



# 2008/09 financial review of the Department of Labour

Report of the Transport and Industrial  
Relations Committee

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## Contents

Recommendation	2
Introduction	2
Immigration	2
Skills and productivity	3
ACC	5
Industrial relations	5
Appendix A	6
Appendix B	7

## Department of Labour

### Recommendation

The Transport and Industrial Relations Committee has conducted the financial review of the 2008/09 performance and current operations of the Department of Labour, and recommends that the House take note of its report.

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### Introduction

The Department of Labour provides services to the Government in four portfolio areas: immigration, employment, labour, and accident compensation. Its functions include labour market regulation, information, analysis, and forecasting; managing migrant flows and border security systems; skills planning and development; helping to resolve employment relationship issues; and policy, governance, and monitoring advice for the Accident Compensation Corporation (ACC).

In 2008/09, the department received “good” ratings from the Office of the Auditor-General for its management control environment and its financial information systems and controls; however it received a “needs improvement” grade for its service performance information and associated systems and controls.<sup>1</sup> We hope to see a better performance in the latter area in 2009/10, and expect the department to implement the Office of the Auditor-General’s recommendations in the coming year.

### Immigration

#### Immigration New Zealand Change Programme

The department’s Immigration New Zealand Change Programme is altering the way Immigration New Zealand delivers its services. It addresses recommendations from various recent reviews of the organisation, including those from the Auditor-General’s May 2009 report on its inquiry into immigration matters. Work began in 2008/09 on the project, and is planned to continue over the next two years. Appropriation increases of \$3.723 million in 2009/10 and \$2.298 million in 2010/11 have been approved to fund the establishment of a project management office and initial work on this project. We note that, at the time of our review of the organisation, progress had been achieved in a number of areas, including revision and initial development of a new strategy for immigration, the development of a new information technology programme, and a review of decision-making processes and the processing of applications. We intend to monitor progress in the coming year, as the department acknowledged that rebuilding its ICT infrastructure and addressing the remaining recommendations from the reviews will be challenging.

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<sup>1</sup> 2008/09 is the first year that the Office of the Auditor-General has allocated grades for service performance information and associated systems and controls reviewed in the annual audit.

**Business migration policy**

We were particularly interested in the department's business migration policy, and were interested to learn that it has attracted much interest since its recent launch. It changes the procedures for applying to invest in or set up a business in New Zealand and gaining permanent residence. The three former categories for investor migrants are replaced by two categories, with amended requirements for capital, language skills, and time spent in New Zealand annually; and a new Entrepreneur Plus category (alongside the current Entrepreneur category) allows residency to be obtained more quickly if an applicant creates at least three full-time jobs and invests \$500,000 in their business. The department told us that this change will ultimately bring more individuals of high net worth to New Zealand, and is designed to create wealth and jobs in New Zealand and a smoother pathway to residency for business migrants. The investor policy was implemented in July 2009, and the entrepreneur policy in November. We note that the department is focusing its marketing of these policies in the United Kingdom and United States at present. We look forward to observing the results of this policy change over the next 12 months.

**Effect of recession on work for migrants to New Zealand**

We were interested to learn that the department has received more enquiries than usual from migrants who have lost their jobs as a result of the recession. We also note that places in the New Zealand Residence Programme were maintained at the 2008/09 level, and the number of temporary workers admitted to New Zealand in 2008/09 fell as a result of slowing employer demand. The department told us that its main concern when work is scarce is to ensure New Zealanders have the first opportunity to apply for the available jobs. Its migration policy emphasises that temporary migrants must have the capacity to sustain themselves without Government assistance while they are in New Zealand. It has focused on communicating this policy more clearly to migrants, particularly those on temporary visas. We were also told that a number of temporary migrants have not had their permits renewed during the year because of economic circumstances, rather than being made redundant.

However, the department pointed out that New Zealand still has skill shortages in various industries, and immigration helps significantly with filling these gaps. We were told that recent research by the department has affirmed the economic value of immigration to New Zealand; the department therefore seeks a good balance between jobs for New Zealanders and jobs for migrants.

