Łukasz Sienkiewicz, 'Assessment of the effectiveness of active labour market policies in crisis and post-crisis situations', European Training Foundation, 2022. For the German system, see: www.oecd.org/els/emp/Germany_ALMP_Institutional_set-up.pdf.

MSD's connections with employers

The job of work brokers is, as set out in earlier sections, to build relationships with employers and to encourage them to see participation in ALMPs, and recruitment from within the pool of beneficiaries, as potentially positive steps for their business. This requires the work brokers to both screen jobseekers as potential employees – that is, assess their suitability for a given role – and then promote them as applicants for those roles. Business representatives, however, have queried whether either of the screening and ‘hustling’ functions are consistently carried out well.

More generally, the view was expressed to us that good MSD regional offices had, one way or another, formed strong links with the major local employers. Hiring is “a very local decision”, as one interviewee put it to us, and could only be understood at the local level. The most connected regional offices would learn what skills and attributes local businesses needed from jobseekers, and put together a flexible package of measures to meet that need. That could be as simple as ensuring someone had a driver’s licence, the tools they needed (for manual jobs) and a Site Safe certificate.

These observations were connected to a related point about local flexibility. When asked how to ensure that ALMPs more effectively connected employers and jobseekers, one experienced business interviewee argued that this could not be entirely resolved at the central level. The key, in their view, was flexibility for regional offices to connect employers and jobseekers – within a performance framework and measures set by central government. This would involve giving “power to the front line to make its own decisions, within a permission-based framework”, something the “best” MSD offices were already doing. “We need to empower, and reward and call to account, the frontline for its capacity to talk to real life employers.”

Funding of community connectors

Relatedly, in our research, we heard repeatedly that some of the best employment outcomes were achieved by funding providers who could employ what might be called ‘community connectors’. These were people with strong community links who both understood the situation of local jobseekers and enjoyed close connections to local employers, and were thus able to connect the two groups.

As one provider working with disabled people noted, “Our best consultants know the business [where they are placing people] as well as the business does. The conversations [with firms] are like co-business owners talking to each other.” One such consultant was a former midwife and Rotary member with deep community roots. “It’s that level of personal connection: when she rings up a business and says, ‘We need to talk,’ things happen.” Nor is this just a matter of anecdote: as noted elsewhere, the international research often comes to similar conclusions.

Online elements

MSD's Annual Report notes that its planned "digital employment service" will "improve employers' and jobseekers' ability to connect with each other". This sounds promising, albeit we will wait to see how well this works in practice.⁹⁷

Skills (mis)matches and related issues

A core element of the benefit system, especially under the current National-led government, is the requirement for beneficiaries to carry out job-search activities if they wish to retain their benefit. The government has announced that some beneficiaries have to carry out "a minimum of three job-search activities a week", although we understand there is local flexibility as to how this is actually applied.⁹⁸ Jobseekers' ability to refuse unsuitable employment offers is often unclear (see below).

Although such requirements might be thought to be business-friendly, employer representatives expressed frustration with the resulting large numbers of people applying for jobs for which they have neither the aptitude nor necessarily the motivation. Even when MSD staff are directly promoting candidates to prospective employers, the requisite screening may not be carried out. We were told of one aged care job fair where, out of 900 beneficiaries promoted by MSD as potential employees, only 12 turned into long-term staff.

Jobseekers, as above, described to us the debilitating effect on their confidence from having to endure hundreds of rejections (or, even worse, total silence) as they applied repeatedly for work during a recession. They also engaged in behaviour sometimes described as 'counterproductive compliance' – for instance, applying for jobs they had no realistic chance of getting.⁹⁹ Business representatives also expressed concerns about the system. As one told us: "The idea that the system pushes you into the next job, no matter what it is, is bad. It won't stick." While jobseekers could not be allowed to sit around waiting to become "Hollywood directors", the ALMP system "should be asking, 'What do you want to do, and how can we help you?'"

97 Ministry for Social Development, *Annual Report*, Wellington, 2024, p.21.

98 <https://www.rnz.co.nz/news/political/540724/more-sanctions-for-those-on-benefits-announced-by-government>.

99 Ministry for Social Development, 'Obligations and Sanctions Rapid Evidence Review Paper 2', p.20.

The result: frequent mismatches

All this contributes to the problem of skills and other mismatches. According to Statistics New Zealand, somewhere between 35% and 50% of people face a noticeable skills mismatch, being either underqualified or overqualified for their position.¹⁰⁰ This is undesirable: employers are unlikely to get maximum value from employees who are fundamentally in a position that is a poor fit for their skills. As above, firms find it frustrating to be sent large numbers of beneficiaries who have neither the motivation nor the attributes for a given position.

Mismatches also have direct consequences: as is set out elsewhere, people are less likely to remain in employment – and thus more likely to contribute to on- and off-benefit ‘churn’ – if they face a significant skills mismatch. (They can also experience significant wage scarring.) As one provider on the successful Individual Placement Support scheme told us, “What’s absolutely critical is the match.”

Beyond purely skills-based mismatches, the issue of the ‘right’ job is obviously a very personal one for jobseekers. A recurring theme in our interviews with beneficiaries was the sense that they were frequently pushed or forced into (applying for) jobs that they did not want to, or could not, do. This might be because they were no longer physically capable of working in their previous industry, did not feel they could cope with the mental stresses of a given job, had aspirations for different work, or felt that the given role was well below their skills and qualifications level.

Currently, jobseekers have at least a notional right to turn down work that is ‘unsuitable’ on various grounds, including ‘excessive’ hours, lack of access to childcare, interference with family commitments, mismatch of skills required or an inappropriate location.¹⁰¹ In practice, beneficiary advocates told us, people were often unaware of this right and were instead threatened with sanctions if they refused work.

Resolving the dilemma

It is understandable that governments wish to ensure beneficiaries are looking for work. However, the current system appears to have significant flaws. We suggest a couple of ways of improving it.

100 Statistics New Zealand. ‘Skills mismatch in the labour market: Concepts, data sources, and measures’, Wellington, 2017, p.16.

101 <https://www.workandincome.govt.nz/map/income-support/main-benefits/jobseeker-support/suitable-employment-01.html>.

More tailored job-search requirements

We believe a more flexible and tailored approach to job-search requirements would better serve both employers and jobseekers. International research shows that job-search requirements are part of essentially all developed-country welfare systems, and are linked to more rapid movements into paid employment.¹⁰² The same international research, however, emphasises the need for these requirements to be combined with tailored and responsive support for jobseekers to find work that is a good match for their skills and attributes. It also notes that welfare-to-work policy should be countercyclical, emphasising skills and training programmes during recessions when work is scarce but rapid movements into employment during boom times.

Job-search requirements could thus be reworked to be more effective for all concerned.

- ▶ A more detailed assessment of jobseekers' skills, attributes and aspirations could better establish the classes of jobs for which they should be hunting. (See also below.)
- ▶ The system would perform more detailed screening of beneficiary candidates for jobs, as highlighted by business representatives.
- ▶ During recessions or other periods of limited employment prospects, the system should put a greater emphasis on referring jobseekers to training programmes, so that they are better-skilled candidates once hiring picks up again.
- ▶ During such periods job-search requirements should be relaxed. This would be consistent with the discretion that case managers already have to vary those requirements. Forcing people to apply for literally hundreds of jobs without success, with all the accompanying damage to their confidence, may be worse for their employment prospects than having no job-search requirements at all.

Refusing job offers

On the one hand, it is understandable that beneficiaries want work that is a reasonable fit with their skills and attributes; this, after all, is a privilege often enjoyed by the rest of the population. And there are, as above, wider social and economic benefits from better job-matching. On the other hand, many people have had jobs – particularly early in their working life – which far from perfectly matched their skills and attributes, but which served as stepping stones to other things, or at the very least were a source of income while they explored other options. Giving beneficiaries completely free rein to refuse work would be open to exploitation and, if nothing else, politically untenable, as it would rapidly generate outrage about beneficiaries “turning down dozens of jobs”.

The most compassionate and rational answer probably lies somewhere between the two extremes. That is, jobseekers should have some ability to turn down jobs that are manifestly unsuited to their skills, mental and physical health, and so forth – but only within limits. This would not be an unheard-of concept: the current British government, for instance, is moving away from requiring jobseekers to take “any” job and focusing instead on “helping people to build rewarding careers”.¹⁰³ This is likely to benefit employers and jobseekers simultaneously.

102 Welfare Expert Advisory Group, *Employment & Labour Market*, p.9.

103 Jessica Elgot, ‘Job centres will no longer force people into “any job” available, minister says’, *Guardian*, 29 May 2025.

Assessment mechanisms

Such a compromise would need to be based on some (reasonably) objective way of assessing a jobseeker's skills and attributes, the relevant job's required skills and attributes, and the degree of (mis)matching between the two. While this would be unlikely to achieve mathematical precision, it could still be done with some rigour. (It would also follow naturally from the more comprehensive assessment processes recommended below.)

Individuals could refuse jobs on the grounds that they represent too great a skills mismatch (e.g. someone with a Level 4 qualification being asked to do a Level 1 job), require travel beyond a certain distance, constitute too great a salary decrease from their previous job, or involve too different an industry (if something like the ANZSCO occupational classification system could be deployed for this purpose).¹⁰⁴

We should underline that such a scheme would never be perfectly objective; it would (and indeed should) remain subject to case managers' judgement and expertise. An assessment process of this kind, however, would establish the basic grounds from which to proceed (and create a basis on which jobseekers could appeal if they disagreed with a case manager's decision).

A 'right of refusal'

Such a scheme could, in short, establish that if the degree of mismatch (on whatever criteria) was too great, the individual should be free to refuse the job interview or offer. To alleviate the concerns of fiscal conservatives, such a 'right of refusal' could be limited, for instance to a set number of jobs. Regional analysis, showing for instance an absence of local jobs that closely fit the individual's attributes, might also limit the right.

But it is worth remembering that some kind of right of refusal would not just enhance the dignity of the individual jobseeker; it could also lead to a supply of job candidates better targeted to firms' needs. Businesses interviewed for this report stressed a desire for MSD to operate the same kind of 'screening' processes that they themselves deployed. Indeed, MSD's alleged failure to do so increased the time and effort firms had to spend on such screening.

As a final point, a right of refusal – and indeed wider screening – would be difficult to operate on the basis of jobseekers' aspirations, an issue too subjective and fluid to be rigorously determined. This issue could, however, be handled through a better assessment of the individual's aspirations upon their first meeting with a case manager. A jobseeker's aspirations will, in order to be realised, generally require some training or other form of support. Within certain bounds – that is, the jobseeker's aspirations need to be realistically achievable and in line with future workforce demands – a better assessment at this point should lead to greater and more detailed provision of training that would respond to those aspirations.

104

We note, however, the view that the ANZSCO scheme is too imprecise to allow for this.

A better system

The above approach does not amount to abandoning people to long-term benefit receipt or allowing them to claim ‘free’ money from the welfare system. Rather, it is a matter of thinking more carefully about what job-search requirements are supposed to do, and what they can realistically achieve.

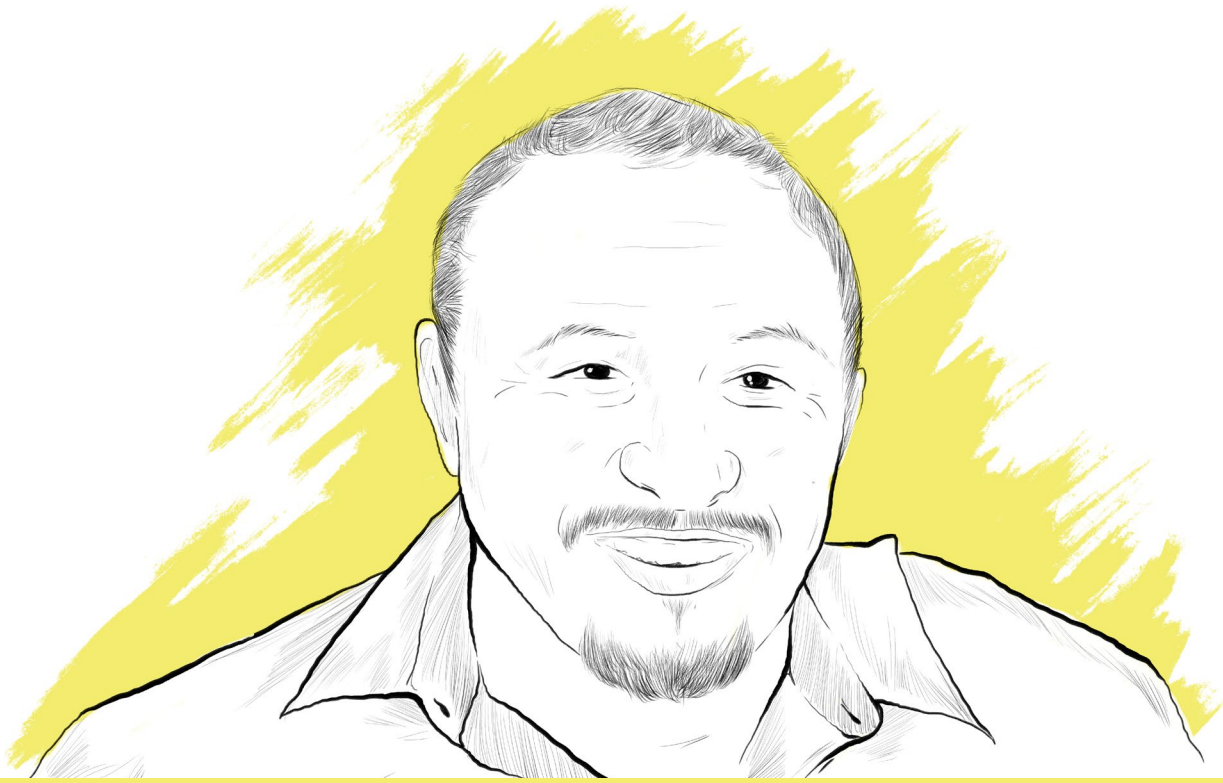
Most unemployed people – or at least the ones we met and heard about during our research – appear to have a strong desire to work and to make a meaningful contribution. And even when they are not manifesting that desire, simply forcing them to apply for large numbers of jobs is not necessarily going to improve the situation (see Nicky Austin’s story on pp.88-9).

The situation we envisage is that, firstly, beneficiaries are more often referred to high-quality training options, especially during recessionary times. Job-search requirements may still apply, but case managers should have greater freedom to vary them according to the situation. They might, for instance, establish with the jobseeker a particular set of industries or occupations on which to concentrate, and then set realistic targets for job-search activities based on the volume of locally available employment in those industries.

During periods when employment is more plentiful, those expectations should of course be increased. And all the other supports for people to make that transition (as set out in later sections) should be made available.

Recommendations

- ▶ Create a stakeholder forum, with especially strong employer and beneficiary advocate representation, to ensure stakeholder views help shape the entire ALMP system
- ▶ Check whether MSD regional offices are consistently building strong links with local businesses, and lift the level of the weaker performers
- ▶ Where possible, ensure ALMP contracts allow providers to hire ‘community connectors’ with strong links to jobseekers and employers
- ▶ Better screen jobseekers, and make job-search requirements more flexible, so as to provide businesses with a more reliable pipeline of candidates
- ▶ Relatedly, establish a clearer and more rigorous process for allowing jobseekers to refuse job opportunities that represent too great a skills (or other) mismatch



Arnold Lomax

Arnold Lomax's official role at Wel Tec, a Wellington region polytech, is to help the carpentry cadets find job opportunities. "But I do all these other things as well," he says. Those "other things" involve locating whatever barrier may lie in people's way and then removing it.

Often the cadets might not have a car but need to travel to work. Fortunately for them, Lomax has a friend who runs a car yard. "He says, 'If they've got a job and a restricted licence, they can grab a car for \$50 a week.'" Equally, if someone needs housing, Lomax finds them housing. When you get "everything else" right in someone's life, he says, they're much more likely to show up to work.

How does he do all this? "Just through contacts." Arnold is part of the legendary Wainuiomata rugby league family – which boasts multiple Kiwis representatives, not to mention union convert Tyrel Lomax – and he's deeply embedded in his community. "I know a lot of people. I know a lot. I use the [Lomax] name," he says, laughing.

It's not just cadets he helps, either. Lomax has close contacts at the Remutaka Prison, and assists ex-inmates to reintegrate into society and find employment. This extends even to people who were put away for crimes like murder. "It's not my job to judge what people have done in the past. It's my job to judge them now." If they're ready to be helped, he helps them.

Of one ex-inmate, Lomax says, "He was lacking a bit of guidance where he was living. He needed someone to believe in him and support him through." Lomax found him a job in a firm that later closed down. "The guy [who owned the company] rang up, said, 'He's a good guy. Can you find him another job?' I found him another job."

In his job, Lomax says, “Mentoring is big. It’s big. You get to understand people, you get to know them.” He also becomes a surrogate parent to young people who don’t have much – or any – parental support. Talking to a class of 16 teenagers recently, he was “shocked” to learn that only two of them lived with both their parents. “That’s just so sad. That’s one of our biggest issues.”

Knowing the employers is also “really important” in his line of work. He spent something like eight years as Wel Tec’s first employment broker, connecting students to local companies. In that time, he estimates, he probably put about 3,000 people into jobs.

Although employers sometimes voice concerns about the quality of vocational education, Lomax doesn’t think that’s the issue. “The training is there. It’s there. But at the moment, our biggest issue is we are selling a false narrative.” The narrative in question is that, in the current job market, training automatically leads to work. Lomax has around 30 apprentices searching for jobs, but just placing two of them into employment each week is a good result currently. “Under Labour, I was putting 10 into work a week.”

His old motto used to be: “‘Do the course, get a job.’ But I can’t say that anymore. Maybe, ‘Do the course, get set for better times.’”

Lomax recently checked what had happened to 22 carpentry students who graduated in March last year. Twelve of them, he discovered, had left for Australia. One, a woman in her 30s, hadn’t been able to get a job here, so she’d gone to Perth to help build prefabricated housing for miners.

In a country where even basic labourers are paid \$30 an hour, this young woman – Lomax says – was on something like \$60-70 an hour. Meanwhile the Australian government is pouring tens of billions of dollars into infrastructure, and there are roughly 7,000 construction jobs currently advertised. No wonder people are moving there, he says.

9. A more personalised system

Another theme running through our recommendations is the need to move from basic to bespoke – from a standardised, relatively impersonal system to one that provides people with tailored support, sensitive to their individual needs. In the short-term, this would, of course, be more expensive than the current system. But that system also carries significant costs: high rates of workforce churn, significant skills mismatches, and dissatisfaction on the part of both employers and jobseekers.

For those with complex needs, the international finding is that the most effective services are often multifaceted and tailored. When the cost of programmes is only in the thousands of dollars, there is – as above – a relatively rapid payoff if those programmes help people earn just several hundred dollars a year more. Even the more expensive programmes, costing in the tens of thousands of dollars, may be a sound investment if those receiving them would otherwise remain in long-term unemployment, with all its attendant costs not just fiscally but also in terms of health, self-esteem and other social problems.

Hints of the future

What would a more personalised system look like? It is not too difficult to imagine, as it already exists in parts of the present set-up. Providers in the Māori Trades and Training scheme, for instance, described their approach as seeing the “whole” person. This involved getting to know them deeply, finding out where they were in their life generally (not just as regards work), and taking steps to address multiple barriers in their lives. In practice, this involved taking steps such as purchasing tools for apprentices (who might otherwise have to pay for them via deductions from their wages they could ill afford), or literally going around to the houses of apprentices struggling with motivation, knocking on their door/window, and ensuring they get to the worksite on time.

In a similar vein, the MSD-commissioned assessment of He Poutama Rangatahi, which provides wraparound support for struggling young people (especially Māori youth), describes contracted providers going to great lengths to ensure their clients had a secure foundation for job-hunting. Where, for instance, they thought playing sport would enhance a young person’s overall self-esteem and likelihood of retaining a job, they would buy rugby boots for the young person if necessary.

The evaluation, and our interviews, noted that often providers will go ‘above and beyond’ in this way even when not funded to do so. This should, however, been made a more explicit part of contracts with providers.

Case management: essential but complex

As well as being enabled for contracted providers, this personalised approach should also be deployed at the heart of the system – that is, by case managers. These staff play a central role in the system, assessing jobseekers' needs and referring them to individual ALMPs.

Their work is structured in various ways. There are, for instance, integrated services case managers and intensive client support managers for individuals who need especially complex or multifaceted assistance. The jobseekers they support can also be divided into different groups, e.g. those who are 'short-term' (largely able to help themselves find employment quickly), 'cycling' (moving in and out of the benefit system repeatedly) and 'sustained needs' (having a long-term need for benefit support).¹⁰⁵

Case management is a complex and demanding task. Case managers must deal with clients who are often understandably stressed, and sometimes aggressive; for both case managers and jobseekers the welfare system is complex and difficult to navigate. Good outcomes for jobseekers often depend substantially on the quality of case management they receive. So it is vital to ensure that this part of the system functions well, and that case managers are able to deliver jobseekers a personalised service. There are, however, multiple barriers in the way.

Case managers' training and conditions

Case managers must have a wide range of skills and be well-trained, as international evidence shows that effective case managers are “critical” if ALMPs are to work effectively.¹⁰⁶ In response to our enquiries, MSD informed us that case managers “receive comprehensive end to end training”. This four-step process reportedly includes: orientation with MSD’s values and systems; a “live learning” process to “build their skills and knowledge”; an “integrating” stage of developing their capabilities and learning to find information themselves; and on-the-job learning.

