

IN CONFIDENCE

Office of the Minister for Social Development and Employment

Chair
Cabinet Business Committee

SEASONAL WORK ASSISTANCE

Proposal

- 1 This paper seeks agreement to increase the weekly and maximum rates of the Seasonal Work Assistance and to transfer funding of \$0.989 million over the next two years from the Improved Employment and Social Outcomes Multi Category Appropriation to the Benefits or Related Expenses Work Assistance Appropriation.

Executive summary

- 2 Recent border closures have caused disruption to the labour supply for the horticulture and viticulture industries, which traditionally rely on a combination of domestic and migrant labour. The shortage of seasonal labour presents an opportunity for more New Zealand jobseekers to take up work in the industry. However, there are traditionally a number of barriers to working in the industry including insecure hours, low pay (often minimum wage plus piece rates), and limited affordable accommodation and transport options.
- 3 One of the key barriers for jobseekers entering into seasonal work is the risk of fluctuating and insecure income. In particular, poor weather conditions can prohibit the ability to work outside for the day and mean workers can go unpaid for the length of time affected by the bad weather.
- 4 The Seasonal Work Assistance Programme payment is an existing Ministry of Social Development (MSD) product that aims to support former MSD jobseekers who have moved off benefit and into seasonal horticultural work, to maintain an income when they are unable to work due to adverse weather conditions (e.g. heavy rain affects the ability to work outside). The payment is paid under the Seasonal Work Assistance Programme.
- 5 The current Seasonal Work Assistance Programme payment provides some cover for income loss. However, the current rates are significantly less than wage rates and do not provide enough financial stability for New Zealanders in seasonal roles and are unlikely to incentivise jobseekers to take up seasonal work.
- 6 I have agreed in principle to changes to the Seasonal Work Assistance Programme payments in order to provide greater financial stability for former jobseekers moving into seasonal work. The proposed changes include:
 - increasing the maximum weekly amounts of payments to pay up to minimum wage for up to 40 hours per week; and
 - increasing the maximum amount payable in a season to cover up to 17 days per season (within a 26-week period), where clients cannot work due to adverse weather conditions.
- 7 These proposed changes to the Seasonal Work Assistance Programme payment amounts would cost \$0.989 million over the next two years. This would require a funding transfer from the Improved Employment and Social Outcomes Multi Category Appropriation (MCA) to the Benefits or Related Expenses Work Assistance Appropriation.

IN CONFIDENCE

- 8 I am seeking Cabinet agreement to transfer this funding in order to make the proposed changes to the Seasonal Work Assistance Programme payment.

Background

- 9 Employers in the horticulture and viticulture industries (the industry) traditionally meet their labour needs by a combination of New Zealand and migrant workers. Border closures have caused disruption to the labour supply of migrant workers for the 2020/21 season. Modelling by the Ministry for Primary Industries suggest that there is still likely to be a shortfall of 3,000 – 7,400 migrant workers nationwide at the seasonal peak in March 2021. As part of Cabinet's consideration of how to respond to critical labour shortages at seasonal peaks in the horticulture and viticulture sectors, Cabinet has decided to allow 2,000 workers to enter New Zealand to help address this shortfall [CAB-20-MIN-0473 refers].
- 10 The shortage of seasonal labour presents an opportunity for more New Zealanders to take up work in the industry. Since last year, there has been an increase of approximately 50,000 people on Jobseeker Support and a cumulative increase of 15,000 across the five key seasonal regions.¹
- 11 Despite the increased availability of New Zealanders to take-up seasonal work, there are key barriers that deter them from doing so. These key barriers include relocating to another region for work and associated costs with moving (such as paying two sets of accommodation costs), increased transport costs, little incentive to work in the industry (due to low pay and difficult working conditions) and limited affordable accommodation options.
- 12 Significant work is underway within MSD to address known barriers to New Zealanders gaining and maintaining employment in the industry. I have also approved changes to other MSD employment products to incentivise more New Zealanders into seasonal work. For example, I have agreed to changes to the New Zealand Seasonal Work Scheme (NZSWS). The NZSWS aims to support jobseekers to relocate to take up seasonal work. Currently, it provides support with transport, training and pastoral care. I have agreed to also including:
- making incentive payments of \$1,000 to people relocating to take up seasonal work of six weeks or longer, paid in part during, and in part at the completion of a contract²; and
 - assisting with accommodation costs for people relocating to take up a seasonal role (who also need to pay their own accommodation costs in their home region) by contributing up to \$200 per week for up to the first 13 weeks of work.
- 13 Industry also have a number of initiatives to support New Zealanders into seasonal roles. This includes actively promoting seasonal roles to youth, scaling up engagement with jobseekers, supporting with transport requirements and development of action plans in some industries.
- 14 Changes to the Seasonal Work Assistance Programme payment are therefore part of a broader range of initiatives being delivered across government and by industry to support as many New Zealanders as possible to take up seasonal work.