**Skills and productivity**

We asked about the department's progress regarding the New Zealand Skills Strategy. A skills forum was established by the department during the year, and was to meet before the end of 2009, with the aims of improving productivity and determining what skills will be needed for the post-recession economy. Progress on the strategy itself had been effectively suspended by the department because of the recession in 2007/08 and the consequent need to review the department's priorities. However, we were told that funding has been set aside to develop a new action plan once the policy review is complete, and that not all actions in relation to the strategy were suspended. For example, a review of qualifications was undertaken in 2008/09 as planned. We note also that the department's annual report indicates that it continued to work with Business New Zealand, the New Zealand Council

of Trade Unions, and the Industry Training Federation on developing the strategy during 2008/09.

We were pleased to hear that the department has also commenced research aimed at reducing the pay gap between New Zealand and Australia, and completed four private-sector workplace productivity demonstration projects in 2008/09. We note that the department also has a number of practical initiatives in progress to improve productivity, including the Workplace Productivity Agenda, the Skills Insight tool for assessing demand for seasonal labour, and the Auckland Regional Productivity Project. We also learned that the Upskilling Partnership Programme, which was funded for three years, finished at the end of June 2008, meaning that the department promoted upskilling and workforce literacy on a continuing basis but on a lesser scale in 2008/09. It is to publish a report on this subject in early 2010. The upskilling programme sought to raise employers' awareness of literacy, language, and numeracy needs in their workplaces, and find ways for the Government to help employers address these issues. We look forward to seeing the results of these projects when their reports become available.

### **Work for New Zealanders and for migrants**

The department works with industries and with Work and Income New Zealand (WINZ) to understand the job market, specifically the match between available work and New Zealanders equipped to undertake it; and it seeks an appropriate balance between migrants and non-migrants, especially in sectors and industries such as nursing and aged care, where there is a skill shortage in New Zealand.

The department told us it believes that it is important for sectors with skill shortages not to become dependent on overseas labour, and it was working to ensure that this does not happen. For example, during the year under review it held workshops examining ways to meet the workforce needs of the aged-care sector, and implemented a regional Seasonal Work Marketplace to coordinate seasonal work demand with available opportunities. The department believes that this initiative will provide employers with direct access to sources of labour, and allow student job-seekers easier access to job opportunities over the summer. The department informed us that it is very careful to ensure that the importation of labour in certain industries is not used to reduce the wages or conditions of workers, particularly in low-paid jobs. We were interested to hear that the Minister of Social Development and Employment is eager for the department to develop long-term programmes to fill vacancies in the aged-care sector in particular, and look forward to monitoring any progress on this in the coming year.

### **Improving outcomes for Māori**

We asked the department how it was improving labour market outcomes for Māori, and learned that it has a strategy specifically for this purpose. The Māori Strategy 2008–13 focuses on improving workforce and business development. We were interested to learn that the department will publish shortly a report it has prepared with Te Puni Kōkiri about the current risks and opportunities for Māori. We were told that such a report is published with Te Puni Kōkiri annually, and we look forward to reading this particular report when it becomes available.

## **ACC**

In 2008/09 the Government began a substantial stocktake of ACC's accounts with the aim of improving the organisation's performance and value for money. We note that this involves a stocktake process. The Labour members asked whether the stocktake involved policy work on privatisation of the ACC accounts, and the department noted that was one of the elements of the stocktake process. The department also considered the impact of proposed changes to the scheme on the health and social welfare system. The department told us that there have always been questions about where injury costs should be met; specifically, whether ACC or the public health system should attract these costs. It is concerned about cost-shifting in either direction, and is seeking to establish a firm principle regarding the most appropriate place to allocate these costs. We intend to monitor the progress of the review, and look forward to reading the stocktake group's report when this becomes available.

Labour and Green members are concerned that the Government's proposed changes to ACC may be undermining the principles of the scheme; but the department told us it has not provided the Government with such advice. However, the department said it is discussing with the Minister issues contained in the Injury Prevention, Rehabilitation, and Compensation Amendment Bill and the terms of reference of the stocktake; these discussions with the Minister have been premised on an ACC scheme continuing to operate.

## **Industrial relations**

We asked what advice the department had given the Minister of Labour on possible changes to industrial relations processes. We learned that it has discussed generally with the Minister possible modifications to personal grievance processes, but has not provided any specific advice on this matter. However, the department told us that it does have discussions with the Minister about issues stakeholders are raising about these processes. The department also told us that it keeps the Minister aware of any large-scale industrial action or disputes, but does not provide the Minister with specific advice on them.

