

Briefing for Incoming Ministers 2011





⇒ Chief Executive's Message

Work, workplaces and people are at the centre of the Department's roles and responsibilities. These roles and responsibilities span four Votes: Labour, Immigration, Employment, and ACC. Through its advice and services the Department aims to ensure people thrive through work, bring the best people to New Zealand and ensure workplaces are safe and fair.

Work is central to most people's lives, providing income, social connection, and a sense of purpose. Most New Zealanders enjoy their jobs and have a good quality of life. Our migrant flows are some of the highest among developed countries and about one in four people in the New Zealand labour force was born overseas.

A well-functioning labour market is the heart of a thriving economy. The skills and capabilities of the workforce need to match employers' needs and the whole workforce needs to be able to adapt and respond as opportunities change. Many factors both within and beyond the Department's core roles interact to influence and determine the labour market's performance. These factors relate to macroeconomic and fiscal settings, the welfare system, immigration, employment and health and safety and the education and training system.

Over the last couple of years New Zealand has been buffeted by unexpected challenges: the global recession; the Canterbury earthquakes; and, the Pike River Coal Mine tragedy. These challenges have had significant impacts for the labour market and the operations of the Department. Important priorities in the immediate future are to support the Canterbury rebuild and respond comprehensively to the Royal Commission of Inquiry into the Pike River Coal Mine tragedy.

The most pressing longer-term economic challenge for New Zealand is to lift its productivity while maintaining high levels of labour force participation. As the population ages, New Zealand's labour force will grow slowly. This means that compared with previous years, economic growth over the medium term will depend on each working person producing more, rather than simply more people working. Immigration will help, but it is only a part of the solution. This slowing in labour force growth has significant implications for policy settings in the skills, immigration, and labour market sectors.

Across government, agencies are responding to ministers' need for integrated and coherent advice that recognises the policy linkages across agencies and sectors. In the skills area, for example, the best allocation of the Government's investment in learning across the life cycle – from early childhood to old age – requires a cross-sector, cross-agency approach. The Department's experience and span of its operations, which range across skills, immigration, and workplace practices, means the Department is well positioned to lead this more 'joined up' policy process.



The Department is also a frontline agency delivering a wide variety of services to the public. Over a year the Department makes decisions on over 500,000 visa applications, conducts around 9,500 assessments to promote good workplace health and safety practices, and completes around 5,500 employment mediations. Other sectors of the economy also rely on the Department's services. The Department's visa processing services for students and tourists support two of New Zealand's largest export earning industries – education and tourism.

The Department has regrouped its functions and is now positioned to create an organisation that is 'fit for the future', providing quality services at sustainable cost. Technology will be the key enabler to the changing face of the Department and how it delivers its variety of services. The Immigration Group has significantly improved its core services. Further improvements will deliver faster, more accurate services at lower cost as the new Immigration Global Management System is developed and put in place. Completion of the Labour Group's restructuring will deliver targeted, higher-quality health and safety and employment relations services at a reduced cost. The Department also has a financial strategy to address cost pressures.

As departing Chief Executive I am confident about the future of the Department and the services it provides ministers, New Zealanders, international visitors and new migrants, businesses and industry. The high quality, agility, and talents of the Department's Executive Leadership Team provide a strong foundation for the achievement of future priorities.

Christopher Blake
Chief Executive
Department of Labour



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→ New Zealand thriving through people and work

For New Zealand to lift its economic growth and productivity and meet its economic and social aspirations, people and workplaces need to realise their potential. This means developing and maintaining a skilled and capable workforce in productive, healthy, and safe workplaces. As New Zealand is a small nation with relatively open borders, expanding exports of goods and services and educating and attracting talented people to work here are important for lifting economic growth and higher incomes for New Zealanders.

■ Content of this briefing

The sections in this briefing cover:

- › the role and scope of the Department's activities in supporting productive, safe, and fair work in New Zealand and facilitating flows of people, investment, and trade that support economic growth
- › the main labour market trends and challenges confronting New Zealand and the priorities the Department has identified to address those challenges
- › how the Department's policy and operational activities contribute to outcomes for New Zealand
- › how the Department will ensure it is a fit-for-purpose organisation that delivers targeted and higher-quality services at reduced cost
- › the Department's Vote structure and ministerial portfolios, and the responsibilities of the Responsible Minister for the Department of Labour
- › the purpose, portfolio responsibilities, and links with other portfolios for each of the four Vote ministers (Labour, Immigration, Employment, and ACC).

WHY WORK MATTERS

Work is central to most people's lives. Paid work is the main source of income for most families. It creates a sense of purpose, builds positive social connections, and enhances physical and mental health. Paid work also provides much of the tax revenue from which public services are provided.

Most New Zealanders like their jobs for reasons other than money. Eighty-four percent of people declare themselves satisfied or very satisfied with their job.¹

New Zealand offers an attractive lifestyle. It ranks seventh among OECD countries as a place to live. However, New Zealanders' incomes have slipped well behind those of people in most developed countries. The challenge is to lift the country's productivity to ensure all New Zealanders have higher wages and more and better jobs.

People also care about the quality of their work. It is important people have opportunities to develop and enhance their skills and work in safe and healthy environments, and are involved in fair employer-employee relationships.

For those many New Zealanders who want paid work but do not have jobs, extended periods outside the workforce are detrimental. A lack of paid work reduces people's choices and, when it is long term, places children in poverty, breaks social bonds, and harms people's physical and mental health.

1. Statistics New Zealand (2008) *Survey of Working Life: March 2008 Quarter*. www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/SurveyOfWorkingLife_HOTPMar08qtr.aspx



■ Department of Labour's role and responsibilities

Work, workplaces, and people are at the heart of the Department's roles and responsibilities.

The Department's activities include:

- › attracting and retaining the people and investment New Zealand needs from overseas
- › providing policy advice and immigration services to manage immigration flows, border security, and migrant and refugee settlement services
- › providing employment relations services
- › providing workplace health and safety services
- › ensuring efficient labour market regulation and legislation
- › meeting New Zealand's international labour and immigration obligations
- › providing policy advice and monitoring of the accident compensation system and the Accident Compensation Corporation (ACC)
- › providing labour market and human capital analysis and advice
- › providing analysis and advice to support others to improve workforce skills and job opportunities.

The wide-ranging roles and responsibilities listed above bring the Department into contact with many people, enterprises, and organisations, both within and outside New Zealand. The breadth of the Department's activities requires it to collaborate effectively with other agencies. Through this collaboration, the Department provides the Government with unified advice on policy issues, and delivers services jointly with other agencies at the point of contact with clients. For example, Immigration New Zealand's role in connecting New Zealand with the rest of the world directly links the Department with many local and international agencies, including those in the economic development and tourism, border, foreign affairs and trade, and education sectors.

KEY FACTS AND FIGURES ABOUT THE DEPARTMENT AND WHAT IT DOES

The Department operates from a wide range of locations (onshore and offshore) and is engaged in a wide range of activities.

The Department has 2,137 staff and most of them work onshore at our various locations (see Appendix A). However, through the work of its Immigration Group the Department runs a sizeable global operation (952 onshore / 338 offshore). Immigration New Zealand has the largest offshore workforce of any NZ agency apart from the Ministry of Foreign Affairs and Trade.

Over a year the Department's diverse activities involve its staff in around:

- » 507,000 immigration decisions, resulting in visas for 41,000 new residents, 95,000 international students, 160,000 temporary workers, and 288,000 visitors
- » 9,500 workplace health and safety assessments
- » 7,600 formal investigations of accidents
- » 5,500 mediations for workplaces
- » 225,000 phone and email inquiries about health and safety and employment relations.

Each year the Department's websites receive around 10.5 million visits, including 8 million visits to the Immigration New Zealand website.

How the Department's policy and operational roles provide value

The Department is the Government's main adviser on labour market and immigration issues. It also advises the Government on the accident compensation scheme's performance. The Department's activities span the four Votes: Labour, Immigration, Employment, and ACC.



In its operational and service roles, the Department provides immigration, workplace safety and health, and employment relations services through 47 offices at 18 locations across New Zealand. Immigration New Zealand also has branches in 18 overseas locations.

→ *Helping people thrive through work*

As the Government's main adviser on the labour market, the Department informs a wide range of policy. Good policy advice is based on an in-depth understanding of how the New Zealand labour market operates and how people can best take advantage of emerging opportunities.

The Department assists its ministers and key stakeholders by providing information on the labour market and immigration. It also provides specialist research and evaluation into the impacts of labour market policies to support core policy advice.

The Department is frequently required to go beyond its operational roles into policy areas such as education, training, and the welfare system because these areas have significant labour market implications.

→ *Bringing the best people to New Zealand*

Immigration has a big impact on New Zealand society. In the 2006 Census, 21 percent of New Zealanders had been born in other countries. Current policy centres on attracting highly skilled migrants who will contribute to New Zealand, including by supporting growth and innovation in local enterprises. Immigrants are estimated to contribute \$1.9 billion annually to New Zealand's gross domestic product, with modest positive impacts on per capita gross domestic product.² In addition, an increasing number of foreign visitors come to New Zealand: 2.0 million in 2010 compared with 1.3 million in 2000.³ The Department's advice ensures immigration promotes positive outcomes for New Zealand.

An efficient immigration service facilitates the short- and long-term entry of people into New Zealand by offering streamlined procedures while maintaining the country's security. Immigration New Zealand's global operations support wider economic growth and trade objectives by promoting important export sectors (tourism and education) and overseas business investment in New Zealand. Immigration plays a key role in New Zealand's economic strategy, with people flows underpinning trade, investment, and innovation linkages, as well as supporting labour market needs.

→ *Ensuring safe and fair workplaces*

The Department supports safe workplaces and fair employment relationships through advice and services to employees and employers. The Department's health and safety and employment relations staff work with businesses to achieve compliance with health and safety and employment law by providing information and guidance to both employers and employees, and assessment, investigation and enforcement activities. The Department also provides mediation services to resolve conflict in workplaces. The Department's staff work in partnership with businesses to improve productivity in workplaces through initiatives such as support for language and literacy training and improved workplace practices. In addition, the Department works in a variety of forums to ensure New Zealand meets its international labour commitments.

The Department also has a role in monitoring the accident compensation scheme to ensure the scheme continues to improve its performance, particularly in preventing injury and supporting rapid rehabilitation.

2. IMSED Research (2009) *Economic Impacts of Immigration Scenarios Using A Computable General Equilibrium Model of the New Zealand Economy*, Economic Impacts of Immigration Working Paper. Wellington: Department of Labour. www.dol.govt.nz/publications/research/cge

3. Statistics New Zealand (2011) *Infoshare*. www.stats.govt.nz/infoshare



→ Labour market trends, challenges and opportunities

This section overviews labour market trends and important issues arising from them.

■ **New Zealand has a flexible and adaptable labour market ...**

New Zealand has a dynamic labour market with high labour mobility. In a typical year, about 250,000 jobs are created and a similar number destroyed. New Zealand's average annual job reallocation rate (creation plus destruction) was 28.1 percent between 1997 and 2004. This rate was the third highest in the OECD, exceeded only in the United States (28.3%) and United Kingdom (30.1%).⁴

New Zealand's flexible and adaptable labour market supports a vibrant business environment by enabling people to find new jobs, firms to find new employees, and both to benefit from using peoples' abilities in work. As well, wages rise when skills are scarce and demand is high, sending a signal for firms to provide training for people to acquire the skills required. It also provides incentives for people to move from low- to high-productivity jobs.

Light-handed regulation supports a dynamic labour market. By international standards, New Zealand has low levels of employment regulation and high levels of voluntary compliance with labour laws.⁵ These settings support a well-functioning labour market.

■ **... and is a small, open nation in a globalised labour market**

Migration flows have a big impact on New Zealand's labour market. Many New Zealanders leave its shores to live and work overseas, especially in Australia. An even greater number of migrants move here.

In 2010, 82,500 permanent and long-term immigrants (including returning New Zealanders) arrived in, and 72,000 people departed from, New Zealand.

Because of years of such large flows, New Zealand has one of the largest expatriate and immigrant populations in the developed world relative to its size. In 2006, 540,000 people born in New Zealand were living overseas and 880,000 New Zealand permanent residents were born elsewhere.

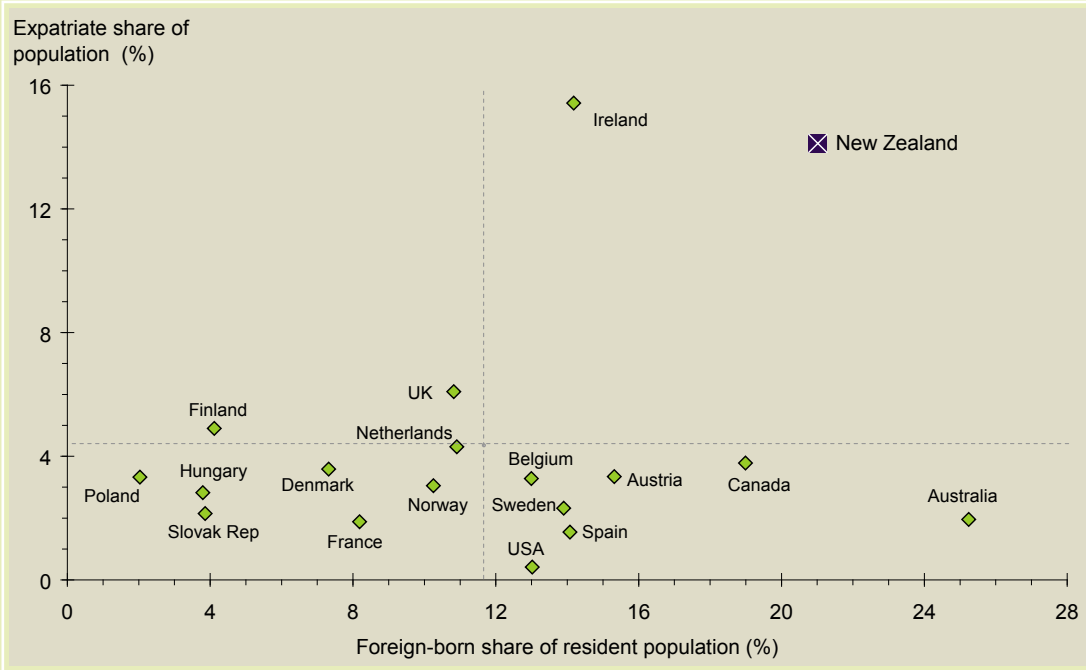
As the costs of international travel and communications fall, and skilled people become more mobile, increasing global competition for skilled labour may make it harder for New Zealand to retain and attract the skills it needs to support the economy and society.