Beneficiaries and their advocates, however, painted a rather less flattering picture of the situation, noting that case managers do not always even know the full suite of ALMPs to which they could be referring beneficiaries. Others cited instances of young and inexperienced case managers with minimal knowledge of the world of work into which they are attempting to place people. (See above sections for further details.) One interviewee, who had worked in a call centre performing tasks closely related to case management, said they had only had 2-3 weeks’ training, and did not feel equipped to navigate the entire system confidently: “We were almost encouraged to think that there was no way you were going to master it.”

A striking feature of their job, this interviewee said, was that they were strongly encouraged just to deal with the immediate problem that clients called about, rather than trying to help them in a more holistic way that would ensure they didn’t need to call back: “That was unique compared to other contact centres I have been in.” Relatedly, the targets for staff were not about outcomes for jobseekers but how quickly they got through calls. “It was so much less about the actual outcomes of the call and the broader picture. It was just, did you answer the immediate question and did you do it within a certain follow-up time. That was really praised.” Another former case manager told us that having large workloads, and just 45 minutes per appointment, prevented staff from giving detailed attention to jobseekers’ needs. “You are pushing paper.

Forget about the person and what they have gone through, because you don’t have the time ... The care factor goes when you are under the pump.” They also had to try to remember 126 different programmes and services, meaning possible referrals got “missed”.

When it comes to workload, information provided by MSD shows that the standard case manager is working with 105-110 beneficiaries, implying (crudely) an average of 20 minutes a week with each. A 2022 report suggested that case managers saw each beneficiary “an average of one to two times per month”.¹⁰⁷ While noting that time with each individual beneficiary will naturally vary, this does not seem anywhere near the ratio that would be needed for bespoke support.

As MSD’s own evaluation reports note about general case management (GCM): “The high case load ratios between case managers and participants means case managers do not have much time to provide active case management for GCM participants.”¹⁰⁸ Even case managers providing “intensive” or “integrated” support have caseloads of around 60 jobseekers each. One case manager we interviewed noted that they had “back-to-back appointments every day.” They were “always time short” and had a “huge” workload, even though they went to work an hour early each day to try to keep on top of it.

Beneficiaries also report being unable to consistently see the same case manager, and high turnover of staff. Beneficiary rights advocates, meanwhile, note that the problems of precarious work extend to MSD’s own practices: some case managers, for instance, are hired only on six-month contracts, a practice hardly conducive to retention, training and expertise.

More generally, case management may not appear an especially attractive form of employment, given its stressful nature, lack of status recognition by society, and (we understand) relatively low pay. The call centre interviewee said they had been paid “just Living Wage” rates, equivalent to around \$55,000 a year.

106 Riley et al., ‘Review of Active Labour Market Programmes’, p.81.

107 Riley and Gerard, ‘Review of Active Labour Market Programmes’, p. 14.

108 https://ea.analytics.msd.govt.nz/?_inputs_&page=%22intervention%22&prog=%22PI_405%22.

Improving case management

Training and conditions

The solution to the above issues is easy to articulate in principle although potentially complex to deliver: a greater number of better trained, more experienced case managers who stay in their positions for longer.

We are not in a position to say what the “ideal” caseload for a case manager is, except that it is almost certainly fewer than 110. The highly successful Individual Placement Support scheme, for instance, has ratios of 1:20, although that is probably not realistic for case management.

Research generally supports the proposition that investing in more intensive forms of case management pays off. A 2019 MSD analysis, for instance, showed that these intensive schemes were cost-effective, saving large amounts just in avoided welfare costs (without taking into account extra tax paid and so on). On that measure, they outperformed standard forms of case management, even allowing for their higher costs.

As to training, we note that job coaches employed in highly successful Spanish ALMPs (see section on ‘Launching Pads for Employment’) receive 160 hours of training (four full weeks). We recommend MSD make this a minimum amount as well.

We would also recommend pay increases for case managers (noting of course the fiscal implications of this); better counselling for staff having to deal with aggressive jobseekers; and an exploration of what other factors (for instance, greater work flexibility) would help retain people in the position. It would also be worth trying to employ more case managers who have previous experience as beneficiaries, as they are likely to both empathise with, and understand the situation of, the people they are trying to assist.

Employing a greater number of case managers would help address some of beneficiaries’ long-standing complaints, including the difficulty of consistently seeing the same case manager and attempts by Work and Income to direct people to phone-based or online services instead of face-to-face ones.

Technological supports

Interviewees for this report suggested new technologies could ease the workload on case managers and free up their time to provide more personalised support. The problem of case managers not always being aware of the full suite of programmes could, one interviewee argued, be at least partially addressed with an AI-based system. If an individual's details could be (with appropriate safeguards) loaded into the AI, it might be able to automatically provide a list of relevant schemes for which they were eligible. An AI tool could also be used to scour job vacancies and match them with jobseekers' profiles.

On related lines, the British government is getting its equivalent of Work and Income staff to rely more on an AI programme called DWP Ask, as a means to free up more time to support jobseekers. The OECD, meanwhile, notes that half of its members "have implemented AI solutions", using them to match jobseekers with vacancies, identify jobseeker needs and run chatbots.¹⁰⁹

Local flexibility

Jobseekers we interviewed argued the system was often inflexible. We noted above the case of a woman to whom Work and Income would not lend the money required to become a member of a professional association (even though this would open up more work opportunities) because it did not fit predetermined criteria. We also heard about the case of a sole parent who needed to work at least one day per week to maintain her registration as a nurse. She was told she was ineligible for the flexible childcare assistance she needed for that work, as she wasn't deemed 'at risk' of long-term benefit receipt. Yet if she lost her registration that is exactly where she would be.

We are mindful that AI-based schemes have not always lived up to their promises, and that there will be privacy and other issues to address. Personal judgement and relationships must remain at the heart of any case management system. Nonetheless, we believe MSD should be investigating the above ideas.

As part of its Te Pae Tahwiti strategy, MSD also plans to build a "digital employment service" that includes self-service functions.¹⁰⁹ While this is broadly welcome, we note jobseekers' insistence that they often want face-to-face services, and that the latter should be not just maintained but expanded.

The obvious solution is to allow case managers at least slightly more flexibility about the support they provide (in other words, to adopt a more outcomes-based approach). This would of course raise all the usual problems with frontline discretion, including weaker controls on spending and greater variability of treatment of jobseekers. While we are not in a position to resolve these eternal dilemmas, the public management literature suggests various solutions, including outcomes-based reporting (holding case managers accountable for getting clients into work or training) and random sampling of cases (to check that discretion is not being abused).

109 <https://www.oecd.org/en/topics/policy-issues/employment-services.html>.

110 Ministry for Social Development, *Annual Report*, p.21.

More detailed assessment and planning

During our research, interviewees argued that before MSD thinks about changing the make-up of its ALMPs, it needs to address a more fundamental issue – namely, that it does not adequately understand what schemes jobseekers actually require. Beneficiaries, their advocates and even former officials argued that the assessment process was often cursory, consisting of not much more than looking at an individual's CV and asking a few basic questions. While some case managers did provide a holistic assessment, this seemed more a matter of personal discretion than a system-wide imperative.

Clearly, the initial meeting between case manager and jobseeker must systematically involve a much deeper conversation, one that goes beyond looking at someone's CV and encompasses an assessment of their (realistic) aspirations for paid work and the detailed training or other interventions needed to get them there. In Germany, for instance, 'Integration Advice Centres' work with people "to profile their skills set, understand their ambitions, and develop a coherent pathway to integrate them back into the job market".¹¹¹

In response to our enquiries, MSD informed us that there was no standardised "matrix or point system" used to assess whether jobseekers should be referred to a particular ALMP or suite of programmes. Instead, case managers would "build rapport" with jobseekers and "refer [them] accordingly".

This is, in one sense, admirable, as it emphasises the case manager-jobseeker relationship and allows for flexibility. It does, however, run the risk of enormous variability in how jobseekers' abilities and needs are assessed, and surely makes it hard for MSD – at a corporate level – to know how well ALMP resources are being allocated. MSD reports indicate the organisation struggles to know what intensity of support to provide to which groups of jobseekers.

Some kind of common assessment tool – not to be used as a substitute for case managers' judgement, but as a support – would surely be useful. And it would be in line with other recommendations, such as the UK's Behavioural Insights Team suggestion of "a simple tool for Jobcentres to identify capital deficits in order to match interventions to individual jobseeker needs". A recent OECD report on Dutch ALMPs also recommends "a common framework or skills taxonomy".¹¹²

Fortunately, MSD appears to be moving in this direction already. In December 2024, the government announced that "everyone supported by an employment case manager will be eligible to receive a comprehensive work-readiness needs assessment examining any education, transport, addiction, health, and childcare issues they may have".¹¹³ This is an encouraging move, although it will be important to evaluate its effectiveness. High case manager workloads, as above, may not leave space for it to be done properly. And only a small proportion of jobseekers have case managers. Nonetheless we welcome this initiative.

As a counterpart to this more detailed assessment, the government has also announced that case managers will work with jobseekers to construct "a personalised plan of agreed actions" that address the above issues. Again, it is too early to evaluate this initiative and, for instance, whether those "agreed" actions lie mostly with jobseekers or case managers. Again, though, we welcome these steps towards a more personalised service.

¹¹¹ Sofia Dromundo, Marius Luske and Michele Tuccio, *Innovative approaches to tackle long-term unemployment*, OECD Social, Employment and Migration Working Papers No. 300, Nov 2023.

¹¹² Behavioural Insights Team, 'Poverty and decision-making: How behavioural science can improve opportunity in the UK', London, 2016; OECD, *Policy Options for Labour Market Challenges in Amsterdam and Other Dutch Cities*, OECD Reviews on Local Job Creation, Paris, 2023, p.19.

¹¹³ <https://www.beehive.govt.nz/release/more-support-help-people-benefit-work>.

Multi-specialist support

In some instances, preparing jobseekers for paid work may take more detailed and interdisciplinary support than case managers can realistically provide.

In the Dutch Fit-4-Work scheme, for instance, participants are supported by not just employment counsellors (who focus on barriers to employment and coordinate individual work plans) but also life coaches (social workers who address difficulties such as personal debt), employment specialists (who identify job opportunities that match participants' profiles), and physical and mental health experts (who coordinate access to health services).

The above specialists meet regularly to discuss each participant's progress, and jobseekers' work plans generally have input from at least four professionals. They are also offered internationally tested life-skills programmes such as the Tackling the Tough Skills course. Although Fit-4-Work has a high upfront cost, evaluations also suggest it has a significant impact on employment rates.¹¹⁴ Such approaches are worth exploring here.

Recommendations

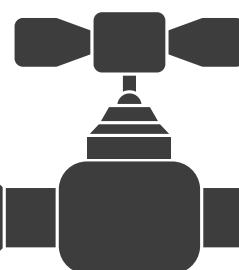
- ▶ Ensure that, where appropriate, contracted providers are funded to provide a holistic range of supports to jobseekers
- ▶ Increase the number of case managers employed by MSD, so that they are able to give more dedicated attention to the beneficiaries with whom they work
- ▶ Increase the training given to case managers, with particular emphasis on ensuring they deeply understand the full range of ALMPs available to jobseekers
- ▶ Take other steps, including improving pay and conditions, to aid retention of case managers
- ▶ Explore the potential for AI systems to improve services and free up case manager time
- ▶ Consider allowing case managers more flexibility in the support they provide, with appropriate checks
- ▶ Continue moves to deepen the initial assessment of jobseekers' history, attributes and aspirations
- ▶ To support those moves, develop a standardised assessment tool that ensures case managers build up a holistic picture of the jobseeker
- ▶ Continue moves towards constructing detailed job plans for beneficiaries
- ▶ Consider adopting models that involve multidisciplinary assessment and support for high-needs jobseekers

10. More multifaceted interventions

As noted above, a consistent theme of the international literature is the need for more multifaceted interventions that address the multiple barriers some jobseekers face.

It is pleasing to note that New Zealand has taken steps in that direction in recent years, including the introduction of Mana in Mahi, which includes elements of job placement, on-the-job training, pastoral support and wage subsidies. It has received broadly positive assessments and is rated by MSD as ‘effective’. Significant gaps, however, remain, as noted in the 2021 stock-take of ALMP provision.

Our general recommendation, then, is to encourage continued moves in this direction. This would be in line with steps taken by other governments. The British government, for instance, has recently announced it will spend an extra £1 billion a year supporting people with long-term health problems into work. A British work and pensions minister, Alison McGovern, has said she wants jobseekers to be “given the time so that they can tell their whole story. Jobcentres will then be able to pick up the phone to tailored, specific support for that person’s barriers, then support once they are in work as well. We’ve got to see the whole person.”¹¹⁵



115 Elgot, ‘Job centres will no longer force people into “any job”’.

Individual Placement Support

As an example of a multifaceted intervention, we note the successes of Individual Placement Support (IPS), a scheme that places employment specialists within community mental health teams. Providing this wider range of supports in one place can help individuals experiencing mental health problems retain, or find, paid employment. This is particularly important given that at least three-fifths of beneficiaries have accessed mental health services in the last three years; those people are both less likely to exit the welfare system and, if they do, to remain off-benefits.¹¹⁶

IPS works by ensuring an employment consultant is included in the clinical team, and employment support is integrated with mental health and addiction treatment. The employment consultant provides assistance including: help finding jobs that fit a person's preferences and skills; working with local employers to identify job opportunities; and "benefits counselling" to explain the impact of paid employment on income support payments and facilitate connections with local Work and Income services. Personalised supports continue for as long as the person wants, including support to keep their job, find another job or advance their career.

Overseas research finds that IPS significantly increases people's chances of being in paid work. The scheme has been partially rolled out in New Zealand, and was the subject of a positive assessment published in late 2024.¹¹⁷

That assessment found that IPS participants had, over a period of three years, significantly higher rates of employment than similar individuals who did not go through the programme. Income from all sources was \$4,200 higher for the IPS group and – of particular interest from the state's fiscal point of view – they paid on average \$250 more in tax annually. That, combined with lower welfare costs, meant the state saved \$450 a year just in financial terms, without counting the wider social benefits. The evaluation also found significant increases in employment and increased mental health service engagement for Māori.

IPS, however, is available only in 12 out of 19 health districts. Workwise, a major provider of IPS services, estimates it would cost around \$10 million to complete the rollout across the country.¹¹⁸ This would seem a sensible investment.

We note, however, that IPS is largely aimed at the most acute end of the mental health spectrum, and that a much wider range of people with less acute mental health issues also need support. Evaluations of IPS have noted its potential to be adapted for that wider range, potentially with design modifications.

Meanwhile, evaluations of programmes like He Poutama Rangatahi have noted that such schemes would be significantly more effective if they could refer their young participants to high-quality mental health services.¹¹⁹ Individuals with a psychological condition now make up exactly half of the 93,000 people on Jobseeker Support – Health Condition and Disability. On a related note, a landmark UK report has just called for health services to be integrated into job centres to assist around 3 million "economically inactive" people (back) into work. Clearly this is an area meriting significant attention.¹²⁰

116 Riley et al., 'Review of Active Labour Market Programmes', p.87.

117 <https://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/research/integrating-employment-support-with-primary-healthcare-services.-a-review-of-models-and-evidence/integrating-employment-support-with-primary-healthcare-services-literature-review.pdf>; Moira Wilson, Fiona Cram, Sheree Gibb, Sarah Gray, Keith McLeod, Debbie Peterson and Helen Lockett, 'The impact of Individual Placement and Support on employment, health and social outcomes: quasi-experimental evidence from Aotearoa New Zealand', *New Zealand Medical Journal*, 137 (1602), pp.27-54.

118 The funding would help employ 60 extra front-line staff, with infrastructure and implementation support included, on top of the approx. 100 already employed. Warren Elwin, personal communication, 3 July 2025.

119 Spee et al., *He Poutama Rangatahi Evaluation Report*, p.73.

120 <https://www.theguardian.com/society/article/2024/jul/22/integrate-nhs-services-and-job-centres-to-get-more-people-working-report-says>.

ACC: a model to emulate?

Several interviewees for this report noted the enhanced support that the Accident Compensation Corporation (ACC) provides to people with significant injuries. Notably, ACC's Stay at Work scheme funds a physiotherapist to work closely with the person affected and their employer, meeting frequently with both parties and drawing up a carefully calibrated plan for a gradual return to the workplace and/or increase in duties. Evidence shows this is often effective.¹²¹ This is a significantly greater level of support than that generally made available to people who may be equally disadvantaged in the labour market but have not experienced the kind of injury that would bring them within ACC's ambit.

This is, of course, merely a microcosm of the significant and well-established inequality in care between ACC's treatment of people with injuries and the wider health and social sector's treatment of people with illness. Numerous calls over the decades have been made for the ACC system to be extended to cover long-term illness, as was the vision of the scheme's originator, Owen Woodhouse. Politicians, however, have been reluctant to fulfil this demand, largely because of the cost; the Green Party, which does support the extension, has costed it at \$3.3 billion a year.¹²²

Such questions are ultimately beyond the scope of this report. We note, however, the strong pro-equity reasons for attempting – at least to some degree – to place illness and injury on an equal footing. We also suggest that the (comparatively) holistic and wraparound nature of ACC support should be a kind of touchstone for ALMP policymakers – something that, where possible, should be emulated.

Recommendations

- ▶ Increase funding for multifaceted interventions where there is demonstrable need and doing so is likely to be cost-effective
- ▶ In particular, complete the IPS rollout at a cost of approximately \$10 million
- ▶ Investigate options for delivering integrated health and employment support to a wider range of people, especially those with mental health conditions
- ▶ Investigate ways to bring ALMP provision – where possible – up to the standard offered by ACC

121 Riley et al., 'Review of Active Labour Market Programmes', p.84.

122 Green Party, 'Ending Poverty Together', Wellington, 22 June 2023, p.19.



New Zealand Post

The Just Transition programme, a joint initiative between the union E tū and New Zealand Post, is designed to help the postal workforce through a period of immense change.

Former E tū organiser Joe Gallagher, now working in the maritime sector, says the programme's genesis was the 2022 closure of Auckland's Ovato printing plant. To help the 150 workers being made redundant, he decided to connect them with other local employers who needed staff. "I went on TV and said we were going to organise a jobs fair. I kind of got overwhelmed by the response from employers calling me – my phone rang for 24 hours! Then I organised the job fair. It was like speed dating."

Not only was the job fair successful, the broader idea – helping staff find new work rather than go onto a benefit – seemed a sound one. So Gallagher pitched the concept to New Zealand Post, who "ran with it and made it flourish", in the words of current E tū organiser Chris Rigby.

The programme got labelled Just Transition, a phrase that's normally associated with global heating but which, Gallagher says, "has a connection to any industry that's facing change". The programme's test case was the closure of a Post subsidiary, Contract Logistics, in which 80 people were being made redundant across two sites in Auckland and Christchurch.

Staff were surveyed about the supports they wanted, whether it be to learn new skills, retrain for a different career, or be redeployed within their industry. The services then offered included three on-site job fairs, financial advice sessions, and CV and interview clinics. The collective agreement ensured staff were given \$800 each to pay for courses and other transitional initiatives. MSD's Early Response team ran work transition sessions, literacy and numeracy classes were organised, and "lots" of staff signed up for forklift and truck licence courses, New Zealand Post's Liz Martin says.

The Just Transition team also pulled together a committee with representatives from MSD, MBIE and other departments connected to training and active labour-market policies. Rigby says: "We got them in the room and focused on what they could do for the workers – what vacancies were they aware of, connecting people up with local businesses that had work going, bringing them [employers] in and promoting them to the workers".

The process, he adds, was about “providing additional support to help them on the next stage of their working life. People feel more confident when they are being supported into that ... [Whereas] with a normal redundancy process, it’s, ‘Here’s some money to help you on your way, bye!’”

At the end of the process, 40 Contract Logistics staff had secured work elsewhere, and 20 went into tertiary study. Everyone else, Rigby says, had retired or was otherwise in “a situation where they wanted to be”. A staff survey returned an 8.7 out of 10 average engagement score for the Just Transition process, and during the subsidiary’s wind-down absenteeism fell and productivity increased.

The Just Transition relationship is underpinned by the fact that New Zealand Post has been unionised since the nineteenth century, Rigby says. “It’s part of the furniture.” For her part, Martin says it’s about “working collaboratively, and having a genuinely positive and constructive relationship with the union”.

After Contract Logistics closed, a similar process was run when the Post’s Manawatū mail sorting centre was set to be wound down, affecting 70 staff. There, the on-site job expo “was probably the most valuable activity”, Martin says.

New Zealand Post is also looking forwards. Another staff member, Jody Bloomfield, is working with employees who are at risk of future redundancy as mail volumes decline, trying to ascertain what skills they might need in that transition. Their main requests, she says, are for help with digital capability, financial literacy, and practical skills like truck and forklift driving.

Foundational elements like literacy and numeracy have also been assessed. Half the Christchurch staff were found to have literacy gaps, Bloomfield says, while three-quarters of the South Auckland staff had gaps in either literacy or numeracy.

New Zealand Post is now working to improve those foundational skills. Funding for this work comes from the Tertiary Education Commission and MBIE, even if the administrative cost of reapplying for short-term funds, and the lack of joined-up government, can be frustrating. Overall there is “definitely” a positive outcome for New Zealand Post, Bloomfield says, and the organisation is firmly behind the process. “There is a commitment at the leadership level to do this. It comes right from the top.”

