



Report

Date: 11 June 2019

Security Level: BUDGET - SENSITIVE

To: Hon Willie Jackson, Minister of Employment

Cc: Hon Carmel Sepuloni, Minister for Social Development

Advice on Mana in Mahi Phase Two Policy Settings

Purpose of the report

- 1 The purpose of this report is to seek your agreement to the proposed policy settings for Phase Two of Mana in Mahi – Strength in Work (Mana in Mahi).

Executive summary

- 2 Mana in Mahi Phase One was launched as a prototype programme in August 2018. Phase One enabled us to test the preferred policy and design settings for the full implementation of Mana in Mahi in Phase Two. Learnings from Phase One have been used to shape the proposed Phase Two policy settings provided in this paper.
- 3 Some of the policy settings for Phase Two will differ from those in Phase One. This paper seeks your confirmation that in Phase Two:
 - the primary aim of Mana in Mahi is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people who are 'at-risk' of long-term benefit receipt
 - Mana in Mahi can be provided for people who are 'at-risk' of long-term benefit receipt, including some 'at-risk' young people who may not be on a main benefit
 - a wage subsidy of \$9,580 will be offered to employers, and funding of up to \$2,000 per participant will be available for pre-employment work-readiness training
 - Mana in Mahi will continue to be suitable for industry training qualifications of various levels, with a focus on supporting young people into apprenticeships
 - incentive payments will be improved to better support participants to stay in work and progress towards completing an apprenticeship or industry training qualification
 - a more intensive menu of support services will be offered to provide pastoral care for both participants and employers
 - Mana in Mahi will be available for some employers who offer part-time or fixed-term contracts.
- 4 We will continue to provide Mana in Mahi placements under the Phase One model, as we design and implement the improvements for Phase Two. We are currently designing our approach to the rollout of Phase Two and intend to provide you with a report back on this by the end of June 2019.

Recommended actions

It is recommended that you:

Proposed Aim

- 1 **agree** that the primary aim of Mana in Mahi Phase Two is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people

Agree / Disagree

Eligibility Criteria

- 2 **agree** that in Phase Two, Mana in Mahi will be provided for people who are 'at-risk' of long-term benefit receipt

Agree / Disagree

- 3 **note** that in some instances, Mana in Mahi will be offered to 'at-risk' young people who are not currently receiving a main benefit

Confirmation of Phase Two Policy Settings

- 4 **note** that in Phase Two, funding will be available to provide pre-employment training to participants

- 5 **note** that in Phase Two, a wage subsidy of \$9,580 will be offered to participating employers

- 6 **agree** that in Phase Two, Mana in Mahi will continue to be suitable for industry training qualifications of various levels, with a focus on supporting young people into apprenticeships

Agree / Disagree

- 7 **agree** that in Phase Two, incentive payments will be provided to support participants to stay in work and to motivate them towards completing an apprenticeship or industry training qualification

Agree / Disagree

- 8 **note** that in Phase Two, a menu of support services will be offered to provide pastoral care to participants and employers

- 9 **agree** that in Phase Two, Mana in Mahi can be provided to some employers offering part-time contracts to young people who are unable to work full-time

Agree / Disagree

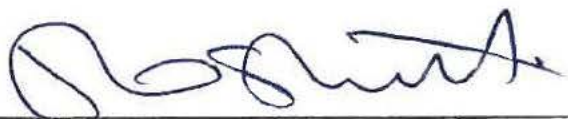
- 10 **agree** that in Phase Two, Mana in Mahi can be provided to some employers offering fixed-term contracts, where it will lead to sustainable employment for participants

Agree / Disagree

Next Steps

- 11 **note** that changes to the eligibility criteria will require cabinet approval
- 12 **note** that if you agree to changes in the eligibility criteria, we will prepare a paper for you to take to Cabinet in July 2019
- 13 **note** that we will continue to deliver Mana in Mahi under the Phase One model as we design and implement Phase Two
- 14 **note** that we will report back to you on progress towards the Phase Two design by the end of June 2019
- 15 **agree** to forward this report to the Prime Minister.