4. Statistics New Zealand (2010) *Annual Measures of Job Creation and Destruction in New Zealand*. Wellington: Statistics New Zealand. www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/LEED-reports/annual-measures-of-job-creation-and-destruction.aspx

5. New Zealand has the fourth least-strict employment regulation out of 33 OECD countries: OECD.Stat (2011) http://stats.oecd.org/OECDStat_Metadata/ShowMetadata.ashx?Dataset=EPL_OV&ShowOnWeb=true&Lang=en



NEW ZEALAND HAS A RARE COMBINATION OF LARGE IMMIGRANT AND EXPATRIATE POPULATIONS



Source: OECD.Stat *International Migration Database*: Organisation for Economic Co-operation and Development, Paris, <http://stats.oecd.org/Index.aspx?DataSetCode=MIG>

Notes: Various years from 2004 to 2008, but most commonly 2006. 'Expatriates' are defined as people born in any source country and living elsewhere; 'expatriate share' is calculated as expatriates/(expatriates plus locally born residents) for each country.

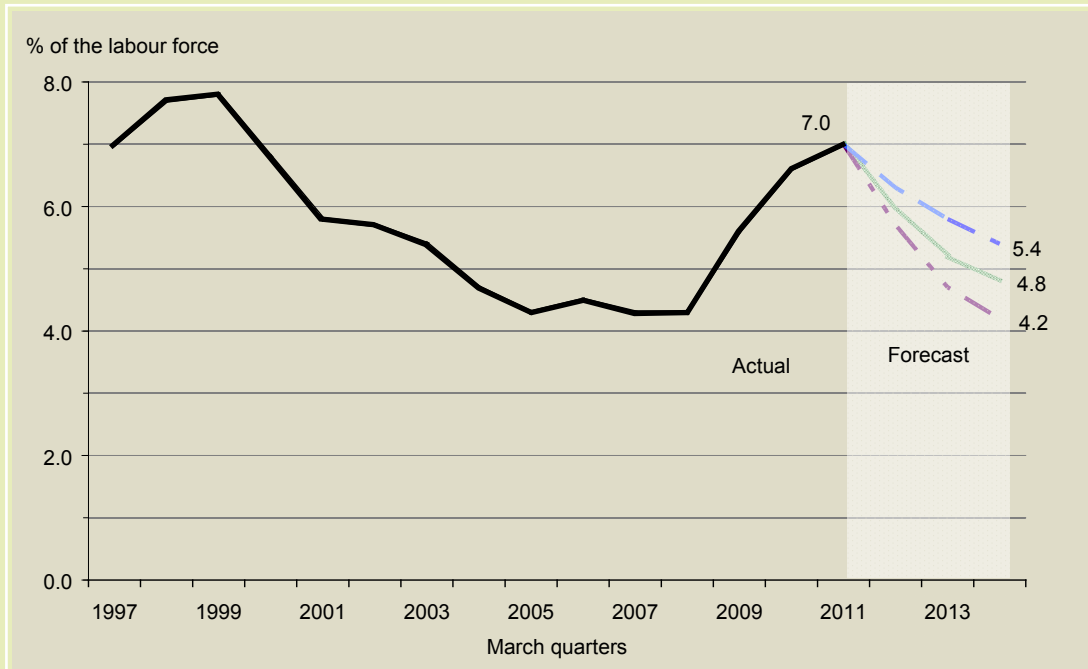
■ New Zealand faces short-term challenges and opportunities in employment ...

The New Zealand economy is slowly recovering from the 2008 global recession. The Canterbury reconstruction is expected to help lift economic and employment growth during 2012 and 2013, especially in that region. Nevertheless, there is a risk that weaker-than-expected global economic growth will dampen the country's recovery.

Unemployment is expected to fall steadily over the next 3 years from 6.6 percent in the September 2011 quarter to 4.8 percent by March 2014. However, even at this level many working-age people, especially young Māori and Pacific people, will be without jobs.



UNEMPLOYMENT IS EXPECTED TO FALL OVER THE NEXT 3 YEARS



Sources: Statistics New Zealand (2011) *Infoshare*. www.stats.govt.nz/infoshare and NZIER (2011) *Consensus Forecasts September 2011*. Wellington: New Zealand Institute of Economic Research. <http://nzier.org.nz/publications/browse-by-type/results/taxonomy%3A>

Note: Lines in the shaded area represent high, median, and low forecasts respectively.

Some businesses are already reporting difficulties in finding skilled labour. Much pressure is likely to be felt in Canterbury where temporary demand for specific skills that may not be readily met from within New Zealand will be significant.

The Department expects employment growth of nearly 200,000 jobs over the next 5 years, with the retail trade, hospitality, and business services industries accounting for 40 percent of the increase. Compared with the last 5 years, more job opportunities are expected to be available for lower-skilled people.

Ensuring New Zealand, as a small nation with relatively open borders, can compete globally is important because export-focused companies and sectors usually grow faster and have higher productivity than domestically focused ones.

Since the mid-2000s, export growth has slowed, largely as a result of an appreciating exchange rate. The outlook for exports is resilient despite global economic uncertainty and expectations of sustained New Zealand dollar strength. Forecasters expect export growth of 3.2 percent in the March 2012 year and 2.8 percent in the March 2013 year.⁶ New Zealand is well positioned through its developing trade links with the strongest growing markets in Asia.

Auckland represents approximately one-third of the national economy and the workforce (and its share is growing). The region's economic performance is increasingly central to the country's growth prospects.

6. NZIER (2011) *Consensus Forecasts September 2011*. Wellington: New Zealand Institute of Economic Research. <http://nzier.org.nz/publications/browse-by-type/results/taxonomy%3A>

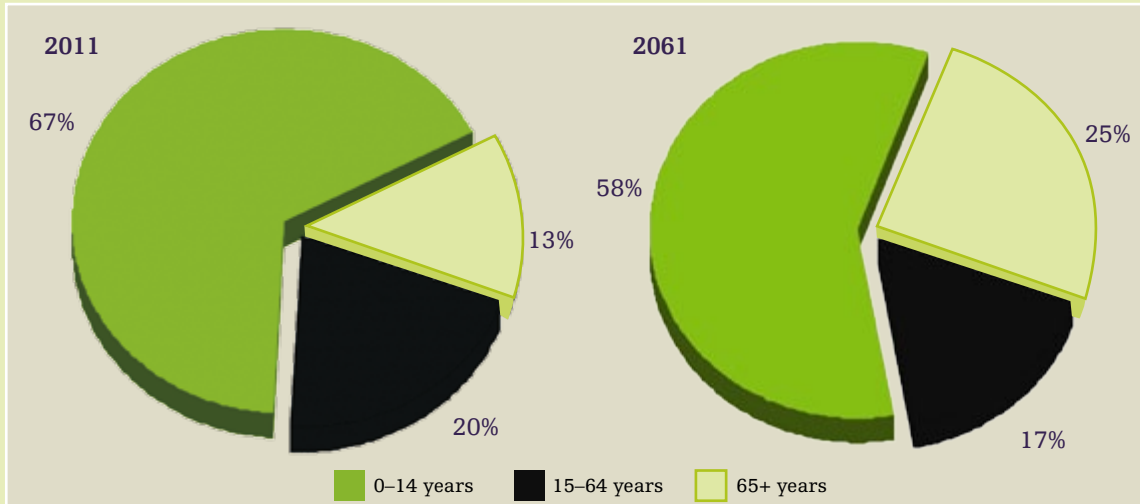


■ ... and the challenges may be accentuated over the longer term

In recent years, strong labour force growth has helped expand the economy. But from 2012, the total labour force will be growing at a much slower pace as the baby boom generation leaves the labour market in greater numbers.

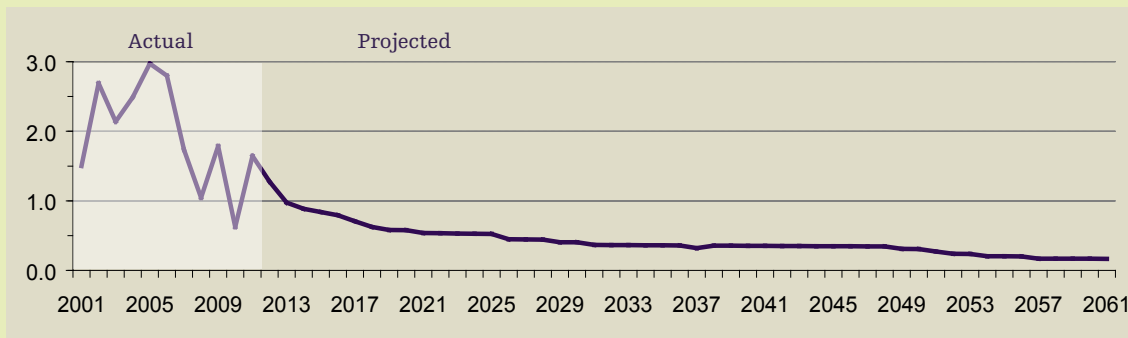
AN AGEING POPULATION MEANS LITTLE GROWTH IN LABOUR SUPPLY

Share of the population by age (years ended June)



Source: Statistics New Zealand (2011) 'Projected population of New Zealand by age and sex, 2009 (base) – 2061, series 5', from *Infoshare*. www.stats.govt.nz/infoshare

Growth in labour supply (per cent change per annum, years ended June)



Sources: Statistics New Zealand (2007) 'Labour force status by sex by age group (annual-Jun) and national labour force projections, 2006-base update (Annual-Jun), series 6' from *Infoshare*. www.stats.govt.nz/infoshare

Immigration alone cannot compensate for slower labour force growth, as the required number of migrants is greater than New Zealand can absorb. Therefore, productivity will need to increase substantially just to maintain recent economic growth. This challenge may be heightened by the composition of employment growth. If a large share of new jobs is in labour-intensive, low-productivity industries such as tourism and aged care, it will be more important to raise productivity in other parts of the economy. It is also critical that New Zealand attracts migrants who can contribute to raising New Zealand's productivity performance.



CANTERBURY EARTHQUAKE RECOVERY PROGRAMME

As part of government-wide action, a cross-department work programme is supporting reconstruction activities in Canterbury. This programme includes:

- » providing policy advice and labour market information to assess the labour requirements for the reconstruction and to inform government and private sector responses in terms of recruitment and training, including of migrants from within New Zealand and offshore
- » supporting local initiatives such as the Canterbury Employment and Skills Board, which brings together key labour market decision-makers through a joint work programme to stimulate employment and training
- » enhancing the delivery of services for the next phases of the rebuild, including health and safety initiatives in the construction sector, immigration of specialist migrants in high-skill shortage areas, employment relations information, and services to support businesses to restore and sustain their operations.

An important factor is the impact of the rebuild on the New Zealand labour market. In particular, the reconstruction will require large numbers of workers in building professions and trades. This will put serious pressure on the supply of construction workers and the labour market more generally. At the same time, the rebuild will provide a major stimulus to economic activity in the Canterbury region and beyond.

■ Important labour market issues and policy directions

A well-functioning labour market contributes to economic growth and quality of life by:

- › maximising opportunities for labour market participation
- › increasing people's skills to support productivity and sustained employment
- › improving the match between people's skills and employers' needs
- › ensuring immigration complements the functioning of the labour market by providing the right mix and quantity of skills
- › ensuring New Zealand workplaces are safe and fair.

Overall, the New Zealand labour market performs well, but room for improvement exists in several areas. Making progress in each area will enable more New Zealanders to get jobs and have better incomes. The Department has identified the policy priorities for the labour market as:

- › getting welfare recipients into paid work as the labour market strengthens
- › maintaining a focus on reducing youth unemployment particularly for Maori and Pacific young people
- › increasing New Zealand's productivity to raise living standards, particularly as the population ages
- › preparing for the impacts of population ageing, especially in areas where long-term policy clarity is essential so New Zealanders can plan for their older age
- › ensuring the quantity and mix of immigrants in New Zealand contributes to the twin objectives of raising New Zealand's economic performance and maintaining high participation in the labour market (while managing the tensions between them)
- › reducing fatalities and harm at work
- › maintaining fair and sustainable employment relationships.



Enabling more people to participate in the labour market

New Zealand has the eighth highest level of labour force participation out of 33 OECD countries.⁷ However, significant groups struggle to participate fully, including:

- › 100,000 domestic purposes beneficiaries
- › 140,000 sickness and invalids beneficiaries, the numbers of which have been rising since the 1970s despite overall population health steadily improving
- › low-skilled men, whose participation has been declining since the 1960s
- › disengaged young people, who are likely to enter the welfare system and stay in it for long periods.

Māori and Pacific people are over-represented among these low-participation groups.

With the strengthening labour market, and a more slowly growing workforce, opportunities exist to engage more of these people in work. Translating these opportunities into success requires:

- › welfare changes that focus on providing effective employment support for beneficiaries capable of working; this may involve both non-targeted and targeted programmes, for example to support Māori and Pacific people
- › lowering barriers employers face to taking on disadvantaged jobseekers
- › continuing to focus on preventing disengagement and improving young peoples' transitions between school, work, and training
- › reprioritising education funding to improve access to and the affordability of early childhood education and care for 1–5-year-olds to assist child development and to enable low-income parents to take up paid work
- › ensuring immigration settings are balanced against the goal of getting disadvantaged people into employment
- › considering whether labour market regulation can be adjusted to enhance participation and productivity.

Increasing New Zealand's productivity

Growth in New Zealand's labour productivity has been slow since the 1970s and has not kept up with other countries. Consequently, New Zealand's labour productivity now ranks only 24th out of 34 OECD nations.⁸

As the population ages, increases in labour force participation will contribute much less to economic growth. Increasing New Zealand's productivity will become crucial to support growth, and hence raise incomes.

The Department has estimated that an increase in the growth of labour productivity from 1.2 percent to 1.9 percent per year is required to just maintain New Zealand's recent average growth in gross domestic product per capita.