11. Seamless access to support

Much of this report understandably focuses on assisting people who find themselves on main benefits. It also makes sense, however, to focus on the other ‘ends’ of the process, both before individuals become unemployed and after they are placed into paid work.

Pre-unemployment

Pre-unemployment intervention makes particular sense because it is obviously desirable to help people avoid moving onto benefits in the first place. The government’s target to reduce Jobseeker Support numbers by 50,000 (from 2023 levels) will also be easier to achieve if fewer people are entering the welfare system.

The most obvious form that this intervention can take is to support people who are at known risk of redundancy, assisting them to be either redeployed within their firm, placed in another company, or given access to education and retraining. These kinds of supports have been extensively provided by New Zealand Post, in conjunction with the union E tū, in situations where subsidiaries and mail sorting plants have closed. This included helping put on job ‘expos’ where those about to be made redundant could meet local employers, as well as running workshops and providing transition grants that help fund staff to retrain. (See New Zealand Post case study on pp.112-13.)

As a state-owned enterprise that has received specific funding for transition processes, New Zealand Post is arguably in a better position than purely commercial firms to spend the time and effort on such schemes. There are, however, potentially similar benefits for commercial firms, in terms of being able to redeploy staff (which may be cheaper and more effective than making new hires), maintaining staff productivity in the run-up to a redundancy event, and so on. Firms could also be encouraged (to the extent that profitability allows) to see such transition support as part of their social responsibility to workers and their communities. There are also government funding streams available for even earlier intervention work, under which firms can get grants to assess workers’ abilities and upskill them in situations where technological and other change may place them at imminent risk of redundancy.

Early response

More concretely, MSD provides an Early Response – Redeployment Support service in situations of large-scale redundancies. This service helps provide the job expos described above, as well as information and advice sessions with workers. A 2021 stock-take cited evidence that “intervention before displacement can reduce time spent out of work and mitigate impacts of displacement”.¹²³ According to MSD’s Annual Report, in 2024 the service helped 2,010 people and assisted 1,308 firms affected by significant business closures.¹²⁴

One business told us that the early response service has been downgraded in recent years, such that it needs more notice before being deployed and requires MSD staff to be diverted from other tasks, rather than consisting of a dedicated team. (It is not yet clear whether the funding in Budget 2025 alters this situation.) If this is so, we believe it would be worth reconstituting the service in its more expansive form. Indeed a 2020 Productivity Commission report, noting the Early Response support for large-scale regional redundancies, argued it would be “equitable and potentially efficient to make such services available to any worker facing displacement”.¹²⁵

Community connections

MSD should also establish a formal agreement with employers and unions on handling large-scale redundancies. Local connections and knowledge are often vital in finding (re)employment. Crucial in this process are highly connected locals who hold strong relationships, have intimate knowledge of job opportunities (including those not formally advertised), and are pillars of their community. This approach could include an agreement for MSD to provide funding to a nominated member of the local community – be they a union organiser, NGO stalwart or other – to work with those about to be made redundant.

The story of the 2009 closure of Christchurch clothing manufacturer Lane Walker Rudkin shows how this can be done. One employee about to be made redundant, Jack Taylor, was paid by MSD to help the whole workforce respond to the shock.

Taylor later told RNZ that he met every single staff member, “getting to find out what they wanted to do, whether they wanted to do full-time, part-time, whether they were going to retire; what other skills that they had that I could match up to employers”. He cold-called local employers to ask about vacancies, arranged transport for job interviews, and checked on people’s welfare. Though it took nearly a year, Taylor found jobs for all but 6-8 of his former colleagues.

Having a trusted local do this work was crucial, Taylor argued. “The people that pushed for it said, ‘Well we don’t think you [the ministry] can do it as well as what we’re arranging for it to be done, because it’s on a one-to-one basis, they know Jack, they’re not talking to a stranger on the phone and if they’ve got an issue they’re quite prepared to talk about it.’ That was the big thing.”

While this arrangement created an upfront cost for MSD, it clearly paid huge social dividends. And research suggests that where re-employment support is built into a closure or restructuring process, people made redundant will fare just as well as those not laid off.

123 Riley and Gerard, ‘Review of Active Labour Market Programmes’, p.52.

124 Ministry for Social Development, *Annual Report*, p.21.

125 Productivity Commission, *Technological change and the future of work*, p.82.

Assisting workforces through change

Any employer commencing a formal redundancy process should be required to inform MSD of the fact. This would help ensure seamless support, allowing MSD to provide the employer with a comprehensive outline of the kinds of assistance that both management and staff could draw on if they so wish. It would also ‘open the door’ to further conversations between MSD, the business and local unions.

In this scenario, the redundancy support services described above are more likely to be delivered consistently, rather than in an ad hoc manner as at present. This legal duty would also address the lack of comprehensive data on the number of redundancies that occur annually, something that leaves policy-makers unsure of how much support the system needs to provide.¹²⁶

In addition, the government should reform the assistance provided to employers who believe redundancies are likely in the next few years and are looking to pre-emptively assess and upskill their workforce. Currently such funding is provided by MBIE and the TEC, but the supports are not well-aligned and the criteria may be overly tight. A model of co-investment between business and government may be most appropriate.

Post-placement

The system’s focus is, understandably, on placement *into* work. There are, however, good reasons to think that support in some cases needs to continue *post* placement.

First, as already discussed, only 40% of people remain in paid employment 18 months after leaving the benefit. Second, a narrower group of people are cycling on and off benefits very frequently. Research in 2012-13 suggested 5% of jobseekers who return to a benefit after exiting into employment have had at least six previous spells on welfare. These jobseekers “represent considerable future benefit expenditure”, the research found, totalling billions of dollars over their lifetimes.¹²⁷ The 2017 Benefit System Performance report, meanwhile, found that jobseekers who return to a benefit soon after exiting to employment “cost almost twice that of other clients”. Conversely, jobseekers who sustained longer periods of employment were less likely to return to a benefit.¹²⁸ Multiple New Zealand interventions, meanwhile, see their positive results taper off rapidly after the first year of a participant being in work.

On the well-being front, research shows that returning to a benefit soon after exiting into employment can have “marked financial and psychological consequences”. Employment instability has also been shown to be a pathway to recurrent poverty, and high rates of child poverty are found amongst households who experience frequent work-welfare cycling.¹²⁹

¹²⁶ Riley and Gerard, ‘Review of Active Labour Market Programmes’, p.x.

¹²⁷ Kecia Painuthara, *In-Work Support trial – A Summary of Related Evidence and Evaluation Findings*, Ministry for Social Development, June 2021, pp.18-19.

¹²⁸ Quoted in *Ibid.*, p.7.

¹²⁹ *Ibid.*, p.6.

Explaining the churn

First, as described above, New Zealand ALMPs may not tackle foundational shortfalls (for instance in literacy) that make job retention difficult. Moreover, those entering the workforce can experience challenges including complex commutes, a less flexible schedule, heightened expectations (e.g. from co-workers and managers), difficulties managing childcare, new expenses (e.g. work clothes) and so on. MSD research notes that jobseekers may experience “increased financial vulnerability in the time between a last benefit payment and a first wage/salary payment”.

The pay, terms and conditions of the work involved may also make job retention difficult. Many jobs – as much as 30% of the total, on one estimate – are deemed insecure.¹³⁰ This short-term, precarious, contract-based employment often provides workers with little certainty as to hours worked, irregular income, low pay, few opportunities for progression, and few or no entitlements to things like sick pay and holiday pay. A rapid return to the benefit is also more likely when the job is a poor match for the individual’s skills and aspirations: as researchers have noted, “people are more likely to stay in work that they find more interesting and rewarding”.¹³¹

Relatedly, New Zealand ALMPs may taper off post-placement support too quickly. One business representative said there was “a real issue with pastoral care – I don’t think we are good at it.” If someone stopped turning up for work, it could be because a family member was battling addiction, or had been attacked, or their car might have broken down or their house flooded. “The best pastoral care is that MSD, or whoever, sorts out the problem so that [the individual] can go back to work.” A social investment approach would recommend investing more in such support, this person argued.

On a similar note, the formal evaluation of He Poutama Rangatahi (HPR), a scheme that works with at-risk youth, found it generated strong increases in incomes and earnings in the first year after young people found a job, but those improvements had disappeared (relative to the control group) after two years. The evaluators suggested this could be linked to the fact that HPR is funded only to work with young people for one year post-employment. Conversely, Individual Placement Support (IPS), which delivers strong positive results, funds providers to work with individuals on a time-unlimited basis post-placement. (See above.)

“People are more likely to stay in work that they find more interesting and rewarding.”

130 Council of Trade Unions, *Under Pressure: A Detailed Report into Insecure Work in New Zealand*, Wellington, 2014.

131 Painuthara, *In-Work Support trial*, p.9.

Potential solutions

International research suggests that jobseekers, especially those who have been moving frequently on and off benefits, are more likely to retain employment if supported by a combination of services and payments.¹³² The services are typically delivered by a case manager who provides guidance and assists the jobseeker to access relevant programmes; the payments are paid at intervals (e.g. six and 12 months after starting employment) to assist with in-work costs and incentivise job retention.

Such schemes have occasionally had success in New Zealand in the past. The 1990s-era COMPASS scheme, aimed at domestic purposes benefit (DPB) recipients, provided counselling, childcare support, training assistance and counselling. Evaluations suggested that it led to more rapid and sustained movement off-benefit.¹³³ In 2015, a pilot scheme called Intensive Client Support allowed case managers relatively low caseloads (1:40) and the chance to work one-to-one with jobseekers, with some success.

In line with this report's overarching theme, international research has also found that "broad and basic case management is unlikely to be enough to support retention and career advancement". Especially for people with complex needs, including health conditions and disability, post-placement support may need to be intensive, integrated and ongoing. This implies, in turn, that contracts for individual ALMPs should allow providers the flexibility to be responsive to participants' individual needs.

Accordingly, some key elements of successful job-retention services are:

- ▶ Service delivery is seamless and begins before people have moved off benefit; this requires a dedicated case manager who is able to let individuals know, even while they are still job-hunting, that there will be supports available post-placement.
- ▶ Services are widely advertised, through case managers (as above) but also in email to beneficiaries, on posters in job centres, and so on.
- ▶ Case managers have sufficient time to spend with individuals post-placement.
- ▶ Services are flexible and tailored to the individual's needs.

Post-placement services should be (at least loosely) targeted to jobseekers already cycling on and off benefits, or likely to be so. Past experience does suggest that the real-world limits of welfare systems (including constrained case manager time and knowledge of beneficiaries) make it difficult to target such services with perfect accuracy. Nonetheless it would obviously be inefficient to offer such services to all jobseekers.

¹³² Ibid., p.11.

¹³³ Ibid., p.14.

Current provision

New Zealand offers several (relatively modest) schemes to assist job retention. Arguably this includes the Transition to Work grant, set at a maximum of \$1,500 and covering expenses such as tools or clothing for work, relocation costs, and living expenses between an individual's last benefit payment and first pay. While this is technically aimed at the transition period, it addresses some of the problems that can affect job retention. Although it is not possible to formally evaluate the grant's effectiveness, anecdotally it is valued by jobseekers. However, the \$1,500 cap does not appear to have been increased for some time, eroding the effective support it provides.

MSD also offers the incentive-based In-Work Payment (IWP), targeted at people known as High Entry-Exit Clients (HEECs). The IWP is capped at \$3,000 and available to just 1,000 clients a year.

The IWP is paid on the following schedule:

- \$500 at one month after beginning employment
- \$500 at three months after
- \$1,000 at six months after
- \$1,000 at 12 months after

A further condition of the IWP is that it is available only to people also receiving the In-Work Support Service (IWS). This is officially described as involving “inbound and outbound calling over a 12-month period”, with contact made through phone, email and text messages.

Among other things, the IWS offers the following:

- advice about financial support for which a participant may qualify;
- information about other supports, for example budgeting or relationship services ;
- regular check-ins to see how things are going at work;
- work-related advice, for example on training and mentoring; and
- advice on how to manage a disability or health condition while working.

Past evaluations have found only a modest effect from the service. This could be because it does not meet the above criteria (i.e. it may be insufficiently resourced, not intensive enough, and not begun soon enough). At least in the past, MSD material suggests it was delivered by phone-based customer service managers, who among other things were not able to authorise the same range of payments as case managers. Qualitative research nonetheless suggests the service is highly valued by participants.

Wider issues

Although jobseekers value the IWS, the formal evaluation noted that “other barriers to sustainable employment that could not be resolved through the service meant clients often had no choice but to return to a benefit”.¹³⁴ These barriers are, as above, numerous. They may relate to costs and challenges incurred outside the confines of the workplace itself, such as childcare and transport costs.

As the story of Mahina Leong makes clear (see story on pp.128-29), the barriers may also relate to wider social issues such as the lack of affordable housing: as employers like her have found, people in insecure housing are unlikely to retain secure employment. So although the government can (and, we argue below, should) strengthen the specific MSD programmes aimed at supporting job retention, there is a danger that those schemes will be swamped by wider failings in New Zealand’s social and economic policies.

A second set of issues occur within the workplace itself. As one MSD report noted, providing specific in-work services “may make no difference to outcomes if clients are on zero-hour contracts, in low wage roles, or experiencing insecure employment ... people use the IWP to pay bills, debts, rent, food, and clothing, indicating that this group of clients may struggle financially, even though they are in employment.”

Jobseekers with disabilities or health conditions, meanwhile, are “more likely to return to a benefit due to physical or mental ill health issues that could be exacerbated by stressful work situations”.

Significant changes, in short, are needed to remove the precarious, low-paid, insecure or otherwise unhealthy elements of the jobs that are most often available to beneficiaries. (See below.) Without such reforms, MSD spending on in-work support may be much less effective than it should be.

Given the substantial costs of frequent off and on benefit movements, both fiscally to the government and personally to the individuals concerned, this appears to be a field where more effort is needed. Although some steps are reasonably obvious, it would also be worthwhile surveying people who have not been able to retain employment, to ascertain what they would find most helpful.

“Jobseekers with disabilities or health conditions, meanwhile, are ‘more likely to return to a benefit due to physical or mental ill health issues that could be exacerbated by stressful work situations’.”

Recommendations

Pre-unemployment

- ▶ Mount an education campaign to encourage firms to help employees prepare for coming workplace disruption
- ▶ To support that, maintain and reform funding streams for employers to work with workforces at risk of significant disruption or redundancy
- ▶ If necessary, restore MSD's Early Response service as a properly resourced stand-alone unit
- ▶ Create funding to employ local figures to assist displaced workers in mass-redundancy events
- ▶ Create a legal duty on employers commencing redundancy proceedings to inform MSD of the fact, to help ensure the appropriate supports are delivered

Post-placement

- ▶ Commission research with High Entry-Exit Clients on new or improved services that they believe would assist job retention
- ▶ Pilot the extension of schemes like He Poutama Rangatahi to include two years rather than one year of post-placement support, to see if this makes a significant difference
- ▶ Increase the value of the Transition to Work grant, to reflect recent inflation
- ▶ Reform IWS in line with international research, to ensure it is delivered earlier, better resourced and more flexible
- ▶ In addition, pilot reforms to make IWS time-unlimited in the same manner as Individual Placement Support, again to explore if this delivers greater success
- ▶ Where new workers experience workplace problems like bullying or harassment, strengthen providers' ability to support them and, where necessary, refer them to mediation or other services
- ▶ As above, develop a defensible process for allowing refusal of poor job matches, to address the fact that individuals stay longer in work for which they are well-suited
- ▶ Address wider issues such as childcare costs and housing availability
- ▶ Tackle insecure and precarious work

12. Building connections among jobseekers

One major initiative we propose is a scheme to help jobseekers work with each other to develop their confidence and capabilities.

In recent decades, several European countries have had success with a scheme that translates as **Launching Pads for Employment and Entrepreneurship**. It brings together jobseekers from a wide range of backgrounds in groups of 20, supervised by a highly trained job coach, to work towards education, training or employment. Its core idea is to break down the isolation often experienced by jobseekers, bringing them into an environment where they can pool their knowledge and experiences, brainstorm ideas, and develop plans together.¹³⁵

The programme prioritises the long-term unemployed, as well as younger jobseekers and women. There are also specific Launching Pads for women with difficulties accessing the labour market, jobseekers over 45, and those seeking work in renewable industries. Online versions were run during the pandemic, while a technology-driven version has a hybrid virtual and face-to-face format.¹³⁶

The Launching Pads are highly structured, and participants commit to meeting 3-5 times a week for an average of five months.

The Launching Pads have four main objectives:

- ▶ **Fostering personal development:** restoring self-esteem and self-confidence through mutual support;
- ▶ **Improving the employability of participants:** providing job-search assistance, skills assessments, analysis of local labour markets, networking, and personalised action plans;
- ▶ **Encouraging entrepreneurship:** identifying and developing entrepreneurial skills, generating and developing business ideas, and drawing up business plans; and
- ▶ **Establishing networks of connections:** creating contacts with employers, professionals, entrepreneurs and experts.

These goals are, in turn, achieved in four stages:

- ▶ **Diagnosis:** participants identify and share their feelings related to unemployment, and receive information on labour market trends;
- ▶ **Networking:** participants participate in networking sessions, visit employers or entrepreneurs, and develop business plans; and
- ▶ **Action plans:** participants develop action plans, identify companies of interest, and start working on the required skills;
- ▶ **Implementation:** participants implement their action plans.

¹³⁵ Dromundo et al., *Innovative approaches to tackle long-term unemployment*, p.11.

¹³⁶ <https://en.fundaciontelefonica.com/news/were-introducing-new-employment-launch-pads-in-spain-in-2016/>.

The scheme is funded largely by the European Social Fund, and was originally developed by a Spanish NGO, the Fundación Santa María la Real del Patrimonio Histórico. A key element of its success is that the Launching Pads are overseen by professional job coaches who work alongside the jobseekers to draw up ‘employability maps’ that define the activities and training required to improve their motivation, skills and employability. The job coaches, who must have a university degree, experience in team management, and good digital and communication skills, receive 140 hours of training.

Since the programme began in 2013, more than 730 Launching Pads have been implemented in Spain alone, helping more than 19,000 jobseekers. The cost of a five-month Launching Pad has been estimated at somewhere between €30,000 and €40,000 – roughly €1,000-2,000 per participant. A detailed evaluation of the Launching Pads estimated that they increased participants’ probability of finding a job by 21 percentage points, as well as improving the quality of the jobs found. Another evaluation found that for every €1 invested, the programme generated €2.80 in wider social benefits.¹³⁷

“By embracing the principles of solidarity and mutual support, the Launching Pads aim to help jobseekers become active protagonists who creatively engage with a dynamic society,” European researchers have written.¹³⁸ Entrepreneurship experts, meanwhile, argue the scheme “strives to counter the stigma of unemployment and frame it as an opportunity to strengthen one’s skills and develop an entrepreneurial mindset ... the scheme also aims to free the unemployed from isolation, loneliness, discouragement and invisibility, and to facilitate a position of visibility and proactiveness.”¹³⁹

“Another evaluation found that for every €1 invested, the programme generated €2.80 in wider social benefits.”

Past examples

In the 1990s and early 2000s, MSD operated Job Clubs as a voluntary group jobseeking programme for people receiving a health- or disability-related benefit.

According to the employment assistance catalogue, these were relatively limited interventions: participants met daily for two weeks under the supervision of a trained group leader, following which there was on-going support for eight weeks.¹⁴⁰ It is not clear how effective these schemes were. Similar schemes also operated in Britain in the 1980s; anecdotally they were not especially successful, although they appear to have operated in a perfunctory, low-intensity manner.

137 Dromundo et al., *Innovative approaches to tackle long-term unemployment*, p.15.

138 Ibid., p.13.

139 <https://betterentrepreneurship.eu/en/case-study/employment-and-social-entrepreneurship-launchpads-spain>.

140 https://ea.analytics.msd.govt.nz/?_inputs_&page=%22intervention%22&prog=%22PI_38%22.

Local delivery

We believe the Launching Pads' basic principles are transferable, and (a small sample of) jobseekers responded enthusiastically to the proposal during our research, provided that it would be run by a trusted NGO and not directly by an MSD office.

Beneficiary advocates indicated that although the schemes would have to be carefully moderated to ensure participants' safety, they could nonetheless be a worthwhile investment. In addition, we believe the Launching Pads' values of solidarity and collaboration would fit well with our cultural values of community, fairness, whanaungatanga and manaakitanga.

We were also heartened by reports from providers of schemes like He Poutama Rangatahi (HPR) that their programmes already had similar or incipient qualities, in the sense that they brought together otherwise isolated people and generated collective support (albeit in a less structured way). This suggests the potential to build on something partially local, rather than wholly import a new model.

A variety of delivery models could be explored. A full-scale version of the Launching Pads could be trialled here, perhaps as an initial tranche of 10 at an approximate cost of \$1m. (An original cost of €40,000 translates to around NZ\$80,000, and some allowance should be made for inflation and other issues.) They could be commissioned as a stand-alone service from NGOs with strong community links and track records of delivering similar schemes.

A Launching Pad-style element could also be added to the community commissioning envisaged for local youth employment services (see below). These could be akin to Launching Pads specifically for young people, adopted not as a stand-alone scheme but as an extra element that current providers – for instance those delivering HPR – could incorporate. This could be a more efficient and less disruptive form of innovation.

