



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

1 November 2023

Tēnā koe

On 29 August 2023, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

I understand that MSD has proposed a platform that would match potential employers with beneficiaries seeking work.

I'd like to know more about the proposal. I'm particularly interested in knowing what problem the platform might solve that isn't already solved by Seek.co.nz, Student Job Search (<https://www.sjs.co.nz/>), or other alternatives.

Please provide:

- 1) Any documentation prepared in support of a funding bid for a job search platform for beneficiaries. I am particularly keen on anything addressing problem definition, where other platforms already exist to match workers and employers;*
- 2) Costings for the development and deployment of such a platform, including relevant risks and timelines;*
- 3) Any advice received from Treasury or DIA on the proposal, including minutes from relevant meetings;*
- 4) Any information regarding whether the proposal was reassessed subsequent to signalled cutbacks in overall expenditure. Was the proposed project's value-for-money reconsidered as the fiscal outlook changed after BEFU?*

On 25 September 2023, the Ministry contacted you to advise more time was required to respond to your request as consultations were necessary to make a decision on your request. You were advised a response would be with you no later than 1 November 2023.

Te Pae Tawhiti Programme is the Ministry's multi-year transformation programme to ensure the Ministry has the capability to serve New Zealanders now and for the coming decades. Our staff do the best they can

with the tools they've got, but the reality is many of our systems are outdated and hard to use. Our current systems require manual steps for almost all transactions. This means that staff have to spend significant portions of their time on low value add data entry and transaction processing and have less time for in depth conversations with clients.

In June 2023, Cabinet approved the Te Pae Tawhiti Programme Horizon One Detailed Business Case, with \$100 million of new funding over two years in Budget 2023 and a contribution from the Ministry of \$83 million over two years.

A core part of the Ministry's role is to get clients into work, or on the path to work. We want to make it faster and easier to connect clients to suitable job vacancies, as well as relevant training and skills pathways and financial help to overcome barriers to get into work. Our new digital employment platform is part of our critical service offering, including our income and housing products and supports.

Our work-ready clients are expected to be actively looking for work utilising the Ministry's platform as well as any other different sources. We have a wide range of jobs that employers list directly with us that are aimed at our clients. These include roles where employers are willing to train staff and best serve those clients who are the furthest from the labour market.

Our existing jobs board has more than 1000 jobs listed at any one time and has around 13,000 people visiting each week. However, the existing jobs board has limited functionality. For example, it does not allow clients to apply online via the jobs board- they need to ring us to do that. It doesn't allow employers to directly list a vacancy or source potential clients that fit their job opportunities – they also need to ring us to do that.

The Digital Employment Services Platform (DESP) would connect clients to job vacancies suitable for them. It is intended to support our clients by:

- advertising jobs, primarily from employers who have already indicated they are keen to consider and support Ministry clients into work
- enabling employers to list jobs directly and get information on additional support we can provide, including subsidies
- providing information and access for clients to relevant training and skills that will qualify them for particular jobs and support their career aspirations
- connecting clients to financial help to overcome some of the barriers to going into work, such as help with childcare
- making it easy for training providers to connect clients to the right courses and training opportunities

We already offer many of these services through a combination of outdated systems with substantial manual processes. Having a streamlined digital platform for clients will ensure face-to-face services can be targeted more effectively to people with complex needs who may require more support.

I will now respond to your request.

Please note, to expedite a response, information not concerning DESP specifically has been redacted as out of scope. Please contact the Ministry if this was not the intent of your request and you would like this information.

We have identified seven documents in scope of questions 1-3 of your request. The Te Pae Tawhiti Programme Horizon One Detailed Business Case is publicly available and can be found at the following link: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2023/te-pae-tawhiti-programme-detailed-business-case-for-horizon-one/appendix-two-te-pae-tawhiti-programme-detailed-business-case.pdf.

You may also be interested in the Cabinet paper related to the Te Pae Tawhiti Programme Horizon One Detailed Business Case identified above. The Cabinet paper is also publicly available and can be found at the following link: www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/cabinet-papers/2023/te-pae-tawhiti-programme-detailed-business-case-for-horizon-one/paper-te-pae-tawhiti-programme-detailed-business-case-for-horizon-one-investing-in-the-ministry-of-social-developments-future.pdf.

We have also identified two reports that have been published by Treasury as part of their proactive budget release. The Budget 2023 Bilateral Advice and the Budget 2023 Outstanding Issues report fall within the scope of question 3 of your request. As the reports are publicly available on Treasury's website, we recommend visiting the following link to access these reports: www.budget.govt.nz/information-release/2023/social-development-employment.htm.

Please find attached a copy of the remaining four documents identified in scope of your request.

Appendix 1- REP/23/5/411 *Te Pae Tawhiti Programme Horizon 1 Scope: Inclusion of Digital Employment Services* (Report)

Appendix 2- *Why digital employment now?* (Report)

Appendix 3- Correspondence between the Ministry and the Treasury

Appendix 4- Attachment to email dated 9 March 2023

In relation to question 2, your request for the costing of the development and deployment of DESP is refused under section 9(2)(j) of the Act to enable the Ministry to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). The greater public interest is in ensuring that government agencies can continue to negotiate without prejudice.

The risks and timelines associated with DESP can be found in the Te Pae Tawhiti Programme Horizon One Detailed Business Case at the link provided above. Please refer to the following pages for this information:

- Information on risks can be found on pages 193-195. The options discussed as part of the economic case also mention risk at a high level. This can be found at pages 94-97.
- Information on the anticipated timeline can be found on pages 167-168.

Please note, in relation to question 3, although the Ministry has engaged with the Department of Internal Affairs in relation to Te Pae Tawhiti Programme at a programme level, the Ministry has not received any advice from the Department of Internal Affairs regarding the Digital Employment Service Platform specifically. As such, your request for this information is refused under section 18(e) of the Act as this document does not exist or, despite reasonable efforts to locate it, cannot be found.

You will note also that the information regarding some individuals is withheld under section 9(2)(a) of the Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

Your request for information for question 4 of your request is also refused under section 18(e) of the Act as this document does not exist or, despite reasonable efforts to locate it, cannot be found.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter and attachments on the Ministry's website. Your personal details will be deleted, and the Ministry will not publish any

information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding Digital Employment Services Platform, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui

A handwritten signature in blue ink, appearing to read 'Craig Hill', with a stylized flourish at the end.

Craig Hill
Programme Director
Te Pae Tawhiti

Report



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Date: 12 May 2023

Security Level: BUDGET SENSITIVE

To: Hon Carmel Sepuloni, Minister for Social Development and
Employment

Hon Grant Robertson, Minister of Finance

Te Pae Tawhiti Programme Horizon 1 Scope: Inclusion of Digital Employment Services

Purpose of the report

- 1 This report seeks your joint direction on including the first phase of investment in a Digital Employment Services Platform (DESP) within the scope of Horizon 1 of the Te Pae Tawhiti Programme, utilising funding from the agreed Budget 2023 envelope.
- 2 The Treasury has recommended this further advice be prepared to inform your consideration of this matter. The report articulates the current issues with the limited digital offering for employment used by the Ministry of Social Development (MSD) Employment Service and presents the case for replacing it with a DESP in Horizon 1. Employment, Education and Training (EET) Ministers are supportive of this proposal. Direction now will give clarity to MSD officials preparing the Detailed Business Case that will go to Cabinet in June 2023.

Executive Summary

- 3 Cabinet agreed in 2022 that MSD plays a key role in providing public employment services in New Zealand, supporting those who are disadvantaged in the labour market to move into and stay in work (SWC-22-MIN-0091 refers). Although digital public employment services are recognised globally as a key way to enhance the effectiveness and reach of services to help jobseekers into sustainable work, MSD currently lacks a meaningful digital service for employment and is well behind international counterparts.
- 4 The current lack of a meaningful digital service for employment limits MSD's effectiveness for clients and reduces our capacity to provide intensive services to those who are most at-risk of long-term benefit receipt. Our digital offering provides only a small part of the functionality jobseekers, employers, providers, and staff both need and expect.

- 5 RecruitMe, a core component of MSD's technology for employment, is being decommissioned in May 2023 and this presents an opportunity to consider how MSD will approach digital employment services. While a like-for-like replacement for RecruitMe is being stood up to ensure continuity of service, it was always intended to be a temporary measure until a new digital service was put in place and does not address existing issues. Investment in a DESP would not only enhance MSD's digital service for employment but also transform the efficiency of MSD's employment services.
- 6 We are planning the digital employment implementation to take a phased approach, with the first phase focusing on MSD's current clients (including those at high risk of long-term benefit receipt). Implementing this cohort first aligns with Te Pae Tawhiti Programme's approach to start implementation with services and cohorts that are lower complexity to implement, building delivery confidence. Final specifications are yet to be confirmed but the first release of a digital employment platform is expected to mean MSD clients can:
- have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact
 - be matched to and notified of suitable jobs based on their individual circumstances and skills, instead of having to manually search themselves
 - apply for opportunities online at any time, instead of having to ring MSD on an 0800 number during office hours to apply
 - check on the status of their employment applications in real time, rather than having to contact MSD staff to see what is happening, and
 - generate a CV themselves using the information already in their profile.
- 7 The platform is also expected to mean employers can have greater awareness of and access to support that may be available to them, such as Flexi wage, and enhanced visibility of jobseekers available in their local labour market. It will also align with the work of other agencies and MSD is working closely with Tertiary Education Commission (TEC) officials to ensure DESP is complementary to TEC's Tahatū careers platform.
- 8 Benefits for MSD staff include less time on manual administrative tasks and phone calls, increasing their ability to direct more focus and support towards clients who need it the most. Through the platform, employment staff are expected to have access to all the relevant information about clients, employers, and employment assistance in one place.
- 9 The Treasury has some reservations about investing in a digital employment platform at this time and recommends deferring the investment for consideration as part of Horizon 2 (refer to full Treasury comment at paragraphs 55-57). Deferring inclusion of a digital employment services platform will mean MSD continues to operate without a meaningful digital

employment service and require high levels of manual staff input, foregoing an opportunity to improve the efficiency of MSD's services.