There are no quick, simple solutions to increasing New Zealand's productivity. Achieving the required step change is likely to involve:

- › altering macroeconomic policy settings to promote higher national savings, to help reduce vulnerability and to help support investment
- › creating a business environment that supports enterprise, innovation, and investment
- › strengthening New Zealand's connections with other countries' economies to lift flows of trade, capital and ideas.

7. Organisation for Economic Co-operation and Development (2011) *OECD.Stat*. <http://stats.oecd.org/index.aspx?queryid=27482>. Note that not all OECD member countries provide data for this measure.

8. The Conference Board (2011) *Total Economy Database*. www.conference-board.org/data/economydatabase



In addition, important priorities for the labour market and skills system that would contribute to improving productivity are to ensure:

- › school and training systems are structured to meet the needs of tomorrow's labour market by:
 - directing resources to address educational underachievement
 - rebalancing tertiary education funding so skills gained better match employer needs (for example, rebalancing funding between vocational and university study, or between different subject areas)
 - reforming the industry training system to provide stronger incentives for employers to train their workforce and for employees to upskill
- › the immigration system plays a complementary role to the education system by providing specialised skills not available locally
- › businesses have the right incentives to develop and effectively use the skills of their employees, and that employment law supports this
- › positive health and safety and employment relations practices are priorities in every workplace.

Flows of people into New Zealand also support international linkages such as trade in goods and services, inward and outward investment, and the diffusion of new ideas and technologies into this country. These in turn contribute to higher productivity.

In the short term, achieving both participation and productivity objectives may require difficult trade-offs. As many people outside the workforce are less skilled, improving participation may not directly support the goal of lifting productivity. Attracting talented, skilled migrants who generate jobs and raise productivity will help to balance these important objectives.

Doing better at protecting people at work

The direct and indirect cost of workplace injury and disease, including productivity losses, is estimated at \$16 billion annually.⁹ New Zealand's work fatality rates appear relatively high internationally. Rehabilitation rates have improved recently and are slightly better than Australia's, but have been variable in the past.

It is not only work injuries that have an impact on workplace productivity. Non-work injuries also impose large costs on workers and workplaces. Over 60 percent of weekly accident compensation claims result from accidents outside the workplace.

As a universal no-fault scheme, the accident compensation scheme avoids legal costs and achieves economies of scale. It performs well by international standards in terms of providing cost-effective compensation and rehabilitation after accident or injury.

However there are opportunities to further reduce the number of injuries and their direct and indirect cost, and improve the performance of the accident compensation scheme.

The Department leads the Workplace Health and Safety Strategy to 2015 which is a component of the ACC-led New Zealand Injury Prevention Strategy and coordinates injury prevention activities across government, industry, workers, and the community.

The Department's priorities are to achieve safe and fair workplaces by ensuring:

- › businesses (both employer and employees) have the right information and incentives to:
 - reduce workplace fatalities and injuries (particularly in high-risk industries such as manufacturing, agriculture, construction, forestry, and fishing) and occupational illnesses
 - promote employment relationships that are fair and sustainable

9. Indirect costs include estimates of lost quality of life due to workplace injury and illness. Access Economics (2006) *The Economic and Social Costs of Occupational Disease and Injury in New Zealand*, NOHSAC Technical Report. <http://ohsnetnz.org.nz/reports.shtml>



- › the Labour Group delivers improved workplace health and safety and employment relations services to achieve sustainable compliance by:
 - prioritising the Department’s activities on core services that help workplaces meet their obligations
 - achieving the right balance between allowing workplaces to manage hazards and harms themselves and setting and enforcing prescriptive standards
- › a better-performing accident compensation system that is affordable, sustainable, and delivered in a way that represents value for money
- › policy advice on the interface between the health and safety regime and the accident compensation scheme to ensure that they are mutually reinforcing.

ROYAL COMMISSION OF INQUIRY INTO THE PIKE RIVER COAL MINE TRAGEDY

A cross-department work programme is supporting the Department’s work arising from the Pike River Coal Mine tragedy and the subsequent Royal Commission. The main components of the Department’s programme are:

- › undertaking the most extensive incident investigation and subsequent prosecution work the Department has ever done
- › analysing and responding to the Department’s Internal Operational Review, completed in July 2011, which examined the Department’s interactions with Pike River Coal
- › contributing to a review of the regulatory framework for the mining industry (which will be examined as part of the Phase Four hearings)
- › responding to the Royal Commission’s requests for information and recommendations.

The Royal Commission is due to report back on 31 March 2012. Its hearings are being conducted in four phases examining the context (regulatory environment), the search and rescue operation, what happened at Pike River, and policy aspects.

An independent safety audit of other underground coal mines was completed in April 2011. This audit concluded there were no immediate dangers in these mines, but recommended improvements. The Department is working with the mines’ owners and managers to ensure these recommendations are implemented. Future audits of underground coal mines are planned for 2012.

Managing labour supply constraints as the population ages

The dramatic decline in labour force growth poses a major long-term challenge for maintaining New Zealand’s economic growth and incomes. An understanding of how the labour market is likely to adjust to these challenges and the required policy responses is needed well ahead of time.

Building opportunities for all working-age people to be in employment would help manage supply constraints. The Department’s analysis suggests that increasing the participation rates of older workers would make a much bigger contribution to increasing labour supply than would expanding immigration.¹⁰

Given this, important policy directions for the Government to consider are:

- › amending settings to New Zealand Superannuation to create incentives to lift total participation, noting the possible lead-in time required for people and institutions to adjust
- › reducing constraints to participation: for older workers, particularly women, supply constraints in the aged care sector are likely to see more reliance on informal arrangements, and hence diminish the ability of these workers to participate in paid employment
- › facilitating new ways of working that are relevant to older people wanting to remain in the labour force
- › learning from other OECD nations’ policy responses to ageing, as most of these nations are ageing much faster than New Zealand is.

10. Department of Labour (2010) *Labour Force Participation in New Zealand: Recent trends, future scenarios and the impact on economic growth*. Wellington: Department of Labour. www.dol.govt.nz/publications/lmr/participation/



→ How the Department contributes to outcomes for New Zealand

The Department contributes to outcomes for New Zealand by:

- › helping people to thrive through work by:
 - ensuring labour market decision-makers are better informed
 - providing advice on the labour market
 - working in partnership to support growth and productivity
- › bringing the best people to New Zealand by:
 - supporting economic, foreign policy, and trade objectives
 - contributing to a well-functioning labour market
 - improving service delivery
- › ensuring safe and fair workplaces by:
 - improving employer–employee relationships
 - making workplaces healthier and safer
 - improving the accident compensation scheme’s performance.

Figure 1 below illustrates the Department’s high level outcomes framework.

FIGURE 1: THE DEPARTMENT’S OUTCOMES FRAMEWORK





■ Helping people to thrive through work

The Department is engaged in a variety of policy and service delivery areas to support the contribution people make to the economy. These areas cover:

- › advice on the labour market to enable the Government to make informed policy choices
- › labour market information and analysis to assist decision-makers
- › working in partnership within and outside government to improve job opportunities and increase productivity.

Ensuring labour market decision-makers are better informed

High-quality labour market information, research, and advice support a well-functioning labour market by:

- › providing the Government with the advice and information to make decisions on labour market and employment policy
- › assisting decision-making by other key players (employers, employees, and other agencies) with timely 'state of the labour market' information and projections
- › providing analysis and insights on key economic, social, and demographic trends, locally and globally, that are likely to affect the future labour market.

Knowledge and insight into the dynamics of the labour market also allow the Department to target its services and influence the work of other agencies.

Key activities in the Department's research work programme are to:

- › provide labour market information through a variety of products such as the Labour Market Monitoring Programme, analytical reports, and the new i-LEED programme (integrating migration and linked employer-employee data)
- › inform all stages of policy development, including the evaluation of policy changes such as opening the accident compensation work account to choice and evaluating the outcomes of changes to employment law and the annual minimum wage review
- › support service delivery functions by monitoring and measuring, evaluating, and reviewing existing practices, including harm-reduction initiatives, measuring customer satisfaction, and administering the Immigration Group's Essential Skills in Demand Lists
- › develop a medium- to long-term research work programme to investigate the implications on the future labour market of four global and national trends – globalisation, demographic change and migration, and New Zealand's industrial structure.

Providing advice on the labour market

Labour market outcomes affect, and are affected by, what happens in many other parts of the economy and society. Good policy advice recognises these connections, and suggests to ministers how they might balance various objectives.

The policy function of the Department ensures ministers (and other stakeholders) have advice on the labour market that is comprehensive and recognises linkages between relevant areas of policy and delivery.

An important priority for the Department is the development and implementation of the Labour Market and Skills Strategy for New Zealand. This is a cross-departmental, cross-sector strategy across the relevant agencies working in skills, education, and the labour market. The Department will take a leadership role in developing policy actions for the labour market and skills system to raise New Zealand's productivity. A whole-of-government approach will provide practical responses to address significant or difficult issues that need resolution for the country to lift its economic performance.



Areas of focus with strong cross-sector linkages will be:

- › providing young people with the education and skills they need to participate effectively in the labour market (at a minimum reaching National Certificate of Educational Achievement level 2) by lifting the performance of all parts of the education and training system
- › ensuring settings (including employment law, wage setting, and immigration policies) help people to find jobs and respond positively to changing opportunities in the economy
- › restructuring the welfare system (and its links with education and training) to support better employment outcomes
- › identifying the skills and labour market settings needed to promote high-quality job growth, and hence raise New Zealand's productivity.

Other important areas of integrated policy in which the Department will be actively involved are:

- › supporting the Canterbury Employment and Skills Board's actions to ensure sufficient skilled workers are available for the Canterbury rebuild and wider economic recovery
- › managing the interface between immigration and employment (especially as it relates to job opportunities for beneficiaries).

Working in partnership to support growth and productivity

An important aspect of the Department's approach is working collaboratively with priority industry sectors and regions to identify barriers to workforce capacity and capability. The focus is on sectors and industries that have the greatest prospect for economic growth (especially in exports). The Department's main interest is ensuring enterprises have access to the skilled workers they need to support their growth.

The most significant engagement is the Department's involvement in the joint partnership between central government and the Auckland Council as part of the Auckland Economic Development Strategy. Auckland's economic growth is crucial to New Zealand as a whole because Auckland contributes about a third of the country's gross domestic product and has a critical mass of industry, research and development, education, and capital providers.

The partnership approach aims to:

- › minimise barriers to growth in jobs and enterprises by proactively addressing skills shortages
- › increase productivity by improving the skills of the existing workforce
- › improve employment outcomes in particular communities (for example, young Māori and Pacific people)
- › support successful migrant settlement.

Other examples of the Department's sectoral engagement activities include:

- › industry-specific health and safety action plans, which recognise common hazards and provide standard approaches that firms in the industry can readily adopt
- › a new Sector Engagement Unit within the Department's Labour Group to integrate central coordination with the national and regional delivery of services and to strengthen and streamline working relationships with key external stakeholders in health and safety and employment relations
- › the Immigration Group's partnerships with tourism and export education industries.



■ Bringing the best people to New Zealand

Immigration has made a major contribution to New Zealand's economic development and social make-up. While the labour market is a major focus of the immigration system, immigration also contributes to a variety of other policy objectives.

Supporting economic, foreign policy, and trade objectives

Highly skilled and business migrants help increase New Zealand's productivity by using their capability and capital to invest in, develop, and support innovation in local enterprises. Over the last 2 years, \$660 million in potential investment capital has been attracted through the Business Migration Policy. Business migrants' experiences and international linkages can also be valuable for the local business community.

Immigration also supports two important export sectors. Each year, over 2 million tourists come to New Zealand, contributing over \$9 billion to the economy. Export education contributes over \$2 billion per year and supports over 32,000 jobs.¹¹ The Government's recently released Leadership Statement for International Education includes a number of objectives, including a proposed doubling of the annual economic value of export education services over the next fifteen years. The head of Immigration New Zealand is a Special Advisor to the Board of Education New Zealand and will contribute to the shaping of the strategic plan to achieve this objective. The Department supports the export education and tourism sectors broadly by striving to continually improve service delivery and build partnerships with key sector stakeholders.

New Zealand's foreign policy and trade objectives also influence the number and mix of migrants accepted into the country. For example, under New Zealand's international commitments, about 750 United Nations mandated refugees are resettled each year. The Department also participates in international initiatives to prevent people trafficking and smuggling.

Reciprocal working holiday visas provide opportunities for young New Zealanders and help build international linkages. The Recognised Seasonal Employer Scheme enables migrant workers to work in seasonal industries, and also has economic and other benefits for the Pacific Islands Forum countries involved.

Contributing to a well-functioning labour market

Migrants play a large role in the New Zealand labour market and make a significant contribution to the economy. About 27 percent of New Zealand's workforce was born overseas.

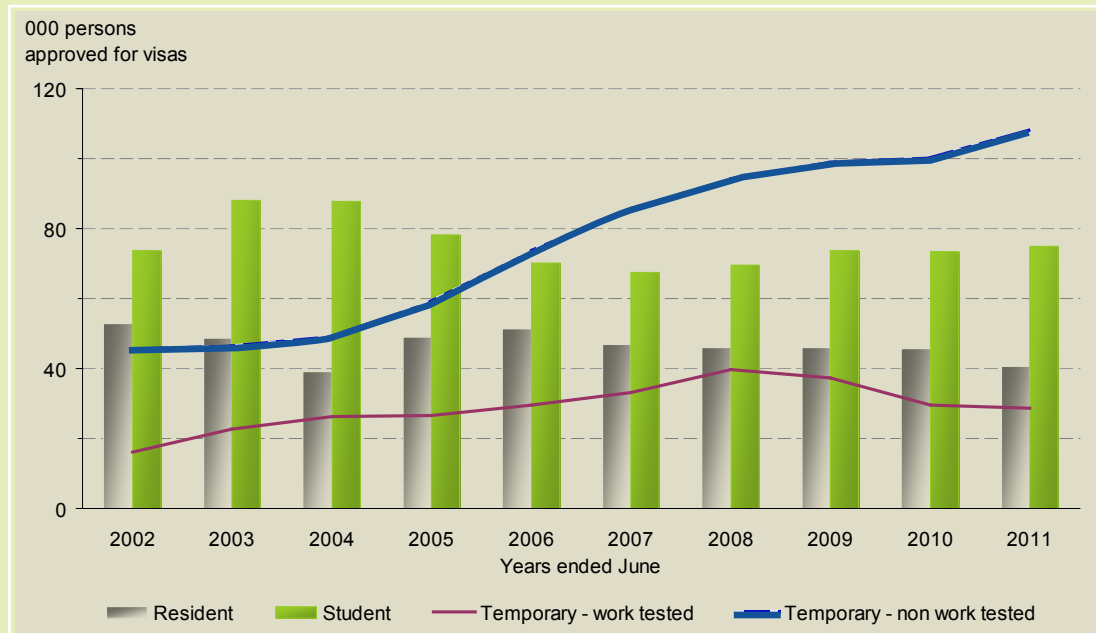
An important role of New Zealand's current immigration policies is to support a well-functioning labour market by filling skill shortages and supplementing home-grown talent. However, tensions can occur between immigration settings to meet immediate skills shortages and settings to achieve better labour market outcomes for the existing labour force.