Recommendations

- ▶ Explore elements of existing programmes that already work a little like the Launching Pads, to see what can be learned from them
- ▶ Relatedly, explore indigenous and Pacific traditions of group discussion, so that they can influence policy design
- ▶ Establish a training centre, whether within MSD or elsewhere, capable of suitably training job coaches.
- ▶ This could harmonise with efforts to improve case manager training
- ▶ Pilot ten Launching Pads at an approximate cost of \$1 million
- ▶ Investigate adding Launching Pad elements to existing programmes for young people



Tyrone Clark

Tyrone Clark has set up barbershops, trained young people – and would like to upgrade his whole industry’s curriculum.

Originally from the Waipā area, Clark moved to Australia as a 17-year-old to play professional rugby league, then got into cutting hair after injury derailed his first career. That led to a return to New Zealand and the establishment of his first Cutthroat Brothers shop in Te Awamutu in 2020. “I had a vision to open a barbershop, just to create jobs and income,” he says. “We realised there’s not that many trained staff ... So how can we create great staff? And that led me to think, what if we could access funding to allow us to train our own staff?”

Under a contract with the Ministry for Social Development (MSD), Clark was training ten young barbers a year, the funding covering three trainers, tools and set-up costs. That contract has come to an end, but he’s looking to sign another with MSD, and is exploring other funding options.

The whole of the first year’s intake found employment, he says, meeting a key funding criterion. The Cutthroat Brothers empire now extends to four barbershops, including one in Hamilton, and he plans to soon open a fifth in Christchurch. Crucially, four of those five

barbershops will be owned by graduates from the training programme. “That was the whole pathway vision, creating opportunities, so it isn’t just, ‘Congratulations, see you later.’”

The plan is also for three of the five barbershops to carry on the training programme. In the original Te Awamutu outlet, the trainees have mainly been local youths aged 16-24. Many of them “realise they have a talent in barbering because they cut hair in the toilets at school, as you do ... and at [age] 19-plus, they are looking for an opportunity.”

One trainee had been couch-surfing before they started at Cutthroat Brothers. Others have grown up in “a culture of alcohol and drugs, all that background”, but Clark says he just cares “about the person”. And what is often holding back that person is their life skills. “Some people don’t have those attributes that employers are looking for ... It’s about people skills, turning up to work on time, being prepared for work ... talking to clients, being well-mannered.”

What makes the training work? Firstly, it's hands-on: "They are seeing the results in what they are doing. They're getting confirmation that it will really work." Secondly, Clark and colleagues provide "continuous support" to the trainees.

Thirdly, few people are better placed to mentor the trainees than someone who's been there, done that. "I myself come from the same background, that drinking culture, alcohol, all that,"

Clark says. "That was a normal part of life [for me]. But then you have kids – I've got five kids – and realise you don't want that for them."

He is, as a result, "pretty straight up [with the trainees] from the start". He tells them: "I wrote the book of lies, bro, so you can't lie to me. I'd rather know you are hungover than have you lying to me that your daughter is sick."

He knows he's got it right when trainees confess they "normally" call in sick a lot but, in this job, "really want to come to work". That gives him confidence "that the environment we have is working, is positive ... We're building that trust from the get-go."

Clark's interest in training also stems from a frustration with the state of the current curriculum. It tends, in his view, to see barbering as just a component of hairdressing. Meanwhile, the setting in which it is taught can be "really outdated ... like a high-school classroom".

In conjunction with one of the workforce development councils, he had been seeking NZQA accreditation for his own barbering curriculum, inspired in part by what he learnt in Australia. The councils were abolished by National, however, and the curriculum plans have "hit a wall". Still, there's potential in a curriculum that Clark believes could "go national" and be taught in other barbershops. "I have my own personal goals, and part of that is being a role model, having the intention to help others."

13. Vocational education

We have relatively little to say on vocational education, given its current state of flux, the pre-existing work in this area, and the fact that it merits separate investigation. We note, though, the recurring concerns we heard about the quality of vocational education, principally:

- ▶ Too much education, allegedly, was theoretical and classroom-based, and did not actually fit participants with the skills needed. For instance, participants were gaining classroom-based health and safety certificates for working with logging machinery, when it was in practice impossible to operate those machines safely without hands-on experience. “You can’t theorise handling big machinery,” as one interviewee told us.
- ▶ The ‘bums on seats’ funding model made it hard to fund programmes that might only have a handful of students but which were vital to a particular industry.
- ▶ Relatedly, training providers favoured mass classroom-based schemes because they were more profitable, even though that was often not what was needed. The Tertiary Education Commission funding schedule sometimes reinforced this trend.
- ▶ In one industry, training quality was so poor that the relevant workforce development council had actually recommended money be taken out of training and put into production instead, on the basis that participants would learn more on the job.
- ▶ Some interviewees felt training providers were selling students “a false prospectus”, claiming post-training employment rates that were not realistic.
- ▶ Jobseekers were being encouraged to participate in repeated low-value courses that did little to increase their employability (but racked up student debt).
- ▶ While the level of qualifications in the workforce has probably never been higher, this was not reflected in actual employability or skills possessed.
- ▶ Research by the Productivity Commission indicated that only courses at Level 4 or higher consistently increased participants’ incomes and employment rates.
- ▶ The quality of the Youth Guarantee courses designed to increase young people’s skills was a concern.
- ▶ The education system was felt to take a long time to stand up new qualifications, leaving it well off the pace particularly in industries subject to rapid technological change. In contrast, other countries were able to generate new qualifications within a year or so without compromising quality.
- ▶ Both employer groups and unions, in different ways, argued for greater and more flexible use of micro-credentials, greater recognition of the training employers provide on-the-job, and greater recognition of skills employees acquire on the job.

In terms of solutions, we will wait to see what eventuates from the new Industry Skills Boards and related reforms. We also broadly endorse the conclusions of the New Zealand Initiative report *Trade Routes*, which finds that young people need clearer pathways into trades training, more schools should specialise in vocational education, and employers could play a greater role in both providing and funding work-related training.¹⁴¹ The focus of that report is, however, largely on the higher level trades qualifications. As above, there are concerns that the lower level Youth Guarantee courses also need significant attention.

141 Johnston, *Trade Routes*.



Mahina Leong

Mahina Leong and her husband run a small courier company in Taranaki. Currently boasting six staff, the firm is around 15 years old. Along with those not on struggle street, it has taken on people others might not – some who have been sleeping in their cars, had a “blotchy” life record, or otherwise experienced difficulties.

Leong is at pains to say that she and her husband aren’t “such great Samaritans” or anything like that. “It’s more like, why not give it a go? We both believe in trying to make the playing field as level as possible, because we both come from slightly un-level backgrounds! We don’t like a lot of disparity between people – that’s the value-driven side of things.”

The work isn’t easy, she adds: “It really is very routine work – loading and unloading in all weather.” But if people are willing to give it a go, the firm is willing to give them a go.

Homelessness is a recurring theme in the lives of the people who come looking for work. Leong lists them off: some were sleeping in their vehicles, some were just “not well-housed”, some were in transient renting situations.

That, of course, makes it hard for them to retain employment, even in a firm that pays more than the Living Wage. “Housing is absolutely key,” Leong says. For instance, she knows a man who’s sleeping rough and who tells her “that he would love to work, but when you can’t get yourself washed and spruced-up, if you’ve been living with your dog in the bush for 18 months, it’s hard to find the circuit-breaker.” Leong says the social exclusion is profound. “It does something to the soul. These people aren’t in any meaningful way included in the life many of us are privileged to lead.”

Often these people are dealing with abusive partners, family tragedies and mental health struggles. “It’s the accumulation of things that becomes overwhelming for people who have already begun so far back from the starting line.”

Occasionally, when they have had trouble recruiting, Leong has asked for referrals from Work and Income, and a couple of those people have become employees. But she has noticed significant turnover among the Work and Income staff, be they case managers or work brokers. “Often staff move on and contingencies for clients appear not to have been addressed,” she says. “The continuity gets lost.” In addition, the staff seem “so overworked that they don’t always follow up appropriately – they don’t tie up the loose ends”. This has an “immediate and at times irrevocable” impact on jobseekers’ prospects.

Leong has also encountered Work and Income jobseekers turning up for interviews because they feel required to do so, not because they want the job. “One chap said, ‘I don’t know what I’m doing here ... They make us go for these things. I’ve got no interest whatsoever [in the job].’ I said to the work broker, ‘There’s no point for me to come in, if people aren’t interested in the kind of work we have to offer. So please don’t put them forward.’ If they don’t want us, we don’t want them.”

Pushing people to accept anything and simply chucking them into jobs isn’t the right approach, Leong adds. “This may make data, numbers or whatever look good from an institutional perspective, but for those who want to find, via employment, a real livelihood, this isn’t going to work. They will come in. They won’t stay. And you will have trained them, which takes time, money and effort. A loss all-round.” A better approach, she thinks, would be to say, “Let’s find what you’re interested in, what you might really want to stick at – and let’s watch you grow.”

14. Business responsibilities

A recurring theme of this report is that the welfare-to-work system should satisfy the needs of both jobseekers and businesses, but does neither to an adequate degree. The report's recommendations thus far have focused on the steps that government should take to address the situation.

A frequent theme of the feedback on our draft conclusions, however, was that businesses also needed to shoulder some proportion of the responsibility. This was seen as having two principal dimensions: ensuring that workplaces are safe and attractive environments, and contributing towards the cost of initiatives.

Conditions of work

Evidence shows that the industries former beneficiaries are most likely to enter are also the ones frequently characterised by precarious, insecure, low-paid work. Some businesses argue that this work merely constitutes a necessary 'flexibility' from a firm's point of view. But a distinction can be drawn between a 'flexibility' that suits both parties (e.g. highly paid contract work for consultancy firms) and a 'precarity' that suits only the employer (e.g. low-paid shift work that provides the worker with little predictability, income or control over their lives).¹⁴² There are also some workplaces where labour laws are routinely violated.

The solutions to these issues are complex, but significant effort is needed to either eliminate certain forms of precarious work (where there is no justification for it) or, where it cannot be eliminated, find ways to minimise its negative impacts on the workers concerned. **This might include:**

- ▶ Unwinding recent extensions of 90-day trials, which have been shown by research not to increase hiring but which do increase instability in workers' lives¹⁴³
- ▶ Industry-by-industry standard-setting of terms and conditions, to protect good employers from being undercut by worse ones, as is commonplace overseas
- ▶ Expanding the definition of 'employee' to include dependent contractors (those whose work is effectively controlled by the employer and akin to an employment relationship)
- ▶ Making it harder for employers to incorrectly classify employees as contractors, for instance by reversing the burden of proof so that employers have to prove that people are contractors, rather than individuals having to prove that they are employees
- ▶ Ensuring that 'main' employers – those furthest up the supply chain – retain responsibility for employment conditions and legal violations, preventing them from avoiding those responsibilities by pushing them down to subcontractors
- ▶ Employing more labour inspectors, and toughening penalties for employers found to have broken the law¹⁴⁴

142 Council of Trade Unions, *Under Pressure*.

143 <https://www.motu.nz/our-research/population-and-labour/individual-and-group-outcomes/the-effect-of-trial-periods-in-employment-on-firm-hiring-behaviour>.

144 Council of Trade Unions, *Under Pressure*, pp.59-66.

In addition, the government is currently consulting on ways to make Working for Families more responsive to changes in circumstances, and other mechanisms for easing the transition into work. Currently, the welfare system often responds poorly to individuals and families who, thanks to insecure work, have incomes that vary significantly from week to week or month to month. The system is not very good at ‘smoothing out’ uneven flows of labour-market income, or at ensuring those people can enjoy stable incomes overall, regardless of the amount of work they have at a given point in time.

It also does not correct over- and under-payments of Working for Families until the year’s end, leaving some families with either large annual lump sums (which would have been more use paid regularly throughout the year) or, even worse, large amounts to be repaid. Although this consultation remains underway, the government’s general direction of travel – which is to allow families greater flexibility about how they receive their payments, and detect over- and under-payments more quickly – is to be commended.

Who pays?

Because of the widespread social benefits from ensuring that jobseekers are more work-ready, the government largely pays for the ALMP system. Businesses, however, also enjoy a direct benefit, especially if the state has spent considerable sums training the workers they then employ. This raises questions about the extent to which businesses should foot the bill.

Business organisations typically argue that companies already put significant effort and money into training their staff, in ways that are often not adequately recognised by the qualifications system. The data, however, are somewhat unclear. One recent Productivity Commission report showed that New Zealand has among the highest rates of adult participation in education or training “for job-related reasons”.¹⁴⁵ Much of it, though, is “non-formal” education of potentially low quality, and not necessarily paid for by the employer.

A 2016 report argued that “the limited evidence available suggests that the actual volume of training and the proportion of employees in New Zealand participating in employer-funded training has declined over the past decade”.¹⁴⁶ In the most recent Survey of Working Life, run in 2018, just 46% of employees reported receiving on-the-job training in the last 12 months, while 32% had undergone study paid for by their employer. (Some employees will have received both.) Four in 10 employees had not taken part in training, courses, or job-related study at any point in the previous year.¹⁴⁷

145 Productivity Commission, *Technological change and the future of work*, p.51.

146 Gail Pacheco, Philip S. Morrison, Bill Cochrane, Stephen Blumenfeld and Bill Rosenberg, ‘Understanding Insecure Work’, New Zealand Work Research Institute and the Centre for Labour, Employment and Work, 2016.

147 Author’s calculation from Survey of Working Life, Statistics New Zealand, 2018.

Wider perspectives

Businesses, arguably, contribute to the costs of the welfare-to-work system through corporate tax paid at 28% of profits, although that tax is not specifically set aside for ALMPs. Such ring-fencing, or other methods of making a clearer link between payments and services, could be explored.

In its recent report on vocational training, the New Zealand Initiative think-tank notes that the German system – widely regarded as one of the world’s best – is substantially funded by a compulsory levy on all German companies. Its vocational education schemes are, in turn, delivered through local chambers of commerce. The system is widely supported – including, remarkably, by firms that do not carry out training themselves – because the quality of the graduates, and the levels of their employment in German firms, are exceptional.¹⁴⁸

The New Zealand Initiative argues that this system is culturally too far removed from ours to be readily replicated, but that is a proposition worth testing. It would be instructive to see whether New Zealand firms were, in exchange for effectively having greater control over vocational education, willing to pay more directly towards the costs of that provision. It would also be instructive to see if the results were as good as those seen in Germany.

Wage subsidies

Some interviewees expressed concerns about the wage subsidies paid under some ALMPs in order to encourage firms to take a chance on people they would not otherwise hire. This is, of course, a direct subsidy to business, and could be criticised for subsidising wage costs that firms themselves should bear. This concern is amplified to the extent that companies might have employed those individuals even without the subsidy, thus rendering it a pure transfer from taxpayers to the firm.

Although these concerns are understandable, well-targeted wage subsidies are justified. First, individuals with complex personal, health-related and employment histories may genuinely represent a greater risk, or take greater support in the workplace, than those without. A subsidy to the employer – as long as it is not overly generous and is strictly time-limited – seems justified. Second, the international evidence is that wage-subsidy schemes are highly effective in boosting people’s long-term employment status and income. New Zealand’s main wage subsidy, Flexi-Wage, has been found to improve employment, income and exits from the welfare system; it is rated ‘effective’ by MSD.¹⁴⁹ These broad social benefits justify at least moderate expenditure.

In conclusion

The broader principle here is that some kind of social contract, with rights and responsibilities on all sides, should apply. We have a common interest in New Zealand businesses being able to find suitably qualified and motivated employees, and that justifies taxpayer investment in services that provide significant long-term benefits to those businesses. The corollary of that, however, is that there is a responsibility on those companies to ensure those employees are well-paid and enjoy good terms and conditions.

¹⁴⁸ Johnston, *Trade Routes*, pp.11-16.

¹⁴⁹ Riley et al., ‘Review of Active Labour Market Policies’, p.109.

Part III

Population-specific
recommendations

15. Māori and Pacific Peoples

Welfare-to-work policies are more likely to be effective if they are delivered by organisations that know their communities well and are sensitive to the different values and needs people from those communities will bring. This is particularly true for Māori and Pacific Peoples, who have long experienced discrimination in the workplace but, conversely, have clear ambitions for work and positive values they want to see reflected in ALMPs. The fact that young Māori and Pacific Peoples will make up an ever-greater share of the future labour force only underlines the need to ensure that services work well for them.

The need for provision

As explored in previous sections, Māori and Pacific Peoples experience unemployment and underutilisation rates that are (approximately) twice those of the European population. Research has also argued that Māori unemployment is systematically underestimated.¹⁵⁰ Other research carried out for the Welfare Expert Advisory Group indicated that individuals deemed to be ‘cycling’ on and off benefits – roughly 20% of beneficiaries – were disproportionately likely to be young, male, Māori, and living in the East Coast, Bay of Plenty or Southern regions.¹⁵¹ Stock-takes of provision have noted, in addition, a gap in training and work opportunities for Māori and Pacific Peoples that will lead to higher skilled roles and industries.

Specialist Māori provision

MSD’s Employment Assistance evaluation catalogue includes (but is not limited to) the following schemes:

- ▶ Paiheretia Te Muka Tāngata, a cross-agency initiative to support both tāne in the Corrections system and their whānau to develop pathways to achieve their aspirations, including employment;
- ▶ Te Puni Kōkiri’s Cadetships programme, which supports kaitono (employers) to develop, mentor and train Māori staff into higher-skilled roles;
- ▶ The Māori Trades and Training Fund, which supports community-led employment and training programmes through partnerships between Māori and the Crown, although this has recently been cancelled; and
- ▶ Te Rākau Rangatira, a kaupapa Māori and Whānau Ora based programme that aims to support its members to return to wellness and move towards and into employment.

¹⁵⁰ <https://www.teputahitanga.org/2021/11/03/te-putahitanga-o-te-waipounamu-and-sense-partners-release-reports-on-maori-labour-market/>.

¹⁵¹ Welfare Expert Advisory Group, *Employment & Labour Market*, p.24.

In addition, wider programmes such as Skills for Industry have components that, for instance, assist technology businesses to develop workplace practices that better support new Māori staff. There are also programmes like He Poutama Rangatahi (discussed elsewhere) that, although they are not aimed solely at Māori, nonetheless have a strong focus on that demographic. A formal evaluation of the scheme noted that, for instance, it “requires genuine partnerships with Māori and relationships with stakeholders who also want better outcomes for Māori”.¹⁵²

Specialist Pacific Peoples provision

Provision in this area includes:

- ▶ The Pacific Employment and Training Programme, worth \$2.3 million annually;
- ▶ Pasifika Trades and Training courses, delivered in partnership with Pasifika community groups;
- ▶ The Tupu Aotearoa scheme aimed at helping Pasifika NEETs;
- ▶ Toloa Scholarships that encourage Pacific students to pursue science, technology, engineering and mathematics courses; and
- ▶ The ‘Good Employer Matrix’ that sets out the steps firms can take to make their workplaces more welcoming for Pacific Peoples employees.

Māori providers

Iwi providers interviewed for this report underlined that they took a holistic, ‘Mauri Ora’ based approach to working with jobseekers, looking to understand “all the factors surrounding the person ... not just, ‘Are you employed?’” They sought to engage with jobseekers in flexible, welcoming ways, for instance by creating informal settings that were very unlike Work and Income offices.

Māori providers also emphasised their ‘above and beyond’ commitment to helping ALMP participants, especially young people. One told us: “We make sure that they don’t fall through the cracks ... Our net that we throw out doesn’t have any barriers. Our manaaki is for everyone.” In line with, for instance, the formal evaluation of He Poutama Rangatahi, providers described doing whatever was needed – including purchasing tools for young apprentices, being on call in evenings and weekends, and even attending court hearings and being part of the support plan for young jobseekers who had offended. “Not every case is won,” a provider told us. “But if they [the young person] are prepared to go again, we will go again.”

As with other providers, Māori ALMP specialists stressed the importance of showing young people career pathways and building connections with employers. “The team hold employer relationships, and they are like gold,” one provider told us.

¹⁵² Spee et al., *He Poutama Rangatahi Evaluation Report*, p.44.

Frustrations with government contracting

One provider we interviewed was delivering part of the Māori Trades and Training (MTT) scheme. Its formal evaluation has not yet been completed, as many apprenticeships take four years and the scheme was only just in its fifth year (although retention rates were reportedly high). To their frustration, the length of MTT contracts had been progressively cut, and at the time of writing the scheme had been scrapped altogether. Providers had not apparently been given any reason for this decision. As one told us: “You are [just] getting traction – and it’s gone.” Given the investment made in the programme (\$31.7m in 2023-24 alone), it was surely worth continuing for at least a few further years, in order to test its effectiveness.

In addition to their frustrations about contract lengths (and abrupt cancellations), providers also noted that despite much talk about contracting for outcomes, their contracts were sometimes still for outputs, such as the number of job fairs they had run. In one case, a provider reported, MSD’s definition of a “sustainable” employment outcome was only that it was retained for 31 days.

In terms of possible improvements, providers articulated familiar demands for a less siloed approach from government, something they knew was possible because it occurred from time to time. Providers also articulated a desire for, in essence, the proverbial ‘tight-loose-tight’ form of contracting (see above).

Other frustrations included ministers going against the evidence and a tendency to wait for individuals “to fall off the cliff rather than investing in prevention”, despite frequent rhetoric to the contrary. In line with other providers, Māori ALMP specialists noted that MSD’s focus on shifting people off benefits was unhelpful when many of the young people who needed help “are not on a benefit, and don’t want to [be]; we have struck a lot of whānau who are just down a black hole.” Finally, they wanted measures of success that included “more impactful” outcomes than just the standard ones – more time in employment, higher earnings, and so on – so that wider positive social impacts could be captured.