We also explored the rationale behind the Employment Relations (Rest Breaks and Meal Breaks) Amendment Bill, currently awaiting its first reading, which would amend the Employment Relations (Breaks, Infant Feeding, and Other Matters) Amendment Act 2008. We were informed that the bill is intended to provide a more flexible and less prescriptive approach to rest and meal breaks, as some workplaces have had problems implementing the Act regarding, for example, employees in sole charge positions, or work that cannot safely be interrupted. Air traffic control workers have had highly publicised difficulties conforming to the Act.

We were told that the department had not seen a significant rise in employment relations cases in mediation or before the courts as a result of economic-downturn-related redundancies, although enquiries about redundancy and restructuring processes had increased significantly. The department also told us that it had not seen an increase in absolute terms of people taking employment relations cases to mediation or the courts. However, it noted that the economic situation has increased the pressure on where disputes have arisen, affecting for example employers' preparedness and ability to make financial settlements, and employees' interest in seeking compensation or reinstatement.

## **Appendix A**

### **Approach to financial review**

We met on 19 November and 10 December 2009 and 28 January 2010 to consider the financial review of the Department of Labour. Evidence was heard from the Department of Labour and advice received from the Office of the Auditor-General.

### **Committee members**

David Bennett (Chairperson)  
Dr Jackie Blue  
Carol Beaumont  
Darien Fenton  
Jeanette Fitzsimons  
Hon Tau Henare  
Moana Mackey  
Allan Peachey  
Michael Woodhouse

### **Evidence and advice received**

Department of Labour, *Annual Report 2009*.

Department of Labour, Response to financial review questions for the year ended 30 June 2009.

Department of Labour, Response to additional financial review questions for the year ended 30 June 2009.

Department of Labour, *Statement of Intent 2009–2012*.

Office of the Auditor-General, Briefing on the Department of Labour, dated 19 November 2009.

Organisation briefing paper, prepared by committee staff, dated 17 November 2009.

## Appendix B

### Corrected transcript of hearing of evidence of 19 November 2009

#### Members

David Bennett (Chairperson)

Carol Beaumont

Dr Jackie Blue

Darien Fenton

Hon Tau Henare

Moana Mackey

Allan Peachey

Michael Woodhouse

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Blake I am Chris Blake, the Secretary of Labour. On my right is Craig Armitage, who is the Deputy Secretary for Workplace. To my left is Andrew Annakin, who is the Deputy Secretary of Workforce, which is immigration. Brian Sage is the Deputy Secretary of Corporate. I will introduce a couple of other Deputy Secretaries. Graeme Buchanan is looking after the Executive Branch at the moment. George Mason is Deputy Secretary of Legal and International. That is the team and there are one or two others in support. They can introduce themselves if they need. If you are comfortable, I will speak relatively briefly.

I want to give you a bit of an overview so that you can get a sense of how we think we have done over the year. Of course, the really big thing for us is the recessionary economy. The contraction of the world economy has obviously had an impact on New Zealand and its labour market, as we know. Our perspective on this has been to focus on strategies that are trying to help limit job losses and to stimulate the labour market. That is, I guess, a reaction to that environment. We are obviously trying to minimise, where possible, the immediate social and economic impacts of the recession. One of the things that is really important is to recognise that that will not go on forever, so you need to make certain that you can position, particularly in the labour market position, to ensure that you can take advantage of the recovery when it comes. In that environment, the labour market is one of the foundations of economic growth. There are others, but it is a critical one.

Just some of the highlights over the year; the way that we think about the department is under these four intermediate outcomes that we have, which group our votes in different ways. The first outcome is about our place in

the world. Vote Immigration in particular contributes, but there are some from Vote Labour.

The critical activity there over the year has been putting together what we call the Immigration Change Programme, which is an absolutely comprehensive response to the operating environment that we all know we've been facing in the immigration area. It has four work programmes in it, and within that there are about eight large projects. Just broadly speaking, one of them is a stream around strategies, so there is work going on around revising and creating a new strategy around immigration, and work is going on with the Minister of Immigration on that.