- 10 There will be a significant impact on MSD's transformation and our overall employment system if digital employment is not funded. As part of the Ministry's Future Service Model, MSD aims to shift toward a needs-based employment delivery model to better reflect, and address, client needs and deliver best-fit approaches to achieve outcomes. Not funding digital employment would leave MSD with only a partially transformed service model delivering only part of the anticipated benefits of the Te Pae Tawhiti Programme.
- 11 MSD considers that a meaningful digital offering is essential to being effective in its Cabinet-mandated role in public employment services. Having an in-house public jobs board ensures jobseekers have visibility of the opportunities sourced for and available to them, including jobs where employers have intentionally advertised with MSD to recruit disadvantaged jobseekers. MSD expects there would be significant limitations with relying on the digital offerings of private job-board providers such as Seek or TradeMe to fulfil its functions and that this would not best serve those jobseekers who are furthest from the labour market.
- 12 MSD's view is that investing in a DESP as part of Horizon 1 is the most cost-effective way to improve service effectiveness for clients, meet stakeholder expectations, and enable the easy expansion of MSD's reach in support of the prioritisation model endorsed by Cabinet.¹ We currently propose the second phase of implementation in Horizon Two. Ministers will have choices to bring that forward if they wish. If progressed now, a DESP could be ready for the forecast peak of jobseeker numbers in March 2025, which will provide MSD with better tools and better ability to scale to higher numbers of jobseekers – delaying inclusion to Horizon 2 means the DESP is likely not available until approximately midway through Horizon 2 (a period spanning July 2026 - July 2029). Broader service channel offerings for jobseekers can also free up case managers to spend more time supporting those who need the most support to find suitable and sustainable

¹ Cabinet agreed in 2022 to a prioritisation model for MSD's employment services, "which aims to:

- refocus support on people with a high risk of long-term benefit receipt or who are part of other key priority cohorts who interact with the benefit system, whether they are currently on a main benefit or not;
- continue to support other people on benefit who have fewer barriers to employment, proportionate to their needs;
- support people in specific circumstances who are not on benefit and may be at risk of, or experiencing, poor labour market outcomes other than long-term benefit receipt, to be determined by future policy, legislative and funding decisions" (SWC-22-MIN-0091 refers).

employment, as well as provide them with better tools with which to deliver that support.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Recommended actions

It is recommended that you:

- 1 **note** that the first release of the digital employment platform (focused on MSD's current clients) would be ready by March 2025, in time for the forecast peak in jobseeker numbers
- 2 **note** the Te Pae Tawhiti Programme has replanned all four service changes to support Horizon 1 delivery in light of Budget 2023 decisions and does not require the employment service portion as contingency for the three remaining service changes

EITHER:

- 3 **agree** to include a digital employment services platform in Horizon 1 of the Te Pae Tawhiti programme, funded from within the envelope agreed in Budget 2023, subject to final Cabinet approval (recommended by MSD)

AGREE / DISAGREE

Minister for Social Development and Employment

AGREE / DISAGREE

Minister of Finance

OR:

- 4 **agree** to defer inclusion of a digital employment services platform so it is considered as part of Horizon 2 of the Te Pae Tawhiti Programme and instead hold that funding in contingency for Te Pae Tawhiti Programme (while the three remaining MSD service changes will be funded through Budget 2023) (recommended by the Treasury)

AGREE / DISAGREE

Minister for Social Development and Employment

AGREE / DISAGREE

Minister of Finance

Nic Blakeley
Deputy Chief Executive, Transformation

Date

Hon Carmel Sepuloni
Minister for Social Development
and Employment

Hon Grant Robertson
Minister of Finance

Date

Date

MSD is the lead agency providing public employment services but lacks a meaningful digital service in this area

- 13 Cabinet agreed in 2022 that MSD plays a key role in providing public employment services in New Zealand, supporting people to move into and stay in work (SWC-22-MIN-0091 refers). In this role, MSD works with other agencies as well as non-government partners, including providers, industries, employers, communities, hapū, iwi and Māori organisations at the national, regional and local level. Public employment services promote equity in labour markets by targeting those at risk of poor labour market outcomes and helping them to find sustainable² employment.³
- 14 In line with this, Cabinet also agreed in 2022 that MSD's employment service role is to "... help people at risk of poor labour market outcomes to prepare for, find and retain suitable employment to improve long-term wellbeing."⁴ Those at risk of poor labour market outcomes in New Zealand include those with low skill levels in relation to current labour market needs, Māori, Pacific peoples, young people, and disabled people. Priority groups sit inside and outside the welfare system.
- 15 Public employment services can add significant value by providing the needs-based support, advice, and upskilling required by many people at risk of poor labour market outcomes to achieve sustainable employment. It is a core function of public employment services to provide job-matching services and a public jobs board, where jobseekers can apply for jobs and training, employers can list vacancies, and staff can provide support and connections.
- 16 Having an in-house public jobs board ensures jobseekers have visibility of the opportunities sourced for and available to them, including jobs where employers have intentionally advertised with MSD to recruit disadvantaged jobseekers. MSD currently delivers this through its Find A Job website, supported by back-end functionality provided by RecruitMe. These provide a basic level of digital service but almost all transactions (including applying for a job and listing a vacancy) require manual input from MSD staff. Approximately 13,000 weekly users view the online jobs board, with around 10,000 weekly users viewing individual job listings. MSD sources and lists around 1,000 vacancies online at any one time.⁵

² For the calculation of benefits under KPI 5 of the Te Pae Tawhiti Programme, sustainability of employment is the number of people who exit the benefit system and receive the equivalent of 20 hours per week at minimum wage each month for 12 months.

³ See World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4.
documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf [Accessed 1 February 2023]

⁴ See SWC-22-MIN-0091 (May 2022).

⁵ Data sourced as at 10 May 2023.

- 17 Although digital public employment services are recognised globally as a key way to enhance the effectiveness and reach of services to help jobseekers into sustainable work, MSD currently lacks a meaningful digital service for employment. MSD is well behind international counterparts, such as Australia, in providing digital public employment services.

RecruitMe is being decommissioned in mid-May, replaced with interim solutions that also require significant manual intervention

- 18 RecruitMe is a key component of MSD's job placement services and is the core system for MSD's internal employment service. RecruitMe is integrated with the core client management system and is used by staff to input information about jobseekers. This information is then used to match clients to available opportunities (which are also manually entered into RecruitMe) based off basic matching functionality. At a high level, RecruitMe is used (with staff input) to collect and aggregate skills and information related to job seekers to match them to available opportunities.
- 19 On 15 May 2023, MSD will be decommissioning RecruitMe. This will include decommissioning the Find a Job website. RecruitMe and Find a Job are end-of-life products based on outdated technology and limited functionality that are no longer fit for purpose and do not meet jobseeker, employer, provider or staff needs and expectations.
- 20 Employment systems need to reflect the way business works. However, MSD's current systems require our staff to spend significant time on lower-value transactions for jobseekers, employers, and providers (who must also navigate manual processes), when it could be spent on higher-value interactions. In addition, people cannot transact with us at the time and place that best suits them due to the need to interact in business hours and we lack the information and modern capability to ensure clients, employers, providers and staff are connected with the best opportunities for their circumstances.
- 21 The ageing technology of RecruitMe will be replaced with an interim solution which utilises other existing technology at MSD. Although the new front-end website Kimi Mahi Mai will be more user-friendly for jobseekers, it does not fundamentally improve our ability to deliver services or reduce the significant manual input required. The RecruitMe functionality will primarily be shifted to MSD's CMS infrastructure, which is unlikely to be fit for purpose for MSD's future needs.
- 22 Some examples of current limitations in our system are:
 - When clients search for a job online with MSD they have to then ring an 0800 number during office hours to apply because, despite over 50% of jobseekers viewing vacancies online outside of office hours, limitations in our systems mean they cannot complete their applications at that time.

- Clients cannot access training programmes online when we know there is pent-up demand for online referral to training programmes.
- To post a job, employers must fill in a form to post an opportunity that is then manually entered online by MSD staff.

MSD must replace this critical employment infrastructure but like-for-like replacements will perpetuate existing issues

- 23 Investment is required to replace a legacy system supporting critical functions of MSD. While a workaround has been found to replace RecruitMe using existing systems, this like-for-like replacement perpetuates the existing limitations and issues with MSD's digital services for employment.
- 24 In MSD's view, the most cost-effective way to address the current service issues and limitations is through a digital employment services platform focused on the needs of those at greater risk of poor labour market outcomes, with the first phase of implementation targeted at current MSD clients. This will modernise our service offering, allow us to better target intensive services and widen our reach to more jobseekers.
- 25 Our market analysis and engagement found that there are digital employment platform solutions commercially available that MSD could implement, building directly on the experience gained in other jurisdictions.
- 26 A digital employment platform will:
- give jobseekers awareness of and access to supports they may be eligible for (for example, MSD-funded programmes like Mana in Mahi)
 - enable jobseekers, employers, and providers who wish to self-serve to connect directly via digital channels for the first time, meaning
 - jobseekers will be able to apply for opportunities online at any time, instead of having to ring an 0800 number during office hours to apply
 - employers will be able to list and manage job opportunities online, instead of filling in a form that is then sent to and manually entered online by MSD staff
 - allow MSD to better match clients to jobs and training, and give MSD more capacity to provide intensive face-to-face support for those furthest from the labour market.
- 27 We considered an alternative option to see if digital employment could be included in the scope of the Service Experience Platform expected to be delivered as part of MSD's Te Pae Tawhiti programme. However, our market engagement confirmed that this option would not provide sufficient focus on the bespoke, specialised capabilities required for effective employment services, for example taxonomies (or the classification system) for skills and jobs, labour market intelligence, skills matching with jobs and training opportunities.

28 In summary, the current lack of a meaningful digital service for employment not only reduces MSD's effectiveness for clients but means we can provide only a small part of the functionality jobseekers, employers, providers, and staff both need and expect. We have fallen significantly behind global counterparts and domestic expectations⁶. The replacement of ageing infrastructure provides the opportunity to address these service issues and also lay foundations for the future.

Introducing a Digital Employment Services Platform is a key component of the future transformation of MSD services

- 29 Investment in a DESP as part of Horizon 1 of the Te Pae Tawhiti Programme (the Programme) will enable our staff to focus their effort on the clients that most need our help, as opposed to on administration or helping people who could self-serve digitally.
- 30 The Programme proposes transformation takes place over three Horizons addressing change in terms of Service Experience; Employment Service; Client Engagement Practice; and Kotahitanga. The four service changes are at the core of the Ministry's business, will deliver value to those we serve, and will deliver to the benefits described in the Programme. Horizon 1 investment through Budget 2023 delivers the foundations underpinning the operational service changes for transformation.
- 31 DESP is a contributor to the approximately \$1.2b in monetisable benefits over 12 years the Programme has identified from improved employment outcomes (exits into employment and maintaining sustainable employment). These benefits are based on reasonable assumptions regarding higher exit rates from benefit due to the service changes introduced by the programme. The drivers of the assumed higher exit rates include (note only 31.3 is to be delivered through DESP):
- 31.1 creating space for MSD staff to focus on employment because many income support needs will be transacted digitally
 - 31.2 implementing a new practice model for MSD staff to work with clients for better outcomes, and
 - 31.3 digital employment services to support better job searching and matching.