Te Ara Mahi Māori

In 2022, a major report by the Māori Employment Action Plan Reference Group made a series of recommendations that they believed would boost work outcomes for Māori. They recommended that government should, among other things:

- ▶ Work in partnership with Māori to embed a tikanga Māori-based framework for use in employment policy, including developing tools to give effect to the framework;
- ▶ Ensure that employment services focused on Māori users are designed by Māori or in partnership with Māori;
- ▶ Pilot different delivery models for the careers education system to ensure tamariki and rangatahi Māori and their whānau receive early, quality and effective careers guidance; and
- ▶ Devolve employment services to Māori using a model that a) has Māori making decisions on delivery, outcome measures and funding, b) uses whānau-centred policy processes, and c) employs navigators to support whānau to access services and control their future.¹⁵³

Uptempo

Uptempo was a scheme that worked directly with over 100 low-income South and West Auckland Pasifika families. Funded by, among others, MBIE, and delivered through The Southern Initiative, it aimed to relieve financial pressures on these households by helping them progress into higher paid work. Uptempo support included free training courses in English proficiency and financial literacy; discretionary funds to cover emergency living costs, uniform and school fees, laptops and IT support, food packages, and education costs such as stationery; and regular pastoral support from the Uptempo Aiga Facilitator.

Case study research on Uptempo found that the programme “contributed to positive behaviour, learning and health outcomes” for children. It also reported reduced stress for families, thanks to greater household income, job progression and pastoral support. “Improvements in income and living conditions provided aiga [families or whānau] with better nutrition, improving tamariki health, behaviours and learning thanks to access to educational resources.”¹⁵⁴

The evaluation recommended:

- ▶ increased funding for programmes that were culturally designed and led by Pasifika people, and a ‘whole of aiga’ approach to support Pasifika aiga members attempting to progress at work;
- ▶ raising the Minimum Wage to a Living Wage, as one in ten Pasifika workers earned the minimum wage and this would help lift many Pasifika aiga out of financial hardship;
- ▶ ensuing healthy, secure and culturally appropriate housing policies that relieved Pasifika aiga’s overcrowded and substandard housing conditions; and
- ▶ ensuring tamariki have access to early childhood education.

Although we have not been able to find more quantitative evidence of the success of programmes like Uptempo, something of this nature will surely be needed in future to address Pacific Peoples’ low employment rates and aspirations for well-paid work.

Recommendations

- ▶ Ensure that Māori and Pacific Peoples providers are empowered to deliver services in ways that are culturally appropriate for their communities
- ▶ Restore the Māori Trades and Training Fund, at least long enough to evaluate its success
- ▶ As with NGOs, fund Māori and Pacific Peoples providers to go “above and beyond” for participants where appropriate
- ▶ Provide contracts longer than one year
- ▶ Give providers greater freedom to achieve outcomes, with accountability for those outcomes
- ▶ Implement the recommendations of Te Ara Mahi Māori
- ▶ Develop schemes that help Pacific Peoples progress within the workforce

16. Disabled people

Disabled people have among the highest aspirations for paid work of all population groups. The 2013 New Zealand Disability Survey, for instance, reported that three-quarters of disabled people who are not working would like to be in paid employment.¹⁵⁵

However, a 2021 review reported that just 42.5% of disabled people were employed, compared to 78.9% of non-disabled people.¹⁵⁶ Disabled people, making up roughly half the benefit population, are the largest group of working-age benefit recipients. The proportion of recipients identifying mental health issues as their primary incapacity has steadily increased.

Simply finding work, meanwhile, is far from the end of the story: data released in 2025 by Statistics New Zealand showed that one in three disabled adults currently in work had unmet needs.¹⁵⁷ Action is clearly needed to address the above issues, and research suggests wider society could benefit from such action: one study for instance, estimated that reducing the unemployment rate of disabled people to the national average would save the government around \$270 million annually through lower welfare costs.¹⁵⁸

General principles

A 2018 strategy document published by the New Zealand Disability Support Network argues that “disabled people, employers, the labour market and the New Zealand economy are all missing out on the contribution that disabled people can make”.¹⁵⁹

The strategy suggests a number of guiding principles that could help policy-makers “seize these missed economic and social opportunities”, including the following:

- ▶ The disabled person’s goals and aspirations drives the uptake of employment support.
- ▶ Disabled people experience a personalised service, getting individually tailored, ongoing employment support to get and maintain a job.
- ▶ Employers know about, and have confidence in, employment support services, the benefits of employing disabled people, and the importance of building natural support in the workplace.
- ▶ Providers of employment support have the knowledge to support each disabled person to get a job and develop a career of their choice; they also strive to continually improve their employment services to disabled people.

155 Ministry for Social Development, *Employment and Social Outcomes Investment Strategy*, p.59.

156 Riley et al., ‘Review of Active Labour Market Policies’, p.15.

157 NZCTU, ‘Govt must remove barriers for disabled workers’, press release, 4 March 2024.

158 Danielle von Dalen, *Creating Opportunity: Opening doors to employment for disabled people*, Maxim, n/d., p.1.

Specific principles for ALMPs

OECD research argues that disabled people require “a tailored combination of ALMPs” and, potentially, significant post-placement support. Multiple reports over the years have recommended that integrated health and employment services should be expanded.¹⁶⁰

An MSD-commissioned evaluation of such services argued that disabled people’s well-being and work situation will be improved if they:

- are assigned dedicated support from a team that works in an integrated way;
- are supported to define their own well-being and employment goals and develop an individualised plan; and
- have access to health and social services that meet their needs.

Along similar lines, MSD trials have found that case management for disabled people works best when combined with other supports such as vocational rehabilitation, counselling, mentoring and coaching. Co-location – that is, locating health and employment services in the same place – is often effective. For instance, a British scheme that embedded a physiotherapist vocational advisor within GP practices led to reduced work absence, significant cost savings, and an estimated net societal benefit of £733 per participant.¹⁶¹

Research also indicates that a combination of forging deeper links with employers, workplace modifications, and health and social service coordination is “a key feature of interventions that successfully help people with a chronic illness or disability into work”. Relatedly, international research suggests – in line with findings elsewhere in this report – that successful programmes “take a person-centred approach”.

OECD research also highlights the potential of ‘job carving’ schemes that aim to rearrange tasks in a workplace “in a tailored way to create jobs aligned with a person’s skills, abilities and needs”. Stock-takes of New Zealand provision have argued there is scope to employ more specialists within MSD to work with employers on such schemes. One constraint, however, is that in New Zealand – unlike many European countries, for instance – there are few legal levers to require employer involvement in the return-to-work process.

159 *Employment Support Practice Guidelines: How to support disabled people to get the job they want*, New Zealand Disability Support Network, March 2018.

160 These include the 2018 OECD country report *Mental Health and Work: New Zealand* and the report of the Welfare Expert Advisory Group in 2019.

161 <https://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/research/integrating-employment-support-with-primary-healthcare-services.-a-review-of-models-and-evidence/integrating-employment-support-with-primary-healthcare-services-literature-review.pdf>.

Local provision

Despite all the above evidence, a 2021 stock-take of New Zealand policies found that disabled people receive “limited support to return to work”. As argued elsewhere, the evidence shows that effective case managers are critical to ALMPs’ success. Yet just one-fifth of people assisted by MSD’s dedicated case management service have a health condition or disability, and even then the focus tends to be on income support needs rather than employment. Many disabled people do not have a case manager.¹⁶²

Beyond that, New Zealand’s current provision includes:

- contracts with 36 community-based organisations to provide specialist employment supports;
- Job Support Funds to help meet the costs of disability in employment and training; and
- small-scale initiatives in some areas that provide and test integrated health and employment services, among them the Oranga Mahi programme.

Here Toitū

One promising programme is Here Toitū, a component of Oranga Mahi. Working with four primary health organisations, the scheme creates a dedicated support team for people with a health condition or disability. That team includes a health ‘navigator’ to assist with access to health services, a GP team, and a dedicated MSD case manager. The scheme also has a flexible fund for additional supports, a well-being assessment tool, and a ‘Responding Early’ component to support people who have a job but are at risk of losing it.

There is not yet sufficient data to evaluate Here Toitū, a relatively new initiative. Evaluation, however, is underway. The scheme is also a strong fit with international evidence about what works.

Schemes aimed at disabled people, moreover, should prompt fewer fears about funding being wasted through effects like substitution (disabled people displacing other workers). Given the barriers disabled people face, support is required simply to ensure they enjoy the same opportunities for work as others; displacement effects may simply reflect a more level playing field. Although, in short, it will be important to see the final evaluation results for Here Toitū, there is a stronger than usual case for expanding it.

162 Riley et al., ‘Review of Active Labour Market Programmes’, p.16.

In-work rehabilitation and support

International evidence suggests that if people face reduced work capacity through health conditions or disability, they should be provided with timely access to schemes that help them remain in, or re-engage with, paid work. As noted elsewhere, ACC provides an integrated and bespoke version of such support for people with injuries, with significant success.

This assistance is, however, unavailable to those who do not have a job prior to their injury, nor to those with non-injury-related chronic conditions such as mental illnesses, addictions and musculoskeletal conditions. While there are significant upfront costs in the ACC approach, ACC generally keeps a close eye on its benefit-to-cost ratios, implying its schemes lead to significant long-term savings. Again, evaluations of Here Toitū, in particular its ‘Responding Early’ component, will be instructive.

Employer education

One widely supported reform would be to educate more employers about the benefits of hiring disabled people. One provider, interviewed for this report, noted that they achieved good outcomes with employers who were “on board”, but a much larger group of firms were held back by unfounded fears about the supposed difficulties of employing disabled people.

Employers, on this view, needed to understand that most accommodations for disabled workers were cost-free, and that those that did cost – in terms of equipment, software or other changes to the workplace – had an average price tag of just \$1,000. One recent report suggests that, in any case, these costs “are usually covered by government subsidies, [as well as being] one-off and much smaller than most assume”.¹⁶³ Nor would such accommodations significantly change the working patterns of other employees.

While MSD had previously run employer education campaigns, much more was needed to help employers be “disability-confident” and furnish them with “an easy-to-use set of tools”, one provider argued. These views are echoed in a recent paper by the Maxim think-tank, itself based on in-depth roundtables held with disability providers, officials and others.

The recommendations of the report, *Creating Opportunity: Opening doors to employment for disabled people*, included the following:

- ▶ Create a one-stop-shop with easily accessible information on supports for employers looking to employ disabled people; this could include a comprehensive website, a telephone advice service, a tool for practical options for workplace modifications, and an online process for support claims (Australia’s JobAccess site is sometimes cited as a good example).
- ▶ Carry out a large-scale, long-term educational disability campaign to correct misperceptions, and to change attitudes among the public and employers towards the employment of disabled people.
- ▶ Provide training, support, and information for HR staff, employers and managers on what to expect, what supports are available, and how best to integrate disabled people into their team.
- ▶ Promote awareness among HR staff about the accommodations available for employees with disabilities.
- ▶ Run large-scale training courses for employers on the costs and benefits of employing disabled people, the realities of what is necessary, and the supports available.¹⁶⁴

¹⁶³ Von Dalen, *Creating Opportunity*, p.1.

¹⁶⁴ Ibid., p.14.

Greater flexibility

In line with our wider recommendations, the ALMP system for disabled people needs to be less focused on high-level targets set by central government, and more focused on a holistic view of what an individual jobseeker needs. It should, in short, be more people-centric. This would involve, for instance, an ambition to get people into the job that is right for them, not just any job. (It would also recognise the importance of ‘community connectors’ with strong links to both local jobseekers and employers, as per earlier sections.)

A more people-centric system would also allow providers to take steps dictated by the individual’s interests, not those of the contract. One provider noted that in their contract with MSD, the ‘outcome’ payments – for retaining someone in employment for three, six, nine and 12 months – weren’t flexible with respect to changes in disabled people’s lives. If the provider placed someone into work but their health deteriorated before the 12-month mark, that person might have to leave work. The provider would then be denied the outcome payment, even though they might have done everything right. Providers were accordingly incentivised to take steps – trying to keep people in the job, or replace them elsewhere – that weren’t necessarily in the person’s best interests. This indicated a contract not built around the individual’s needs.

Contracts also appeared to be too focused on direct placement in work. Providers should be able to count movements into training as a success (and have clear pathways for that training), as that can be an important step in preparing disabled people for work (as it is indeed for the wider population).

Another inflexibility was that the provider was funded only to assist people with their job-hunting for 12 months, after which time they had to withdraw support. This was inconsistent with schemes deployed elsewhere, such as those delivered by ACC, and (as noted separately in this report) with the Individual Placement Support scheme aimed at people with mental health issues.

Conversely, if the provider did place someone into work, they were required to support them, and their employer, for 12 months whether that individual (and their employer) required it or not. This prevented them from varying the support, making it longer or shorter as needs be. It also meant the provider was, for instance, unable to help disabled students seeking short-term internships, because there was no way to provide them with a year’s continuous assistance.

A more person-centric system, we believe, would be far more adaptable to the real-world needs and barriers facing disabled people.

As one provider told us: “If we could place the disabled person and the employer at the centre of employment services, that seems a much better approach ... [taking into account] where they want to go, what kind of work they want to do.” As this provider noted, their contracts with MSD had a range of outcome indicators and allowed for the creation of ‘job plans’ and related initiatives, but the underlying reality was that jobseekers “aren’t in charge of where they end up”.

More flexible contracts, which would include potentially longer periods of support, would of course come with upfront costs. We believe, however, that the personal, social and economic benefits are likely to repay this investment. Such a personalised system could, at a minimum, be trialled.

Appropriate pay

One of the more controversial issues in this area concerns the minimum wage exemption, which allows employers with a specific permit to pay disabled employees less than the minimum wage.

Employers have to meet specified conditions before being awarded the permit, including:

- the person's "disability really stops them from earning the minimum wage";
- "the wage rate relates to the employee's ability to do the work"; and
- "the employee agrees with the rate".¹⁶⁵

This exemption is most frequently deployed in what are variously termed sheltered employment workplaces, Business Enterprises or sheltered workshops. These are workplaces "reserved to disabled people who cannot gain access to the open labour market", typically based around factory or assembly-line work where most employees have disabilities and, consequently, supports for them are built in.

Under the previous Labour-led government, nearly 1,000 disabled employees in these situations were going to have their pay 'topped up' to the minimum wage by the state, at an annual cost of approximately \$11 million. This initiative was, however, removed in the 2024 Budget by the National government.

While we do not feel qualified, in this report, to draw detailed conclusions on this contested issue, we understand that the sector's broad view – including that of Maxim, a centre-right think-tank – is that the minimum wage top-up was a sensible move, one that ensured disabled people were effectively enjoying the same wage protections as other New Zealanders. On the even more contested issue of sheltered employment, we note the view that these situations should be designed to lead, where possible, towards employment in more mainstream workplaces, rather than being a permanent situation. Maxim, for instance, recommends that the government "expand sheltered employment ... to include training and transition support for those employees able and willing to move into open employment".

Recommendations

- Expand Here Toitū unless in-progress reports or formal evaluations suggest otherwise
- Implement Maxim's recommendations for employer education, support and training
- Carry out a large-scale public education campaign on the benefits of employing disabled people
- Reform contracts with providers so that they have greater flexibility and can provide support tailored to the individual's needs, rather than dictating set periods of support
- On similar lines, make contracts more flexible so that outcomes such as training are counted alongside employment
- Restore the minimum wage top-up for people affected by the minimum wage exemption



Dylan La Roche

Sometimes people just need someone on their side. That was the experience for Dylan La Roche, a Levin 26-year-old who, a couple of years ago, had been on Jobseeker Support “for a while” as he struggled to find work. “It’s me being young,” he says. “I wasn’t looked at [because of] the experience and that. They just wanted more experienced people. So I was struggling big time to try to find a job.”

Work and Income only provided a “once over lightly” service, and didn’t explain matters clearly, he says. But it was in the local Work and Income office that he met Tammie Metcalfe from the Mayors’ Taskforce for Jobs. Straightaway, Dylan says, “she was texting me about all the different jobs I might like to do ... She was applying for jobs for me, like she would text me every couple of days.” The contrast with the standard Work and Income approach was stark, he adds. “Tammie would actually go out and help me look for a job, rather than say that I need to do this and need to do that.”

Metcalfe found a possible job at local gardening firm Green by Nature, established that the firm would be willing to take on someone younger, and helped La Roche prepare for the interview. She even offered to take him up to Palmerston North for the drug test the firm required, so that he didn’t have to pay the petrol costs.

In the end he got the job, and is still there two years later, doing a variety of gardening tasks around local towns like Foxton, Shannon and Waikawa Beach. He’s already had some training – in health and safety and related issues – and is more generally learning on the job. “I’m more reliable. They can just give me a job and I go at it now.” More detailed horticultural training will follow once he has spent more time with the firm – something he hopes will lead to “a big step up from what I’m currently on”.

17. Young people

The proportion of NEETs (young people not in education, employment or training) is, as above, 12.9%. The New Zealand government provides multiple ALMPs designed to address this situation, a sign that this is an area of significant concern. Not all of these schemes are clearly successful, however, and there is some evidence of duplication and spending that could be better deployed.

Mana in Mahi

Mana in Mahi / Strength in Work is a scheme aimed predominantly at young people (two-thirds of its participants are under 24) who are at risk of long-term benefit receipt. It is a multifaceted intervention involving: overall support for up to one year; a wage subsidy to encourage employers to take a chance on young people they would not otherwise hire; incentives-based payments to participants; apprenticeships and related qualifications; and coaching and mentoring.

The wage subsidy is worth up to \$16,000, and is conditional on the employee remaining in employment and training. The employee also receives incentive payments totalling \$3,000 if they remain in employment and training. The employer can receive an additional \$8,000 to cover industry training course fees not covered elsewhere. Mana in Mahi also offers additional educational support funding of up to \$2,000 per year, and free coaching and mentoring services (such as Whīiki Tauā) to both employers and employees.

A relatively new programme, Mana in Mahi was piloted in 2018-19, expanded to two years' duration during the pandemic, and reduced back to one year in 2022. During that short lifespan it has undergone several refinements. It is rated 'effective' by MSD's internal evaluation, displaying particularly large improvements for study, income and employment. The average participant spends an extra 21 weeks a year in employment, and earns \$13,000 a year more, than non-participants. It is also likely that the full impact of the programme has not yet been observed. As is obvious from the above description, Mana in Mahi is a multifaceted intervention, combining pastoral support with training and job placement, and is thus well in line with international evidence about what works, especially for populations with complex needs.

The Mayors' Taskforce for Jobs (MTFJ)

The Mayors' Taskforce for Jobs (MTFJ) is a programme that has undergone multiple iterations. Launched in the 1990s, it achieved – according to interviewees – significant reductions in youth unemployment in areas like Christchurch. In the 2010s, its profile rose thanks to the advocacy of Otorohanga Mayor Dale Williams, who stressed in particular the need to link unemployed young people to local firms needing staff (as well as connecting both to state-funded pastoral support for youth).

Today, the MTFJ operates various schemes, notably the Community Employment Programme (CEP). Funded by central government, this programme places NEETS, people living with disabilities and other disadvantaged people into work. It is run by the mayors of 36 district councils, covering predominantly rural or small-town areas.

The theory behind the CEP is a sound one: a good mayor should be closely connected to their community, understanding the needs of both local jobseekers and employers, and should be well-placed to employ 'community connectors' who can forge links between the two. The CEP also operates to some extent as a wraparound service, going beyond pure work-placement schemes to connect young people to a range of supports – again, something in line with international good practice.

For reasons that are not fully clear, the CEP does not have good data on its outcomes, and MSD has been unable to evaluate its effectiveness.¹⁶⁶ The CEP does, however, have targets for placing young people into work, which it has exceeded in the last financial year.¹⁶⁷ Work is underway to generate, and evaluate, better data.

¹⁶⁶ MSD notes: "The MTFJ Rural Community Resilience Programme was a bulk grant to local councils, MSD does not have information on the individual participants supported through the programme. For this reason, it is not feasible to evaluate the impact of MTFJ on participant's outcomes." https://ea.analytics.msd.govt.nz/?_inputs_&page=%22intervention%22&prog=%22PI_61%22.

¹⁶⁷ <https://www.lgnz.co.nz/news/media-releases/mtfj-smashes-national-youth-employment-targets/>.

He Poutama Rangatahi

He Poutama Rangatahi (HPR) was established in 2017 to address two interrelated issues: large numbers of unemployed young people in provincial areas, and the struggles of employers in those regions to find sufficient staff. Designed to provide life skills, training and employment opportunities to local rangatahi / young people, in 2022-2023 it distributed \$44 million in funding to 63 community providers serving approximately 3,600 individuals.

HPR has an “explicit and intentional” focus on Māori rangatahi, who make up 83% of participants, and Māori organisations comprise slightly over half of all providers. This is partly in response to the high NEET rates for young Māori, at 19% (as well as Pacific youth, at 16.5%).

The evaluation of HPR’s initial phase was that, a year after the programme began, it lifted participation in education, employment and training from around 56% for non-participants to 62% for those taking part. Correspondingly, it reduced the proportion of young people receiving a main benefit from 47% to 39%. After two years, these improvements were no longer seen. The evaluation report suggested this might have been because HPR providers were funded only to support young people for one year, and because the evaluation covered the pandemic years, which involved significant disruption for young people.