Care is needed to get the right immigration settings. Migrants with high or specialist skills may complement the existing workforce and enable firms to invest in capital thereby increasing productivity. However, firms' ready access to migrants might blunt the incentives from changes in wage rates to improve the skills of the existing workforce, invest in more capital, and move resources to more productive businesses and industries. Hence, the composition of migrants is as important as the number of migrants.

11. Education New Zealand (2008) *New Zealand 'Punching Above its Weight' in Export Education*, media release 26 November. Wellington: Education New Zealand. www.educationnz.org.nz/comm/Mediareleases/Punching%20Above%20Weight-26-11-08.pdf



THE NUMBER OF TEMPORARY WORK VISAS HAS GROWN, WHILE OTHER TYPES ARE STABLE



Source: Immigration New Zealand.

Note: This graph includes a count of individuals approved for each type of visa within a financial year. Therefore, individuals may be counted more than once across visa types and financial years.

The economic evidence about the impact of immigration on wages and employment presents a mixed picture, with low but positive effects at the aggregate level. In New Zealand, skilled migrants generally have successful economic outcomes. The number of work-tested temporary migrants adjusts quickly to changes in the labour market, but the factors influencing non-work tested migration are less well understood.

The inter relationship between temporary migration and permanent residence presents a complex picture. Current policy settings support transition between study, work, and permanent residence. Consequently, most permanent migration is sourced from the onshore pool of temporary migrants. This presents challenges in understanding the relative economic impacts of the various migration streams.

As the economy recovers, some businesses are experiencing difficulties in finding workers. This may lead to calls for current immigration settings to be eased so businesses can meet their workforce needs quickly. However, short-term changes need to be balanced against long-term objectives.

At the same time, the stronger economy provides an opportunity to engage the many less-skilled New Zealanders (especially disengaged young people, long-term unemployed, and sole parents) who are under-participating in the labour market. The trade-off is not simple; many of the lower-skilled jobs that beneficiaries might fill are also open to temporary migrants who can work in New Zealand on visas that do not have labour market objectives or tests (for example, working holiday, partnership, student, and graduate visas).



An immigration policy that balances short- and long-term priorities would:

- › maintain stable and consistent settings to:
 - help meet New Zealand’s skill needs over the medium to longer term (for example, by attracting specialised skills into export industries)
 - signal clearly to employers and employees the role immigration will play in meeting labour market shortages
 - enable time for wages and other market mechanisms to play their role
- › support the reconstruction of Canterbury through a targeted migration response that helps meet skill gaps from offshore, while also maximising New Zealanders’ job and training opportunities
- › ensure existing labour market tests (including the referral process operated between Work and Income and the Department) provide strong requirements on employers to locate or train New Zealanders before hiring migrants, without imposing unnecessary compliance costs.

Improving service delivery

Current trends are for increasing global competition for skilled migrants, international students, and tourists. Simple and efficient immigration processes will help New Zealand attract the best people.

Within the Department, the Immigration Group (through Immigration New Zealand and its onshore and overseas branches) delivers immigration services. The Immigration Group is continually focused on improving its delivery of services. Its goals to achieve this are:

- › ensuring New Zealand attracts and retains the best people by selecting migrants who will make a positive contribution to New Zealand and ensuring successful labour market outcomes
- › making quality decisions quickly by streamlining processing to provide timely responses while maintaining the integrity of the system
- › supporting migrants to settle in work by supporting employers to achieve good employment outcomes, and improving recent migrants’ (including particularly vulnerable migrants) access to the services they need
- › regulating the immigration adviser market to ensure potential migrants receive correct, timely information and support
- › protecting the integrity and security of the New Zealand immigration system by ensuring the security of the system remains high to:
 - foster international confidence in the immigration system
 - facilitate active collaboration with like-minded countries in a variety of regional and international security arrangements
- › building the capability and agility of the Immigration Group to continually improve the value of its services by upgrading and streamlining services so they are fit for the future and cost less.



IMMIGRATION GLOBAL MANAGEMENT SYSTEM

In October 2011 the Government approved funding for the Immigration Global Management System (IGMS), although this has not yet been publicly announced to allow for final contract negotiations to occur. IGMS will replace core immigration information and communications technology (ICT) systems in all aspects of the immigration process, including online contacts for migrants, visa issue, border crossing, and settlement.

IGMS will enable better immigration services to be provided at lower cost by replacing an expensive, inflexible system with a new operating model that:

- » uses modern technology to faster and more accurately process visas and hence improved customer service
- » extends Immigration New Zealand's global reach without the need to open new physical branches
- » responds flexibly to emerging risks and changes in market volumes
- » supports consistent decision-making, regardless of where the decision is made.

IGMS will enhance identity information capability, including biometrics, for Immigration New Zealand to:

- » verify identify and prevent people with false identities evading immigration controls
- » assist other New Zealand agencies to check eligibility for publicly funded services and other compliance or policing activities.

IGMS will improve New Zealand's ability to attract and retain skilled migrants, tourists, and international students in an increasingly competitive global labour market. It will also help maintain the security of New Zealand's borders.

IGMS is expected to provide a net savings in operating costs of just over \$12.1 million over 15 years. The capital cost is \$90.5 million (including contingency).

IGMS will be developed and implemented over three and a half years. The Department and the New Zealand Customs Service will continue working to ensure interoperability and avoid duplication of functions between the joint border management system being built for Customs and the Ministry of Agriculture and Forestry.

■ Ensuring safe and fair workplaces

In a well-functioning labour market, employees and employers enter into productive relationships that:

- › are governed by employment agreements that meet mutual needs and clearly specify terms and conditions and dispute resolution mechanisms
- › protect employees' health and safety at work
- › meet the legal requirements of minimum standards at work.

A critical factor in a well-functioning labour market is that the legal obligations of employers and employees are clear, easy to comply with, and provide scope for people to enter into mutually advantageous employment agreements. This transparent approach provides sufficient flexibility for job opportunities to be available to all who wish to be in paid work and scope for people to use their skills and abilities productively.

In regulating the labour market, the Department relies primarily on voluntary compliance with labour law. The Department does not manage workplaces. It works proactively with employers, employees, and other key players to facilitate compliance by:

- › **educating** employers and employees about their rights, responsibilities, and better practices
- › **engaging** with New Zealand workplaces to help prevent injuries or accidents, uphold fair employment relationships, and resolve employment disputes
- › **enforcing** compliance when New Zealand workplaces do not meet their obligations.



Improving employer–employee relationships

Positive relationships between employees and employers are a feature of productive workplaces. It is the participants' responsibility to create positive relationships, but an effective employment relations system provides the framework that enables them to do so.

An effective employment relations system operates at several levels. First, a statutory framework provides the basis for establishing employment agreements between employers and employees and sets minimum standards.

Second, specialist employment institutions are available to resolve disputes. Issues that arise in the workplace need to be resolved effectively and efficiently. The institutions that do this, using from less to more formal intervention are the Department's mediation services, Employment Relations Authority, and Employment Court.

Third, the provision of information helps employees and employers to understand and comply with their legal obligations. Labour inspectors educate, investigate, and enforce labour laws as part of their role in underpinning compliance.

It is important that the framework supports the Government's economic and social objectives, including higher productivity. The flexibility of the employment relations system has contributed to New Zealand having one of the highest levels of labour force participation in the OECD.

The challenge is striking the right balance between having greater flexibility and providing appropriate employment protection. While more flexibility may increase participation and help underpin a dynamic labour market, maintaining basic rules and protections can help foster good workplace relationships and support productivity improvements over time, as well as helping meet wider economic and social objectives through allowing some measure of job security.

The operational challenge is to promote safe and fair workplaces through education and engagement and to achieve compliance through enforcement where necessary.

ROLE OF WAGES IN A WELL-FUNCTIONING LABOUR MARKET

A critical function of the employment relations system is enabling employees and employers to negotiate wages and salaries (and other terms and conditions of employment). Wages are important because they:

- » are the primary source of income for most of the population
- » enable individuals and families to make long-term plans and commitments
- » are the route out of poverty for many people
- » reward individuals for their time, effort, and investment in developing knowledge and skills
- » provide, as the price for labour, critical signals to employees and employers about the most productive use of people and their skills.

Variations in wage movements occur between different industries and occupations. For example, between the June 1993 and June 2010 quarters, the highest growth in wages of any occupation was for teaching professionals (67 percent), double the growth rate for the lowest wage growth occupation, salespersons, demonstrators, and models (33 percent).¹² Differences in wage movements are generally a result of supply and demand factors specific to the relevant groups of workers. Such differences show that the labour market is operating effectively.

12. Labour Cost Index – LCI All Sectors Combined and Occupation Group (ANZSCO) (Base: June 2009 qtr (=1000)) (Qrtly-Mar/Jun/Sep/Dec) from Statistics New Zealand *Infoshare*. www.stats.govt.nz/infoshare



Recent policy directions include:

- › adjustments to the employment relations system, including legislation, so it is more responsive to:
 - the current economic environment, for example through trial periods and changes to the Employment Relations Act 2000 and Holidays Act 2003
 - specific one-off issues such as the implications of the settlement of the ‘sleep-over’ case (which follows a court judgment that the minimum wage is payable to employees who are allowed to sleep at night while on duty) and recommendations arising from the Ministerial Inquiry into Foreign Charter Vessels (see the box below)
- › ensuring minimum standards are fit for purpose and that all employers and employees comply with them, including considering how the minimum wage supports the Government’s wider economic and social goals.

MINISTERIAL INQUIRY INTO FOREIGN CHARTER VESSELS

Foreign charter vessels have been used for fishing in New Zealand waters since 1986 when the fishing quota management system was introduced. Over the years, allegations have been made and issues have arisen about the living and working conditions on these vessels.

As a result of these allegations, a ministerial inquiry is investigating whether the operation of foreign charter vessels:

- » protects New Zealand’s international reputation and trade access
- » maximises the economic return to New Zealand from its fisheries resources
- » ensures acceptable and equitable New Zealand labour standards (including safe working environments) are applied on all fishing vessels operating in New Zealand’s fisheries waters.

The inquiry will report its findings and recommendations on 24 February 2012.

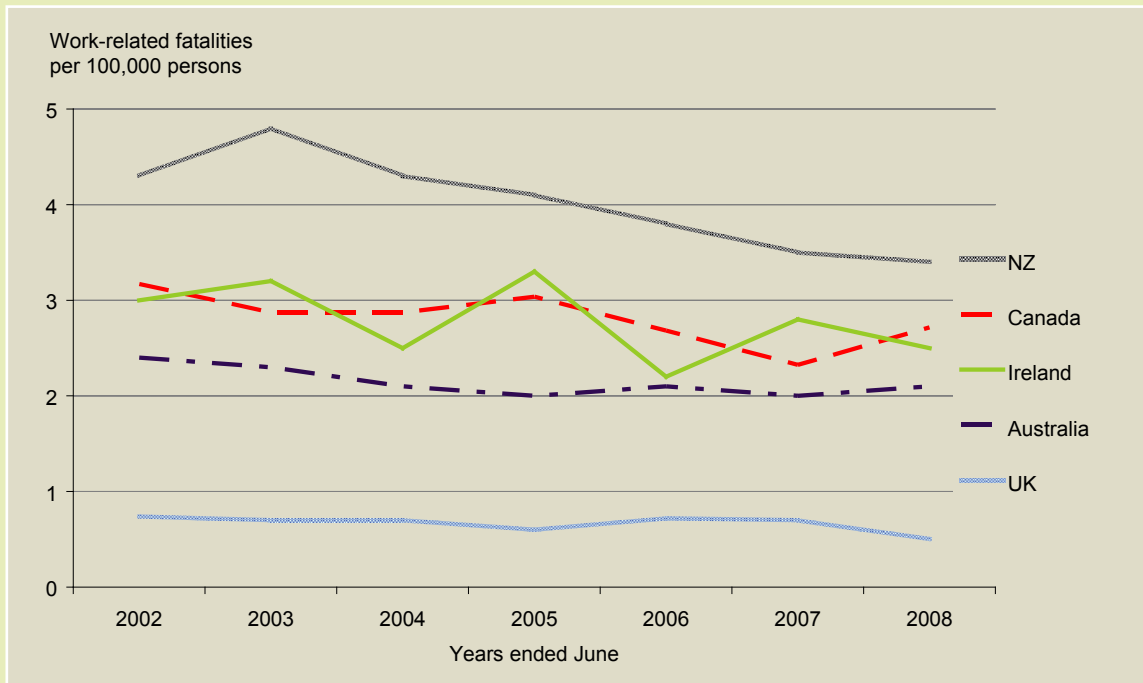
Making workplaces healthier and safer

The Department’s role in making workplaces healthier and safer is to manage and deliver an effective regulatory system. The Health and Safety in Employment Act 1992 provides the regulatory framework. The Workplace Health and Safety Strategy and National Action Agenda focus on actions to reduce injuries and fatalities at work to deliver healthy, safe, and productive workplaces.

The Health and Safety in Employment Act 1992 uses a performance-based model of regulation. This model emphasises the legal obligations of employers and others to prevent harm and to implement hazard management systems in their workplaces. The Department, as regulator, has a leadership role in promoting, influencing, motivating, educating, and informing those involved in workplace health and safety. Effective enforcement contributes directly to this leadership role. The Department also sets standards and enforces detailed requirements for managing hazards where justified by the level of harm.