¹ The five key seasonal regions are: Northland, Bay of Plenty, East Coast, Nelson and Southern.

² Participants will receive a \$500 payment in the middle of their contract and \$500 once they have completed their contract for roles of six weeks or longer.

IN CONFIDENCE

The Seasonal Work Assistance Programme payment covers income loss due to adverse weather conditions within a 26-week period

- 15 One of the key barriers for New Zealanders taking up seasonal work is the fluctuating and insecure income received. In particular, poor weather conditions can prohibit the ability to work outside for the day and mean workers can go unpaid for the length of time affected by the bad weather. This acts as a disincentive to many New Zealanders entering seasonal work, as fluctuating income can make it difficult to cover their ongoing expenses and means that roles in other industries offering more stable hours and income are often seen as being more attractive.
- 16 The Seasonal Work Assistance Programme payment is an existing MSD product which aims to address this barrier by covering income loss from adverse weather conditions (e.g. heavy rain affects the ability to work outside) to former MSD clients who have moved off benefit into seasonal horticulture work in the past 26 weeks. The focus of the Seasonal Work Assistance Programme payment is to support jobseekers to into seasonal work by providing financial stability throughout the course of their employment and ultimately provide a pathway into other employment options.

The current Seasonal Work Assistance Programme payment rates are significantly lower than wage rates

- 17 The current Seasonal Work Assistance Programme payments are not providing a strong enough incentive for New Zealanders to take-up seasonal work. This is because:
- the amount provided is significantly below what a worker would normally be earning from seasonal employment; and
 - the maximum amount payable means that recipients are not always covered for the full season, and therefore often do not have a stable income throughout the course of the season.
- 18 Recipients of Seasonal Work Assistance Programme payments receive a rate based on the number of hours lost over the week and family status. For example, the rate of payments for eight hours lost in a week is \$53 for single applicants (with no dependent children) and \$94 for other clients. Based on these rates, the maximum amount an applicant can receive is \$940 within a 26-week period. Appendix one provides a further breakdown of the current and proposed new payment structure.
- 19 These low amounts do not provide enough financial stability for New Zealanders in seasonal roles. Recipients of the Seasonal Work Assistance Programme payments frequently reach the maximum amount within the 26-week period, which results in many applicants having to receive additional hardship grants for financial assistance (e.g. food grants).
- 20 The current payment rates were originally set to broadly reflect benefit rates. However, when a client moves into work, they also have a range of additional expenses, such as transport, that they would not ordinarily have had. The current payment rates do reflect the need to cover these additional expenses, and therefore do not sufficiently support and incentivise jobseekers to move off the benefit and take up seasonal work.

IN CONFIDENCE

I have agreed in principle to make changes to the Seasonal Work Assistance Programme payments

- 21 In order to provide greater financial stability and incentivise more New Zealanders to take-up seasonal work, I have agreed in principle to the following proposed changes to the Seasonal Work Assistance Programme payment:
- increasing the maximum weekly payment amounts to pay up to minimum wage for up to 40 hours per week (up to a maximum of \$632.04 per week); and
 - increasing the maximum amount payable in a season to cover up to 17 days per season within a 26-week period (up to a maximum of \$2,149), where clients cannot work due to adverse weather conditions.
- 22 I consider that these proposed changes would help to provide former jobseekers with a consistent level of income when working in seasonal roles resulting in greater financial security and stability throughout the course of their employment. Thus, providing a stronger incentive for jobseekers to enter into seasonal work.
- 23 This change will also include streamlining the payment structure so that all clients receive the same rate (regardless of personal circumstances). This would make the payment more consistent with the way workers would be paid by their employer.
- 24 To provide greater financial stability for jobseekers moving off benefit into seasonal work, I am seeking Cabinet agreement to agree to:
- increasing the maximum weekly payment amounts to pay up to minimum wage for up to 40 hours per week (up to a maximum of \$632.04 per week); and
 - increasing the maximum amount payable in a season to cover up to 17 days per season within a 26-week period (up to a maximum of \$2,149), where clients cannot work due to adverse weather conditions.