⁶ Research has been undertaken since 2019 to substantiate the issues in this area and determine expectations of jobseekers, employers and staff. This research included market insights into the international use of digital employment services; analysing the collective voice of clients that formed the MSD strategic documents Te Pae Tata and Pacific Prosperity for digital employment capability; analysing phone calls with jobseekers, clients in employment and employers; surveying staff through the MSD change survey in 2021; and a Digital Employment Service Platform Incubator (September 2022 - March 2023).

- 32 Moving forward with DESP for Horizon 1 will mean MSD is in position to better support clients in time for the peak of jobseeker benefit numbers forecast for 2025. DESP will help MSD employment-focused staff to move from data entry and transaction processing to increased high-value-add support of jobseekers and employers to improve employment outcomes. DESP will also enable those jobseekers, employers, and providers who wish to self-serve to connect directly via digital channels as best suits their needs.
- 33 This capacity creation will mean that all MSD employment-focused staff (484.4 FTE excluding case managers)⁷ can spend more time helping jobseekers to connect to opportunities (jobs, training and other supports) that meet their needs and match their skills.⁸ It will also provide jobseekers with greater autonomy to choose how they interact with and receive support. Evidence from case management contexts shows that this type of person-led approach can support better outcomes.

We propose focusing initially on MSD's current clients, with the intention to broaden focus later

- 34 A DESP will enable MSD to provide employment services to many of the people Cabinet has directed us to help who fall outside our current service capacity but are at risk of long-term benefit receipt, both inside and outside the welfare system. Figure 1 illustrates at a high level how our priority groups will be served once DESP is fully in place. We are proposing a gradual approach with an initial focus on current clients (the left-hand column below). Implementing this cohort first aligns with Te Pae Tawhiti Programme's approach to start implementation with services and cohorts that are lower complexity to implement, building delivery confidence. The wider phase is proposed for implementation in Horizon Two and Ministers will have choices to bring that forward if they wish.

⁷ Staffing sourced from the MOGSSER numbers from August 2022.

⁸ We estimate at least half of our approximately 250 Work Brokers' time is spent on low-value activity (data entry, transaction processing, supporting those who could digitally self-serve, etc) and that DESP could reduce this by as much as 50%.

	Currently on benefit	Currently off benefit
High risk of long-term benefit receipt	A. Case management for some, with digital employment services and prioritised active intervention from MSD staff for others	C. Digital employment services supported by prioritised active intervention from MSD staff
	Estimated 160,000 people – mostly long-term unemployed, and other key priority cohorts who want support to participate in the labour market	Estimated 70,000 people - recent or intensive benefit history, inter-generational benefit receipt, people cycling on/off benefit
Low-medium risk of long-term benefit receipt	B. Digital employment services supported by prioritised active intervention from MSD staff	D. Digital employment services
	Estimated 140,000 people – only need some assistance to participate in the labour market	Unknown number of people – may have less significant barriers, but facing (e.g.) underemployment and unsuitable work

Figure 1 How a digital employment platform will support our priority groups⁹

- 35 DESP will enable us to make more light-touch interventions, expanding our reach to more clients on benefit and supporting them to gain employment and make that employment sustainable. Simultaneously, it will create more capacity for our intensive services to help those furthest from the labour market.
- 36 Implementing DESP in Horizon 1 of the Programme with a focus on current clients will maintain options for Ministers for Horizon 2 on how best to broaden the focus of MSD employment services to those who are not current MSD clients but are still at risk of long-term benefit receipt (the right-hand column of Figure 1 above), supporting delivery of the prioritisation model endorsed by Cabinet. Investing now improves service effectiveness for clients and enables the easy expansion of MSD’s reach in support of the prioritisation model endorsed by Cabinet in 2022.¹⁰ One of the potential target cohorts to expand usage for this second phase of DESP could be recipients under a future New Zealand Income Insurance Scheme, if that scheme is progressed.
- 37 Final specifications are yet to be confirmed but the first version of a digital employment platform is expected to mean MSD clients can:
- have greater awareness of and access to jobs, support and training opportunities in their local area, including through proactive digital contact

⁹ This diagram builds on the quadrants in the Cabinet paper setting MSD’s employment direction, namely SWC-22-MIN-0091 (May 2022).

¹⁰ SWC-22-MIN-0091 refers

- be matched to and notified of suitable jobs based on their individual circumstances and skills, instead of having to manually search themselves
 - apply for opportunities online at any time, instead of having to ring MSD on an 0800 number during office hours to apply
 - check on the status of their employment applications in real time, rather than having to contact MSD staff to see what is happening, and
 - generate a CV themselves using the information already in their profile
- 38 The platform is also expected to mean employers can have greater awareness of and access to support that may be available to them, such as Flexi wage, and enhanced visibility of jobseekers available in their local labour market.
- 39 MSD expects there would be significant limitations with relying on the digital offerings of private job-board providers such as Seek or TradeMe to fulfil MSD's public employment service functions and that this would not best serve those jobseekers who are furthest from the labour market. However, DESP will aim to be complementary to private sector employment platforms. This would be achieved through MSD providing services focused on those who require the most support, particularly via needs-matching and upskilling (consistent with practices in the wider OECD¹¹), while we would expect private providers to focus more on those with higher skills who are easier to place.
- 40 A phased approach to DESP will allow time for discussions with relevant stakeholders and consideration of how to manage any risks. Further work will be undertaken as part of phase two of DESP's implementation to consider interactions with private providers in more detail.
- 41 Public employment services – like MSD – provide value in different ways at various points in the labour market cycle. During a time of high employment, employers will be looking for potential labour and a DESP would support MSD to better connect employers with jobseekers due to increased visibility of available labour, skills and skills gaps. During a labour market downturn, a DESP will be a valuable tool for MSD to support those at risk of poor labour market outcomes to upskill or redeploy. Providing more effective help in the short-term can help to shelter people from longer-term impacts on their income and wellbeing.

¹¹ See for example, Australian Government Department of Jobs and Small Business, *The next generation of employment services: discussion paper* (Australian Government, June 2018). This paper references the Flanders public employment agency and its sharing of information on vacancies with private recruitment firms (p30). The paper envisages future online services integrated with private sector firms as much as possible, without competing with them (p31). <https://www.dewr.gov.au/workforce-australia/resources/next-generation-employment-services-discussion-paper> [Accessed 12 April 2023]

- 42 A DESP will also support MSD to better serve New Zealand's labour market, providing needs-matching for those at risk of poor outcomes, supporting employers to list vacancies and find the right skills, and ensuring providers have the information they need to best support upskilling. We expect that the improved labour market intelligence that will become available through the DESP will be of high value to MSD to support both regional and national decision-making. It may also be possible for this labour market intelligence to include some high-level information on emerging redundancies, where users volunteer that information.
- 43 Better local labour market insights will also support New Zealand's ability to respond to emergency events and will be a useful tool to support employers and workers impacted by redundancy and economic downturn, particularly where they interact with MSD's Early Response Redeployment Service and other government services.
- 44 DESP will align with other agencies' objectives and contribute to better investment decisions, such as in relation to Active Labour Market Programmes. This paper incorporates feedback from the EET Deputy Chief Executive Steering Group and Chief Executives' Group. EET Ministers are supportive of the proposal.
- 45 MSD officials are engaging regularly with colleagues at the Tertiary Education Commission (TEC) to ensure close alignment with TEC's online career services platform, Tahatū. DESP and Tahatū would be complementary and utilise common resources so that New Zealanders feel both platforms are part of the same ecosystem, for example by using the same taxonomies for skills.
- 46 MSD has also engaged in relation to DESP with officials from the Ministry of Business, Innovation and Employment, including their Business Connect team. Business Connect is the online platform where businesses can manage licences and permits from across government in one place. The DESP and Business Connect provide different types of services with little risk of duplication, but there is potential for the two services to link to each other in the future and improve the visibility of government supports for businesses.

There will be a significant impact on MSD's transformation and our overall employment system if digital employment is not funded

- 47 As part of our Future Service Model, MSD aims to shift toward a needs-based employment delivery model to better reflect, and address, client needs and deliver best-fit approaches to achieve outcomes.
- 48 Keeping the interim solution in place for longer than intended means MSD's overall employment system is effectively not delivering to the needs and expectations of jobseekers and employers, which is likely to impact outcomes. This in turn reduces the relevance and utility of MSD as a public employment service for New Zealand.

- 49 If a DESP is not funded at all, there will be a significant impact on transformation:
- our lack of a useful digital service will continue to make it harder for our clients to find the jobs and training they need, will discourage employers from listing jobs with us, and make it difficult for providers to reach clients that need upskilling for sustainable employment
 - our lack of a useful digital service will continue to significantly limit who we can meaningfully help and makes scaling difficult during labour market shocks
 - we will continue to have inconsistent labour market intelligence, limiting our ability to help jobseekers, employers, and providers especially in crises
 - we will have very limited ability to improve the operation of the wider labour market
 - we will not be able to achieve the \$1.2b monetisable benefits associated with employment outcomes.
- 50 It will also leave MSD with only a partially transformed service model delivering only part of the anticipated benefits.

Investment in Budget 2023 s9(2)(f)(iv) **and aligns with Horizon 1 investment**

- 51 Investment through Budget 2023 s9(2)(f)(iv) In addressing risk, MSD needs to remove enduring technology obstacles to give our front-line staff more time to have meaningful and high-value conversations with our clients. MSD's transformational ambitions of Te Pae Tawhiti depend on a modern and flexible technology platform.
- 52 Iwi and Pacific groups are already making significant digital advances to support their communities. If the Ministry does not have a digital employment service, it will be left behind and unable to connect and interface with them.
- 53 MSD officials have been engaging with MSD's Māori and Pacific Reference Groups, who have advised that the biggest challenge facing Māori and Pacific employers/industry and jobseekers is the lack of awareness and access to support. Digital will help significantly with this. MSD will ensure that design and functionality is culturally appropriate, and all aspects of digital accessibility are prioritised. These factors will be prioritised as part of the procurement process.
- 54 The Programme will deliver the objectives of Horizon 1 within the envelope confirmed through Budget 2023. The Programme is currently replanning all four service changes to support Horizon 1 delivery in light of Budget 2023 decisions.