RATES OF WORK-RELATED DEATHS IN NEW ZEALAND ARE FALLING, BUT REMAIN HIGH BY INTERNATIONAL STANDARDS



Source: P Gulliver, C Cryer, and G A Davie (2009) *A Chartbook of the New Zealand Injury Prevention Strategy (NZIPS) Serious Injury Outcome Indicators: 1994–2009*, OR089. Wellington: Accident Compensation Corporation; ILO (2008) *Yearbook of Labour Statistics, 2002–2008*. Geneva: International Labour Organization.¹³

Note: Care should be exercised with these comparisons between countries, because:

- fatality data are compiled in different ways in each country, so are not entirely comparable
- no adjustment is made for differences in the composition of industries, firm size, and similar factors.

The Department’s service delivery role is to help people in workplaces to understand and meet their obligations, and to enforce the law when they do not.

Policy directions and service delivery improvements include:

- › strengthening the focus on reducing work-related injuries in sectors where the harm is greatest and the most gains can be made by implementing the Workplace Health and Safety Strategy and National Action Agenda and, over the next 3 years:
 - implementing action plans for the construction and forestry sectors
 - developing agriculture and manufacturing sector action plans
 - launching the occupational health action plan
- › improving the regulatory environment for high hazard workplaces, particularly in the petroleum and mining sectors, by:
 - establishing a dedicated High Hazards Unit
 - ensuring the legislative framework is fit for purpose and effective.

13. See also Statistics New Zealand (2010) *Chartbooks of the New Zealand Injury Prevention Strategy Serious Injury Outcome Indicators*. www.stats.govt.nz/browse_for_stats/health/injuries/chartbooks-of-the-nz-injury-prevention-strategy.aspx



Improving the accident compensation scheme's performance

Affordable, efficient compensation and rehabilitation enable people to be appropriately compensated after an accident and to return to paid work quickly after injury. Fatalities and long-term injury have high social costs, waste human capital, and reduce productivity.

Since the accident compensation scheme was introduced in 1974, it has substantially lowered the costs of litigation related to injuries and illnesses. The scheme has been successful in providing timely and effective treatment, rehabilitation, and compensation to people who have been accidentally injured. The cost burden of the scheme on New Zealand business is low compared to Australian schemes.¹⁴ However there are opportunities for improvement and it is important to ensure that recent improvements in the performance of the scheme are sustained over time.

The Department provides policy advice on the scheme and monitors the performance of the Accident Compensation Corporation. The Corporation delivers the scheme's injury prevention, treatment, rehabilitation, and compensation services.

Changes to the scheme to improve its long-term performance could include:

- › developing better pricing incentives for injury prevention and rehabilitation to make the scheme more efficient and reduce injuries
- › providing a greater variety of risk-sharing arrangements tailored to small and large employers to reduce employer compliance costs and increase employer involvement in workplace safety
- › putting competitive pressure on the Corporation to perform efficiently.

The first two of these could be progressed irrespective of whether the scheme is being delivered competitively or under a monopoly.

Funding of the scheme

Businesses, individuals, and the Government fund the costs of injuries. In 2010/11, accident compensation levies totalled:

- › \$1,034 million from employers
- › \$1,623 million from earners
- › \$682 million from motor vehicle owners
- › \$303 million from the petrol levy.¹⁵

For 2011/12, the Government has budgeted \$1,088 million to cover the costs of injuries to non-earners.

Small changes in economic assumptions such as the discount rate can have a significant impact on the scheme's long-term financial position. Furthermore, volatility in the scheme's financial position reflects the long duration of some accident compensation claims and is, to a large degree, inherent in the insurance cycle.

Many causes of volatility (such as short-term fluctuations in investment returns) are outside the control of the Government and ACC. However, attention could focus on the following areas of performance:

- › improving rehabilitation rates
- › reducing claims costs.

14. *Comparison of Workers' Compensation Arrangements in Australia and New Zealand*, February 2010, Safe Work Australia, p 29

15. Accident Compensation Corporation (2010) Annual Report 2011. Wellington: Accident Compensation Corporation. www.acc.co.nz/publications



These are significant because they change the financial provision needed now for claims costs to be paid in the future. The Corporation has improved its performance under existing policy settings by focusing on these factors, and this should continue.

Increasing choice in workplace accident compensation

Legislation is being drafted on two sets of proposals to reform workplace accident compensation. The proposals:

- › extend the Accredited Employers Programme to encourage more employers to join the programme and provide a greater range of risk-sharing options outside the programme
- › allow employers to choose to purchase workplace accident insurance cover from the Corporation or from a private insurer.

The Department leads policy work on these proposals. If these 'choice' proposals proceed, the Department will oversee their implementation.

The Department is carrying out the ground work to implement choice by planning:

- › the establishment of a market regulator and claims clearing house
- › changes to how the Corporation operates so it can compete in a competitive workplace accident insurance market.

Competitive underwriting would put pressure on the accident compensation scheme to be efficient and effective, but achieving a net benefit requires strong competition and a level playing field between ACC and private insurers.



→ Making sure the Department can deliver

The Department is positioned to deliver targeted and higher-quality services to its customers at reduced cost. It will provide integrated and collaborative leadership to build a more flexible and dynamic labour market that will deliver a better standard of living for all New Zealanders.

The Department will continue its focus on improvement and the efficient use of resources.

■ A fit for purpose organisation

The Department's Chief Executive has continued to drive organisational and operational change with the assistance of the Strategic Leadership Team. This transformational change programme has been undertaken to ensure that the Department's structural base and operational processes are fit for purpose and enable the Department to deliver improved services with sustainable funding.

In December 2010, the Department's policy and research teams were consolidated into a strategically focused Policy and Research Group with clear objectives. The new structure is a better framework for providing the Government with authoritative, integrated, and credible advice.

The Labour Group is part way through a programme of change. The intent is to develop a group that provides direct, targeted, high-quality services that are delivered efficiently and effectively.

The Immigration Group has addressed nearly all the recommendations from reviews undertaken internally and by the Office of the Controller and Auditor-General, the State Services Commission, and Ernst and Young. The Group is actively working on the remaining recommendations which relate to people capability and workflow management. A new leadership structure and team are in place. There have been improvements in core service delivery, increased focus on attracting the skills and investment the country needs, and enhancements to the integrity of the immigration system.

The Department is committed to ongoing improvements in the delivery of corporate functions and is using the Better Administrative and Support Services (BASS) benchmarking methodology to drive further efficiencies.

These changes have been supported by the completion or updating of a full range of enabling organisational strategies and plans, including the Property, Human Resources, Information Systems, Information, Internal Communications, Māori, and Pacific Strategies. Brand and External Stakeholder Strategies are under development.

■ Providing value for money and fiscal sustainability

The Department is operating under a fixed baseline with significant cost pressures that are being managed within the context of four year budget plans. The continuing drive to provide value for money in a tight fiscal environment, lower than forecast third-party revenues (most notably immigration fees), and cost pressures arising during the past year have prompted work on a financial strategy.

This strategy will support the development of 4-year budget plans for Budget 2012.

The Department will address three issues in the Financial Strategy.

- › Deficits in third party revenue: Forecast volumes have not been achieved. Contributing factors include the global financial crisis, Christchurch earthquakes, and the strong New Zealand dollar. Improved quality management to support better immigration decisions is also likely to have resulted in lower volumes.
- › Efficiency savings: In October 2011, Cabinet agreed to an annual \$7 million reduction in departmental Crown-funded appropriations from 2012/13 as part of the overall efficiency savings package.
- › Cost pressures: Wage, rental and other inflationary increases have resulted in cost pressures. Also, additional costs have arisen from the Pike River Coal Mine tragedy, such as the Royal Commission and litigation.



Alongside the strategic decisions that will be driven through the Financial Strategy and reflected in the 4-year budget plans, the Department will continue the work it has been doing over the past 3 years to increase productivity, support collaboration, and align the Department's outcomes and work programmes internally and across related agencies.

The 2010 BASS benchmarking report found that a more efficient public sector could return significant savings. Using the benchmarking data to identify areas for improvement, the Department has established an initial target reduction of 1 percent savings per year for administrative and support costs (see the Department's Statement of Intent for 2011 to 2014), and will continue to use the benchmarking data to target areas for reduction.

To ensure the Department will continue to deliver its outputs cost-effectively, the Department has maintained a programme of continuous improvement of business processes. However, business process improvement alone is not enough.

■ **Delivering technology enabled services**

Technology will be the key enabler to change the face of the Department and how it delivers its range of services.

Investment in the core information and communications technology (ICT) infrastructure over the last 4 years has seen the Department upgrade its hardware and operating systems with a data warehouse, a new financial information management system, and the initial roll out of an electronic document management system. The Department is an active user of whole-of-government ICT services and expects to capitalise on whole-of-government investments in maintaining and further improving its core infrastructure. Clear strategies for the use of electronic channels for delivering services have driven the Department's next wave of ICT investments, with the highest priority being in the immigration area.

Cabinet has approved an investment of \$90.5 million over 5 years to replace the ageing Application Management System in Immigration Group. The Immigration Global Management System (IGMS) will enable smarter, faster, lower-cost public services and will support the integrated delivery of immigration services.

Mediation and health and safety services will be the next areas to develop and implement innovative technology to provide better public services for less cost. In providing these services, the Department will make full use of the internet and enable the Department's call centres to prioritise and direct work demands for the appropriate response, wherever it may be in the country.



→ Vote Structure and Ministerial Portfolios

The Department of Labour administers four Votes. The ministerial portfolios associated with these Votes are shown in the table below. The practice is that the Minister of Labour is designated as Responsible Minister for the Department.

Portfolio	Vote	Department Minister is usually responsible for	Crown entity Minister is usually responsible for	Other organisations associated with portfolio (including ministerial advisory panels)
Labour	Labour	Department of Labour	None	Employment Court (administered by the Ministry of Justice) Employment Relations Authority Remuneration Authority National Advisory Council on the Employment of Women (NACEW) Workplace Health and Safety Council Employment Equity Trust Employment Relations Education Advisory Committee
Immigration	Immigration	None	None	Immigration Advisers Authority* Immigration and Protection Tribunal (administered by the Ministry of Justice)
Employment**	Employment	None	None	None
ACC	ACC	None	Accident Compensation Corporation (ACC) Dispute Resolution Services Limited	None

* The Immigration Advisers Authority is an independent authority hosted by the Department of Labour.

** Recent convention has seen Employment linked with Social Development in the Social Development and Employment portfolio.



→ Responsible Minister for the Department of Labour

■ Responsibilities of the Responsible Minister

The Responsible Minister for the Department is accountable to Parliament for ensuring the Department carries out its functions properly and efficiently. To do this, the Responsible Minister considers the Department's performance, capability, risks, assets, and liabilities in the context of the whole organisation.

In practical terms, the ownership responsibilities require the Responsible Minister to ensure, through the Chief Executive of the Department, that officials:

- › understand clearly what the Responsible and Vote Ministers want from the Department
- › are developing the right lines of business for the challenges facing the Department in the next few years, and that these are consistent with government policy and desired outcomes
- › are actively identifying and addressing risks to current services and functions and possible future services and functions through the right skills, systems, culture, and connections across the Department and other agencies.

The Responsible Minister has a particular role with accountability documents and processes. Leadership by the Responsible Minister sets the scene for the four Vote Ministers working together on matters concerning whole-of-department performance. The Department will work closely with the Responsible Minister and their office to help fulfil these responsibilities.

■ Department of Labour's role in supporting the Responsible Minister

The Department will keep the Responsible Minister informed of risks and issues arising for the Department and significant internal management initiatives, including significant structural changes or capacity or capability concerns.

The Department will also raise and discuss with the Responsible Minister any major risks or issues that fall into the Department-related portfolios of colleagues. The Department will keep the Minister informed about its financial and non-financial performance in relation to its activities by providing information every quarter or as required. To assist the Minister in keeping an overview of the Department's performance, the Department will also provide its quarterly reports to its other ministers.



→ Vote Ministers

■ Department of Labour's role in supporting Vote Ministers

The Department supports Vote Ministers in exercising their powers and fulfilling their responsibilities by:

- › advising on detailed policy issues and research and evaluation
- › delivering mandated services and functions
- › providing support in a variety of administrative areas such as answering parliamentary questions and ministerial correspondence
- › advising on legal questions and legislative matters
- › developing ministerial recommendations for appointments to positions.

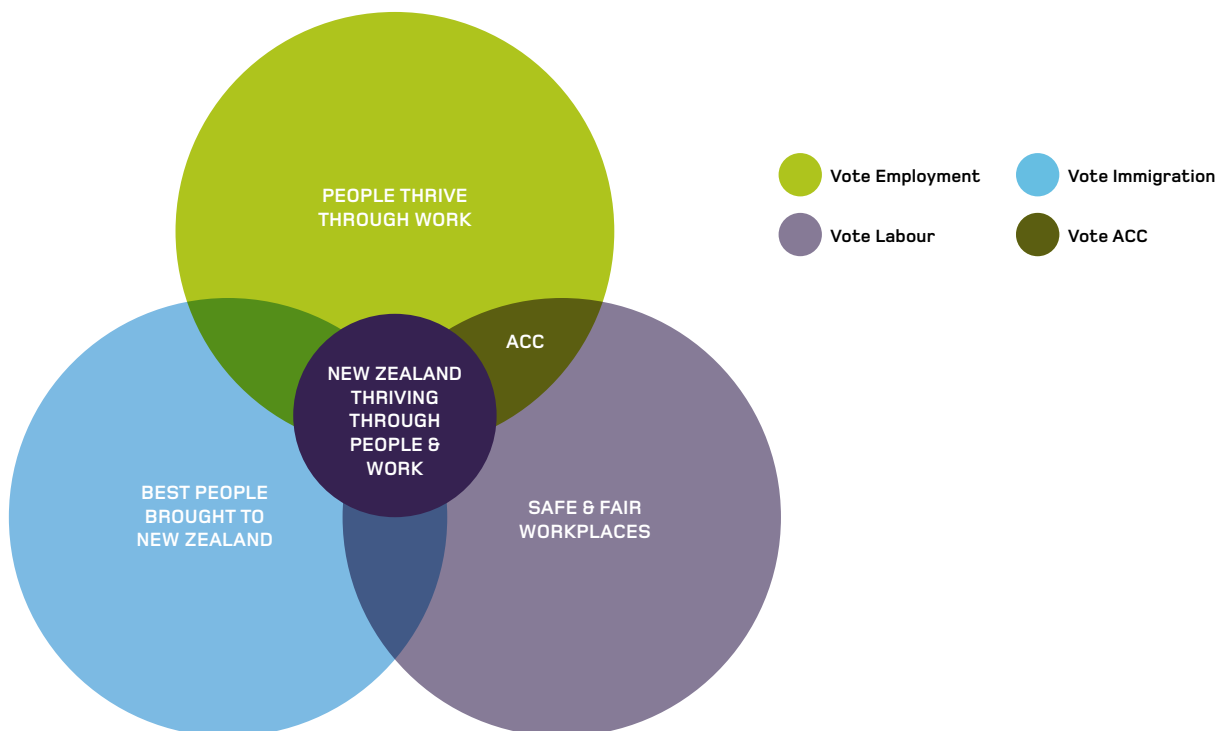
The Department can also provide support for Ministers' offices in a private secretary or an advisor position, if required. This position can assist Ministers' offices in liaising with the Department and supporting the provision of departmental advice.