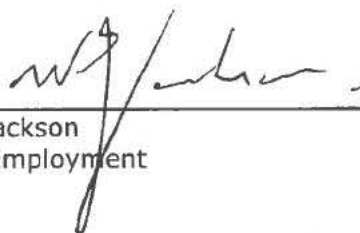
Agree / Disagree



James Poskitt
General Manager
Community and Families Policy

11/16/19.

Date



Hon Willie Jackson
Minister of Employment

Date

Background

Mana in Mahi supports young people into sustainable work

- 1 Mana in Mahi – Strength in Work (Mana in Mahi) was launched as part of the Government’s commitment to support young people into sustainable and meaningful employment.
- 2 Under Mana in Mahi, a wage subsidy is provided by the Ministry of Social Development (MSD) to an employer who is willing to hire a young person, and offer them both an industry training pathway (including apprenticeships) and full-time work. While Mana in Mahi is targeted towards young people who are between 18 and 24 years old, the programme is available to people of all ages, including Māori, Pacific and disabled people.
- 3 A phased approach was taken to implement Mana in Mahi. The Phase One prototype was launched by the Prime Minister on 9 August 2018. This prototype programme is intended to support at least 150 participants who are in receipt of a main benefit. As at the end of April 2019, 159 people have been placed into Mana in Mahi roles, of which 52 per cent are Māori and 9 per cent are Pacific.

We have learnt from the Phase One prototype

- 4 The Phase One prototype has enabled us to test the preferred policy settings for the full implementation of Mana in Mahi in Phase Two. Feedback received in Phase One, including preliminary findings from the formative and process evaluation by Allen + Clarke, has been used to refine the programme and has helped shape the recommended policy settings for Phase Two.
- 5 On 15 April 2019 Cabinet approved the Budget 2019 package for the expansion of Mana in Mahi in Phase Two [CAB-19-MIN-0174.36 refers]. We anticipate funding for Mana in Mahi Phase Two to amount to \$56.933 million¹. This includes funding for 1,850 additional places in the programme over four years².
- 6 We are currently designing our approach to the rollout of Phase Two. This is being shaped by learnings from Phase One, along with feedback from co-design activity. We will continue to provide Mana in Mahi placements under the Phase One model, as we design and implement the improvements for Phase Two.

The proposed primary aim of Phase Two is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people

- 7 The proposed primary aim of Mana in Mahi Phase Two is to provide apprenticeships and an industry training pathway, leading to sustainable employment for young people who are ‘at-risk’ of long-term benefit receipt.
- 8 Although existing employment programmes may be effective for some, they do not always offer sustainable employment options for young people. While the overall unemployment rate is low at 4.2 per cent, there is still work to do for young people who are furthest from the labour market. As of March 2019, 13.2 per cent of young people aged 15-24 were not in employment, education or training (NEET)³.

¹ Some of this money will be returned to the Crown in savings. Total savings from Phase Two, of approximately \$7.068 million, will be returned to the Jobseeker Support and Sole Parent Support benefit payments.

² Approximately 300 people in 2019/20, 450 in 2020/21, 450 in 2021/22 and 650 in 2022/2023.

³ Statistics New Zealand, Labour market statistics: March 2019 quarter

- 9 Providing an apprenticeship or formal industry training pathway will support participants to gain the skills and experience needed to become competitive in the labour market, develop a meaningful career, and ultimately achieve sustainable employment. Research by the Ministry of Education has found that, on average, higher qualifications (including vocational training and apprenticeships) are generally related to greater earnings in the long-run.