Treasury comment

- 55 The Treasury has some reservations about investing in a digital employment platform at this time. An employment platform may help to match jobseekers with employment opportunities, but in a constrained fiscal environment, it is unclear why a publicly funded jobs board is required when private sector alternatives (for example, TradeMe) are available for those jobseekers wanting to access a digital platform. It is also unlikely to help those furthest from the labour market, and it is unclear to what extent this investment would be complementary to MSD's income support system and existing employment programmes. MSD has also received approximately \$110 million in Budget 2023 for employment programmes, which includes funding for FTE.
- 56 The Treasury is also concerned that there is little contingency in the funding allocated to Te Pae Tawhiti for potential cost escalation. For that reason, we recommend deferring this investment for consideration as part of Horizon 2. We would support MSD bidding for additional funding through Budget 2024 to continue to develop the employment service platform.
- 57 If Ministers do not support including the employment service platform in Horizon One, MSD would continue to operate an existing digital employment programme that requires substantial manual entry, and Ministers would forego an opportunity to improve the efficiency of MSD's services.

Next steps

- 58 If you support the inclusion of a digital employment services platform in Horizon 1 of the Te Pae Tawhiti Programme, MSD will include the first phase of the DESP as part of service changes proposed in the Detailed Business Case to go to Cabinet in June 2023.

File ref: REP/23/5/411

Authors: Katie McKenzie, Principal Advisor, Te Pae Tawhiti

Shaun McMaster, Principal Advisor, Employment

Responsible manager: Nic Blakeley, DCE Transformation

Why digital employment now?

SUMMARY: We must significantly improve our digital services now if we are to help those at risk of poor outcomes and be ready for labour market shifts

The Ministry of Social Development (MSD) plays a key role in providing public employment services (PES) in New Zealand. Although digital public employment services are recognised globally as essential to effectively help jobseekers into sustainable work, MSD currently lacks a meaningful digital service for employment. This not only reduces our effectiveness for our clients but means we can provide only a small part of the functionality jobseekers, employers, providers, and staff both need and expect. We have fallen significantly behind global and domestic expectations.

The severe limitations of our digital service decrease our staff’s capacity to contribute to high-value interactions. It also limits our provision of employment services to only a fraction of those who would benefit from some support.

The most cost-effective way to improve our service and widen our reach is through a digital platform focused on the needs of those at greatest risk of poor labour market outcomes. This will enable us to provide services to many of the people Cabinet has directed us to help who fall outside our current service but are also at risk of long-term benefit receipt, both inside and outside the welfare system. The below diagram illustrates the current focus and how this would change with a digital platform.

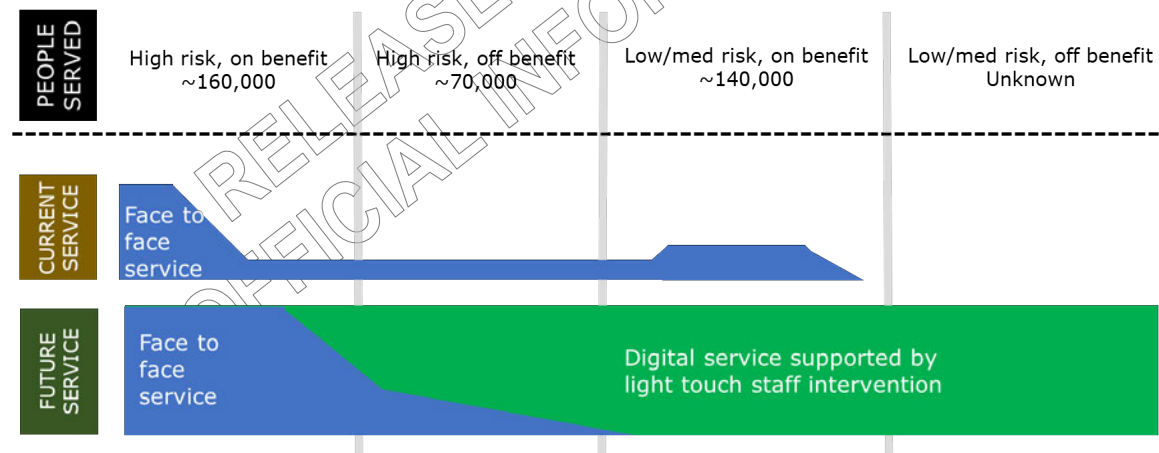


Figure 1: Current and future service provision to priority groups

Investment in a new Digital Employment Services Platform (DESP) as part of Horizon 1 of the Te Pae Tawhiti transformation programme will enable our staff to focus their effort on the clients that most need our help, as opposed to on administration or helping people digital could serve. We will better serve New Zealand’s labour market, providing needs-matching for those at risk of poor outcomes, supporting employers to list vacancies and find the right skills, and ensuring providers have the information they need to best support upskilling. Enhanced local labour market insights will improve our ability to respond to emergency events and labour market shifts, as well as opening opportunities for private-sector collaboration.

Moving forward with DESP for Horizon One will mean MSD is in position to better support clients in time for the peak of jobseeker benefit numbers forecast for 2025.

MSD plays a key role providing public employment services to those that the market does not adequately support

MSD plays a key role in providing PES in New Zealand. PES promote equity in labour markets by targeting those at risk of poor labour market outcomes and helping them find sustainable employment.¹

PES usually serve a different cohort to their private-sector counterparts as “PES need to provide targeted comprehensive support to the most vulnerable groups”.² Private-sector employment services (and platforms such as Trade Me and Seek) support many New Zealanders to find work but typically focus on higher-value, easier-to-place vacancies and/or do not provide matching and potential training support for those seeking work. PES can add significant value by providing the needs-based support, advice, and upskilling required by many people at risk of poor labour market outcomes to achieve sustainable employment.

In line with this, Cabinet agreed in 2022 that MSD’s employment service role is to “... help people at risk of poor labour market outcomes to prepare for, find and retain suitable employment to improve long-term wellbeing.”³ Those at risk of poor labour market outcomes in New Zealand include those with low skill levels in relation to current labour market needs, Māori, Pacific peoples, young people, and disabled people.

Our lack of a useful digital service makes it harder for our clients to find the jobs and training they need, discourages employers from listing jobs with us, and makes it difficult for providers to reach clients that need upskilling for sustainable employment

Our digital service provides only a small part of the functionality that jobseekers, employers, providers, and staff expect and need. As well as this, some underlying systems are at or nearing end-of-life. Systems such as RecruitMe (which powers MSD’s vacancy management and job-matching functions) have reached end-of-life and are being decommissioned, to be replaced with interim solutions using other existing technology at MSD that also require significant manual intervention.

Below are some examples of how the current system may discourage employers from listing and jobseekers from applying. Issues like this mean clients lose access to jobs (if employers do not list vacancies) as well as applicants for those jobs (if jobseekers do not apply or employers cannot access support).

When clients search for a job online with MSD they have to then ring an 0800 number during office hours to apply.

Over 50% of jobseekers view vacancies online outside of office hours but, because of limitations in our systems, cannot complete their applications at that time.

Our clients cannot access training programmes online when we know there is pent-up demand for online referral to training programmes.

An online provider referral proof-of-concept resulted in 700 referrals in the first week, as compared with 850 referrals in the previous 12 months.

To post a job, employers must fill in a form to post an opportunity that is then manually entered online by MSD staff.

Only 38% of employers who list a vacancy with MSD do so more than once a year.

These limitations also prevent us proactively supporting people outside the benefit system into work before financial needs bring them to our attention. In practice, this may be limiting MSD-listed jobseekers to those with the highest support needs, which can then discourage employers from listing vacancies to a service that caters for those they might see as “hard to place”.⁴

Wage-scarring from job loss can have lifetime impacts from which people’s incomes never recover. Being able to help those seeking employment support more proactively, before they are receiving a benefit, would help us avoid this.

MSD’s lack of a useful digital service significantly limits who MSD can meaningfully help and makes scaling difficult during labour market shocks

Our lack of a useful digital employment service limits how our over 1,000 employment-focused staff⁵ can improve outcomes for clients. It also makes it more difficult for case managers to see the full picture of how clients have interacted with our employment services and refer them for upskilling where appropriate.

Currently we can only offer meaningful employment services to the approximately 45,000 work-obligated clients in case management. However, there are around another 105,000 work-obligated main-benefit clients who are not receiving case management support,⁶ as well as an estimated 70,000 people who are off benefit but are at high risk of long-term benefit receipt. As things stand, we can do little for these other groups in terms of employment support.

Employment systems used by our staff have low functionality and require manual input by MSD staff for almost all transactions. Our staff must spend significant time on lower-value transactions for jobseekers, employers, and providers (who must also navigate manual processes), when it could be spent on higher-value interactions.

Because of the manual processes required, scaling up to respond to a crisis requires proportionately more people. New Zealand will continue to face labour market shocks at both national and regional level, such as those recently caused by COVID-19 and Cyclone Gabrielle. Economic shocks usually have a disproportionate impact on those who were already most at risk of poor labour market outcomes.

We have inconsistent labour market intelligence, limiting our ability to help jobseekers, employers, and providers especially in crises

MSD does not have consistent access to good labour market information such as on types of jobs available, training needed, and skills gaps. When this information is available, it is not in a form that can be easily used by MSD’s online systems and/or staff to advise jobseekers, employers, and partners.

Providers and employers do not consistently receive the information they need when they need it to best interact with MSD and its clients. This reduces our ability to help our jobseekers gain the skills they need for sustainable employment and maintain that employment. Where training places are unfilled, it also means we are not maximising the potential benefits we could gain from partnerships with providers.

The low functionality of our systems limits what information we can gather on our clients' needs and skills, how they gained employment, and whether that was sustained. This inhibits our ability to learn and then improve the way in which we help clients to find work, employers to list with us, and providers to match their capacity and offerings to the upskilling needed.

Digital public employment services are recognised globally as essential to effectively helping jobseekers into sustainable work

Other countries are experiencing similar drivers for change as part of global Future of Work and other labour market trends. Digital plays the major role in their responses.⁷ In addition, technology has been critical for PES in many countries to respond to jobseekers' needs during the COVID-19 crisis.⁸

There is extensive international evidence that public digital employment services result in employment and economic benefits.⁹ Digital employment platforms improve the operation of labour markets through impacts like reducing skills mismatches, enabling insights to improve equity, and deepening labour market intelligence.¹⁰ This brings productivity improvements through better skills matching and consequent GDP benefits.