■ Major links with other portfolios

Although the Department has clear responsibilities in each of the portfolios it administers, strong connections exist between the portfolios. The Responsible Minister and Vote Ministers should meet to discuss labour market issues of relevance to all their portfolios. The Department will provide background material and can help with arrangements.

Figure 2 below illustrates the connections between the Department's high level outcomes and the four Votes administered by the Department.

FIGURE 2: CONNECTIONS BETWEEN THE DEPARTMENT'S HIGH LEVEL OUTCOMES AND VOTES





→ Minister of Labour

■ Purpose of the Labour portfolio

The Labour portfolio contributes to the effective operation of the New Zealand labour market.

Vote Labour contributes to the New Zealand economy and the quality of life of New Zealanders by ensuring workplaces are safe and fair.

New Zealand has an unacceptably high rate of workplace deaths – almost four times higher than that of the United Kingdom.¹⁶ Last year, 79 people died in workplace fatalities in New Zealand. The economic and social consequences of workplace fatalities, injuries, and disease are significant, and there is a pressing need to improve the country's workplace health and safety performance. The direct and indirect cost of workplace fatalities, injuries, and disease is estimated at \$16 billion annually.¹⁷

Effective workplaces are not only safe but are also fair. Unresolved workplace employment disputes hinder employee engagement and productivity. Vulnerable workers are susceptible to exploitation by those employers who do not meet minimum standard obligations. Fairness ensures compliant employers are not disadvantaged by the anticompetitive practices of non-compliant employers, employees receive their minimum entitlements, and workplace disputes are resolved quickly and effectively to reduce lost workdays.

There are significant economic benefits to ensuring better outcomes in the workplace. Better health and safety and employment practices also strongly contribute to the quality of life of all people living in New Zealand as well as supporting productive and efficient workplaces.

Consequently, the focus within the Labour portfolio for the Minister of Labour and for the Department is on ensuring:

- › the labour market regulatory system is effective
- › employers and employees understand their rights and comply with their obligations
- › workplaces follow effective and sustainable employment relations and health and safety practices
- › New Zealand benefits from, and contributes to, international labour standards and forums.

■ Portfolio responsibilities

As well as the broad policy and service delivery responsibilities outlined above, the Minister of Labour is responsible for:

- › Vote Labour
- › appointments to institutions, statutory bodies, and advisory bodies associated with the portfolio such as the Employment Relations Authority and the Remuneration Authority
- › reviewing the minimum wage annually
- › approving codes of practice developed within health and safety regulatory frameworks.

16. P Gulliver, C Cryer, and GA Davie (2009) *A Chartbook of the New Zealand Injury Prevention Strategy (NZIPS) Serious Injury Outcome Indicators: 1994–2009*, OR089. Wellington: Accident Compensation Corporation.

17. Indirect costs include estimates of lost quality of life due to workplace injury and illness. Access Economics (2006) *The Economic and Social Costs of Occupational Disease and Injury in New Zealand*, NOHSAC Technical Report. <http://ohsnetnz.org.nz/reports.shtml>



■ Major links with other portfolios

The Labour portfolio has major links with other ministerial portfolios as summarised in the table below.

Portfolio	Link with the Labour portfolio
ACC	Effective workplace health and safety management using the levers available to incentivise good workplace practices.
Immigration	Foreign workers, both temporary and permanent, are vulnerable to poor employment relations and health and safety practices in the New Zealand labour market. Foreign workers are over-represented in low-skilled sectors such as the aged care, dairy, horticulture, viticulture, and fishing sectors.
Environment	The operation and enforcement within workplaces of the regulatory framework for hazardous substances and high hazard environments such as the offshore petroleum environment.
Social Development, Employment, Economic Development, and Finance	Issues of labour productivity and participation and how to improve skill development, skill utilisation, and the participation of disadvantaged groups using employment relations levers.
Revenue	The treatment of wages and other work-related payments for tax purposes, and the resultant impact on business payrolls, and the operation of the Kiwi Saver and Paid Parental Leave schemes.
Fisheries	Regulatory responsibility, both for labour and immigration, for the code of practice that, alongside New Zealand legislation, sets the required standards of practice for foreign charter vessels.
Health	A broad range of occupational health issues, which are workplace issues.
Education	The management and impact of the Labour Market and Skills Strategy for New Zealand.
Foreign Affairs	International labour standards and forums help to maintain New Zealand's international reputation and facilitate broader 'NZ Inc' participation in the United Nations system as well as with regional partners. Negotiation and implementation of the trade-labour and labour cooperation elements of New Zealand's free trade agreements
Transport	The Civil Aviation Authority and Maritime New Zealand are designated agencies under the Health and Safety in Employment Act 1992. They are responsible for administering the Act for the aviation and maritime industries respectively, and their chief executives are the respective Secretary for the purposes of the Act.
Justice	The New Zealand Police, in particular the Commercial Vehicle Investigation Unit, has staff who the Secretary of Labour appoints as health and safety inspectors for the purposes of the Health and Safety in Employment Act 1992. These staff undertake investigations and enforcement action.



■ Vote Labour and the Department of Labour

The Vote Labour appropriation is approximately \$121 million made up of Departmental expenditure (\$82 million), non-departmental expenditure (\$7 million), and capital expenditure (\$32 million). Crown funding funds most of the Vote. The Labour Group, Policy and Research Group, and Legal and International Group deliver Vote Labour services.

The workplace legislative frameworks describe everyone's obligations and fundamental rights at work. However, compliance with these frameworks is the responsibility of employers and employees with the Department taking a supervisory role. In some areas, standards are prescribed. These standards are generally a response to specific labour market failures or risk management objectives.

The Department's role is to assist workplaces to operate safely and fairly by:

- › educating employers and employees about their health and safety and employment relations responsibilities and practices
- › engaging with employers and employees to help prevent harm, uphold fair employment relationships, and resolve employment disputes
- › enforcing employer and employee compliance with their responsibilities and practices.

Services delivered to achieve this include:

- › providing policy advice and research and evaluation relating to health and safety and employment relations
- › managing New Zealand's international labour commitments and obligations, including with the International Labour Organization
- › responding to enquiries and calls through a primary contact centre via phone, email, and websites
- › undertaking health and safety inspections through planned and targeted workplace assessments, as well as investigating workplace accidents and complaints and taking enforcement action
- › undertaking labour inspections by raising awareness about good employment practices, investigating employment relationship complaints, and using legislative provisions to take enforcement action
- › providing mediation services and facilitating solutions
- › developing approved codes of practice, standards, and other guidance material to support industries and employers to improve practices
- › being a responsive regulator and targeting areas of risk, in particular through harm reduction programmes that currently focus on quad bike safety and falls from heights in construction.

■ Labour Group Change Programme

Workplaces own their workplace practices: the obligations to prevent harm and ensure fair employment relationships lie with the employers and employees and not with the regulator. The Labour Group's role is to assist workplaces to understand and meet their obligations, and to enforce those obligations when they do not.

The Labour Group faces several challenges in carrying out this role, including high workplace fatality and injury rates, variable adherence to minimum working entitlements, and delivering high quality services within tight fiscal constraints.

To meet the challenges described above, the Labour Group is focused on working more effectively and efficiently by:

- › targeting the industries, issues, and workplaces with the highest risks
- › aligning its efforts with those of other organisations
- › working with staff and stakeholders through new channels and locations.



The Labour Group Change Programme has been established to make improvements that will lift performance, enhance services, and deliver increased value for New Zealand.

In September 2011, a new leadership structure was established within the Labour Group to enable the group to make further improvements to the way it delivers services. A general manager, reporting to the Deputy Chief Executive – Labour Group, leads each of the group's five divisions.

In February 2012, the Labour Group will make a series of changes to streamline and strengthen its sector engagement functions and integrate and align these with the work of the Communications Division. These changes will position the group to work more effectively and efficiently with all stakeholders and businesses to design and deliver sustainable interventions and solutions.

The leadership team is working to change and enhance the systems and processes it uses to ensure the group's day-to-day work is targeted and will achieve safer and fairer workplaces.



→ Minister of Immigration

■ Purpose of the Immigration portfolio

Immigration's contribution to the current and future success of New Zealand's economic and social wellbeing stems from its unique role in connecting New Zealand with the rest of the world. Immigration is a complex portfolio with policies and service delivery spanning economic, social, and humanitarian considerations.

The Department directly supports labour market growth by:

- › ensuring New Zealand employers have access to the skilled workers they need to grow the economy
- › supporting migrants into the workforce so they become long-term contributors to the economy.

Immigration policy settings complement the domestic supply of labour by providing employers with the opportunity to recruit the skilled and talented people needed to sustain and grow globally competitive businesses. However, a fundamental requirement of temporary work policies is that New Zealanders have the first opportunity to take up available work.

Immigration also contributes to the growth of key export industries such as tourism and education. People-to-people links developed through immigration are important building blocks for the Government's broader trade, international relations, and development objectives. New Zealand's border controls, including the increasing use of offshore screening before people travel, aim to keep out the people the country does not want.

■ Portfolio responsibilities

The Minister of Immigration is responsible under the Immigration Act 2009 for:

- › formally certifying temporary entry and residence class instructions to give effect to Cabinet policy decisions
- › decision-making in regard to some individual immigration cases, for example the deportation of resident visa holders
- › delegating other decision-making powers to an Associate Minister and to departmental officers (existing delegations remain in place until amended).

The complexity and breadth of the portfolio means that previous Ministers of Immigration have tended to put a broad range of immigration policy decisions to Cabinet, even where they have had the technical ability to make those decisions themselves.

While some Ministers of Immigration have retained all decision-making with regard to individual cases, where there is an Associate Minister, it is usual for most individual case work to be delegated to that Minister. The principal Minister generally retains the work around ordering deportations. These ministerial powers create a workload of individual cases larger than that of other portfolios.

Since 2006, some of the Associate Minister's individual case decision-making has been further delegated to named senior managers within the Department. The Associate Minister and departmental senior managers made decisions on over 2,700 individual cases in 2010/11.

Although the Immigration Act 2009 allows for the delegation of positive discretion in decision-making, discretion in residence decision-making has not previously been delegated beyond the Associate Minister. The Minister of Immigration may want to consider delegating a positive discretion on residence applications to senior officials. The Department will provide additional advice on this matter should it be required.



■ Major links with other portfolios

The Immigration portfolio has major links with a broad variety of government policies and agencies and other ministerial portfolios as summarised in the table below.

Portfolio or group	Link with the Immigration portfolio
Labour, Social Development, Employment, Economic Development, and Finance	Forecast and actual skills and labour shortages, policy development around temporary work, engagements with industries about how to meet their ongoing workforce needs, including issues of the immigration impact on labour productivity and participation. Labour also assists workplaces with health and safety and employment relations responsibilities and practices, including upholding fair employment relationships, resolving employment disputes, and enforcing compliance with their responsibilities and practices, including for immigrant workers and businesses.
Economic Development and Tourism	Facilitating the entry of tourists and workers for the tourism industry where no New Zealanders are available, and working to ensure immigration policy settings are aligned with the Government's aims to develop air service links.
Education	Facilitating the entry of foreign students to New Zealand and, in some cases, facilitating their transition to the workforce after study. Immigration policy in general complements education and training policy.
Agencies with an interest at the border (New Zealand Customs Service, Ministry of Agriculture and Forestry, Department of Internal Affairs, Transport)	The Border Sector Governance Group was formed in 2007 to manage the balance between protecting New Zealand and promoting travel and trade. The Border Sector Ministerial Group was established in March 2010 to actively support the work of the border sector and ensure alignment with wider government priorities. The biosecurity, customs, and immigration ministers make up the ministerial group with other border ministers invited as required.
Foreign Affairs and Trade	Immigration is an important part of New Zealand's foreign relationships. With the Pacific, in particular, immigration complements New Zealand's development and overseas aid objectives. Immigration can also play an important role in free trade by facilitating the movement of business people. Bilateral working holiday schemes, of which New Zealand has 35 with a further 13 under development, are an important tool for developing people-to-people links and bilateral relations.
Health	Ensuring temporary and permanent migrants do not impose undue costs on New Zealand's publicly funded health services, and meeting health workforce needs through short-term and permanent migration.

■ Vote Immigration and the Department of Labour

Vote Immigration is wholly situated within the Department. It funds the Department to provide advice and services in support of the Immigration portfolio. The Government determines the entry and conditions of stay of non-New Zealanders through the Immigration Act 2009, which the Department administers. The Act provides the framework through which immigration instructions and regulations are set.

The Vote Immigration appropriation is approximately \$211 million. The Vote is funded through a mix of fees, Crown funding, and levies with most funding being from fees (\$134 million). The Immigration Group, Policy and Research Group, and Legal and International Group deliver Vote Immigration services.