We have also done a lot of work to actually create an environment where we are able to measure the quality of decision-making, so there's a measuring what matters stream, which is quite advanced. I can talk a bit about that later if necessary. There is another stream around tools. You will be familiar with the fact that our information technology is 15 years old, so we have been trying to find ways to actually develop a programme that we can implement that also takes account of the fact that there are huge restrictions on the availability of capital and so on to invest here. Another important tool is the Immigration Act, which you will be familiar with, which has now passed into law.

There is a people stream, so that is training and capability development. There is a business process stream, and at the moment, we are making really good progress on a process review, which is actually looking right at the heart of the process of decision-making and processing of applications to find some efficiencies and improvements there. In the Vote Labour area, we continue to be active in our contributions that New Zealand makes in the International Labour Organization, attending and supporting our involvement in the International Labour Conference. That is broadly what is happening in the first outcome.

In the second area, which is our workplaces, we have Vote ACC, Employment, and Labour. There a number of things there. There are some labour market initiatives with legislative changes that have come into effect in April of this year. There is the 90-day trial period, which you will be familiar with, allowing some employers to trial new workers. There have also been changes in the health and safety and employment regulatory environment to protect young contractors. We are also working the review of the Holidays Act 2003.

There has been some other information, tools, and things we have developed. One is a web page, which is 'surviving tough times'. It is providing information on business basics, productivity, restructuring, redundancy, and so on. Again, that is part of the contribution we are trying to make to actually deal with the environment that we are in.

The third outcome is around our workforce. It is Votes Employment and Immigration. There are a couple of things there. Our skilled migrant marketing programme has built a pretty big database of prospective skilled migrants. There are about 67,000 on that at the moment. We have made more than 15,000 linkages to prospective New Zealand employers. That is, again, an important piece of information to keep in front of us. We have also been operating the seasonal employment scheme over the last year. Over 7,000 people came in under that scheme. Currently we have 133 RSE employers identified.

There are some other tools that are in place. The skills insight tool is one that I just identify, which looks at workforce skill flows and levels, and it predicts what our future demands might be. The final outcome just around our people, again, all of our votes contribute to that outcome. There are a couple of things there. There is a Employment Relations Amendment Act, which you will be familiar with; so putting some flexibility into working arrangements for those who have the care of others. We have done work and continue to do work with the Mayors Task Force For Jobs, and we are involved again in providing and supporting a number of action plans there. We've made quite significant progress on the Injury Prevention, Rehabilitation, and Compensation Amendment Bill; and this committee is familiar with that. We are very active and have been subsequently in supporting some of the outcomes from the Prime Minister's summit on employment.

Looking broadly at our performance over the year, obviously we have come in under appropriation by about 4 percent. Our expenditure over the year is about \$289 million. We have achieved 89 percent of our 241 performance measures. Some of the measures were affected by the change in Government, where programmes were discontinued or work programmes adjusted.

The challenges, without going into them in too much detail continue to be managing the implementation of recommendations from a raft of reviews in immigration. There are 18 or so going back about 4 years. We have all of them in a managed programme, and three of those major reviews were conducted during the year under review. Again, all of those are being addressed through a managed programme, including the Immigration Change Programme, which actually is targeted on a number of them. I think it is really important to note that these reviews have found that Immigration New Zealand is fundamentally sound. Its staff are hard-working and committed, but they have identified a range of issues, particularly operation and leadership issues, that need to be addressed, and that is where our focus is.

The department as a whole is continuing to work on its base systems. I have talked about that in this forum before. We have strengthened some of the things that we do internally. We created an Executive Branch over the year, which brought together some of our assurance processes and got them

focused on the department doing the best job it can in terms of the quality of its work. That work is ongoing. We continue to rebuild our ICT infrastructure, which will take a little longer yet.

You will be familiar with the conditions in the labour market. I said at the outset that the recessionary economy, the international economy, has caused problems. We are still seeing a weakening in the labour market. The latest quarter's figures show that unemployment has continued to grow, so that is up to about 6.5 percent. That's a 9-year high. We can take some comfort that as far as the OECD is concerned, we are not faring too badly, but that is no comfort for those who are actually out of work. That will continue to be an issue. There is an expectation, as you know, that unemployment will continue to rise through into the middle of next year.