A Digital Employment Services Platform (DESP) will improve our service and widen who we can offer it to

Our market analysis and engagement shows that there are digital employment platform solutions commercially available that MSD could implement, building directly on the experience gained in other jurisdictions. We do not have to build from scratch.

A DESP will enable jobseekers, providers, and employers to connect directly via digital channels as best suits their needs. This will help MSD employment-focused staff to move from data entry and transaction processing to high-value-add support of jobseekers and employers to improve employment outcomes.

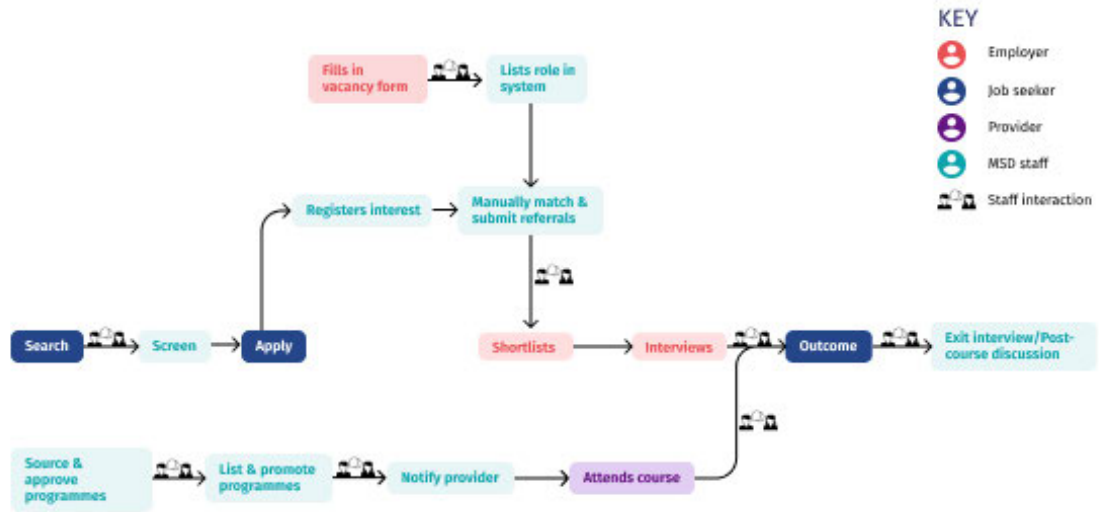
MSD has 484.4 FTE in the employment-specific roles of Job Connect, Work Brokers, Employment Liaison Advisors, Employment Coordinators, and Programme Coordinators.¹¹ These roles will benefit the most from the efficiency gains generated by DESP (note that Case Managers will receive most of their efficiency benefits from other investment in Te Pae Tawhiti).

We estimate at least half of our approximately 250 Work Brokers' time is spent on low-value activity (data entry, transaction processing, supporting those who could digitally self-serve, etc) and that DESP could reduce this by as much as 50%.¹²

This capacity creation will mean that all MSD employment-focused staff can spend more time helping jobseekers to connect to opportunities (jobs, training and other supports) that meet their needs and match their skills, resulting in more sustainable employment outcomes for more clients.

How it could transform our service is illustrated in the following diagram, which compares the current state and future state for an example job application and training course registration/attendance journey. The icons reflect interactions between parties, with a significant reduction in MSD staff interactions occurring once the DESP is in place.

CURRENT STATE 8AM - 6PM



FUTURE STATE 24/7

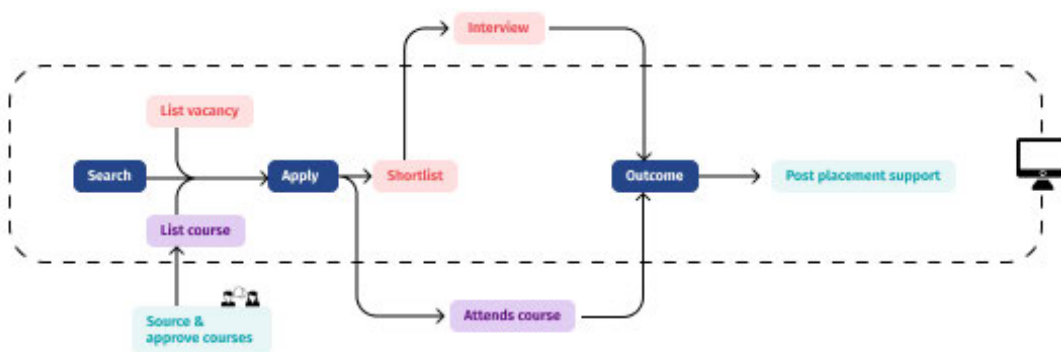


Figure 2 How DESP will transform our service¹³

In addition to enhancing our digital service, a DESP will also allow MSD to cost-effectively support more people who have fewer barriers to employment, with a level of service proportionate to their needs (as part of our mandate from Cabinet).¹⁴

How a DESP will enable us to widen our reach and effectiveness with our clients beyond the 45,000 we support in case management is illustrated in the following diagram.

	Currently on benefit	Currently off benefit
High risk of long-term benefit receipt	A. Case management for some, with digital employment services and prioritised active intervention from MSD staff for others	C. Digital employment services supported by prioritised active intervention from MSD staff
	Estimated 160,000 people – mostly long-term unemployed, and other key priority cohorts who want support to participate in the labour market	Estimated 70,000 people - recent or intensive benefit history, inter-generational benefit receipt, people cycling on/off benefit
Low-medium risk of long-term benefit receipt	B. Digital employment services supported by prioritised active intervention from MSD staff	D. Digital employment services
	Estimated 140,000 people – only need some assistance to participate in labour market	Unknown number of people – may have less significant barriers, but facing (e.g.) underemployment and unsuitable work

Figure 3 How a digital employment platform will support our priority groups¹⁵

More proactive, low-touch interventions is likely to prevent some people from entering on to benefit in the first place, while also helping more clients on benefit to gain employment and to make that employment sustainable. A DESP will also provide people with greater autonomy to choose how they interact with and receive support. Evidence shows that this type of person-led approach supports better outcomes.

A digital experience that meets the expectations of jobseekers, employers and providers is also likely to increase the number of jobs listed with MSD and the uptake of training. This creates the opportunity to provide employment services to a wider group as well as a job site for MSD clients or lower wage employers.. Work will need to be done as part of implementation to ensure the DESP and the operating model supporting it will deliver broader reach.

A DESP will make it easier for employers to list and manage job opportunities, match directly with jobseekers who meet their needs, and connect to training and targeted services which are available to support them. A DESP will also make it easier for providers to manage referrals for training and ensure their supply of training matches demand and forecast skills needs based on superior labour market intelligence. Greater visibility of support has the potential to increase demand for MSD products and services, so MSD will need to continue to ensure consistency and monitor uptake.

DESP aims to improve the operation of the wider labour market, contributing to improved productivity – it will not compete with private sector employment agencies, but instead will cooperate with them

DESP will improve the operation of the New Zealand labour market by reducing skills mismatches, enabling insights to improve equity, and deepening labour market intelligence. This has the potential to bring productivity improvements with consequential positive impacts on GDP.

DESP will not seek to compete with private sector employment agencies. Instead, it will aim to cooperate with them to reduce friction in the labour market by providing better services to those who require the most support, particularly through needs-matching and upskilling – this is consistent with practices in the wider OECD.¹⁶ Providing the opportunity for private sector employment agencies to list their vacancies on DESP will also create a win-win situation for both PES and these agencies, widening the choices for those at risk of poor labour market outcomes who are currently not always being served by the private sector.

DESP will make available a wider range of more timely labour market data, both for current clients and those beyond the welfare system. Combining this intelligence with local labour market knowledge, collected through our regional labour market managers and others on the ground, will give us a more complete picture of labour market trends and support informed decision-making. A wider range of jobseekers using the DESP would also expand the labour market information we gather, enabling MSD to understand more about jobseekers who operate outside the benefit system.

We expect that the improved labour market intelligence that will become available through the DESP will be of high value to MSD to support both regional and national decision-making. Better local labour market insights will also support New Zealand's ability to respond to emergency events and will be a useful tool to support employers and workers impacted by redundancy and economic downturn, particularly where they interact with MSD's Early Response Redeployment Service.

DESP will also support other agencies and their objectives, for example in relation to labour market testing and determinations on whether skills can be met from within the New Zealand domestic labour market. The information will also support better investment decisions, such as in relation to Active Labour Market Programmes.

DESP will also have the potential to integrate with private-sector employment agencies and present their listings, which could further enhance job choice and labour market intelligence, increasing the overall effectiveness of the wider labour market.

DESP is forecast to contribute to monetary benefits achieved through reduced payments in the welfare system, as clients receiving a benefit are moved into sustainable work, and others find work without reaching the welfare system.

By the end of Te Pae Tawhiti programme, Benefit KPI 5 has forecast savings of approximately \$1.2b over 12 years from improved employment outcomes (exits into employment and maintaining sustainable employment), of which DESP is a contributor.¹⁷

Investing in DESP now is critical, as high employment is not projected to last and New Zealand will face further crises

The impact of the issues we face with our current digital service are likely to become far more apparent as unemployment rises or we experience labour market changes (such as industry transformation). Recent forecasts predict that New Zealand will exit its current high employment rate over the next couple of years. One forecast has New Zealand's unemployment rate rising from 3.4% in January 2022 to 4.8% in 2024.¹⁸

The current high employment labour market forces many employers to look harder for staff. This means that they are more likely to be engaging with MSD despite the issues faced with our digital services. As unemployment increases, employers will increasingly have other options for finding staff. If employers choose then not to list opportunities with MSD because of difficulties with our digital service, this will lessen the choices we can provide to those most at risk of poor outcomes.

Moving forward with DESP for Horizon One of the Te Pae Tawhiti programme will mean MSD is in a better position to respond to the peak of jobseeker numbers forecast for 2025. A DESP will be a valuable tool for MSD to support those at risk of poor labour market outcomes during a downturn, as providing help in the short-term can shelter people from longer-term impacts on their income and wellbeing.