Mana in Mahi can be provided for people who are 'at-risk' of long-term benefit receipt

- 10 In Phase One, Mana in Mahi is only available to people who are in receipt of a main benefit⁴. Feedback from frontline and national office staff in Phase One has highlighted that there are some groups of young people, such as those who are part of MSD's NEET Youth Service, who would benefit from Mana in Mahi but are not currently receiving a main benefit.
- 11 In Phase Two, we recommend that Mana in Mahi is provided for people who are 'at-risk' of long-term benefit receipt. This may include young people who are not currently receiving a main benefit, in a minority of cases. As this recommendation is beyond the original Cabinet mandate, it would require a further Cabinet decision.
- 12 The young people targeted by Mana in Mahi face multiple challenges and will require additional supports to achieve sustainable employment. This includes pre-employment training, pastoral care and additional support from work-readiness programmes (such as He Poutama Rangatahi). The proposed improvements to Phase Two will support 'at-risk' young people to gain and maintain employment, and will help to reduce the level of attrition in the programme.
- 13 MSD data suggests that those most 'at-risk' include, but are not limited to, people who have:
- low educational attainment
 - previous benefit history and intergenerational welfare dependence
 - past interactions with child protection services
 - criminal convictions
 - a health condition or disability.
- 14 Many, but not all, young people who are 'at-risk' of long-term benefit receipt will currently be in receipt of a main benefit.
- 15 By providing Mana in Mahi to 'at-risk' young people, MSD will be able to take an early intervention approach. As barriers to work generally increase with time on a benefit, providing employment interventions before (or just after) someone enters the welfare system can often provide the best chance of success. Research by the OECD also indicates that the best way of promoting an inclusive labour market is by addressing problems before they arise.

In Phase Two we propose to target a broader range of 'at-risk' young people

- 16 In Phase Two we propose accessing additional referral pathways, which may include some 'at-risk' young people who are not currently on a main benefit. This includes, but is not limited to:
- young people who are in, or transitioning from, Oranga Tamariki care
 - those who are part of the NEET Youth Service

⁴ These are Jobseeker Support (including Jobseeker Support – Health Condition, Injury or Disability), Sole Parent Support, Supported Living Payment, Youth Payment, and Young Parent Payment.

- young people who have participated in work readiness training through He Poutama Rangatahi.
- 17 This would contribute to wider government efforts to support NEETs, and is likely to support the Employment Strategy that is currently being developed.
 - 18 When offering Mana in Mahi to people not on a main benefit, we may increase the risk that the intervention is provided to some young people who would have found sustained employment without assistance. This would reduce both the impact of the intervention and social return on investment. There is also a risk that we do not achieve the estimated level of benefit savings in the short-run.
 - 19 These risks will be mitigated by providing clear operational guidelines for frontline staff to identify young people who will be considered 'at-risk'.

Pre-employment training will be offered to prepare young people for work in Phase Two

- 20 In Phase One, employers are able to access up to \$2,000 per participant to support with pre-employment training. This is particularly helpful for some employers, especially in industries such as construction and forestry, where participants need certain qualifications before they can work on site⁵.
- 21 Similar to Phase One, funding of up to \$2,000 per participant will also be available for pre-employment work-readiness training in Phase Two. This funding aims to support participants to develop essential skills or qualifications needed before they start work. Training can last up to four weeks, and in this time the participant will remain on a benefit. In Phase Two, training will continue to be optional for employers and will be paid on an as-required basis.

A wage subsidy of \$9,580 will be offered to employers who provide Mana in Mahi placements in Phase Two

- 22 In Phase One, a wage subsidy is offered to employers who are prepared to hire a young person and provide them full-time work and an industry training pathway. The subsidy of \$9,750 was based on initial estimates of the annual rate of the Jobseeker Support benefit (JS), and is a fixed amount for all employers contracted to the programme. Employers are expected to pay at least the adult minimum wage to participants.
- 23 In Phase Two employers will be offered a fixed wage subsidy of \$9,580. This amount is based on MSD forecasting of the annual JS rate in the coming years. As in Phase One, employers will be expected to pay at least the adult minimum wage to participants.
- 24 We have previously advised that there are a number of risks associated with wage subsidies. One of the key risks is that some employers may take advantage of the financial payments without truly committing to the employee, and dismissing them before the subsidy ends. MSD staff have experience managing these risks and will continue to stay engaged with participating employers to monitor for any early warning signs.
- 25 In Phase Two, payments to employers will also be staggered throughout the course of the programme. This is to minimise the financial risk of overspending on participants who have left the programme early and to encourage the employer to support the young person throughout the year.

⁵ This includes qualifications such as a Site Safe Passport, health and safety training and a first aid certificate.