Just to conclude, I am pleased with the progress that the department has made over the past year. We still have an awful lot to do and we recognise that. The operating environment means that the demands to improve our services with limited resources, basically will continue. We know that the Government is projecting ongoing deficits, possibly for as long as the next decade. We have done quite a lot of work in reviewing and reshaping what we do. We have about 12 value-for-money projects running, which are of various sizes and look at all of the things that the department does. We expect that there will be a number of changes over the next few months as we streamline and improve the way we use the resources we have. I will conclude there, but there is much else I could say. That is just a broad overview.

Bennett I would just like, on a personal level, to thank you, the department and all the people you represent. This has been a very tough year in areas that you have to deal with particularly. You have risen to the challenge as much as we can as a country. I just wanted to pass on our thanks for that. I know locally in my electorate, the help that we get through Immigration New Zealand and WINZ is exceptional. They are outstanding departments and do a great job in our area. Your staff on the ground are doing wonderful jobs, so thank you for that. I will open up for questioning.

Henare Page 11 of the annual report talks about immigration research. Can you send over to our committee that block of research you did on the impacts of immigration on our economy?

Blake The recent one? This?

Henare Yes, the most recent one—I suppose it's the most recent one.

Blue That recent research was really interesting. It showed that we need both unskilled and skilled migrants. Will that piece of research influence policy, and how can you see it happening?

Blake The research that you are referring to also, I guess, demonstrates New Zealand's ongoing dependence on immigration for building a productive

workforce. I think the other thing that is apparent from that is that the ongoing skill shortages actually mean that whatever the economy is doing, you will need to continue to maintain your policies around skilled migration. And it is demonstrating, I guess, that you will also need to maintain inflows in less-skilled areas as well. Andrew can talk a little bit more about how that is affecting current policy settings.

Annakin I think amongst other things, this research has shown that if anything it has reinforced the economic value to New Zealand of migration. That is its main focus. I think Governments now and in future will need to think about that in terms of social inclusion, the make-up of our society, the infrastructure loads for that. But there is no doubt that migration will remain a major economic instrument for New Zealand. Certainly over recent years, before the recent recession, yes, there was a growth of interest in semi-skilled or unskilled migration as well, whereas previously, it was mainly in the skills space. But that research will, I believe, be very powerful for Government in terms of immigration policy. Governments need immigration policy to make sure they get the skills that they want at that particular time whilst also taking the longer view. So I think it will be quite a powerful piece of research for Government.

Blue Can you give me an update on the business migrant policies that were released earlier this year; categories 1 and 2 numbers have applied.

Annakin Yes, those policies have really just been launched. They are pretty brand new. The initial investor policy, as I recall, came out in late July and the next tranche comes out at the end of this month. But, yes, it is fair to say that there has been high interest in those. We have been quick to promote them, through our Magnet Programme in particular. We have been working very closely with other agencies. MED and NZTE have been very careful to recognise that New Zealand does punch above its weight, but we have to be careful where we put our marketing emphasis. So we're working in particular in the US and the UK, with those other agencies. So at this point in time, it is fair to say there is high interest, and we have had a couple of recent approvals, which is really pleasing. I do not want to overcook it in terms of interest turning into actual investment in New Zealand, but it does seem to be very positive, so I am really pleased with it.

Woodhouse I think you are understating the levels of interest. They've been quite spectacular haven't they, by any measure?

Annakin It depends which numbers you use. There was a number quoted in a paper of 12,000. That is the number of people from the Magnet Programme who have registered interest in looking at these additional policies further. That is not quite the same as putting in a full-blown expression of interest or qualifying under the criteria.