The Department delivers immigration services (through Immigration New Zealand, which is the brand of the Department's externally facing immigration services). These services include:

- › working collaboratively with employers and other government agencies in migrant marketing and attraction, and settlement support activities
- › deciding visa applications
- › managing border security with regard to the movement of people
- › enforcing compliance with legislation and immigration instructions
- › managing refugee functions
- › managing New Zealand's international immigration-related commitments and obligations such as the Five Countries Conference.

In addition, within Vote Immigration the:

- › Policy and Research Group provides immigration research and policy advice
- › Legal and International Group provides legal services with respect to immigration and administers the funding for the Immigration Advisers Authority.

■ Immigration business development

Vote Immigration faces pressure on operating costs and capital expenditure over the next 4 years. To maximise immigration's contribution to economic growth and to ensure the Immigration Group remains fiscally sustainable, the Department will change its immigration operating model and improve systems and service delivery.

Immigration's Business Development initiatives are made up of significant investments, including IGMS that support and contribute to the establishment of the future operating model for immigration. These initiatives will provide the future processes and systems to enable Immigration New Zealand (INZ) to deliver better service for less cost.

All investments within the portfolio align with, and contribute to, achieving INZ's strategic vision, goals and blueprint of the future operating model and are aligned to the wider Departmental strategic direction and priorities.



→ Minister for Employment

■ Purpose of the Employment portfolio

Recent convention has seen Employment linked with Social Development in the Social Development and Employment portfolio, which has two Votes: Vote Employment (administered by the Department of Labour) and Vote Social Development (administered by the Ministry of Social Development).

The Employment portfolio provides ‘whole of labour market’ advice and labour market information to support a well-functioning labour market and help people thrive through paid work.

Through its Vote Employment activities, the Department considers cross-sector labour market policy issues linking education, welfare, and economic development.

Another important role is the Department’s partnership with key industry and business stakeholders to support economic growth and productivity.

■ Portfolio responsibilities

In the Vote Employment portfolio, the Minister is responsible for:

- › providing policy, research, and evaluation related to the labour market to improve employment, social, and economic outcomes in New Zealand
- › monitoring labour market performance, analysis, and information to support national, regional, and sector labour market engagements aimed at ensuring well-functioning labour markets.

■ Major links with other portfolios

Advice and analysis informs policy across the Department’s four Vote portfolios and several external portfolios such as Social Development, Education, and Economic Development.

The Secretary of Labour leads the Labour Market and Skills Cluster. The cluster has been established to enable agencies in the labour market and skills area to work together on outcomes that require joint action. It comprises six agencies (Department of Labour, Ministry of Education, Ministry for Economic Development, Ministry for Social Development, Ministry of Women’s Affairs, and the Education Review Office) and forms part of the Government’s focus on ensuring better public services for New Zealanders.

The cluster aims to improve the integration of policy advice, research, and operational performance across the education and skills, employment, welfare, labour, and immigration areas. This will result in an integrated approach to the difficult cross-cutting policy issues in the sector.

The Employment portfolio has major links with other ministerial portfolios as summarised in the table below.

Portfolio	Link with the Employment portfolio
Social Development	A primary focus of the Welfare Reform programme is sustainable employment outcomes. The Department’s main role is to consider this from the employer’s perspective, especially around reducing the costs for employers and create greater incentives for employers to take on beneficiaries.
Labour	The Vote Employment work overlaps with the employment relations and health and safety frameworks as these are the vital components to ensure a well functioning labour market/economy. In particular, the key focus is on aspects of labour law that might affect job opportunities e.g. the 90 day trial and minimum wage settings.



Portfolio	Link with the Employment portfolio
ACC	Working with ACC to support people back into work and help reduce the wasted human capital from accidents and work related illness.
Education	The Department contributes a labour market perspective to education agencies and their policies. The Department's primary focus is on ensuring skills development through education, and that education is well matched with employer needs.
Economic Development	The Department's focus is on ensuring labour market policies including the supply of skills is well aligned with policies for business and economic development, especially in key growth sectors.
Finance	Act as Government's lead advisor on labour, employment and skills issues to support Treasury in forming its advice.
Immigration	Balancing the needs of New Zealand job seekers with business needs for skills through labour market information and advice for Work and Income and Immigration New Zealand.
Earthquake Recovery	Supporting CERA with the overall earthquake recovery planning, focusing on the region's labour market dynamics. This helps to frame actions developed by the Canterbury Employment and Skills Board which the Department has a leadership role in.

■ Vote Employment and the Department of Labour

The Vote Employment appropriation is approximately \$14 million and is wholly Crown funded. The Policy and Research Group primarily delivers Vote Employment services.

The Department:

- › provides labour market, employment, and skills policy advice
- › provides labour market intelligence and analysis, including current and future trends and how these impact on the labour market
- › undertakes research and evaluation activities that underpin policy advice and engagement with industry and regions (e.g. in Canterbury and Auckland) to help support well functioning sectoral and regional labour markets.

The Department works closely with social partners (Business New Zealand and the New Zealand Council of Trade Unions), others such as territorial authorities and the New Zealand Chambers of Commerce, and other government agencies.

The Department also has an important role in supporting the Canterbury rebuild, by:

- › providing labour market information and secretariat support for the Canterbury Employment and Skills Board
- › developing a labour market recovery plan for the Canterbury Earthquake Recovery Authority.



→ Minister for ACC

■ Purpose of the ACC portfolio

The ACC portfolio is concerned with the effective design and operation of the accident compensation scheme. The scheme provides comprehensive, 24-hour, no-fault cover and entitlements for all New Zealanders, residents, and temporary visitors to New Zealand. The scheme aims to prevent injuries and, when injuries occur, to restore people's health and independence to the maximum extent practicable and provide compensation for injury losses. The scheme contributes to maintaining productivity by minimising the impacts of injuries on businesses, individuals, and society, and returning injured people to paid work where possible, or to other forms of community participation.

The Department administers the Accident Compensation Act 2001, leads strategic policy on legislative and regulatory change, and monitors the performance of the Accident Compensation Corporation. The Corporation delivers injury prevention, treatment, rehabilitation, and compensation services within that regulatory framework.

■ Portfolio responsibilities

The Minister for ACC is responsible for the strategic policy framework and the overall performance of the scheme and the Corporation.

The Crown Entities Act 2004 sets out the obligations of the Minister for ACC. The Minister exercises this responsibility through their relationship with the ACC Board and, in particular, the chair of the Board. The current chair is John Judge. The Corporation's chief executive (the recently appointed Ralph Stewart) is accountable to the Board for the scheme's day-to-day management and the services that administer and support the scheme.

The Minister's key responsibilities include:

- › sending a letter of expectations to the chair of the ACC Board at the start of each financial year to inform the negotiation of the Statement of Intent and Service and Purchase Agreement, and outline the performance and behaviour expected of the Corporation
- › participating in strategic planning for the Corporation by considering and commenting on the Board's draft Statement of Intent
- › concluding with the Board the annual Service and Purchase Agreement specifying the quality and quantity of services the Corporation is to deliver in the coming financial year
- › monitoring the Corporation's financial and non-financial performance against the key performance measures and targets set out in the Statement of Intent and Service and Purchase Agreement
- › setting annually the levy for accounts other than the non-earners' account, which is funded by government appropriation
- › concluding an annual service agreement with the Minister of Health for the purchase of public health acute services for services provided by district health boards
- › making appointments to the Board and recommending to Cabinet, along with the Minister of Finance, appointments to the Board of Dispute Resolution Services Limited.

The Minister for ACC is also a shareholding minister for the Crown company Dispute Resolution Services Limited. The other shareholding minister is the Minister of Finance. In this role, the Minister for ACC:

- › sets out the Government's interests and priorities in a letter of expectations at the beginning of each financial year
- › participates in strategic planning for the company by considering and commenting on the Board's draft Statement of Intent
- › monitors the company's financial and non-financial performance
- › recommends to Cabinet, along with the Minister of Finance, appointments to the Board of Dispute Resolution Services Limited.



■ Major links with other portfolios

The ACC portfolio has major links with other ministerial portfolios as summarised in the table below.

Portfolio	Link with the ACC portfolio
Social Development, Employment, Labour, Economic Development, and Finance	Issues of labour productivity and participation and how to improve utilisation and participation of the Accident Compensation Corporation's clients using a variety of levers.
Labour	The interface between workplace health and safety and the accident compensation scheme. This includes incentives for good workplace practices using the Workplace Health and Safety Strategy, the broader New Zealand Injury Prevention Strategy, and ACC's risk-based pricing.
Finance	The annual levies process, fiscal updates, the Corporation's investment performance, and Dispute Resolution Services Limited.
Health	Health and disability services.
Social Development, Employment	Consideration of how non-work injuries are treated compared with, for example, illness and unemployment, and links to income support policy.
Transport	The regulatory system includes injury prevention on the road. Motor vehicle injuries are a significant cost to the accident compensation scheme.

Note

* The New Zealand Injury Prevention Strategy is a cross-government strategy. The strategy encompasses six priority areas for addressing injury prevention in New Zealand and includes the portfolios listed above and the Justice portfolio.



■ Vote ACC and the Department of Labour

The departmental appropriation for Vote ACC is approximately \$5 million, most of which is Crown funded. The Department also administers the funding for the Non-Earners' Account, which is approximately \$1,088 million.

The Policy and Research Group delivers Vote ACC services.

Under Vote ACC, the Department has responsibilities for three functions:

- › purchasing and monitoring
- › policy
- › non-departmental funding in Vote ACC.

Purchasing and monitoring

The Department provides purchase advice on, and monitors, the performance of the Corporation. This role includes monitoring the accident compensation scheme operationally and financially, and independently advising Ministers on the levies recommended by the Corporation throughout the annual levy-setting process.

On behalf of the two shareholding Ministers, and in collaboration with Treasury's Crown Ownership Monitoring Unit, the Department:

- › monitors the Crown's ownership interests in Dispute Resolution Services Limited, including the company's commercial and operational performance
- › manages appointments to the Boards of ACC and Dispute Resolution Services Limited
- › fulfils the residual function of accident insurance regulator.

Policy function

The accident compensation scheme is continually revised with respect to the scope of cover and the levels of levies and entitlements. The Department's role is to provide independent policy advice on all broad matters relating to the scheme, including levy setting and funding policy, as well as more generally on the scheme's regulation, policies, and practices. It also advises on the scheme's interfaces with other agencies.

The Department is the lead agency advising the Government on increasing choice in the accident compensation scheme. If the 'choice' proposals¹⁸ proceed, the Department will be responsible their implementation.

The Department has a strong interest in preventing workplace injuries and occupational illness through its responsibilities around workplace health and safety. However, it has a much wider role in the ACC portfolio as the scheme also covers injuries at home, during sport, and on the road.

Non-departmental funding in Vote ACC

Vote ACC also provides appropriations that are passed to the Corporation to meet the cost of injury for non-earners. This government-provided revenue funds activity alongside the revenue that the Corporation gathers from other levy payers.

18. There are two proposals to increase choice in workplace accident compensation:

- extending the Accredited Employers Programme (AEP) to encourage more employers to join it and provide a greater range of risk-sharing options outside the AEP
- allowing employers to choose to purchase workplace accident insurance cover from either the Corporation or from a private insurer.

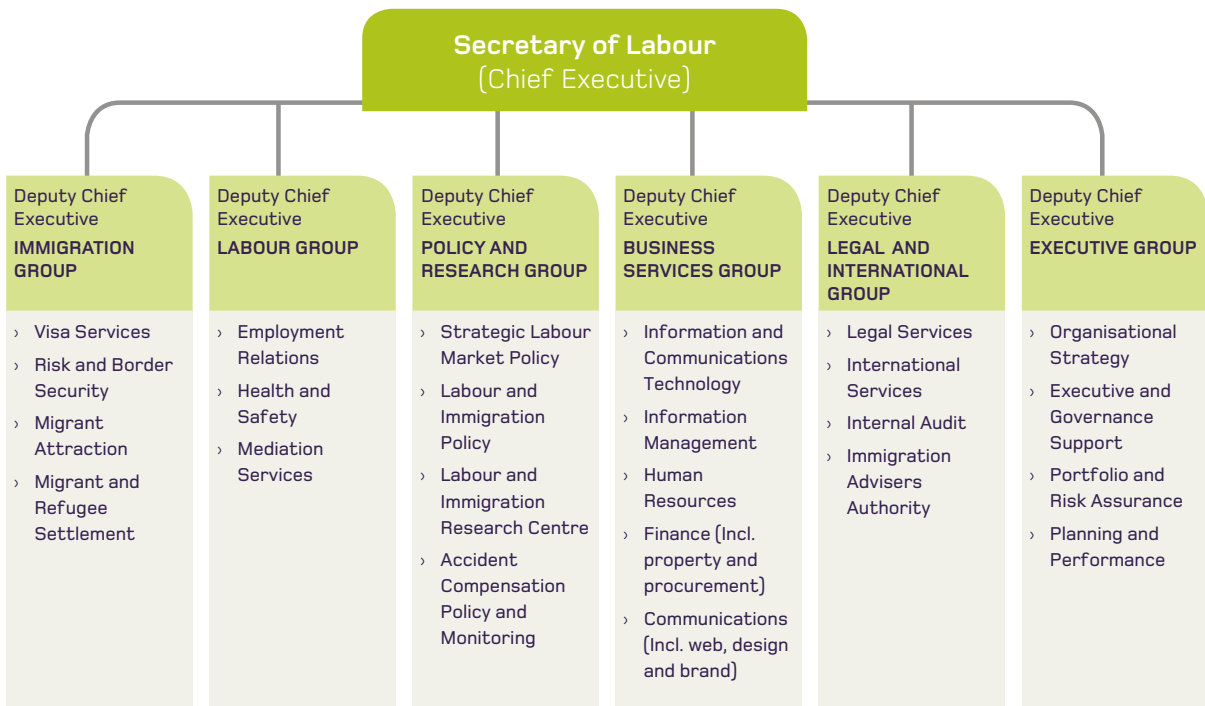


→ Appendix A: About the Department Structure, functions, funding and physical locations

■ Work groups

The Department is organised into six work groups: the Immigration Group, Labour Group, Policy and Research Group, Executive Group, Business Services Group, and Legal and International Group. The core responsibilities of each group are outlined in Figure 3.