We propose that in Phase Two, Mana in Mahi will continue to be suitable for industry training qualifications of various levels, with a focus on supporting young people into apprenticeships

- 26 Mana in Mahi operates within the formal industry training system set up by the New Zealand Qualifications Authority, which includes New Zealand Apprenticeships. Employers contracted to Mana in Mahi must commit to supporting participants through a formal industry qualification.
- 27 Feedback received from employers in Phase One has confirmed that it may be more beneficial for some young people to start on a lower level industry qualification, to progress towards an apprenticeship (or a similar industry training qualification) where appropriate. Learnings from Phase One have highlighted the complexities that many 'at-risk' young people face in sustaining employment and achieving a formal industry training qualification. This includes low levels of literacy or numeracy, limited prior work experience, and a lack of maturity.
- 28 However we expect that, given the right support, the young people participating in Mana in Mahi will make progress towards achieving a formal industry training qualification, including apprenticeships.
- 29 We recommend that in Phase Two, industry training qualifications of various levels will continue to be considered for Mana in Mahi. This will ensure that Mana in Mahi is flexible enough to:
 - **Meet the diverse needs of each participant**, which includes being able to offer an industry qualification suitable to the capability of each participant. This would give disadvantaged young people the opportunity to start on a lower level qualification (such as level two or three), with the potential to build up towards a level four qualification (including a New Zealand Apprenticeship) where appropriate.
 - **Allow for the broad range of New Zealand qualifications** recognised in each industry sector. In some industries this may include a formal apprenticeship, while in other industries smaller qualifications may be valued just as highly.
- 30 There is a risk that allowing qualifications of various levels may limit the number of young people initially starting apprenticeship training or higher-level qualifications. Guidance will be given to frontline staff to help to identify which level of qualification would be suitable for Mana in Mahi participants.

Incentive payments can be made more effective in Phase Two

- 31 In Phase One, incentive payments are made to Mana in Mahi participants, to support them to stay in work. Payments are made at attendance milestones throughout the course of the programme, with three separate payments of \$1,000 at 91 days, 182 days and 365 days (total of \$3,000).
- 32 Phase One feedback from frontline and national office staff highlighted that, while these payments are seen as a bonus for many employees, they could be more effective at supporting participants to stay in work and progress towards achieving an industry training qualification.
- 33 We considered three options for providing incentive payments in Phase Two:
 - **Option one: industry training focus (preferred option)** – Provide incentive payments to support participants to stay in work and to motivate them towards completing an apprenticeship or industry training qualification.

- **Option two: performance focus** – Provide incentive payments to support participants to stay in work and to motivate them to meet basic performance milestones⁶.
- **Option three: attendance focus** – Provide incentive payments to support participants to stay in work.

Option one aligns with the proposed primary aim of Mana in Mahi in Phase Two

- 34 We recommend that in Phase Two, incentive payments should have an industry training focus.
- 35 Option one will support participants to stay in work, by providing financial support in the initial months of employment. Insights gained from the evaluation of MSD’s In-Work Support (in-work payment) Trial highlight that clients transitioning into work require greater financial support when they first enter employment. In this time they are more likely to have additional expenses, such as car repairs, childcare and extra clothing.
- 36 Option one will also motivate participants towards completing a formal industry training qualification. Participation in an apprenticeship or industry training is a key part of the Mana in Mahi programme and is what distinguishes it from other MSD employment programmes. Incentivising participation in industry training will motivate participants to make the most of the skill development opportunities available to them, and will ensure that they are supported to build a sustainable career as opposed to just being offered a job.

Options two and three are less likely to provide the right incentives

- 37 Option two is not a preferred option as it does not place an emphasis on making progress towards completing a formal industry training qualification. Option two proposes performance payments which are likely to be inequitable as performance expectations will vary significantly between employers. Employers with multiple Mana in Mahi participants may also have differing expectations of each participant in the programme. This option would require a significant disputes resolution process to be created, and may have adverse legal implications for both MSD and employers if not managed well.
- 38 While option two has the potential to reinforce the relationship between employers and their employees, there is a risk that performance payments would be used by some employers as a bargaining tool to manipulate participant behaviour. Feedback from the co-design workshops with young people highlights that historic bullying is a barrier to employment for many young people [REP/18/12/1677 refers]. Performance payments therefore have the potential to reinforce a power imbalance between employees and employers, which could escalate workplace bullying in some instances.
- 39 Option three is also not a preferred option. It would not incentivise participants to pursue a training pathway or motivate them to develop new industry based skills.