In many cases, HPR providers recognised that even getting young people to engage with services was challenging, and started by creating informal and welcoming spaces that looked strikingly different from, say, Work and Income offices. Once the young people were ready to engage, providers undertook a detailed assessment “where they talked with each rangatahi, and in some cases whānau, to develop a good understanding of the rangatahi and their challenges and needs”.

Providers noted, however, that many of the young people had “issues such as anger, grief, mental health, neurodiversity and trauma”, not all of which the providers were equipped to address. Where progress was possible, providers then took the young people through a work-ready process where they learned basic employability skills, including writing CVs and cover letters, interview training and communication courses.

In keeping with wider themes of this report, some HPR providers benefited from strong links with local businesses. Interviewed by evaluators, one employer noted: “They [the local HPR provider] know my business and they know every part of the business where we might need labour. And they’ll pick the phone up to say, ‘What about this person?’ You know, they’ll call and have a chat. But I think it’s more they know what my business might need. And they know the kids here well enough to know where they might fit.” This level of connection was, however, patchy. Evaluators’ visits demonstrated that sometimes “local labour needs were not at the centre of current programmes”.

Providers could also draw from a ‘flexi’ fund to meet hard-to-predict expenses such as workboots, equipment and driver’s licenses. In some instances, where they thought it important for the young person’s overall development, providers would even pay for resources like rugby league shoes, sports fees and uniforms, and make themselves available after hours.

Youth Service (NEET)

This programme contracts NGO providers to serve as case managers for 15-17-year-olds at risk of becoming NEETs. According to the government's official description, providers are expected to provide a wraparound service that could include brokering education, training or employment opportunities, or helping young people source affordable accommodation. Payments to providers are partly linked to the outcomes of participants, including participation in education or training, the attainment of NCEA level 2 or higher qualifications, and not being on core benefits or serving a prison sentence immediately after their 18th birthday.

The Youth Service (NEET) has long been a problematic programme, having been rated as 'negative' in official evaluations as recently as 2020, and – despite various refinements – still rating only as 'mixed' in the latest (2023-24) evaluation. No detailed quantitative or qualitative reports on the service appear to have been published recently.

Limited Services Volunteer

Aimed at 18-24-year-old NEETs, the Limited Services Volunteer (LSV) scheme is a six-week residential training course delivered by the Defence Force with support from MSD and the Police. LSV participants stay at a military barracks, are issued with a full uniform, and are expected to obey service discipline and the Defence Force's customs and regulations.

The goal of the LSV programme is to improve young people's self-discipline, self-confidence, motivation and initiative, helping them move into sustainable employment or training. It has been traditionally one of the less effective ALMPs, and although in recent years it has achieved an 'effective' score in MSD evaluations, its current \$18,000 cost for each new participant makes it significantly more costly than many other programmes. Its military nature would make it harder to combine with other schemes.

General observations

Potential duplication

The above list of programmes prompts several observations. Firstly, it is hard to avoid the impression of at least partial duplication of resources. The rationales for HPR and the CEP, for instance, are strikingly similar. Both are designed to support at-risk youth in rural/regional areas, and to be locally responsive (although HPR has a greater focus on young Māori and, anecdotally, individuals with more complex needs). Both are intended to support transitions into employment and/or education and training (although the CEP has a stronger focus on the former). Both are supposed to connect young people needing work with local employers needing staff, although both appear to have variable success in this regard.

Mana in Mahi, meanwhile, is different in that it lacks a regional focus. However, its target population – at-risk youth – is once again similar. Conversely, it is not clear, at least on the surface, why it offers a far more intensive (and expensive) set of wraparound services compared to HPR and the CEP. The Youth Service (NEET), for its part, is harder to analyse owing to a relative lack of information, but appears to at least have some overlaps with the above programmes (and to not be working especially well). LSV, finally, is different thanks to its military surroundings, but targets a very similar population.

Programme fidelity

HPR and the CEP, in particular, are highly localised programmes that emphasise community connections and disaggregated delivery. This approach has well-recognised strengths, notably responsiveness to local conditions and deep community knowledge. It does, however, have its drawbacks.

One of the most obvious, cited frequently in the international literature on social-service delivery, is a potential absence of programme fidelity. In layperson's terms, the success of the schemes depends significantly on the individuals employed, and – in the absence of any standardisation processes – some will deliver the scheme much more successfully than others. This is evident in, for instance, the mixed evaluation of HPR providers' connections to local employers.

Providers from various schemes conceded, in confidence, that the quality of people employed to deliver them varied, and that the schemes accordingly were likely to be delivering mixed results. Providers from one scheme also described interactions with providers from another scheme who appeared to have “no structure” and minimal effectiveness.

Issues with targets

As discussed above, the current National-led government has a high-profile target to get 50,000 people off Jobseeker Support (albeit at present the numbers are moving in the opposite direction). While this is not an unreasonable target to set, it does raise the potential for significant unintended consequences.

The schemes described above often work with young people from age 16 upwards. This represents a crucial and (relatively) early intervention, as 16 is the age at which young people can stop attending school (and, relatedly, the age at which attendance services will no longer be working with them). It is, informally, the age at which life for some young people “begins to go off the rails”.

These 16- and 17-year-olds are not, however, on Jobseeker Support, eligibility for which begins at 18. They might, at best, be on the Youth Payment (if they cannot live with their parents and lack other financial support) or the Young Parent Payment (if they have a dependent child). To the extent, then, that the target to get 50,000 people off Jobseeker Support is applied to schemes like the CEP or HPR, it could force providers to not work with 16- and 17-year-olds, and thus to do less early intervention with young people at a crucial point in their lives. This would seem, to put it mildly, suboptimal.

Potential solutions

Given the above observations, and the importance of early intervention, this is clearly an area where improvement is possible – and needed. As we have not focused exclusively on youth services, this report is unable to recommend definitive change at this stage. The following paths for reform, however, seem promising.

Service review

MSD should, at a minimum, undertake a detailed review of the above services (and any other related to youth). This could help definitively establish where overlaps and duplication exist, and provide the firmest possible basis for reform. No such review appears to have been undertaken recently.

Build connections between providers

Whatever form youth ALMPs ultimately take, MSD should provide a mechanism that would enable providers (within or across programmes) to share insights, create a joint information base and improve performance. The official HPR evaluation called for such a mechanism, which among other things could stop young people “falling through the gaps” when moving from region to region.

Such a mechanism – a national youth service providers’ forum, for instance – would of course add another layer of bureaucracy, and, as with our suggestion for regional workforce development forums, would have to justify the time and expense involved. Clear evidence of success – such as examples of shared insights being implemented, and improved performance overall – would be needed.

However, the creation of such a forum would be in line with a general finding that high-performing public services have mechanisms to break down the isolation in which individual providers can find themselves and which constitutes a barrier to system improvement. Research on the school system, for instance, has identified the lack of mechanisms to spread best performance between schools, and help underperforming schools gain support from others, as a major obstacle to success.¹⁶⁸

Help providers access further supports

Another recommendation from the official HPR evaluation was that providers should be able to refer young people with high or complex needs to more specialist health services. The evaluation suggested that MSD could work across agencies to support access to clinical and support services such as social workers, psychologists and mental health professionals. This would be in line with the success of programmes like IPS (see above) and feedback received during the writing of this report, which stressed the continuing – and often severe – shortfalls in mental health services in particular.

Longer contracts

In a finding repeated across most forms of government commissioning, providers interviewed for this report lamented the very short contracts they were offered – sometimes as brief as one year – and argued (plausibly) that it was next to impossible to deliver well under such conditions. Longer contracts, in their view, would allow them to give staff appropriate certainty for employment, build stronger relationships with the people they served, plan for the future, and learn as they went along.

There are, of course, downsides to longer contracts – notably, government being locked into certain forms of provision that may not be operating properly. But with appropriate review mechanisms – such as checks partway through contracts that desired outcomes are tracking as expected – it should be possible to move to contracts of durations more like 3-5 years.

Shift towards community commissioning

A more significant reform in this area would be to find a locally responsive commissioning system that effectively allowed the different youth schemes to be brought together, releasing duplicated resources and allowing for more joined-up services.

Such a move would need to be handled delicately. One provider interviewed for this report stressed not just their positive outcomes but their community's deep attachment to their scheme and the level of upset any change would create. We are, as above, mindful of the dangers posed by institutional reworking.

Our broad intention would be to preserve existing provision where possible, but also bring the funding streams together into one large, locally allocated pot. What we envisage is a system in which the key local bodies – which could be councils, iwi and NGOs – would make joint bids for funding to get young people into employment, education or training. This should assist those providers to make better use of currently duplicated resources, allowing them to help a larger number of young people more intensively. This would be in line with the growing movement within government – including in the Social Investment Agency – to find more efficient and locally diverse forms of commissioning that allow for greater problem-solving and responsiveness on the ground.

It would also allow the creation of a single port of call, 'one stop shop' system where young people in a given region could easily access a range of EET-related supports. This kind of coordination could also allow a graduated approach, so that young people initially needing relatively 'light touch' support could start there, before being referred – if appropriate – to the more intensive kind of support represented by Mana in Mahi. It would also allow Māori providers to continue to deliver the programmes that work best for their communities.

Other issues

The lack of detailed careers guidance for young people has long been a source of concern. While we have not looked at this in detail, we note the incremental rollout of Tahatū, the long-term replacement for www.careers.govt.nz.¹⁶⁹ Attention must also be given to improving in-school, face-to-face careers guidance.

Finally, we note the recent announcement that NGOs will be invited to tender for contracts to provide "job coach" services, including for young people. This is a potentially positive step.

A Circuit-Breaker Job Guarantee

One final reform would act as a ‘circuit breaker’ for young people experiencing long-term unemployment. Various countries have implemented some form of a ‘Youth Guarantee’ in which any young person who has been unemployed for a significant period – perhaps six or 12 months – is offered work-readiness training and then a time-limited job placement either in a private-sector job, a job created in a public agency, or a state-funded NGO or council position.

The idea is to intervene positively in a young person’s life, offering them a placement where they can form an attachment to the labour market, develop work-based routines and habits, learn on the job, and bulk out their CV. The placements are, as above, time-limited, so they do not try to substitute for permanent private-sector employment; they are also typically part-time, so the young people have the opportunity to simultaneously search for that permanent private job.

Often these schemes focus on placements in the state or NGO sector, so that they are not subsidising private firms in a way that might advantage them against competitors. In these cases, the public sector can create jobs directly – as in New Zealand’s Jobs for Nature scheme, which employed people to work on environmental projects during the pandemic – or it can subsidise NGOs and local councils to carry out the placements.

Such schemes overseas have often been favourably evaluated. Europe’s Youth Guarantee, for instance, was deemed to have played a “transformative” role in reducing European youth unemployment by 1.7 million people over seven years.¹⁷⁰ A similar scheme, called the Future Jobs Fund (FJF), operated in the UK from 2009-11. Made available to any young person unemployed for more than six months, it offered jobs generally among public-sector and NGO organisations. The jobs had to be paid at least the minimum wage, ‘additional’ in the sense of not existing without FJF funding, and of benefit to local communities. Employers were also required to provide support for young people to move into long-term sustained employment.

A detailed evaluation of the scheme found that, two years on, FJF participants were 16% less likely to have remained on welfare than non-participants, and 27% more likely to be in unsubsidised employment. These impacts were stable at the two-year mark, suggesting they might well have been sustained beyond that period. The evaluation found the scheme had a net cost to the government of around £3,100 per participant, half the gross cost of the job subsidy; in other words, half the fiscal costs were recouped within two years. More broadly, the evaluation estimated a net benefit to society of approximately £7,750 per participant, due largely to the additional economic output produced by participants during their FJF jobs and their additional spells in unsubsidised employment.¹⁷¹

170 https://employment-social-affairs.ec.europa.eu/policies-and-activities/european-employment-strategy/youth-employment-support/reinforced-youth-guarantee_en.

171 *Impacts and Costs and Benefits of the Future Jobs Fund*, Department for Work and Pensions, November 2012.

New Zealand implementation

Such results give reasonable confidence that a similar scheme would have positive impacts in New Zealand. To distinguish it from the Youth Guarantee training courses already offered here, it could be called something like a Circuit-Breaker Job Guarantee. And it could be offered, in the first instance, to the approximately 4,800 young people aged 16-24 who have been unemployed for more than one year.¹⁷²

It would make sense for it to be run by existing providers with a strong track record of working with young people on schemes like He Poutama Rangatahi, of which it might in fact constitute a logical extension. Social enterprises would be a logical place of employment in many cases, given their combination of social orientation and position in a competitive marketplace. The Munich Social Enterprises Initiative offers one such model.¹⁷³

As a rough guide to costs, the gross per-participant cost of the FJF, if adjusted to 2025 prices and converted into New Zealand dollars, would be around \$20,000. That would imply a gross annual cost of the scheme of around \$100 million, of which the state could expect to recoup half in the first two years, outweighed in any case by the wider social benefits.

This would be a significant expenditure but a worthwhile one – given the above results but also the value of making a statement that, for young people who are struggling, society has got their back and will ensure there is something positive in their life. While it was admittedly a small sample size, the young Auckland jobseekers we spoke to during this research were extremely enthusiastic about the idea of having some positive employment, as opposed to the deluge of rejection letters (or total indifference) they were currently receiving from employers. “That’s cool as!” one said. “Just [want to] work, eh. I have always had the mahi mentality.” Another said: “It does sound pretty good to me. It does make sense – that would actually help.” A third said it would help address the state of mind where the volume of rejections mean “you don’t want to job search anymore”.

Recommendations

- ▶ Ensure contracts do not prevent providers from working with at-risk 16- and 17-year-olds not currently receiving benefits
- ▶ Undertake a detailed review of youth ALMPs
- ▶ Create a mechanism that allows providers to share lessons and lift system performance
- ▶ Provide better mental health services to which providers can refer young people
- ▶ Provide longer term contracts for NGOs
- ▶ Trial community commissioning for youth ALMPs to make better use of existing pools of funds
- ▶ Implement a Circuit-Breaker Job Guarantee, a paid work placement for young people who have been employed for over a year

¹⁷² Statistics New Zealand, personal correspondence, April 2025.

¹⁷³ Dromundo et al., *Innovative approaches to tackle long-term unemployment*, p.27.

18. Older workers

While we have covered the situation for young people extensively, a recurring theme in public feedback was that older jobseekers also merited attention.

The broad argument made to us was that older jobseekers are in a kind of double bind. People are increasingly working past 65, or expecting to do so, and where that represents a genuinely free choice it is to be welcomed. For some, however, it is a decision forced upon them by limited means and a state pension inadequate for those with high housing costs. At the same time, those older workers often experience discrimination in the labour market, being deemed to lack the necessary skills or the ability to acquire them.

One respondent, noting a preponderance of older workers in their local supermarket, argued that this suggested a doubly negative situation: there was a reasonable chance those workers were not there by choice, and they were occupying the kind of entry-level jobs that normally provide vital exposure to the labour market for young people. Less anecdotally, the Office for Seniors argues that a displaced worker aged over 50 is 11% less likely to find work within five years (compared with younger workers), and that those who do get new jobs will see their earnings drop on average by a quarter.¹⁷⁴

Potential solutions

The wider situation here is a difficult one to resolve, as the problems may be caused as much by relatively intangible factors – including society’s general attitude towards older people – as by concrete policies. We do, however, make a few suggestions.

First, this needs to be an issue of interest to policymakers. If people are to continue working longer, this trend – and its consequences for the rest of the labour market – should be given closer attention. Second, it would be worth carrying out more detailed research into the experiences of older jobseekers, to ascertain the level of discrimination they experience and, in particular, whether there are any biases against older workers (unconscious or otherwise) among MSD case managers.

Third, MSD should examine closely its policy settings towards older workers. Any presumption that older workers will retire shortly and do not merit significant support with training, for instance, may need to be revisited. Examples of successful schemes overseas include Oslo Airport’s ‘Life Phase Policy’, which helps senior employees participate in lifelong learning, and thus shift from physically demanding jobs into consulting, managerial or teaching roles.¹⁷⁵

Finally, and more broadly, wider social policies should do more to ensure that, where older people are working longer, it is the result of a genuinely free choice. This implies that New Zealand Superannuation and related policies need to ensure more sufficient retirement incomes for the growing volume of people reaching 65 without owning their own home freehold.

Recommendations

- Research the experiences of older jobseekers to ascertain whether they are receiving the ALMPs they require
- Investigate the potential of schemes that allow older employees to shift roles
- Ensure retirement policy provides livable incomes, such that working later in life is a genuinely free choice

¹⁷⁴ <https://www.officeforseniors.govt.nz/better-later-life-strategy/action-plan/our-priorities#Employment>.

¹⁷⁵ OECD, *Policy Options for Labour Market Challenges in Amsterdam and Other Dutch Cities*, p.24.

19. Women

Women are more likely to be beneficiaries than men: in March 2024, for instance, of the roughly 370,000 people receiving a core benefit, 208,000 were women. This is in part because women make up approximately 90% of the people on sole parent support.¹⁷⁶ Meanwhile, the underutilisation rate for women is significantly higher than that for men.

These facts point to a need for work-related policies specifically tailored to women, a point picked up in MSD's Employment and Social Outcomes Investment Strategy 2022–2025, established under the previous Labour-led government. A 2021 stock-take of provision, however, noted “a gap in support for women” (as well as Māori, Pacific People, and young people) that would allow them to move into training and work opportunities leading to higher-skilled roles and industries. This included improving women's participation in trades.¹⁷⁷

Sole parents are required to prepare for work if they are caring for children aged under three, and to look for part-time work if the youngest child is aged 3–13. While such requirements were controversial when introduced last decade, they appear now to be enduring across different administrations. Although somewhat coercive, they are not dissimilar to the requirements imposed on sole parents in the Nordic welfare states, generally thought to be amongst the most liberal in the world.

One crucial difference between New Zealand and Scandinavia, however, concerns the supports made available to sole parents moving (back) into the paid workplace. As a broad generalisation, Scandinavian welfare states provide childcare that is free or very low cost, widely available and of high quality. New Zealand, by contrast, has some of the most expensive childcare in the developed world. Long-standing concerns have also been expressed by parents not just about its cost but also about the difficulty of obtaining childcare at the required times and in the required location.¹⁷⁸ This is despite the state spending significant amounts (in excess of \$100 million annually) on childcare subsidies.

The 2021 stock-take of New Zealand provision noted that not only does responsibility for childcare “overwhelmingly” fall on women, Māori women are “significantly” more likely to provide family care than other ethnic groups. “Despite this, Māori and Pacific mothers are at least two times more likely to experience issues accessing childcare than European mothers.”¹⁷⁹ While the challenge of fixing childcare provision is beyond the scope of this report, it clearly requires significant attention.

176 <https://women.govt.nz/sites/default/files/2022-07/Key%20Groups%20Infographic%20-%20Sole%20Mothers.pdf>.

177 Riley et al., ‘Review of Active Labour Market Programmes’, p.2.

178 The Childcare in New Zealand Survey found that around 16 percent of parents of children 13 years or younger who worked or wanted to work had difficulties getting childcare, with the most significant issue being lack of available care at the times needed. Ministry for Social Development, ‘Employment and Social Outcomes Investment Strategy’, p.56.

179 Riley et al., ‘Review of Active Labour Market Programmes’, p.20.

The kinds of work available

Victoria University research in 2021 on mothers in hardship found that their self-reported well-being “is not systematically improved by employment”. Noting that women make up 60% of minimum-wage workers, the researchers argue that further investigation is required “to understand the importance of both the quality and suitability of paid work on the well-being of mothers in material hardship, and for mothers of dependent children in general”.¹⁸⁰ Previous research, they argue, has found that welfare-to-work programmes can be counterproductive for women due to the lack of childcare, social and welfare support, and suitable, stable work.

If women are moving disproportionately into unstable, precarious work with low pay and unpredictable hours, it may be unsurprising that this work does not improve their well-being. Beneficiary rights advocates argue that, although life on Sole Parent Support can be extremely challenging and many sole mothers experience hardship, it is nonetheless a relatively predictable existence. Trying, on the other hand, to manage precarious work that constantly shifts in terms of hours and total pay rates, alongside childcare, transport and other issues, can actually exacerbate the stresses experienced by sole mothers. On similar lines, a 2019 global analysis of welfare-to-work programmes found that “almost no” such schemes substantially improved women’s well-being. As the paper noted, “Women may find it more difficult to balance both job finding as well as family obligations, such as childcare.”¹⁸¹

Training provision

In contrast to work-focused programmes, there is some evidence that training-based schemes particularly benefit women. Research in 2020 by Dean Hyslop and others found that the benefits from participating in formal education and training were larger for women (whose earnings increased by 12% on average) than for men (whose earnings increased by 5–6%). Earlier research suggested that gaining a level 5–6 diploma (a relatively advanced qualification) was associated with an 8% increase in the relative earnings of women, on average.¹⁸² Anecdotally, access to specific training supports, such as the Training Incentive Allowance, is especially valued by women.

“Women may find it more difficult to balance both job finding as well as family obligations, such as childcare.”

180 Haines and Grimes, ‘What Matters for the Well-being of Mothers and Children in Material Hardship?’, p.464.

181 Rose, ‘The impact of active labour market policies on the well-being of the unemployed’, p.406.

182 Productivity Commission, *Technology and the Future of Work*, p.48.

A lack of flexibility

As the Victoria University researchers noted, work obligations need to be flexible enough to allow parents to meet their children's needs "at important stages in their development". Our interviews with jobseekers suggested that, in this respect, self-employment was particularly important, because it was the only form of paid work that gave sole mothers the required ability to juggle their different responsibilities.