- Woodhouse So my question is more hypothetical then, but I think it is still relevant. Do you foresee demand needing to be controlled in order to smooth a path for business migration if that interest translates into real applications?
- Annakin Again, it is hard to say, because the policies have literally just begun. We do have a cap of 300 in that policy.
- Woodhouse So there is a cap—sorry. Sure.
- Annakin We are way short of that. I guess the value of the new policy is that not only does it bring in high net worth individuals; the entrepreneurship element of that, I think, which has the ability to create jobs and create real wealth in New Zealand. Even one or two approvals in that policy will have an impact on the economy.
- Blue With the entrepreneur category, which was quoted as 12,000, are these people already in New Zealand? Do they have businesses and they are applying for residency?
- Annakin Yes.
- Blue What is behind this high level of interest, do you think?
- Annakin It is a smoother pathway to residence for those people. I think the anecdote that I have received back suggests that it is cleaner—that they can see the end of the road a lot more, and that is encouraging them to invest more. I think the barriers in the past that were perceived were that: “Yeah, sure, I can bring money here. Yeah, sure, I can invest. But do I get to stay?”.
- Blue It is a bit of a faster track route to residency.
- Blake Fewer impediments, language requirements, and so on.
- Fenton I want to continue on immigration. We have quite a few questions actually, but just following on that, at the other end of the immigration market, we were quite troubled by the announcement this week about low-income work permit holders having to pay international student fees to send their children to school. I just wondered where that figure came from and what advice you gave to the Minister around that general issue?
- Annakin That particular policy has been in development for some time. In fact, that policy idea was actually developed under the previous Government. It is important to say that for people that are here in New Zealand currently, the terms under which they came here will be maintained. This is a policy that will affect new applicants. The choice of the number is moot. It is less than what most families would earn in New Zealand. It is a figure that is really about addressing the potential burden, and making sure that families who come here to work can demonstrate that they have enough to sustain them in New Zealand. That is the basis of the policy.

- Fenton So the purpose is to try to prevent low-paid migrants coming here and bringing their children? Is that the purpose?
- Annakin No, it is to ensure that migrants who come here with their children do not impose an undue burden on the scarce resources that are here for other New Zealanders to use.
- Fenton I can't get my head around that.
- Annakin It is exactly the same as in the medical space where we welcome migrants here, be they tourists, workers, or students. We expect them to provide for themselves, and certainly with students, for example, we require them to have health insurance. While accidents happen and temporary visitors here can access the health system, it is important that they are not an undue burden on the health system. It is the same in the education space, too.
- Fenton Have you done any research on the figure of \$33,675 and how many migrants currently earn less than—I hear what you are saying about current migrants, but in general, how many people it would affect?
- Haines I think we need to come back to you on that. The figure of \$33,000 was based on what is reasonable to expect people to need in order to manage living costs if they have a family. So we had to look at benchmarks with other agencies, for example, with some of the Ministry of Social Development's data. I think it is important to clarify that that requirement applies to low-income temporary migrants. People who are here as residents qualify for social assistance and the general approach in immigration is that temporary migrants do not qualify for much of the things that residents do. That is a distinction. It is just to make sure that people in that group do not get into financial trouble. The majority of people in that temporary work category would not be bringing dependants to New Zealand, but there definitely will be some, and we can come back with some estimates.
- Fenton Has the Deputy Chief Executive of Immigration position been filled yet?
- Blake Yes, it has been. I made an announcement, I think last week, of the appointment. The position will be taken up by Nigel Bickle, who is a Deputy Secretary in the Department of Building and Housing. He will take up his responsibilities at the end of January next year.
- Fenton Could you provide us some information on the cost of searching and filling that role?
- Blake Yes, I am happy to do that.
- Fenton Do departments track information about migrants who come here on work permits or work-to-residence permits who get made redundant? They come here in the skilled migrant category. Do you track migrants being made redundant?