"Improving the employability of the most vulnerable groups now would increase their chances of being integrated into the labour market as economies recover and employers' needs for labour increase."¹⁹

¹ See World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4. documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf [Accessed 1 February 2023]

² See OECD, *Building inclusive labour markets: Active labour market policies for the most vulnerable groups* (OECD, October 2021). <https://www.oecd.org/coronavirus/policy-responses/building-inclusive-labour-markets-active-labour-market-policies-for-the-most-vulnerable-groups-607662d9/> [Accessed 14 March 2023]

³ See SWC-22-MIN-0091 (May 2022).

⁴ Employers have historically been less willing to use a Public Employment Service as their perception is that only hard-to-place people will be accessing these job boards. See for example World Bank, *Public Employment Services: Functions and Innovations – World Bank Policy Primer 30132* (World Bank September 2003), 4. <https://documents1.worldbank.org/curated/en/859831468779447415/pdf/301320EPPN0no1030Public0employment.pdf> [Accessed 1 February 2023]

⁵ This reflects full time equivalent staff.

⁶ These figures reflect numbers as at end of February 2023.

⁷ See for example, OECD, *Harnessing digitalisation in Public Employment Services to connect people with jobs* (OECD, June 2022). www.oecd.org/els/emp/Harnessing_digitalisation_in_Public_Employment_Services_to_connect_people_with_jobs.pdf [Accessed 1 February 2023]. Zulum Avila, Javier Omar Rodriguez, *Public*

employment services: diagnostic tool and guide (International Labour Organisation), 11.
https://www.ilo.org/emppolicy/pubs/WCMS_829545/lang--en/index.htm [Accessed 6 March 2023]

⁸ See International Labour Organisation, *Technology adoption in public employment services* (ILO, 2022), ix. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_840767.pdf [Accessed 1 February 2023]

⁹ See for example, OECD, *Harnessing digitalisation in Public Employment Services to connect people with jobs* (OECD, June 2022).
www.oecd.org/els/emp/Harnessing_digitalisation_in_Public_Employment_Services_to_connect_people_with_jobs.pdf [Accessed 1 February 2023]

¹⁰ See also, Accenture, *Value Proposition – Digital Employment Ecosystem* (February 2023), 1. Presentation to MSD Programme staff.

¹¹ Staffing sourced from the MOGSSE numbers from August 2022.

¹² This estimate would be refined as design and implementation progresses.

¹³ This is an example process map only and has some limitations. There are often multiple MSD staff roles that are identified at each stage of the process - it is not exclusive to one role or service channel. This process is not always the same in every region, there is variation. Also note the process for applying in the current state map is showing the process from the job seeker's perspective, the MSD staff don't do the "applying" for the job seeker.

¹⁴ For MSD employment mandate, see SWC-22-MIN-0091, paras 8-9 (October 2021).

¹⁵ This diagram builds on the quadrants in the Cabinet paper setting MSD's employment direction, namely SWC-22-MIN-0091 (May 2022).

¹⁶ See for example, Australian Government Department of Jobs and Small Business, *The next generation of employment services: discussion paper* (Australian Government, June 2018). This paper references the Flanders public employment agency and its sharing of information on vacancies with private recruitment firms (p30). The paper envisages future online services integrated with private sector firms as much as possible, without competing with them (p31).
<https://www.dewr.gov.au/workforce-australia/resources/next-generation-employment-services-discussion-paper> [Accessed 12 April 2023]

¹⁷ This forecast is based on having the DESP in place before the end of Horizon 1. Any delay to the implementation of the DESP will mean a decrease in the forecast savings over that period. However, the forecast savings are for all the proposed TPT changes that contribute to KPI 5, of which the DESP is one component only.

¹⁸ See for example, <https://tradingeconomics.com/new-zealand/unemployment-rate?embed/forecast#:~:text=Unemployment%20Rate%20in%20New%20Zealand%20is%20expected%20to,percent%20in%202025%2C%20according%20to%20our%20econometric%20models.> [Accessed 8 March 2023]

¹⁹ See OECD, *Building inclusive labour markets: Active labour market policies for the most vulnerable groups*.

From: [Daniel White \[TSY\]](#)
To: [Katie McKenzie](#)
Cc: [James Adams \[TSY\]](#); [James Adams \[TSY\]](#); [Keiran Kennedy \[TSY\]](#); [Nic Blakeley](#); [Jeanne Barnard \[TSY\]](#); [Craig Hill](#)
Subject: RE: Information to support advice to decisions on TPT.
Date: Thursday, 9 March 2023 12:46:53 pm

Kia ora Katie

Points for interests of clarity noted. As discussed, for completeness it would be the Treasury's preference for MSD to estimate the cost of progressing three service changes (i.e. excluding employment service change) to ensure Treasury does not propose something in its advice that may not work out practically.

From: s9(2)(a)
Sent: Thursday, 9 March 2023 12:35 pm
To: Daniel White [TSY] s9(2)(a)
Cc: James Adams [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a)
^MSD: Nic Blakeley s9(2)(a); Jeanne Barnard [TSY] s9(2)(a); Craig Hill s9(2)(a)
Subject: RE: Information to support advice to decisions on TPT.

Kia ora Daniel

Thanks for the emails and phone call.

Attached are answers to your questions and the timeline I mentioned we had worked up.

In the interests of clarity:

- Our strong preference is that the post-bilateral option of Out of scope is put into the April Budget Cabinet Paper subject to agreement on scope and demonstrating investment readiness
- It is MSD's view that scope, in particular discussions around Digital Employment, should be advanced with officials and Ministers in the period up to Budget, with a view to confirming in the Cabinet Paper and DBC post Budget Day – that there is no benefit in rushing these important discussions.
- Therefore we have not provided an alternative option for your advice that is a \$ value without digital employment.
- Out of scope

Thanks

Katie

Katie McKenzie – Principal Advisor, Te Pae Tawhiti

Phone: s9(2)(a) (direct) – s9(2) (internal) – s9(2)(a) (mobile) – www.msd.govt.nz
Ministry of Social Development, The Aurora Centre, 56 The Terrace, PO Box 1556, Wellington 6140

MSD Purpose:

*We help New Zealanders to be safe, strong and independent
Manaaki Tangata, Manaaki Whānau*

From: [Daniel White \[TSY\]](#)
To: [Katie McKenzie](#); [James Adams \[TSY\]](#)
Subject: Re: TPT initiatives at B23 - titles, descriptions and recommendations
Date: Monday, 3 April 2023 5:58:34 pm
Attachments: [image001.png](#)

Good idea Katie - how does 4pm sound?

What would be good to discuss (thinking how we can make the time more effective)? I think where we landed last was you were keen on an indication of a more prescriptive idea of what is required for investment readiness and also a bit more clarity on what TSY thinks is currently missing from the case for the employment platform? I think we outlined this in an earlier email but I think we probably expanded on this in a meeting we had a few weeks ago. I probably can send an email on both fronts. Maybe if you had any thoughts on this, or any other issues you think helpful for a view on you could send this prior?

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Out of scope

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Out of scope

From: Wayne Tietjens
Sent: Friday, 31 March 2023 3:54 PM
To: James Adams [TSY] s9(2)(a); Lance Fowler
s9(2)(a); Katie McKenzie s9(2)(a)
Cc: Theo Lyster s9(2)(a); Jireh Va'afusuaga
s9(2)(a); Daniel White [TSY] s9(2)(a)
Subject: RE: TPT initiatives at B23 - titles, descriptions and recommendations

Hi James

Can we draft a rec. in there that Out of scope

Happy to discuss,

Thanks,

Wayne.

From: James Adams [TSY] s9(2)(a)
Sent: Friday, 31 March 2023 3:29 PM
To: Lance Fowler s9(2)(a); Wayne Tietjens
s9(2)(a); Katie McKenzie s9(2)(a)
Cc: Theo Lyster s9(2)(a); Jireh Va'afusuaga
s9(2)(a); Daniel White [TSY] s9(2)(a)
Subject: TPT initiatives at B23 - titles, descriptions and recommendations

[IN-CONFIDENCE]

Hi all,

As discussed with Katie earlier, here's the revised TPT material.

Happy for others to comment!

Cheers,

James



James Adams (he/him) | Welfare & Oranga Tamariki team | The Treasury

Email: s9(2)(a) Phone s9(2)(a)

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From: Daniel White [TSY] s9(2)(a)
Sent: Thursday, 9 March 2023 8:45 AM
To: Katie McKenzie s9(2)(a); Craig Hill s9(2)(a)
Cc: James Adams [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a); Nic Blakeley s9(2)(a); Jeanne Barnard [TSY] s9(2)(a)

Subject: RE: Information to support advice to decisions on TPT.

Kia ora korua

Apologies – just confirmed some content from Jens that was missed from the email yesterday to support investment readiness. He informs me these matters are of no surprise as you are working well on them. We have a meeting scheduled with the office at 9 so can provide clarity on the appetite and timing of advice. See you soon.

- Out of scope
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

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From: Katie McKenzie s9(2)(a)
Sent: Wednesday, 8 March 2023 5:53 pm
To: Daniel White [TSY] s9(2)(a); Craig Hill s9(2)(a)
Cc: James Adams [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a); ^MSD: Nic Blakeley s9(2)(a)

Subject: RE: Information to support advice to decisions on TPT.

Thanks Daniel. Can we please have a chat in the morning to get super clear? Say 9am or 10.30?

Katie

From: Daniel White [TSY] s9(2)(a)
Sent: Wednesday, 8 March 2023 5:31 PM
To: Katie McKenzie s9(2)(a); Craig Hill s9(2)(a)
Cc: James Adams [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a)

Subject: Information to support advice to decisions on TPT.

Out of scope

Kia ora korua

Thanks for the discussion Monday and Friday. Apologies for the delay in getting this through. As discussed, the proposal is to put advice to the Minister of Finance to respond to the matters arising at the MSD bilat for TPT. Specifically these included:

- Out of scope

-

-

As discussed on Monday, it would be helpful if MSD provided content/information that provides the case for investment readiness (acknowledging this may involve agreeing to processes/updates to the DBC and governance and assurance rather than MSD providing further info) and the employment digital platform. We acknowledge many of these include questions/comments we have raised previously. The key points, information requested include:

Investment readiness

Out of scope

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Scope for Horizon One

Acknowledging a difference of opinion on the case for the digital employment platform within Horizon One – we request further information on:

- The objective of MSD employment service change and how the digital platform is critical to achieve that objective
- The problem definition – what is the problem the digital employment platform is intended to solve (i.e. what is the market failure that this is required to address?)
- Clarifying why this proposal is the best/cost efficient/VFM option in the context of other similar employment platforms – if there is an unmet portion of the market has co-funding options been explored?
- How MSD's proposed digital employment platform aligns with, and is supported by, other agencies work on employment. Information about how other agencies have or will be engaged with this work and are they supportive of it and how will this align with their objectives?

