



# Cabinet

## Minute of Decision

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### Expansion of the Flexi-Wage Scheme

**Portfolio**                      **Social Development and Employment**

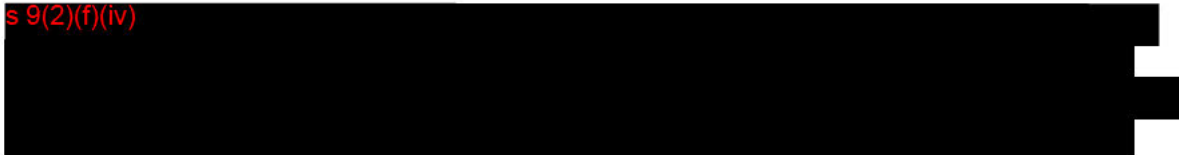
On 30 November 2020, Cabinet:

- 1        **noted** that the Flexi-Wage is an existing and proven employment support product that can be scaled up and enhanced quickly to create a strong incentive to employ those most affected by the economic recession, while also offering support to struggling businesses;
- 2        **noted** that the government campaigned on expanding Flexi-Wage to:
  - 2.1      increase the average subsidy to \$7,500, with a maximum of up to \$22,000 for people who need the most support to find and retain a job;
  - 2.2      amend the scheme to provide greater flexibility for employers and employees;
  - 2.3      invest an additional \$300 million to support up to an additional 40,000 people into work;
  - 2.4      ring-fence \$30 million of this funding to help unemployed people start their own business;
  - 2.5      provide an additional \$10 million in operational funding for the Ministry of Social Development (MSD) to administer the expanded programme;
  - 2.6      provide an additional \$1 million for business outreach to ensure businesses can consider whether it is right for them;
- 3        **agreed** that the Flexi-Wage expansion will need to be flexible, adapt overtime, and also target people disadvantaged in the labour market who would most benefit from Flexi-Wage so they can access and maintain employment, with the ability to target key cohorts, such as:
  - 3.1      women (and in particular sole parents looking for work), youth, disabled people or people with a health condition, Māori, and Pacific peoples;
  - 3.2      people who worked in sectors that have been most affected by the economic impact of COVID-19 or are working in a sector which may be affected over the coming months;
  - 3.3      people who are not working but may be on a benefit, as well as those who are under-utilised in certain circumstances;

4 **agreed** that the Flexi-Wage expansion will include:

- 4.1 a small number of set rates for Flexi-Wage expansion to provide certainty to employers on the level of support available;
- 4.2 a discretionary rate capped at \$22,000 that can be used when negotiating with employers to take on those most at risk;

5 **noted** that the Minister for Social Development and Employment intends to approve and establish a welfare programme for the Flexi-Wage extension pursuant to section 101 of the Social Security Act 2018 by written notice;

6 s 9(2)(f)(iv) 

7 **noted** that MSD will use the \$1 million allocated towards ‘business outreach’ to:

- 7.1 undertake a tactical campaign over the next three months to increase awareness of the Flexi-Wage from December 2020;
- 7.2 run an over-arching advertising campaign that will encompass the range of MSD’s employment services and supports from March 2021;

8 **agreed** that \$30 million of the funding for the Flexi-Wage expansion be ring-fenced for Flexi-Wage Self-Employment and that a portion of the ring-fenced funding will be used to undertake pilots to ascertain the most effective mix of pastoral care, mentoring and business support to help people start their own business;

9 **noted** that administration of Flexi-Wage is a resource intensive process and MSD will use the \$10 million allocated to “administer the scheme” to undertake necessary IT changes, and provide certainty, consistency and streamline the payment for employers, and enable MSD to scale up, employ additional staff, and evaluate the expansion;

10 **noted** that MSD will provide quarterly reports to the Employment, Education and Training Ministerial Group on outcomes, uptake and demographic characteristics of the expanded Flexi-Wage;

11 **agreed** to add the following category to “Improved Employment and Social Outcomes Support Multi-Category Appropriation”:

Title	Type	Scope
Flexi-Wage Employment Assistance	Non-Departmental Other Expense	This category is limited to providing Flexi-Wage employment assistance, for eligible people to help them move into and retain sustainable employment, in accordance with criteria set out by Cabinet or approved by the Minister or in delegated legislation made under the Social Security Act 2018.

- 12 **approved** the following changes to appropriations to provide for the administration and expansion of Flexi-Wage, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
<b>Departmental Output Expense:</b>					
Data, Analytics and Evidence Services (funded by revenue Crown)	0.170	0.170	0.082	-	-
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Improved Employment and Social Outcomes Support MCA:					
<b>Non-Departmental Other Expense:</b>					
Flexi-Wage Employment Assistance	26.338	131.360	142.302	-	-
<b>Departmental Output Expense:</b>					
Improving Employment Outcomes (funded by revenue Crown)	4.278	4.415	1.885	-	-
<b>Total Operating</b>	<b>30.786</b>	<b>135.945</b>	<b>144.269</b>	<b>-</b>	<b>-</b>

- 13 **agreed** that the change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 14 **agreed** that the expenses incurred under paragraph 12 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;
- 15 **agreed** that any underspends for the administration and expansion of Flexi-Wage, over the period of this funding, be transferred to the following financial year to ensure that funding is available for delivery of this expansion;
- 16 **authorised** the Minister for Social Development and Employment and Minister of Finance jointly to agree the final amount to be transferred (as per paragraph 15 above), following completion of the relevant year’s audited financial statements of MSD (or sooner if necessary), with no impact on the operating balance and/or net core Crown debt across the forecast period;
- 17 **noted** that Cabinet approval will be required for any transfers into, or out of, the Flexi-Wage Employment Assistance category in the Improved Employment and Social Outcomes Support MCA;

- 18 **noted** that the Minister for Social Development and Employment and the Minister of Finance will make detailed design decisions on the phased approach, with initial improvements in place by the end of the year, as well as minor policy decisions, including Flexi-Wage Self-Employment, as necessary.

Michael Webster  
Secretary of the Cabinet