Self-employment programmes in New Zealand are not necessarily wildly successful. According to official evaluations, participants in the Flexi-wage Self-Employment scheme have "slightly" higher employment outcomes for around two and a half years after the programme begins, but then the effect subsides, and the impacts on income are negligible at best.¹⁸³ These evaluations, however, may not capture the less tangible well-being outcomes, such as control over one's life, that individuals feel are important to their well-being. And overseas research shows self-employment schemes can be immensely successful.

One sole parent we interviewed noted that self-employment was important for women facing disruption from, for instance, extended Family Court proceedings to get custody of children from abusive or violent partners. However, they still did not believe that MSD services were sufficiently responsive. While MSD would have funded her participation in (relatively expensive) training courses, this interviewee argued, it had refused her request for a loan to cover the (relatively inexpensive) cost of membership of her relevant professional body, even though she believed this would open up significantly more business opportunities than training would have done.

Recommendations

- ▶ Improve the availability and affordability of childcare
- ▶ Reform precarious work to ensure that a job is a more reliable guarantee of improved well-being
- ▶ Maintain access to training programmes
- ▶ Improve the delivery of self-employment programmes
- ▶ Give frontline case managers greater flexibility to support women into work in the way that is most appropriate to them

183

https://ea.analytics.msd.govt.nz/?_inputs_&page=%22intervention%22&prog=%22PI_135%22.

20. Non-citizens and recent migrants

A number of respondents argued that the current system is designed only to deal with long-term citizens of New Zealand. People excluded from ALMPs – and indeed the formal job market more generally – included those who had arrived on legitimate work visas but, for innocent reasons such as a failure to fill out or understand the relevant paperwork, had become over-stayers. That meant they were forced to work in the informal, ‘black’ or ‘grey’ economies, lacking access to legal protections. Because of changes to citizenship laws in the 2000s, their children will also be denied citizenship and thus work-related supports. This complex area is, unfortunately, well beyond the scope of our report.

On a related point, one provider argued there needed to be more provision for people not eligible for MSD assistance, for instance the partners of people in New Zealand on work or other visas. One possible way to address this, the provider argued, was that the agencies with which these people did come into contact – for instance, immigration services – should have employment issues on their radar, and either provide basic employment advice or refer people to more in-depth services. We note the existence of the Pathways to Employment service for refugees, but have not been able to examine it in detail.¹⁸⁴

Finally, it was argued that migrants to New Zealand often had overseas qualifications that were not recognised, or only partially recognised, here, preventing them from working in their chosen profession and leaving many of their skills to go unused. The proverbial example of a PhD graduate driving a taxi was cited. It was argued that such migrants should have a more straightforward process by which to have their qualifications either recognised or ‘topped up’, for instance by adding Māori cultural competency to their overseas health qualifications.

Recommendations

- ▶ Strengthen employment support through immigration services
- ▶ Create better pathways for migrants to have overseas qualifications recognised

Part IV

Concluding material

21. Indicative costs and benefits

Fully costing the above recommendations is a task beyond the scope of this report. Some broad figures, however, can be advanced.

The wider envelope

In 2023, when New Zealand's spending on ALMPs was half the OECD average, it totalled around \$900 million at MSD, plus a much smaller amount at other agencies. This implies that reaching the OECD average would require us to spend in the region of another \$900 million.

The specificity of this figure should not be exaggerated: OECD comparisons are often inexact, as countries can report spending differently depending on how they categorise it. And the point is not to target an abstract level of spending. The above figure simply gives a rough idea of what a reasonable amount of spending might be, if there were well-evidenced policies for which it could be used.

\$900m

was spent by MSD in 2023 on ALMPs.

Better-resourced case management

Employing more case managers would come at a cost. MSD currently employs around 2,300. Increasing the workforce by, for argument's sake, one-quarter would involve employing another 600 case managers.

If each is paid around \$70,000, the per-employee cost to MSD is probably around \$85,000, including KiwiSaver, ACC levies, IT overheads, and so on. That would imply an overall cost of around \$51 million. A 10% increase in salaries, to aid with retention, would lift that to around \$56 million. In addition there would be costs from increased training. Conversely, greater use of technology and AI could cut costs or, at least, free up case manager time to be used elsewhere.

More holistic support

Extra costs would also arise from allowing people slightly more leeway to refuse poorly matched job offers, and thus presumably spend slightly longer on benefits. Trialling contracts where providers are allowed to support jobseekers for a much longer time pre- and post-placement would also be costly upfront. These initiatives would, however, recoup many or all of their costs in the long run.

System-improvement forums

This report has recommended various forums be created: a forum in which stakeholders can help co-design ALMPs; regional forums to coordinate skills and training provision; and NGO provider forums to share lessons and drive up performance. The running costs of such forums might overall be in the low millions.

Multifaceted interventions

As detailed above, completing the rollout of Individual Placement Support is estimated to cost around \$10 million a year. Delivering more such interventions, and aiming to replicate ACC's standard of care, would of course involve further costs.

Pre-unemployment intervention

Better resourcing MSD's Early Response service, and funding 'community connectors' to find new jobs for newly redundant staff, might cost in the low millions of dollars.

“Trialling contracts where providers are allowed to support jobseekers for a much longer time pre- and post-placement would also be costly upfront. These initiatives would, however, recoup many or all of their costs in the long run.”

Launching Pads

As detailed above, piloting 10 Launching Pads might cost approximately \$1 million.

Māori provision

Restoring the Māori Trades and Training Fund could cost in the order of \$32 million, based on the 2023-24 evaluation figure.

Young people

Implementing a Circuit-Breaker Job Guarantee would, as detailed above, have a gross annual cost of around \$100 million dollars, although the state would recoup half that sum even in just the first two years. Community commissioning of youth employment schemes could achieve significantly more effective use of existing funds.

Totals

The above initiatives to which costs can be attached have a total cost of approximately \$160 million. The costs of delivering more thorough and holistic ALMPs, however, could be significantly greater than that, suggesting again the desirability of allowing for spending at roughly the OECD average. As ever, much or all of the above fiscal costs would be recouped, and the wider social and economic return on investment would be significantly positive.

“The above initiatives to which costs can be attached have a total cost of approximately \$160 million.”

22. Conclusion

During the interviews for this report, we heard from a woman whose brother had wound up working in Norway as a builder. Nearing 40, and needing a major operation, he was told by Norwegian job centre staff that while they were happy to pay for his operation and subsequent recovery, they thought he should be contemplating other career options. Having carried out a detailed assessment of his background, skills and leadership qualities, they told him he would make an excellent teacher – and they were willing to fund his retraining.

In contrast, during our focus group with beneficiaries in Nelson, we heard from a 60-year-old woman who had previously been a cleaner. Now, having had one knee replacement and probably needing another, she was no longer able to clean at the pace demanded by commercial firms. But kind of what jobs did Work and Income keep pushing her way? Cleaning ones, of course.

This parallel starkly illustrates the difference between, on the one hand, a system designed to maximise people's potential and ensure firms benefit from a pipeline of suitable staff, and, on the other, a system that assumes people will just do what they have previously done and should be pushed into the first job that comes up, regardless of suitability. While the latter system is undoubtedly cheaper upfront, it is also far less productive in the long run.

Businesses do not benefit from a welfare system that fails to screen potential applicants for their suitability for a job. Time and effort is wasted, and skills shortages are far greater than they should be. Jobseekers' potential is left untapped. The solution, as this report has set out, is to invest far more in schemes that provide firms with a steady stream of highly qualified staff, and give jobseekers a carefully tailored pathway towards employment. We need, in short, to unblock the pipeline of potential.

Appendix 1: Literature review

Appendix 1: Literature review

A search for the major papers on active labour-market policies in the international literature returned the following articles. Our thanks to Dr Bill Cochrane for this survey.

Kluve, J. (2010).
“The effectiveness of
European active labor
market programs.”
Labour Economics
17(6): 904-918.

Active Labor Market Programs are widely used in European countries, but despite many econometric evaluation studies analyzing particular programs no conclusive cross-country evidence exists regarding “what program works for what target group under what (economic and institutional) circumstances?”. This paper aims at answering this question using a meta-analysis based on a data set that comprises 137 program evaluations from 19 countries. The empirical results of the meta-analysis are surprisingly clear-cut: Rather than contextual factors such as labor market institutions or the business cycle, it is almost exclusively the program type that seems to matter for program effectiveness. While direct employment programs in the public sector frequently appear detrimental, wage subsidies and “Services and Sanctions” can be effective in increasing participants’ employment probability. Training programs – the most commonly used type of active policy – show modestly positive effects.

Card, D., et al. (2010).
“Active Labour Market
Policy Evaluations: A
Meta-Analysis.” The
Economic Journal 120.

This article presents a meta-analysis of recent microeconomic evaluations of active labour market policies. We categorise 199 programme impacts from 97 studies conducted between 1995 and 2007. Job search assistance programmes yield relatively favourable programme impacts, whereas public sector employment programmes are less effective. Training programmes are associated with positive medium-term impacts, although in the short term they often appear ineffective. We also find that the outcome variable used to measure programme impact matters, but neither the publication status of a study nor the use of a randomised design is related to the sign or significance of the programme estimate.

Guzmán, G. (2014).
“How effective are
active employment
policies to reduce
unemployment in EU
countries?” Atlantic
Review of Economics 2.

This paper is an empirical analysis of panel data cross-sectional ordinary least squares (OLS) of expenditure on employment policies in the European Union (EU). The data source is EUROSTAT and OECD for general analysis of the EU. The results reveal overall level of European active labor market policies are statistically significant in reducing unemployment. In detail employment agencies and training show significant statistical evidence in reducing unemployment. When classified by geographic areas, Central Europe has a better efficiency in the use of active labor market policies in relation to other geographical area. In the other hand, passive labor market policies as unemployment insurance show out stretch to increase unemployment.

Borland, J. (2014).
“Dealing with
unemployment: What
should be the role of
labour market programs?”
Evidence Base(4).

This review presents a summary of evidence on outcomes from active labour market programs. Active labour market programs aim to increase the likelihood of employment for individuals who are unemployed or at risk of unemployment. The focus of this review is on studies of active labour market programs in Australia, supplemented with international evidence. An overview and historical background on active labour market programs is provided, as well as an introduction to the empirical methods used to estimate the effect of the programs. Evidence on the effects of the main types of programs – case management, work experience programs and formal education and training – is reviewed, and the main findings are distilled into a set of lessons for policy makers. The review concludes that active labour market programs cannot by themselves have a major impact on the rate of unemployment, but some spending on these programs is justified by outcomes such as increasing the pool of unemployed who are job ready and sharing the burden of unemployment. Job search and wage subsidy programs are suggested to be good ways to assist unemployed who are less disadvantaged. For unemployed with higher levels of disadvantage, priority should be given to programs that create jobs with opportunities for linked training, and that provide a pathway to a permanent job.

Bredgaard, T. (2015).
“Evaluating What Works
for Whom in Active
Labour Market Policies.”
European Journal of
Social Security 17(4).

In order to make informed and legitimate decisions in labour market policies, European and national policy makers need better knowledge of what type of interventions works for whom. The European Commission and many Member States have high hopes that ‘experimental evaluation’ techniques (such as randomised controlled experiments, systematic meta-analysis and econometric outcome evaluations) will deliver solid and clear evidence to inform the development of more rational decision-making processes. This article reviews the evaluation literature on Active Labour Market Policy (ALMP) and examines what works for whom, and under what circumstances. It assesses the strengths and weaknesses of the current drive towards ‘experimental evaluation’ and proposes an integrated framework for ALMP evaluation that combines ‘experimental evaluation’ with ‘programme theory evaluations’ and quantitative with qualitative data collection.

Escudero, V. (2015). Are
active labour market
policies effective in
activating and integrating
low-skilled individuals?
An international
comparison. ILO Working
Paper No 3, International
Labour Office.

This paper examines the effectiveness of active labour market policies (ALMPs) in improving labour market outcomes, especially of low-skilled individuals. The empirical analysis consists of an aggregate impact approach based on a pooled cross country and time-series database for 31 advanced countries during the period 1985–2010. A novelty of the paper is that it includes aspects of the delivery system to see how the performance of ALMPs is affected by different implementation characteristics. Among the notable results, the paper finds that ALMPs matter at the aggregate level, both, in terms of reducing unemployment, but also in terms of increasing employment and participation. Interestingly, start-up incentives are more effective in reducing unemployment than other ALMPs. The positive effects seem to be particularly beneficial for the low-skilled. In terms of implementation, the paper finds that the most favourable aspect is the allocation of resources to programme administration. Finally, a disruption of policy continuity is associated with negative effects for all labour market variables analysed.

Brown, A. J. G. and J. Koettl (2015). “Active labor market programs - employment gain or fiscal drain?” *IZA Journal of Labor Economics* 4(1).

This paper provides a new perspective by classifying active labor market programs (ALMPs) depending on their objectives, relevance and cost-effectiveness during normal times, a crisis and recovery. We distinguish ALMPs providing incentives for retaining employment, incentives for creating employment, incentives for seeking and keeping a job, incentives for human capital enhancement and improved labor market matching. Reviewing evidence from the literature, we discuss especially indirect effects of various interventions and their cost-effectiveness. The paper concludes by providing a systematic overview of how, why, when and to what extent specific ALMPs are effective.

Martin, J. P. (2015). “Activation and active labour market policies in OECD countries: stylised facts and evidence on their effectiveness.” *IZA Journal of Labor Policy* 4(1).

Activation policies aimed at getting working-age people off benefits and into work have become a buzzword in labour market policies. Yet they are defined and implemented differently across OECD countries, and their success rates vary too. The Great Recession has posed a severe stress test for these policies, with some commentators arguing that they are at best “fair weather” policies. This paper sheds light on these issues mainly via the lens of recent OECD research. It presents the stylised facts on how OECD countries have responded to the Great Recession in terms of ramping up their spending on active labour market policies (ALMPs), a key component in any activation strategy. It then reviews the macroeconomic evidence on the impact of ALMPs on employment and unemployment rates. This is followed by a review of the key lessons from recent OECD country reviews of activation policies. It concludes with a discussion of crucial unanswered questions about activation.

Naatanen, A.-M. (2017). “Tying Up the Loose Ends: The Determinants of Active Labour Market Policy in the Western Countries 1985-2013.” *Review of European Studies* 9(2).

Knowledge on the determinants of Active Labour Market Policy (ALMP) spending accumulated during the 2000s. Despite these advances, the current research lacks a systematic approach to the relevant determinants. This article fills the research gaps by analysing simultaneously the 14 most frequently used determinants for the first time. In addition to these variables, this study introduces a new factor, namely the impact of economic crises. Through the analysis of the longest data period yet investigated of 20 Western countries and a comparison of methodological alternatives, this study both challenges and reinforces previous findings, as well as produces new ones. For example, it is the first investigation to reveal the positive effect of government indebtedness and economic crises on ALMP expenditure. However, the rivalry between the “usual suspects” continues, as the negative effects of budget deficits, foreign trade, and population ageing, and the positive effects of trade union density and GDP growth, were rediscovered in this analysis.

Filges, T. and A. T. Hansen (2017). “The Threat Effect of Active Labor Market Programs: A Systematic Review.” *Journal of Economic Surveys* 31(1): 58-78.

This paper is a systematic review of the threat effect of active labor market programs for unemployed individuals. The threat effect is the induced change in the hazard rate of leaving unemployment prior to program participation. Studies included in the review all estimated a threat effect, with the participants in all cases being unemployed individuals in receipt of benefit of some kind during their tenure of unemployment. Eight of these studies have been included in a meta-analysis: The meta-analysis, which has been carried out using a random effects model to account for heterogeneity, indicated a hazard ratio of 1.25 for the pooled estimate. We conclude that active labor market programs constitute a statistically significant threat effect, although it is modest.

Bengtsson, M., et al. (2017). “Labour Market Policy under Conditions of Permanent Austerity: Any Sign of Social Investment?” *Social Policy & Administration* 51(2): 367-388.

Social investment (SI) is part of a strategy to modernize the European welfare states by focusing on human resource development throughout the life-course, while ensuring financial sustainability. Recognizing that this strategy was only partially implemented by the EU member states prior to the financial and Eurozone crises, this article investigates whether reforms and expenditure patterns in labour market policy (LMP) have moved more towards or away from SI following the 2008 financial crisis. We use quantitative and qualitative data to investigate the degree to which there have been shifts in the SI aspects of LMPs in eight countries across four welfare state regimes. We also investigate which aspects of LMPs have been strengthened and which have been weakened, enabling us to make a nuanced assessment of labour market SIs across the EU in a period of permanent austerity. We find that although the eight countries under examination have different starting points, there is little evidence of increased SI-orientation of LMPs. Upskilling, which is at the heart of SI, did not increase from 2004–08 to 2009–13, while incentive reinforcement and employment assistance – more about labour market entry and marketing of skills – grew in importance. If this trend continues across Europe, there is a risk that SI will become lost in translation and end up as a clearer neo-liberal version of workfarism.

Lehwess-Litzmann, R. (2018). “Is labour market policy heading for social investment in European countries?” *Zeitschrift für Sozialreform* 64(3): 333-362.

From a perspective of social investment, this article analyses monetary efforts made by European countries in terms of active and passive labour market policy (LMP) between 2006 and 2015. How did spending evolve under the double impression of the social investment discourse and the crisis after 2008? How does LMP now differ from what it was before the crisis? We find that there is no real trend towards social investment in the field of LMP in recent years. This shows both in the relationship between passive and active spending and in the composition of active spending. In particular, training – crucial to a social investment approach – is further weakened in most countries’ policy arrangements. Concerning levels of spending, it is shown that labour market policy gets fiscally more demanding on aggregate, while the amount of resources made available to the average individual job seeker shrinks. Spending on LMP also remains very unequal between European countries.

Card, D., et al. (2018). “What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations.” *Journal of the European Economic Association* 16(3): 894-931.

We summarize the estimates from over 200 recent studies of active labor market programs. We classify the estimates by type of program and participant group, and distinguish between three different post-program time horizons. Using regression models for the estimated program effect (for studies that model the probability of employment) and for the sign and significance of the estimated effect (for all the studies in our sample) we conclude that: (1) average impacts are close to zero in the short run, but become more positive 2–3 years after completion of the program; (2) the time profile of impacts varies by type of program, with larger average gains for programs that emphasize human capital accumulation; (3) there is systematic heterogeneity across participant groups, with larger impacts for females and participants who enter from long term unemployment; (4) active labor market programs are more likely to show positive impacts in a recession.

Nordlund, M. and B. Greve (2018). *Labour market: Focus on active labour market policies.* Routledge Handbook of the Welfare State. B. Greve, Routledge.

This chapter focuses on Active Labour Market Policies (ALMPs) which consist mainly of educational and employment incentives offered to the unemployed. ALMPs aim to relieve or prevent the negative effects that spells of unemployment often bring about for the individual as well as for the labour market as a whole. The subject that researchers continually investigate is whether or not participation in ALMPs is fruitful. The chapter shows that it is difficult to make universal statements about this because the success of ALMPs seems to vary as a consequence of how they are designed, individual heterogeneity among participants and methodological issues. It discusses a short account of the unemployment process, the risk of long-lasting negative scarring effects and unemployment benefit insurance systems that aim at alleviating more direct negative economic effects. ALMPs are used to counteract labour shortages and to mobilise the workforce by holding down the overall unemployment level.

Pignatti, C. and E. V. Belle (2018). *Better together: Active and passive labour market policies in developed and developing economies.* Research Department Working Paper No. 37, International Labour Office.

We investigate the macroeconomic impact of public expenditure in active and passive labour market policies on main employment indicators (i.e. unemployment, employment and labour force participation) for a panel database of 121 countries (36 developed, 64 emerging and 21 developing economies). Following previous contributions, we implement an instrumental variable strategy to take into account the possible reverse causality between labour market outcomes and spending in labour market policies. Compared to previous studies, (i) we include for the first time evidence from non OECD countries; and (ii) we examine the possible presence of complementarities between active and passive policies. We find that the interaction between interventions is crucial as the effect of spending in either of the two policies is more favourable the more is spent on the other. In particular, we find that even spending in passive policies can have positive labour market effects (i.e. reduction in unemployment and increase in employment rates) on the condition that sufficient amounts are spent in active interventions. This complementarity is driven by the interaction between all types of active policies and unemployment insurance (but not assistance). However, this positive complementarity is in place only in developed economies while it becomes negative in emerging and developing economies.

Escudero, V. (2018). “Are active labour market policies effective in activating and integrating low-skilled individuals? An international comparison.” *IZA Journal of Labor Policy* 7(1).

This paper examines the effectiveness of active labour market policies (ALMPs) in improving labour market outcomes, especially of low-skilled individuals, by means of a pooled cross-country and time series database for 31 advanced countries during the period 1985–2010. The analysis includes aspects of the delivery system to see how the performance of ALMPs is affected by different implementation characteristics. Among the notable results, the paper finds that ALMPs matter at the aggregate level, but mostly through an appropriate management and implementation. In this regard, sufficient allocation of resources to programme administration and policy continuity appear to be particularly important. Moreover, start-up incentives and measures aimed at vulnerable populations are more effective than other ALMPs in terms of reducing unemployment and increasing employment. Interestingly, the positive effects of these policies seem to be particularly beneficial for the low skilled.

Filges, T., et al. (2018). “Active Labour Market Programme Participation for Unemployment Insurance Recipients.” *Research on Social Work Practice* 28(6): 653-681.