- How the platform will deliver the purported benefits for those jobseekers with complex needs and those furthest from the job market
- Why the digital platform work is required for Horizon One. Also, from a B23 specific perspective, how does this relate to the MSD and other government agency employment support programmes where funding is sought through B23.

I trust the above is helpful. We are still working through with our office the MoF's appetite for advice and timelines. If he would like advice we expect it will be required urgently. Therefore, we would appreciate if this information was provided as soon as possible and by midday Monday at the latest. Happy to discuss/clarify any matters. Note I have not asked any information at this stage about funding but may ask further information if required.

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From: Daniel White [TSY]
To: Katie McKenzie; Jeanne Barnard [TSY]; James Adams [TSY]; Keiran Kennedy [TSY]
Cc: Nic Blakeley; Craig Hill; Hugh Miller; Owen Shingleton; Shaun McMaster
Subject: RE: TPT Why Digital Employment Now
Date: Thursday, 13 April 2023 1:19:14 pm

[UNCLASSIFIED]

Thanks Katie for you and the team for putting this together. Yep, look forward to a constructive discussion on this next week.

From: Katie McKenzie s9(2)(a)
Sent: Thursday, 13 April 2023 12:32 pm
To: Daniel White [TSY] s9(2)(a); Jeanne Barnard [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a)
Cc: ^MSD: Nic Blakeley s9(2)(a); Craig Hill s9(2)(a); Hugh Miller s9(2)(a); Owen Shingleton s9(2)(a); ^MSD: Shaun McMaster s9(2)(a)
Subject: TPT Why Digital Employment Now

Kia ora whānau

As discussed, please see **attached** for the *Why Digital Employment Now?* note prepared by MSD. Thanks for your patience.

Looking forward to a constructive chat next week.

Katie

Katie McKenzie – Principal Advisor, Te Pae Tawhiti
Phone: s9(2)(a) (direct) – s9(2)(a) (internal) – s9(2)(a) (mobile) – www.msd.govt.nz
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From: [Daniel White \[TSY\]](#)
To: [Katie McKenzie](#); [Jeanne Barnard \[TSY\]](#); [James Adams \[TSY\]](#); [Keiran Kennedy \[TSY\]](#)
Cc: [Nic Blakeley](#); [Craig Hill](#); [Hugh Miller](#); [Owen Shingleton](#); [Shaun McMaster](#)
Subject: RE: TPT Why Digital Employment Now
Date: Wednesday, 19 April 2023 8:47:54 am

[UNCLASSIFIED]

Kia ora Katie

Thanks for sending the paper through. Look forward to the discussion later today.

To assist supporting an efficient meeting, we thought it useful to outline our initial views on the draft paper. Most critically, we do not think this paper provides the compelling case for the Minister of Finance to include the digital employment service change within TPT Horizon One (or at all). Our feedback covers similar matters to what we raised previously. To improve the case for investment, we would recommend that the paper:

- Clarify what the problem definition is. Is it that the current recruitment platform is reaching end of life, MSD wants to move its current employment functions online, or addressing market failure? Or a combination?
- Canvass a range of options to address the problem from minimum change through to full digital employment service platform (DESP). Currently the proposed solution (a digital platform) does not seem to fit the problem described. We are not aware of, and the paper does not outline, different options to improve MSD's employment service which would assist to provide the compelling case.
- Related to the point directly above, it would be helpful if the paper clarified why this proposal is the best/cost efficient/VFM option in the context of other similar employment platforms – if there is an unmet portion of the market has co-funding options been explored?
- Outline why DESP is required in addition to the new service platform? We note that the problems described, like staff time being taken up by data entry rather than supporting high risk clients, would to some extent be solved by the improved service platform. Would be useful to understand the specific problem the DESP would be addressing around staff time versus what the new service platform will provide
- Further clarify the market failure that means the DESP is required. The paper is not convincing on the need for MSD to provide a free platform for businesses to list their vacancies. If they do not list them with MSD, they will list them somewhere else
- Provide a more convincing case for the role the DESP would play during a recession. The platform doesn't create jobs, so there will still be fewer jobs available regardless of MSD's employment offering. Would there be a more important role around training/upskilling of people for MSD?
- How MSD's proposed digital employment platform aligns with, and is supported by, other agencies work on employment. Information about how other agencies have or will be engaged with this work and are they supportive of it and how will this align with their objectives? [Note this point was noted previously]
- Provide more explanation/content to support the proposed \$1.2b savings. Relatedly, the paper in parts makes a range of range of propositions without clear evidence to support and why this investment proposal addresses the proposition eg "Wage-scarring from job loss ..." para 3 on pg 9. The paper also refers to skill trainings. It would be useful for the paper to make clear what the DESP service change provides (i.e. is it the identification of required skills or provision thereof.
- Outline the implications of including the DESP in Horizon One and more specifically how the objectives for Horizon One will continue to be delivered within the \$183m envelope for two years.

We acknowledge that given the timelines MSD are working towards the most useful next steps may be how we provide our views to Ministers (as above). See you soon.

From: Katie McKenzie s9(2)(a)
Sent: Thursday, 13 April 2023 12:32 pm
To: Daniel White [TSY] s9(2)(a); Jeanne Barnard [TSY] s9(2)(a); James Adams [TSY] s9(2)(a); Keiran Kennedy [TSY] s9(2)(a)
Cc: ^MSD: Nic Blakeley s9(2)(a); Craig Hill s9(2)(a); Hugh Miller s9(2)(a); Owen Shingleton s9(2)(a); ^MSD: Shaun McMaster s9(2)(a)
Subject: TPT Why Digital Employment Now

Kia ora whānau

As discussed, please see **attached** for the *Why Digital Employment Now?* note prepared by MSD. Thanks for your patience.

Looking forward to a constructive chat next week.

Katie

Katie McKenzie – Principal Advisor, Te Pae Tawhiti
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From: [Jeanne Barnard \[TSY\]](#)
To: [Katie McKenzie](#)
Subject: RE: Digital employment services case for change - draft report for TSY comment
Date: Thursday, 27 April 2023 10:26:18 am
Attachments: [image001.jpg](#)

Out of scope

Hi Katie – do you have time for a quick call?

From: Katie McKenzie s9(2)(a)
Sent: Wednesday, 26 April 2023 12:54 pm
To: Jeanne Barnard [TSY] s9(2)(a) James Adams [TSY] s9(2)(a)
Cc: ^MSD: Shaun McMaster s9(2)(a)
Subject: RE: Digital employment services case for change - draft report for TSY comment

Hi both

I hope you had restful ANZAC Days.

Can I ask for feedback **by Thursday midday**? Let me know if that's unachievable. I do want to make sure you have time for feedback. I can see that EET Ministers has been moved to 11 May but EET CEs is today so just trying to stay on top of versions and managing feedback processes.

I also wonder whether we cancel Friday's 11-12 meeting? Or it's shortened?

Katie

From: Shaun McMaster s9(2)(a)
Sent: Monday, April 24, 2023 4:36 PM
To: Jeanne Barnard [TSY] s9(2)(a) ; James Adams [TSY] s9(2)(a)
Cc: Katie McKenzie s9(2)(a) ; Daniel White [TSY] s9(2)(a) ; Keiran Kennedy [TSY] s9(2)(a) ; Nic Blakeley s9(2)(a) Craig Hill s9(2)(a) ; Hugh Miller s9(2)(a) ; Owen Shingleton s9(2)(a)
Subject: Digital employment services case for change - draft report for TSY comment

BUDGET SENSITIVE

Hi Jeanne and James,
Katie asked me to send this to you directly as she is on leave and I understand you are holding the fort this week.

Please find attached a revised draft of the report to Ministers Sepuloni and Robertson on the inclusion of digital employment services in the scope of TPT Horizon 1. I understand the intention is to put this report up to Ministers by the end of this week, so we would welcome your feedback by COP Wednesday or Thursday morning latest (**Katie** could you confirm timing please when you are back).

The recs have been framed as Either/Or, to either include digital employment in Horizon 1 or defer it to later in the TPT programme. Note the rec which defers digital employment proposes holding that part of the B23 funding in contingency for year 3 of Horizon 1 since that currently remains unfunded. This may be ahead of where MSD/TSY discussions are at so I will leave you to chat to Katie about this further as required.

We continue to fact check and refine some elements of this draft report. In particular, an earlier draft of this report is being discussed by EET CEs at their meeting on Wednesday so there may be some feedback arising from there.

Note I will be away from work on Wednesday (back on Thursday), so Katie will be your key contact.

Thanks in advance for your feedback.

Shaun

Shaun McMaster | Principal Advisor
Te Pae Tawhiti | Employment
Email s9(2)(a)

Note I work on Mondays and Thursdays.



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From: [Jeanne Barnard \[TSY\]](#)
To: [Katie McKenzie](#)
Cc: [Shaun McMaster](#); [Keiran Kennedy \[TSY\]](#); [James Adams \[TSY\]](#)
Subject: RE: Digital employment services case for change - draft report for TSY comment
Date: Thursday, 27 April 2023 3:16:20 pm

Out of scope

Kia ora Katie

Thank you for chatting to me this morning and for the work done on the ministers' report. To follow on from our conversation, at this stage whilst we are sympathetic to the 'replacing critical systems' case in the briefing, we prefer postponing the employment service platform to Horizon 2, with the B23 funding being used for the three remaining services changes. We consider it is best to defer as:

- MSD is already receiving \$110m in B23 for employment programmes, which are targeted to the key groups that are identified through the ALMP review (people with disabilities and disadvantaged in the labour market). In a constrained fiscal environment, we do not consider a digital employment platform a priority at this time particularly as you have an interim solution to deal with replacing 'Recruit me' in the near term.
- We are still unclear about what exactly is being bought, e.g. is it a replacement for Recruitme with some additional functionality, and how it will be integrated with the income support system and other employment programmes offered by MSD.
- We would support some additional funding being sought through B24 so MSD could continue developing the employment service platform.