Option one can be split between early and later payments

- 40 In option one, incentive payments can be split between:

⁶ The original Cabinet paper stated that incentive payments would be made to support participants to stay in work and recognise their performance.

- **Early payments** focused on supporting participants to stay in work. A series of early payments will be made to participants over their initial months in employment. These payments will support participants to make the transition into work, and help them to cover any additional expenses associated with starting work.
- **Later Payments** focused on motivating participants to begin and progress towards achieving a formal qualification. A series of payments will be made to participants throughout the later months of the programme. These payments will be made to participants upon confirmation that they have started formal training, and that they are making progress towards completing their qualification.

Phase One identified the need for more intensive pastoral care to be offered to participants and employers in Phase Two

- 41 In Phase One a phone-based in-work support service is available to Mana in Mahi participants. Learnings from Phase One have highlighted that a greater range of support services are needed for Phase Two:
- **Phase One feedback** from both employers and frontline staff has highlighted the complex needs and barriers, faced by the young people participating in Mana in Mahi. These include low literacy levels, addictions, mental health issues, and lack of whānau and/or community support.
 - **Co-design insights** with young people also confirm that while the current support service is relevant for some, the service intensity and range does not address the complex needs of many young people participating in Mana in Mahi.
 - **Participant attrition** in Phase One. Some participants have left employment for a variety of reasons, including choosing another career path or being dismissed because of poor performance or attitude. This is common in most of MSD's other employment programmes.
- 42 Based on these findings, a menu of more intensive support services will be available to provide pastoral care to participants and employers in Phase Two. Pastoral care for participants will include proactive services such as the existing phone-based in-work support service, along with additional counselling and mentoring services. Passive pastoral care services, such as 'nudge' text messaging, will also be provided to ensure that participants can engage with in-work support on their own terms.
- 43 Support services for employers will include a phone-based support service and an employer coaching platform. A detailed outline of the proposed wrap-around support services was previously provided [REP/18/12/1677 refers] and a summary is included in Appendix One.
- 44 These services aim to mitigate some of the barriers to employment faced by young people, and will help them manage both workplace and personal issues that arise. This will help to reduce the level of attrition in Mana in Mahi, and will support employment placements to be sustainable in Phase Two.

In Phase Two we propose that Mana in Mahi can be provided for employers offering part-time roles to young people who are unable to work full-time

- 45 In Phase One Mana in Mahi is only available to employers offering full-time work (30 hours per week or more). Feedback from frontline staff in Phase One indicates that this limits access to the programme for some client groups such as sole parents.
- 46 We recommend that in Phase Two Mana in Mahi can be provided for part-time roles, where appropriate; for example, beneficiaries who have part-time work obligations and can still work towards an industry training qualification.

- 47 Many young people are unable to work full-time. These include people with a health condition or disability and people with caring responsibilities, including sole parents. These young people are often considered to be among the most 'at-risk' client groups who would benefit from the wrap-around support services provided by Mana in Mahi.
- 48 Allowing part-time contracts in Phase Two will provide an opportunity for these young people to gain work experience and start working toward an industry qualification. This will support participants to gain confidence and skills in the workplace, which would likely be a stepping stone into full-time work in the future.
- 49 Similar to MSD's other wage subsidies programmes, the Mana in Mahi subsidy would be pro-rated to reflect the number of hours worked by the participant.