This review evaluates the effectiveness of Active Labour Market Programme (ALMP) participation on employment status for unemployment insurance recipients. Methods and Analysis: We followed Campbell Collaboration guidelines to conduct a systematic review. Results: A total of 73 studies met the inclusion criteria and were critically appraised by the review authors. The available evidence suggests that there is a general effect of participating in ALMP. The findings are mixed, however, depending on the approach used to investigate the effect, with no effect found of being assigned to ALMP participation at a particular moment. Authors’ Conclusions: The available evidence does suggest that there is an effect of participating in ALMP, but the effect is small and we found no effect of being assigned to ALMP participation at a particular moment.

Sahnoun, M. and C. Abdennadher (2018). “The assessment of active labor market policies: evidence from OECD countries.” *Economia Politica* 35(2): 257-283.

This paper tries to detect the effectiveness of active labor market policy (ALMP) on the unemployment rate. The generalized method of moments system for dynamic panel introduced by Blundell and Bond (*J Econ* 87(1):115–143, 1998) is applied to our sample over a fifteen-year period from 2000 to 2014, where we aim at examining how the policy intervention, the cyclical, the institutional and macroeconomic factors interact to determine unemployment. The effect of total ALMP (service public employment, training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives) is significantly negative on unemployment. Our results show that start-up incentives seem to be the most effective policy to reduce the unemployment rate because of its low cost. Other control variables, such as the tax wedge, employment protection legislation, inflation, investment, and GDP are also important in determining the unemployment rate

Rose, D. (2019). “The impact of active labour market policies on the well-being of the unemployed.” *Journal of European Social Policy* 29(3): 396-410.

Asking whether social policies can alter the experience of unemployment, this article systematically evaluates whether participation in active labour market policies (ALMPs) influences the well-being of the unemployed. With consistently high unemployment rates in Organisation for Economic Co-operation and Development (OECD) countries, scholars have started to examine the impact of ALMP schemes on a variety of tangible economic outcomes, but place little focus on their sociological and psychological impacts. Using a novel panel survey, the IZA Evaluation Dataset, I employ a propensity score matching approach combined with difference-in-differences to address selection on both observables and unobservables. Consistent with my theoretical predictions, I find evidence that ALMP programmes that are most like regular employment, namely wage subsidies and subsidized self-employment, have the strongest impact on the well-being of the unemployed. Looking at regional and gender differences indicates interesting effect heterogeneity.

Vooren, M., et al. (2019). “The Effectiveness of Active Labor Market Policies: A Meta-Analysis.” *Journal of Economic Surveys* 33(1): 125-149.

This paper provides a meta-analysis of microeconomic evaluation studies on the effectiveness of active labor market policies. The analysis is built upon a systematically assembled data set of causal impact estimates from 57 experimental and quasi-experimental studies, providing 654 estimates published between January 1990 and December 2017. We distinguish between the short and longer term impacts in our analysis; at 6, 12, 24, and 36 months after program start. After correcting for publication bias and country-specific macroeconomic characteristics, subsidized labor and public employment programs have negative short-term impacts, which gradually turn positive in the longer run. Schemes with enhanced services including job-search assistance and training programs do not have these negative short-term effects, and stay positive from 6 until 36 months after program start.

WEAG (2019). *Employment & Labour Market: Active Labour Market Policies in the New Zealand Context. Background Paper, Welfare Expert Advisory Group* (WEAG).

This paper discusses the Government’s vision for the welfare system as it relates to employment. The paper defines and describes the role of ALMPs generally and then briefly describes the New Zealand labour market. The paper then discusses the ALMPs managed by the Ministry of Social Development (MSD) with respect to funding, services offered, operating models, client outcomes, programme effectiveness, programme coverage, and international spending comparisons. The interfaces between ALMPs and complementary policy areas are noted. The paper describes steps MSD is taking to improve employment outcomes and identifies some potential areas of focus.

Yeyati, E. L., et al. (2019).
What Works for Active
Labor Policies? CID
Working Paper Series
2019.358, Harvard
University.

The past 5 years have witnessed a flurry of RCT evaluations that shed new light on the impact and cost effectiveness of Active Labor Market Policies (ALMPs) aiming to improve workers' access to new jobs and better wages. We report the first systematic review of 102 RCT interventions comprising a total of 652 estimated impacts. We find that (i) a third of these estimates are positive and statistically significant (PPS) at conventional levels; (ii) programs are more likely to yield positive results when GDP growth is higher and unemployment lower; (iii) programs aimed at building human capital, such as vocational training, independent worker assistance and wage subsidies, show significant positive impact, and (iv) program length, monetary incentives, individualized follow up and activity targeting are all key features in determining the effectiveness of the interventions.

Fredriksson, D.
(2020). "Reducing
unemployment?
Examining the interplay
between active labour
market policies." *Social
Policy & Administration*
55(1): 1-17.

Active labour market policies (ALMP) are important tools that welfare states utilize to influence the labour market. This study analyses the macroeconomic effects of different types of ALMP spending on aggregate unemployment rates, and especially if there is evidence of interdependencies between policies. The types of policies scrutinized are public employment services (PES), training programs, public job creation and subsidized employment, where the PES is singled out as a crucial factor that moderates the effects of other types of labour market programs. The study examines 19 welfare states between 1985 and 2013, using error correction modelling to separate between short- and long-term effects. The results indicate that PES, training and subsidized employment reduce unemployment in the short-run, whereas PES and wage subsidies are associated with reduced unemployment when considering long-term effects. However, PES is found to have indirect effects on other policy types and increased spending on PES is shown to reinforce long-term effects of training programs.

Ko, H. and E. Bae (2020).
"Effects of active labour-
market policies on welfare
state finances." *Journal
of International and
Comparative Social Policy*
36(2): 200-216.

This study seeks to determine the effectiveness of the active labour-market policies (ALMPs) of employment-oriented welfare states contribute to the financial soundness of welfare states. Even if they are insignificant, overall, the results show that ALMPs lead to higher employment rate and sounder public finances as could be expected by the central idea of employment-oriented welfare states. However, extending ALMPs does not always create a virtuous circle among government interventions, employment rate and fiscal soundness. That is, the results for employment and public finances depend on how the government intervenes in the labour market. We argue that the critical point goal should be to improve employability, not just to increase the employment rate.

Lauringson, A. and M. Lüske (2021). Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity. OECD Social, Employment and Migration Working Papers No. 262, OECD.

This study provides a framework to compare and classify the institutional set-up of active labour market policy (ALMP) provision across countries, which is a key determinant of how well ALMP systems can respond to changing labour market needs, e.g. in response to the COVID-19 crisis. The paper builds on an OECD-EC questionnaire on “Active labour market policy measures to mitigate the rise in (long-term) unemployment” filled in by OECD and EU countries in the last quarter of 2020. The paper presents a dashboard of the institutional set-up of ALMP provision in 43 OECD and EU countries, which classifies the ALMP systems of different countries according to their organisational set-up (i.e. division of responsibilities between key stakeholders), their regulatory set-up (i.e. key legislation regulating ALMP provision) and their capacity to deliver employment support services (i.e. resources available).

Ernst, E., et al. (2022). Labour market policies for inclusiveness.

The COVID-19 pandemic triggered renewed interest in the use of different fiscal spending and transfer programmes to address the worsening conditions and deepening inequalities within the labour markets. This paper reviews the role of specific fiscal spending and transfer programmes in shaping labour market dynamics by disentangling different macroeconomic and microeconomic mechanisms. The paper presents the recent empirical evidence on the topic in an attempt to abstract several empirical regularities and identify research gaps. The analysis also highlights gaps in the literature and suggests how future research could fill these gaps

Haapanala, H. (2022). “Carrots or sticks? A multilevel analysis of active labour market policies and non-standard employment in Europe.” *Social Policy & Administration* 56(3): 360-377.

Spending on active labour market policies (ALMPs) has increased across Europe following the 2007 flexicurity strategy which emphasised smooth and rapid transitions from unemployment to work. Despite broad scholarly coverage of the activation turn, the connection between labour market policies and changes in non-standard employment remains unclear. Applying random effects within-between regression analysis, this paper finds that coercive, ‘hard’ ALMP instruments incentivising rapid re-employment with the threat of withdrawing unemployment benefits are associated with higher likelihood of involuntary part-time employment, whereas supportive, ‘soft’ ALMP strategies with a focus on upskilling and public sector occupation are associated with higher voluntary but lower involuntary part-time employment. The results from 25 countries over two decades shed light on the heterogeneous results of past ALMP research which has not adopted a consistent line on the supportive-coercive dichotomy. With European employment policy increasingly applying hard activation instruments to achieve full employment, an unintended consequence might be the expansion of precarious employment.

Niño-Zarazúa, M. and N. Torm (2022). Active Labour Market Policies in Asia and the Pacific: A review of the literature. Social Development Working Paper Series, United Nations ESCAP.

This paper reviews the evidence on the effectiveness of active labour market programmes in low- and middle-income countries with high informality, highlighting examples of interventions that have been implemented in combination with other policies including social protection measures. In reviewing the literature, we adopt a scoping review methodology to identify studies that look at a range of programme outcomes including earnings, employment, formality and productivity. We include studies from 2000 onwards, and after a thorough selection and screening process we end up with 106 papers for the review. Most of these studies find some positive aspect associated with the programme under study, although significant positive aspects are in many cases contingent on a specific target population, or time frame of programme and evaluation. We employ a theory of change conceptual framework to further discuss the channels, mechanisms and assumptions that are seen to underpin programme effectiveness (or the lack of). Success often depends on specific contextual factors and/or the joint implementation of different types of active and/or passive labour market policies, including specific social protection measures or other public policies.

Přívarová, M. (2022). “Active Labour Market Policy as a Component of Flexicurity.” The EUrASEANs 4(35).

Active labor market policy includes measures to facilitate the return to work (training courses for the unemployed, incentives for unemployed to return to work, support for creating new jobs, etc.). Within the EU countries, we can observe some convergence in the activation of the unemployed. On the other hand, there are also significant differences resulting from the different performance of their labour markets as well as the heterogeneity of their institutional environments. The current paper aims to analyse these tendencies in the example of the following countries: Austria, France, United Kingdom and Spain. The results show that despite some differences, the most significant common factor of the active labour market policy in the selected EU member states is tightening the program participation criteria

Sahnoun, M. and C. Abdennadher (2022). “A simultaneous-equation model of active labour market policies and change in unemployment rate: evidence from OECD countries.” Policy Studies 43(1): 3-20.

The purpose of this article is to investigate the nexus between Active Labour Market Policies (ALMP) and change in unemployment rate. A dynamic simultaneous-equation panel data models have been applied to 16 OECD countries studied over the 2000–2015 period. Our results indicate that the ALMP expenditure leads to the reduction of the change in unemployment. The ALMPs appear to be efficient in reducing the unemployment rate in these countries. Besides, any increase of the change in unemployment rate leads to the decrease of the ALMP expenditure. This occurs in connection to the high costs of the active spending during periods of recession and to the pressure it makes to provide a continuous income to the unemployed through unemployment benefits.

Sienkiewicz, Ł. (2022).
Assessment of the
effectiveness of active
labour market policies
in crisis and post-crisis
situations, European
Training Foundation.

The present report is part of a wider study commissioned by the European Training Foundation (ETF) and led by Fondazione Giacomo Brodolini on the topic of active labour market policies (ALMPs), labour market transition and skills development in ETF partner countries, in the context of the Covid19 crisis. Since the Covid-19 outbreak, the ETF has launched several new work strands to capture immediate developments and provide targeted advice or the sharing of innovative solutions in response to the impact of the pandemic. One strand covers socio-economic dynamics and the impact of Covid-19 on the labour market and policy responses in terms of the crisis, post-crisis and recovery phases, with a focus on the role of ALMPs including skills development programmes. The working assumptions are that (i) the economic downturn and pandemic induce sectoral changes requiring a change in career paths, reskilling and upskilling for people at risk of losing, or without, jobs; and (ii) approaches to ALMPs may need adjustments to fit current and foreseeable socio-economic conditions and technological advancement. In this regard, this report is dedicated to assessing the effectiveness of ALMPs in crisis and post-crisis situations, using a wide analysis of secondary literature related to the effectiveness of ALMPs, taking as reference the last major economic and social crisis (2008–10) and other crises that impacted ETF partner countries during, for example, the transition from centralised to market economies. The report thus develops a targeted review of those ALMPs which show the most promise to address the economic challenges met by ETF partner countries in response to the current crisis, taking into account their specific institutional context.

Birca, A. (2023).
“Workforce Participation
in Active Labour Market
Policies: A Comparative
Analysis in EU Member
States.” Review of
International Comparative
Management 24(2).

In this scientific endeavour, the issue of workforce participation in active labour market policies (ALMP) is investigated. The mission of ALMPs is to help the workforce in difficulty, outside the labour market, to reintegrate as quickly as possible into the professional environment. In this case, the Public Employment Service (PES) is the government institution that manages and implements ALMPs at the national level. Thus, different programs related to ALMPs can be implemented, these being different from one country to another which can be grouped into: vocational training, subsidizing jobs, stimulation for start-up creation, assisted employment and vocational rehabilitation of the workforce from disadvantaged categories. In order to highlight the similarities and differences regarding ALMPs in the EU member states, statistical data provided by the Directorate General for Employment, Social Affairs and Inclusion of the European Commission were used. In this sense, several indicators characterizing ALMPs in the EU member states are presented.

Duell, N. (2023).
New forms of active
labour market policy
programmes, European
Network of Public
Employment Services -
European Commission.

The objective of this study is to present the 'state of play' in the introduction of new Active Labour Market Policies (ALMPs) and their use by the Public Employment Services (PES) between 2015 and 2022. The time span is selected to analyse how PES respond to short and long-term labour market challenges. Both long-term structural changes in the labour market and short-term specific changes, such as those caused by the COVID-19 pandemic have called for an adaptation of ALMPs to cater for the needs of clients. This study seeks to investigate to what extent ALMPs were used with documented impacts to respond in the short-term to challenges faced by some groups. The study also asks whether the new ALMPs are relevant to cope with future challenges. This study reviews research carried out by international organisations as well as national sources. The study also uses different surveys that have been addressed to PES.

Eppel, R., et al. (2024).
Active Labour Market
Policies: What Works
for the Long-term
Unemployed? WIFO
Working Papers
671/2024, Austrian
Institute of Economic
Research.

There is still a lack of knowledge on how to effectively help the long-term unemployed into employment. We evaluate a wide range of active labour market policies for this target group, using a dynamic matching approach. Measures vary considerably in the extent to which they improve labour market prospects. Human capital-intensive training programmes that substantially enhance vocational skills and employment programmes are most effective, short activating job search training the least. Our results suggest that not only wage subsidies in the private sector, but also direct job creation in the public and non-profit sector can work, if properly designed.

Appendix 2: Catalyst Trust workshop

Appendix 2: Catalyst Trust workshop

The following is a summary of the ideas on welfare-to-work policy developed during a Catalyst Trust workshop in May 2025. Attendees were asked to develop ideas on four themes: regional input and insights; element missing from the current system; feedback on IDEA's draft recommendations; and personal stories.

Regional input and insights

- High-skilled people move to New Zealand for the lifestyle, but have to take lesser skilled, lower quality work that doesn't match their skills. New Zealand doesn't let them transfer their degrees and qualifications, especially in mental health, social care and female-dominated industries. There are highly qualified staff doing mediocre jobs just to be able to stay here
- Employers are bringing people in and setting them up, knowing how hard it is but not telling them. This feels disingenuous
- Pay does not always match living costs
- There is a focus on trying to meet Treaty principles but not Ngāi Tahu settlements
- Housing is Queenstown's biggest issue. It leads young people to leave and increases workforce churn
- An over reliance on tourism leads to low productivity jobs which leads to low wages. Costing the inputs correctly (for instance, carbon and congestion) would help balance matters
- A regional approach is required – our community is so different, given the issues arising from different types of workforce and jobseeker. Specific solutions are needed for each place's specific issues
- There is a lack of diversity in the opportunities available to local young people and students to work in the district. Young people have limited life pathways locally, and limited career pathways
- The future challenge is with local youth unemployment. We have skilled/professional job opportunities that need experience/training not available here, or hospitality/tourism jobs taken mostly by seasonal transient people. The precarious workforce is a challenge. And when people come and go so easily, it's hard to create community, friends, connections and potentially trust
- The importance of community support networks and groups, for instance Happiness House, to be a place to meet people, gain knowledge, etc. The community is very aware of the struggles in Queenstown regarding employment, and puts together incredible energy to help unemployed people

What's currently missing?

- Integrated Mātauranga Māori economic models
- An understanding of strategic versus operational decisions
- The role of philanthropy in welfare-to-work policy
- Empowering case managers to provide bespoke support – currently they are very restricted in the help they can offer – too much of a cookie-cutter response
- Tailored packages for specific life events (e.g. significant health issues, family violence)
- Support for sole parents – who can be worse off financially in work because of childcare costs, loss of benefit, etc.
- Older tradespeople sometimes physically can't do their job any more, but need to be empowered/ supported/encouraged to move to other work
- Mental health – we shouldn't be forcing people into roles to fill gaps, which causes more anxiety and opportunities to fail
- A shift from a 'churn' economy to a sustainable one with long-term pathways to pay, conditions and respect
- Pushing back against the weaponisation of unemployment as a mechanism to lower wages and limit bargaining power
- Working with HR to support early intervention
- Government funding businesses directly to help them expand but with the requirement that they must hire a certain number of extra people
- More focus on externalising the problem rather than placing it on the individual
- Preventing problems before they get too complex to handle easily – stopping the domino effect, for instance by providing better mental health support
- Agencies and stakeholders talking with one another and matching needs
- Decreasing the bureaucracy, simplifying processes, increasing transparency, increasing accessibility and advocacy/ support – walking alongside those who require it
- Support networks for migrant workers
- Making sure people who want to work here know what it costs to live in New Zealand
- Looking at jobseekers as a whole
- Relaxing the parameters for agencies – giving them more licence to be bespoke

Pros and cons of suggested solutions

Pros

- Knowledge of sectors and the aspirations of employees; the understanding of complexities (jobseekers, employers, caseworkers)
- The idea of a job offer for young people is good, because employers often want experienced people but don't want to train them
- The Launching Pads idea – Access programs are an example
- Having more case managers – consistency, getting to know the client, overall better outcomes

Cons

- Where do you expect to receive the funding for this?
- Why wait a year for a youth guarantee? Support/incentives are needed for both employee and employer
- What inspires people to actually get off the benefit? If income matches benefit, and you get all the resources from the benefit, why would people get off?
- Not many people are caseworkers – how are you going to get people into the industry to fill the shortage?
- Are evidence-based solutions likely to break through to ideologically based politicians?
- Have these ideas been raised before? 'Better Work' under Labour, for example. It got nowhere – what will change?

Other feedback

- Case managers need to have appropriate sector skills, psychosocial skills – need the right fit. This is also relevant for Individual Placement Support
- Use the jobless to become case managers – it fills jobs, and those people have first-hand experience
- Having more case managers – they need better support as they can be exposed to a lot of stories they aren't trained to hear; it needs to be consistently supported across successive governments; staff need higher knowledge of local communities and businesses
- It's important to train case managers to better support the increased workload. Also train them to collaborate – work with people rather than telling them. And MSD needs to stop putting their fingers in all the pies, for instance housing, disability, women's safety – there are already whole government departments for that
- Employment staff attached to community mental health teams – these need to be available for the lower end of mental health needs. Housing, stable care plans and connection to social services/ mental health providers – this all needs to happen before a job. Otherwise it's set up to fail and to be another source of stress, shame and disappointment

Stories to share

- In the early 1990s, you could walk into any job in Queenstown and ask for a bank job. By the late 1990s, frameworks were designed where you were tested for competency, communication and maths knowledge. Now you go through head office through a robust HR system; you become a number. When did becoming human change to becoming a number?
- Why is the job-hunting process so humiliating? When I finished university with two desirable degrees (and a good CV), I still had to go on Jobseeker for six months. I applied for 100-110 jobs, heard back from 15, received offers from two. The rest I never heard from – the majority were government departments for which I was qualified. I never spoke to a case manager and even applied for a job that was open in the Work and Income in my town. Never heard from them!
- When I first came here as an immigrant, I found low-paid work but couldn't find any work with my skill set. This resulted in living with many people per house to afford living here. The upside is that with local relationships we were able to be resourceful and entrepreneurial, but I don't believe this is a natural pattern for most. We had English as a first language and probably luck on our side. I don't think it would be the same if English wasn't my first language or I had limited language capabilities
- I have been through jobseeking through a government agency, and I can say how much it is important to be well-supported and have tailored support. I should say this was in Switzerland
- In my experience dealing with unemployment in France, I've always felt that my case manager had a really hard time understanding what I wanted to do/to work with. When I was younger, I was always told that to get a job, opening a door and showing your motivation was enough. I feel like now the people willing to "give you a chance" regardless of your background are an endangered species. I have been employed in seven different countries in the past; in most I didn't speak the languages. The ones where I found welfare and unemployment services were better tailored to individuals were Norway and Sweden
- As a student in the Queenstown area, I have seven current jobs, great pay in each, offered more work/hours, vehicles and so on, been offered more. I'm 17 – I think this comes down to networking
- A person I work with works under a certain amount of hours only so she can stay on the benefit, when she is perfectly capable of working more to support herself. She asks the boss for fewer hours purely for that reason – taking advantage of the benefit

The Institute for Democratic and Economic Analysis

The Institute for Democratic and Economic Analysis (IDEA) is an independent public policy think-tank dedicated to solving the intertwined problems of poverty and political exclusion.



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