Changes to the Seasonal Work Assistance Programme payment focuses on supporting jobseekers take up seasonal work

- 25 Changes to the Seasonal Work Assistance Programme are specifically aimed at addressing barriers for New Zealanders taking up seasonal work. We consider that this should not take the place of the need for the industry to address the poor working conditions and key barriers in the longer-term.
- 26 There is a small risk that employers are not incentivised to guarantee more consistent hours and better pay for their employees. These risks are continuing to be addressed through other cross-government initiatives and engagement with the industry such as:
- conditions being placed on industry as part of a proposed border exception, requiring employers to commit to improving conditions for New Zealanders while they recruit Recognised Seasonal Employer (RSE) workers; and
 - contributing to the broader RSE review which is aimed at re-considering the settings and allocation model for the RSE scheme and how these fit with incentives for industry to train and recruit New Zealanders.

These proposed changes require Cabinet approval for a funding transfer

27 The proposed changes would cost \$0.989 million over the next two years and would require a funding transfer from the Improved Employment and Social Outcomes Multi Category Appropriation (MCA) to the Benefits or Related Expenses Work Assistance Appropriation.

28 s 9(2)(f)(iv)

[Redacted text]

29 s 9(2)(f)(iv)

[Redacted text]

30 I consider that in light of the current seasonal labour shortages, these temporary changes are required in order to support more New Zealanders into seasonal work to fill the shortage. Therefore, I am seeking Cabinet agreement to transfer this funding for the next two years in order to make the proposed changes to the Seasonal Work Assistance Programme payment.

Consultation

31 The Treasury, the Ministry of Business, Innovation and Employment, and the Ministry for Primary industries have been consulted. The Department of the Prime Minister and Cabinet have been informed.

Financial implications

32 The proposed changes would cost \$0.989 million over the next two years and would require a funding transfer from the Improved Employment and Social Outcomes Multi Category Appropriation (MCA) to the Benefits or Related Expenses Work Assistance Appropriation.

33 s 9(2)(f)(iv)

[Redacted text]

34 s 9(2)(f)(iv)

[Redacted text]

35 I consider that in light of the current seasonal labour shortages, these temporary changes are required in order to support more New Zealanders into seasonal work to fill the shortage. Therefore, I am seeking Cabinet agreement to transfer this funding for the next two years in order to make the proposed changes to the Seasonal Work Assistance Programme payment.

Human rights implications

36 The proposed changes to the Seasonal Work Assistance Programme are consistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

IN CONFIDENCE

Legislative implications

- 37 The proposal to transfer the funding will require amendments to the Seasonal Work Assistance Programme.
- 38 Subject to Cabinet agreement to the transfer of funding, I will be provided with amendments to the Seasonal Work Assistance Programme to give effect to the proposed changes.

Regulatory impact and compliance cost statement

- 39 A Regulatory Impact Statement is not required for any proposals in this paper.

Gender implications

- 40 There are no gender implications for the proposals in this paper.

Disability perspective

- 41 There are opportunities for disabled people to undertake suitable roles within seasonal work. MSD continues to promote seasonal work opportunities to all suitable clients, which includes messaging to disabled people and older workers as part of MSD's communications plan.
- 42 Parts of the industry are improving their practice to support disabled workers to take up seasonal work. However, further work also needs to be done to make seasonal workplaces more accessible for disabled people looking for work. Whilst the broad parameters of the Seasonal Work Assistance Programme are not targeted to disabled people, for those who are available and able, this support may incentivise more disabled people to consider seasonal work as a more viable employment opportunity.