In Phase Two we propose that Mana in Mahi can be provided for some employers offering fixed-term contracts

- 50 Fixed-term contracts are becoming increasingly common amongst industry based employers. Feedback from MSD Industry Partnerships Account Managers has indicated that some employers offering sustainable employment opportunities were unable to provide permanent contracts to young people straight away. This was often because of internal recruitment requirements, such as a year-on-year funding model, which only enabled them to offer fixed-term contracts to staff.
- 51 We recommend that in Phase Two Mana in Mahi can be provided to some employers offering fixed-term contracts, provided that:
- they are long enough for participants to make substantial progress towards completing an apprenticeship or industry training qualification
 - employment placements are expected to last well beyond the initial contract period, however employers are unable to offer permanent contracts due to their funding model
 - participating employers intend to retain the employee long-term or are committed to supporting the participant into unsubsidised work upon completion of the contract.
- 52 Offering fixed-term contracts would increase the number of employers willing to participate in Mana in Mahi and would open up additional employment pathways for young people. This would align with common industry employment methods such as:
- **Group training schemes** where apprentices are hired by industry employers and are sub-contracted to one (or multiple) smaller employers, to receive on-the-job training and work experience. These employers generally offer full-time work that lasts for the duration of the apprenticeship (approximately 2-4 years).
 - **Cadetship type programmes** are often used to staircase young people into long-term employment. Employers, such as local councils, will sometimes offer fixed-term cadetships, and then look to place participants in other roles throughout the organisation upon completion⁷.
- 53 MSD accepts the use of fixed-term contracts with some of its other employment programmes, such as with Flexi-Wage subsidies. Many fixed-term opportunities act as a stepping-stone to permanent work.
- 54 There is, however, a risk that fixed-term contracts do not provide participants the security of long-term employment. To ensure that fixed-term contracts provide participants with a sustainable employment pathway, employers will be expected to

⁷ In Phase One regional staff in Nelson partnered with Te Taihū Regional Intersectoral Forum to offer cadetship type roles for young people. Under this scheme, employment contracts are offered on a fixed-term basis for one year, due the funding and recruitment structures of participating organisations. These organisations included government agencies, territorial authorities, and iwi.

demonstrate (as part of the initial application process) that they are committed to retain the participant long-term. We will provide additional monitoring of fixed-term placements throughout the first year of Phase Two, this will involve comparing the outcomes of participants on fixed-term contracts with those on permanent contacts to ensure consistency between contract types.

- 55 This risk can also be mitigated by providing clear guidance to frontline staff on how to recognise sustainable employment opportunities. This would include making an assessment on factors such as: the length of the employment contract, legitimacy of the employer, likelihood of permanent work at the end of the contract, and the relevance of the industry training qualification provided.

Next steps

- 56 If you agree to changes in the eligibility criteria, we will prepare a paper seeking Cabinet agreement to this decision in July 2019.
- 57 We will continue to deliver Mana in Mahi in the Phase One delivery model and will do so until we implement the Phase Two improvements.
- 58 We are currently designing our approach to the rollout of Phase Two. Subject to approval of the Phase Two Policy settings, we will be able to finalise the design and implementation requirements, including the procurement and IT system change requirements. We will report back to you on the implementation plan for Phase Two by the end of June 2019.
- 59 We recommend that you forward this report to the Prime Minister who has taken a personal interest in the programme.

REP/19/5/417

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Responsible manager: s 9(2)(a) Acting Policy Manager, Policy – Youth Employment and Labour Market

Appendix One

Mana in Mahi – Menu of Support Services

Support services to be provided for participants in Phase Two include:

- **Phone-based in-work support service** – provides help with employment-related queries or concerns and also plays a navigator role to other services if unable to provide the support the young person needs.
- **Phone-based counselling service** – enables the participant to discuss and work through a number of issues; such as, workplace relationships, bullying or conflicts, mental health, or issues outside of the workplace that may be impacting work.
- **Mentoring support service** – provides participants with face-to-face, phone or text based mentoring throughout the course of the programme.
- **Text-based support service (nudge messaging)** – will provide the young person with regular encouraging text messages, and provide them with a channel to reply and ask for assistance and support, if required.

Support services provided to employers in Phase Two include:

- **Phone-based employer support service** – provides support for employers when managing various workplace situations. The focus of this service is to support employers who have hired someone with a health condition or disability (including mental health).
- **Coaching and mentoring platform** – is to support coaching and goal-setting conversations with employees.