At this stage, we will be providing separate advice to the Minister of Finance to outline our position, which we will recommend he forwards to Minister Sepuloni, and we will share with you as well. In terms of the MSD report, we suggest adding the below Treasury comment:

The Treasury has some reservations about investing in a digital employment platform at this time. An employment platform may help to match jobseekers with employment opportunities, but in a constrained fiscal environment, it is unclear why a publicly funded jobs board is required when private sector alternatives (e.g. TradeMe Jobs and Seek) are available for those jobseekers wanting to access a digital platform. It is also unlikely to help those furthest from the labour market, and it is unclear to what extent this investment would be complementary to MSD's income support system and existing employment programmes. MSD has also received approximately \$110 million in Budget 2023 for employment programmes, which includes funding for FTE.

The Treasury is also concerned that there is little contingency in the funding allocated to Te Pae Tawhiti for potential cost escalation. For that reason, we recommend deferring this investment for consideration as part of Horizon 2. We would support MSD bidding for additional funding through Budget 2024 to continue to develop the employment service platform.

If Ministers do not support including the employment service platform in Horizon One,

From: Daniel White [TSY]
To: Katie McKenzie
Cc: James Adams [TSY]; Jeanne Barnard [TSY]; Keiran Kennedy [TSY]
Subject: RE: Postponing this week's central agencies meeting - and clarifying TSY's view of what to include in the DBC for the Digital Employment Service Platform
Date: Monday, 8 May 2023 12:26:38 pm

[UNCLASSIFIED]

Kia ora Katie

FYI if the meeting is scheduled for the 19th – TSY can only attend if scheduled for the morning. We have an all of TSY event in the afternoon.

Following on from our meeting last week about how the Digital Employment Platform service change should be referred to in the DBC – I did have a discussion internally about that last week. Where we landed was that we are still awaiting Ministers confirmation, which we trust will be relatively soon. This is the key decision for what is to be included. For completeness however, Treasury's recommendation, is that the decision on whether to include the Digital Employment Service Platform be deferred, as outlined in our earlier email. This does not mean that the Digital Employment Platform service change will be included in the TPT transformation but that the decision has been deferred and could therefore be included at a later date.

I trust this assists.

Thanks

From: Katie McKenzie s9(2)(a)
Sent: Monday, 8 May 2023 11:35 am
To: Julie Watson s9(2)(a); Daniel White [TSY]
s9(2)(a); Kerri Plancque s9(2)(a)
Cc: Craig Hill s9(2)(a)
Subject: Postponing this week's central agencies meeting

Mōrena whānau

We have been looking at the week ahead this morning and we would like to postpone this month's central agencies meeting until **after** joint Ministers have made a decision on the inclusion of digital employment in Horizon One. This would realistically mean (taking Budget Day into account) we would look to meet Friday 19 May. We believe this would make the session and discussion more productive. I hope this suits you all.

In the meantime I know we are engaging with GCDO on assurance and have a session on the 15th on the procurement approach; Daniel and I regularly talk; and Kerri, you know you can get a hold of me at any point.

Let me know your thoughts
Katie

Katie McKenzie – Principal Advisor, Te Pae Tawhiti
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The objective of MSD employment service change and how the digital platform is critical to achieve that objective

- OBJECTIVE: To dramatically increase our effectiveness in finding employment for our clients by:
 - transforming our digital platforms and operating model for our clients, employers and providers, and the labour market information we have available, so that
 - our staff can move from often unfocused data entry and transaction processing to high-value-add support of our job-seeking clients and employers, so that
 - we improve employment outcomes - proactive low touch interventions to avoid those looking for work going on to benefits, helping those on benefits exit into employment, and ensuring that this employment is sustainable, and
 - being able to meet the expectations of clients, employers and partners to ensure that sufficient jobs and training opportunities continue to be listed with MSD for jobseekers.
- The digital platform is critical to achieving this objective as:
 - Our current systems require manual steps for almost all transactions – this means that staff are largely focused on low data entry and transaction processing and have little time to truly help our clients prepare for work and find well matched employment
 - We lack the information to ensure that we focus on the right things with our clients – a digital platform would enable us to undertake this
 - A digital platform would enable clients and employers to self-serve, further enabling our staff to focus on high value add tasks and expanding the range of opportunities available to clients.
- A digital employment platform will make it easier for jobseekers to:
 - Find, match and connect to job opportunities available in the wider labour market
 - Find and connect to targeted support available to help them find jobs and become more job ready.
- A digital employment platform will make it easier for employers to:
 - List and manage job opportunities
 - Find, match and connect to job seekers
 - Connect to training and targeted services which are available to support them
- A digital employment platform will make it easier for many “at risk” group to find, match and connect to job and training and support opportunities available:
 - Providing multi language options
 - Culturally appropriate support
 - Connect to appropriate community services.

- A digital employment platform will make it easier for MSD staff to:
 - Work with employers to understand their employment needs and support them to list and manage job opportunities
 - Work with clients to find, match and connect to opportunities
 - Work with clients to connect to training and targeted services which are available to support them get job ready
 - Work as part of local labour markets to identify skill needs and address skill mismatches.
- There is extensive international evidence that digital employment service as part of Public Employment Service leads to significant employment and economic benefits. Digital employment platforms improve the operation of labour markets through:
 - reducing the employment and skills mismatches between job seekers and the needs of employers – NZ has one of the highest levels of mismatch in the OECD
 - reducing the mismatch in the labour market by helping to fill job openings faster and with better quality candidates
 - ensuring that job seekers and employers can connect more quickly to the right programmes and support, to produce the skills that the labour market needs to grow the economy
 - enabling insights to improve equity and ensuring provision of culturally appropriate services
 - increasing transparency, flexibility, and mobility of jobseekers in the labour market
 - collecting extensive labour market information that enables PESs to provide far better advice and support to clients so they can get the skills they need to gain sustainable employment.

The problem definition – what is the problem the digital employment platform is intended to solve (i.e. what is the market failure that this is required to address?)

- Our clients and employers can find it difficult to engage with our current service – this discourages clients from letting us help them find work and discourages employers from listing roles with us, which limits the job choice available and our ability to address labour market shortages.
- Our staff are currently largely focussed on low-value-add data entry and transaction processing and have little time to truly help our clients (especially those with the most complex needs) into work and support employers to provide good job listings – we are not providing an efficient and effective service.
- We estimate that at least half of our Work Brokers' time is spent on low value activity (data entry, transaction processing, supporting clients who could digitally self-serve, etc) and that with a digital employment service this could reduce by as much as 50% (this estimate would be refined as design and implementation progresses).
- We do not have the labour market information we need to advise our clients and employers as we seek to place people into sustainable employment, which lessens our ability to address labour market shortages and skills gaps.

- Our systems are difficult to scale when there are shocks such as caused by COVID-19 and Cyclone Gabrielle, which will also occur in times of recession and diverts attention of staff from those with the most complex needs at those times.
- We do not have the reach to provide low-touch support for those seeking work before they enter the benefit system, at which point helping them into work becomes more difficult and impacts outcomes, including wage scarring and increased time on benefit.

Clarifying why this proposal is the best/cost efficient/VFM option in the context of other similar employment platforms – if there is an unmet portion of the market has co-funding options been explored?

- MSD current employment platform (RecruitMe) is being decommissioned. It is end of life and provides poor functionality.
- A new and enhanced digital platform is needed to enable to fulfil its public employment role. This platform is not in competition with private employment providers. MSD platform complements private sector providers through delivering public employment services especially those not supported by private providers and extends services to parts of the labour market not served by private providers (especially those with more complex needs).
- The private sector alone does not have the incentives to support those at risk of poor labour market outcomes – private sector platforms and agencies typically focus on high value, easier to place vacancies and do not provide the support services needed to upskill and support those at risk of poor labour market outcomes into sustainable employment. Public Employment Services need to work in cooperation with the private sector to ensure the employment needs of the most vulnerable are met.
- Public Employment Services across the OECD typically either have digital platforms in place, are implementing digital platforms, or seeking to extend the reach of the platforms they already have in place – they have generally determined that digital platforms are critical to ensuring that the most vulnerable can be supported into employment.
- Market analysis has demonstrated that there are digital employment platform solutions readily available that MSD could implement, building directly on the experience in other jurisdictions.

How MSD's proposed digital employment platform aligns with, and is supported by, other agencies work on employment. Information about how other agencies have or will be engaged with this work and are they supportive of it and how will this align with their objectives?

- Digital employment services support Cabinet's decisions on the role of MSD in supporting improved employment outcome. This support is also in line with recent transition of some employment functions from MBIE to MSD, focusing on employment supports.
- Earlier in 2023, MSD presented on the digital employment proposal to EET agencies and they were supportive of the approach.
- MSD has been meeting regularly with TEC, who is very supportive of the proposed digital employment approach.
- There has also been a high level of engagement with ACC who also were supportive our digital employment approach.

- We expect that the improved labour market intelligence that will become available through a digital employment service will be of high value to other agencies and their objectives, especially in relation to labour market testing and determinations on whether skills can be met from within the New Zealand domestic labour market. This will also support better investment decisions as to where government should invest in Active Labour Market Programmes.
- We anticipate that as we progress the detail on a digital ecosystem that further engagement across employment agencies will occur.

How the platform will deliver the purported benefits for those jobseekers with complex needs and those furthest from the job market

- Improved efficiency for staff through digitalisation and reduction of manual processing required will mean MSD staff are able to focus more of their time and energy on supporting jobseekers with complex needs and those furthest from the job market. Currently MSD staff need to provide some support for those who would be capable of self-serving themselves via a digital platform if it was available.
- OECD evidence also indicates that providing employment case managers with basic labour market intelligence improves their effectiveness in supporting jobseekers into employment.
- Providing a digital service that better meets the needs of employers and partners will also likely improve the range of opportunities listed through MSD and accordingly those available for those furthest from the labour market, as well as better matching of training and skill development with available jobs.

Why the digital platform work is required for Horizon One. Also, from a B23 specific perspective, how does this relate to the MSD and other government agency employment support programmes where funding is sought through B23.

- We are currently in a period of high employment and labour shortages. Unemployment is expected to rise over the next two years. We expect delivery of Horizon One by March 2025 when unemployment is forecast to peak.
- The current high employment market is masking most of the impact of the current issues we face – namely major systems limitations, high manual processing, and reduced ability to support jobseekers into work, especially those with more complex needs. This is evidenced by increasing jobseeker numbers during a time of high employment with employers struggling to find the right people when they need them. The impact of these issues will become far more apparent if unemployment rises.
- Starting the digital platform work now will enable MSD to provide the employment services that Government and the New Zealand public need and expect from their Public Employment Service.