Proactive release

- 43 I intend to proactively release this Cabinet paper within standard timeframes.

Publicity

- 44 MSD has a communications strategy in place to promote seasonal work to New Zealanders across the country. Changes to the Seasonal Work Assistance Programme will be included in this communications plan and actively promoted to eligible workers.

Recommendations

- 45 It is recommended that the Committee
- 1 **note** that the Ministry of Social Development is increasing its activity to place as many jobseekers as possible into work in the horticulture and viticulture industries
 - 2 **note** that the Minister for Social Development and Employment has also agreed to changes to the New Zealand Seasonal Work Scheme for people relocating to take up seasonal work including making incentive payments and assisting with accommodation costs

IN CONFIDENCE

- 3 **note** that current Seasonal Work Assistance Programme payments are designed to cover income loss from adverse weather conditions (e.g. heavy rain affects the ability to work outside) to former MSD clients who have moved off benefit into seasonal horticulture work in the last 26 weeks
- 4 **note** that current Seasonal Work Assistance Programme payment rates are significantly lower than wage rates and clients frequently reach the maximum amount able to be paid in a 26-week period, which results in many applicants having to receive additional hardship grants for financial assistance
- 5 **note** that the Minister for Social Development and Employment has agreed in principle to increasing the maximum weekly amounts of Seasonal Work Assistance Programme payments to pay minimum wage for up to 40 hours a week (a maximum of \$632.04), and up to approximately 17 days' work in a 26-week period (a maximum of \$2,149), to cover the hours a client cannot work due to adverse weather conditions
- 6 **note** that the above change would increase the maximum amount of Seasonal Work Assistance Programme payments payable in a 26-week period from \$940 to \$2,149
- 7 **note** that the Minister for Social Development and Employment has also agreed in principle to streamline the payment structure of the Seasonal Work Assistance Programme payments, so that all clients receive the same rate (regardless of personal circumstances), to make this more consistent with the way clients would be paid by their employer
- 8 **agree** to increasing the maximum weekly amounts of Seasonal Work Assistance Programme payments to pay minimum wage for up to 40 hours a week (a maximum of \$632.04), and up to approximately 17 days' work in a 26-week period (a maximum of \$2,149), temporarily until 30 June 2022 to cover the hours a client cannot work due to adverse weather conditions
- 9 **approve** the following fiscally neutral adjustment(s) to provide for the recommendation above with no impact on the operating balance and/or 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
Benefits or Related Expenses:					
Work Assistance	0.346	0.643			
Multi-Category Expenses and Capital Expenditure:					
Improved Employment and Social Outcomes Support MCA:					
Departmental Output Expense:					
Administering Income Support (funded by revenue Crown)	(0.346)	(0.643)			
Total Operating	-	-	-	-	-

I N C O N F I D E N C E

- 10 **agree** that the proposed 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

Authorised for lodgement

Hon Carmel Sepuloni
Minister for Social Development and Employment

IN C O N F I D E N C E

Appendix one: Full breakdown of proposed and current Seasonal Work Assistance Programme payment rates

Proposed Seasonal Work Assistance Programme payment rates (40 hours per week at minimum wage)

Hours lost (over the week)	Maximum weekly amounts of Seasonal Work Assistance payments³
8 hours or less	\$126.41
More than 8 hours and not more than 16 hours	\$252.82
More than 16 hours and not more than 24 hours	\$379.22
More than 24 hours and not more than 32 hours	\$505.63
More than 32 hours	\$632.04

Current Seasonal Work Assistance Programme payment rates

Hours lost (over the week)	Maximum weekly amounts of Seasonal Work Assistance Programme payments	
	For a single applicant with no dependent children	For any other applicant
8 hours or less	\$53.00	\$94.00
More than 8 hours and not more than 16 hours	\$106.00	\$188.00
More than 16 hours and not more than 24 hours	\$159.00	\$282.00
More than 24 hours and not more than 32 hours	\$212.00	\$376.00
More than 32 hours	\$265.00	\$470.00

³ Recipients are able to receive up to this amount for an eight hour day. If a worker only missed two hours of work, then they would only receive \$31.60 (i.e. a recipient only receives the amount of income for hours they have missed).