FIGURE 3: THE SIX GROUPS OF THE DEPARTMENT OF LABOUR



The **Immigration Group** delivers immigration services through Immigration New Zealand. It manages visa services (for temporary and permanent skilled migrants, tourists, and students), risk and border security, migrant attraction and retention, including migrant and refugee settlement. Immigration Group contributes to New Zealand’s economy, society, and reputation by managing the entry of people to New Zealand, and supporting key export industries (tourism and education). It also helps New Zealand to meet its international humanitarian obligations.

The **Labour Group** delivers health and safety and employment relation services. It focuses on building healthier, safer, and more productive workplaces and improving employment relationships. It provides authoritative information, guidelines, and standards to workplaces and works with a variety of stakeholders to effect change. This group monitors compliance with employment relations and health and safety legislation (including regulations) and enforces compliance as required. It provides dispute resolution services to New Zealand workplaces. The group also supports the Employment Relations Authority and Remuneration Authority. The Labour Group Change Programme is currently under way.

The **Policy and Research Group** provides integrated and strategic advice on the labour market and its contribution to the economy (including employment, immigration, and accident compensation). Its responsibilities are distributed across four divisions covering strategic labour market policy, labour and immigration policy, labour and immigration research, and accident compensation policy and monitoring.



The **Executive Group** supports the Chief Executive to lead a well-functioning, accountable, and reputable department. The group's functions are distributed across four divisions covering organisational strategy, executive and governance support, portfolio and risk assurance, and planning and performance.

The **Business Services Group** provides core corporate functions for the Department covering human resources, finance, property and procurement, information and communications technology, information management, and communications.

The **Legal and International Group** provides services with a focus on assurance, advice, and general support to ensure the Department meets its obligations as an effective regulatory agency. The group delivers legal services, manages internal audits and international engagements, and hosts the independent Immigration Advisers Authority. The structure of the Legal and International Group is currently being reviewed.

■ **Strategic leadership and governance**

The Department's work groups are headed by Deputy Chief Executives who, together with the Chief Executive, comprise the Department's Strategic Leadership Team (see Figure 4).

The purpose of the Strategic Leadership Team is to lead, shape, and govern the Department effectively. Governance decisions for the Department ultimately rest with the Chief Executive, who draws on input and advice from the Deputy Chief Executives to inform their decisions.

The Strategic Leadership Team subcommittees are Organisational Capability and Culture, Investment and Finance, and Performance and Risk. These subcommittees ensure the Strategic Leadership Team has adequate time and can give appropriate consideration to key strategic governance and decision-making issues.

In addition to the subcommittees, is the Audit Committee. This committee provides independent assistance, advice, and assurance to the Chief Executive and Strategic Leadership Team on the Department's risk, control, and compliance frameworks and its external accountability responsibilities.



FIGURE 4: DEPARTMENT OF LABOUR'S STRATEGIC LEADERSHIP TEAM

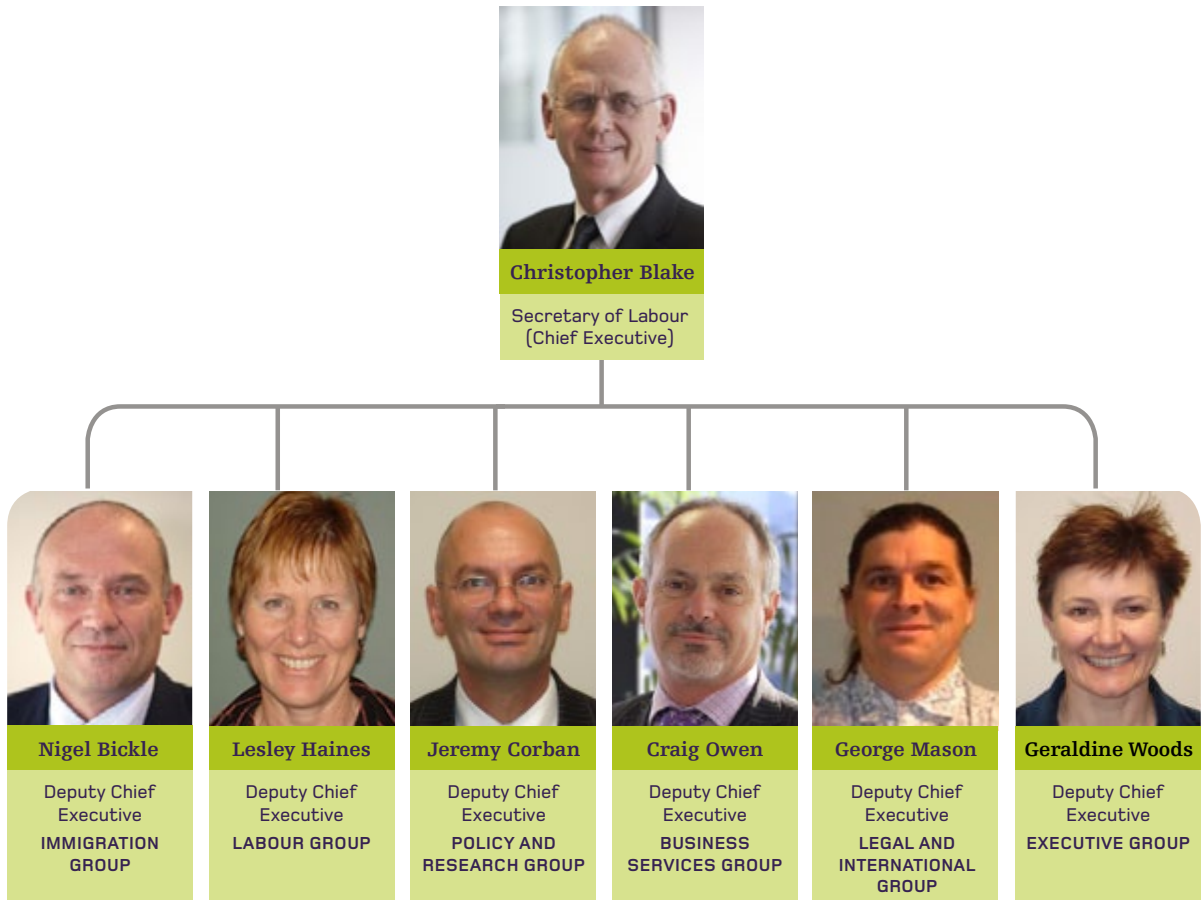




TABLE 1: CONTACT DETAILS FOR SENIOR PERSONNEL WITHIN THE DEPARTMENT OF LABOUR

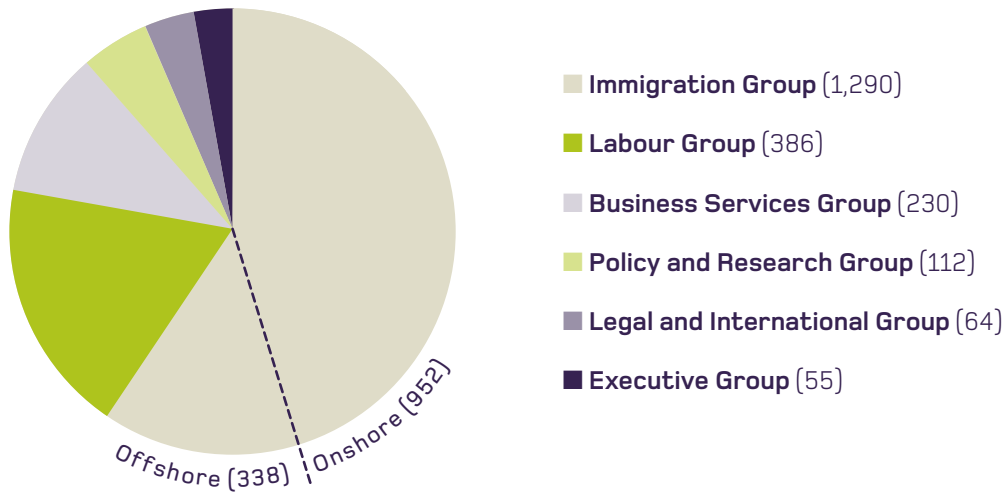
Name	Position	Phone number	Mobile number	Email address
Chief Executive's Office				
Christopher Blake	Chief Executive	04 915 4050	Minister holds	christopher.blake@dol.govt.nz
Lauren Deslandes	Executive Assistant	04 915 4234	None	lauren.deslandes@dol.govt.nz
Labour Group				
Lesley Haines	Deputy Chief Executive – Labour Group	04 915 4162	027 678 443	lesley.haines@dol.govt.nz
Nicky Milne	Executive Assistant	04 915 4524	027 600 9423	nicola.milne@dol.govt.nz
Immigration Group				
Nigel Bickle	Deputy Chief Executive – Immigration Group	04 915 6596	027 436 4795	nigel.bickle@dol.govt.nz
Louise Hamilton	Executive Assistant	04 915 4093	021 707 221	louise.hamilton@dol.govt.nz
Policy and Research Group				
Jeremy Corban	Deputy Chief Executive – Policy and Research Group	04 915 4180	021 221 4192	jeremy.corban@dol.govt.nz
Sue Reardon	Executive Assistant	04 915 4181	027 472 7900	sue.reardon@dol.govt.nz
Legal and International Group				
George Mason	Deputy Chief Executive – Legal and International Group (Acting)	04 915 4053	027 243 0536	george.mason@dol.govt.nz
Latisha Aranga	Executive Assistant	04 915 4079	None	latisha.aranga@dol.govt.nz
Barry Smedts	Registrar, Immigration Advisers Authority	09 925 8710	021 228 3896	barry.smedts@iaa.govt.nz
Executive Group				
Geraldine Woods	Deputy Chief Executive – Executive Group	04 913 8010	021 437 152	geraldine.woods@dol.govt.nz
Dianne Larking	Executive Assistant	04 915 4064	027 225 5338	dianne.larking@dol.govt.nz
Business Services Group				
Craig Owen	Deputy Chief Executive – Business Services Group	04 915 4663	027 231 3872	craig.owen@dol.govt.nz
Lee Shun Wong	Executive Assistant	04 915 4578	021 318 910	leeshun.wong@dol.govt.nz



Staff

As at 30 September 2011, the Department employed 2,137 full-time equivalent (FTE) staff.¹⁹ Figure 5 shows the distribution of staff across the Department's groups.

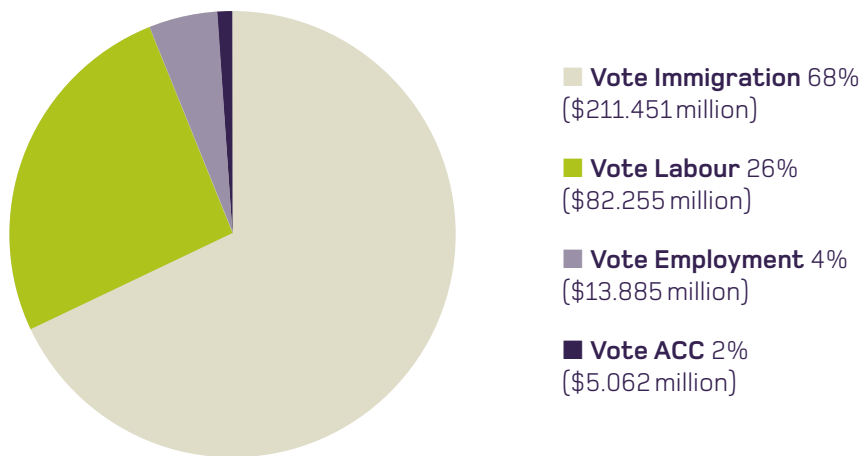
FIGURE 5: DEPARTMENT OF LABOUR FULL-TIME EQUIVALENT STAFF BY GROUP (AS AT 30 SEPTEMBER 2011)



Funding

The Department's annual appropriation (\$312.653 million as per the October Baseline Update 2011) is spread across four Votes (see Figure 6 and Table 2).

FIGURE 6: DEPARTMENTAL APPROPRIATIONS BY VOTE (AS PER THE OCTOBER BASELINE UPDATE 2011)



Note: Approximately half of departmental funds are derived from fees and levies.

19. The number of FTEs excludes vacancies and staff on leave without pay, but includes offshore locally paid staff. The State Services Commission cap for the Department is 2,024 FTEs. The cap includes onshore FTEs and active vacancies, and excludes offshore locally paid staff. For commission reporting purposes, the Department had 1,895 FTEs as at 30 September 2011.



TABLE 2: DEPARTMENTAL APPROPRIATIONS FOR OUT YEARS (AS PER THE OCTOBER BASELINE UPDATE 2011)

Vote	2011/12	2012/13	2013/14	2014/15
	\$ m	\$ m	\$ m	\$ m
ACC	5.062	2.850	2.848	2.842
Employment	13.885	13.825	13.842	13.789
Immigration	211.451	206.538	206.484	205.467
Labour	82.255	80.650	80.680	80.074
Department	312.653	303.863	303.854	302.172



■ Physical locations

The Department of Labour has offices in the locations shown in Figures 7 and 8. Figure 7 shows the locations of Labour Group offices, and Figure 8 shows the locations of Immigration Group onshore and offshore offices.

FIGURE 7: LABOUR GROUP OFFICE LOCATIONS





FIGURE 8: IMMIGRATION GROUP ONSHORE AND OFFSHORE OFFICE LOCATIONS



INZ BRANCHES •

ONSHORE

Auckland
Henderson
Manukau
Hamilton
Palmerston North
Wellington
Christchurch
Queenstown
Dunedin

OFFSHORE

Apia
Bangkok
Beijing
Dubai
Ho Chi Minh City
Hong Kong
Jakarta
London
Manila
Moscow
Mumbai
New Delhi
Nuku’Alofa
Pretoria
Shanghai
Singapore
Suva
Sydney

MFAT POSTS •

PACIFIC

Honiara
Niue
Noumea
Port Vila
Port Moresby
Rarotonga
Tarawa

EUROPE

Ankara
Berlin
Brussels
Geneva
The Hague
Paris
Rome

AMERICAS

Brasilia
Buenos Aires
Ottawa
Los Angeles
Mexico City
Santiago
Washington DC

ASIA

Seoul
Taipei
Tokyo

OUTSOURCE PROVIDERS •

China
Philippines
India
Russia

Notes: INZ = Immigration New Zealand; MFAT = Ministry of Foreign Affairs and Trade.