- Annakin When you say “track”, I mean, obviously we deal with them in terms of their permit applications. Are you wanting some statistics?
- Fenton Have you had any complaints? Have you been getting any complaints from migrants, or a greater number of inquiries about migrants losing their jobs, being made redundant?
- Annakin Yes. Certainly since the recession began, since we had to not renew or issue new permits to temporary migrants who have lost their jobs. They will have been disappointed by that, of course.
- Fenton How do you deal with that? How does the public deal with that situation? Workers are laid off with no redundancy pay, and they face having to go home and find a job in the same category.
- Annakin In the first instance, the people who come here to work are expected to sustain themselves. They are expected to have the wherewithal to return home after temporary entry. That is the expectation. I think it is also fair to say that the department wants to be as flexible as possible in such circumstances. We work very closely with Work and Income in terms of available work and available, suitable New Zealanders. I think it is fair to say that we have really improved that process since the recession began. We now have a much better connection between what Work and Income understands are available workers and what the skills of migrant workers are. For example, we work very closely with the tourism industry recently to make sure that when migrant workers are facing an expiry of a work permit, we build a good period of time in there for them to consider their options, and for their employer to be aware of whether the permit can be renewed or not.
- At the absolute end of the scale, if a removal is required, there is an ability to be flexible around how and when that occurs. I mean, we are dealing with people whose expectations are disappointed. There is no way around that, but we are trying very hard to be sensitive and humane to those issues. But ultimately, our responsibilities are to ensure that New Zealanders always have first opportunity to obtain work. That is what drives us in the temporary space.
- Fenton One of the complaints I hear frequently from people who have lost their jobs, migrant people on work permits and work-to-residence, is that they were attracted to New Zealand by our advertising—particularly on the website, about how wonderful a place it is to come—and believe that they were coming to build a new life. Do you think that is a bit misleading? Have you checked the website lately about what you say?
- Annakin I recall similar criticism on our New Zealand Now website, several months ago, and we changed that. There was an expectation, as you say. I think we need to be really careful in this territory, because, despite the recession, New Zealand still has marked skill shortages in a number of areas. It is

really important that we do not give any sense that New Zealand is closed to migrants. We are very sensitive to criticism of New Zealand closing the door on migrants. We work really, really hard to ensure that work is available for people, and that is why we work closely with Work and Income. As I said, we have got a lot better between us at making sure that we are talking about like jobs, in essence, and that where skilled migrants are here and there truly is work available for them, they are not denied access to that.

Also, it is fair to say that I think the recession and the impact on migration came on all of us quite quickly. We did come out of a period, quite frankly, where temporary workers probably did have a reasonable expectation of continued permit issuing. We have changed a lot of our language now. We are very, very clear to migrant workers that temporary literally means temporary, and that they should not have an expectation. We have changed all of our communication with them. We now have a process of communicating with migrant workers a lot earlier than we might have done in the past. I think our mechanisms have improved to the best of our ability. Ultimately, temporary does mean temporary, and Kiwis must come first in terms of job opportunities. That is the hard reality of the current economy.

Peachey I want to go back to my colleague's original question. Can you confirm for me that the decision to charge low-income migrants fees for their children was work initiated under the previous Government?

Annakin Yes.

Peachey So it's just a continuation of policy?

Annakin It is a continuation of a need to address that issue.

Peachey And the thrust of the policy isn't so much to restrict immigration but to limit the liability for the taxpayer?

Annakin It actually starts from the actual strong desire for migrants coming here to be able to sustain themselves and not create an additional burden on New Zealand. It is a double-sided thing. First, they must be able to sustain themselves, and then there is the burden on New Zealand. So, yes, there is a definitely a taxpayer protection in there.

Peachey I heard a claim made in the House yesterday that unemployment in Hawke's Bay is amongst the highest in the country. Does this mean that Hawke's Bay will be able to meet the demand for workers in the orchards and packing houses without relying on migrant labour this year?

Annakin Again, we work very closely with Work and Income on that very issue at quite a low regional level. There will right now be quite an intense conversation going on between us and Work and Income for that very question.

Woodhouse I want to go back to the question Darien was asking around skilled migrants and temporary visas, because what I have seen is actually the opposite—people who haven't lost their jobs but whose visas are not being renewed. You yourself said that despite the recession we still have some shortages in areas. One that springs to mind is nurse-aides, or caregivers in aged care, particularly on night shifts, and the fact that these rest homes are simply not able to get New Zealanders to work these jobs. What changes, if any, has Immigration made to make sure that the process is proactive and nimble? You talked about communicating with migrant workers sooner. Can you just give me a sense that Immigration know what is going on in the workforce and are responding quickly to it? Because I am not getting that at the moment.

Annakin I would certainly be interested to perhaps review any specific cases or concerns that you have, because at the end of the day, the decision is made at a very local level based on the available circumstances. That will be different for all parties. What I will say to you is that we as a department have a very good feel for the labour market in New Zealand at quite a granular level. In terms of employment we work hand in glove with Work and Income. We have a common data-sharing portal, and our regional managers work very closely with regional WINZ.

The other side of the coin is that we work increasingly with industry as well. So in the aged-care sector, for example, I personally had meetings with aged-care representatives and I know that our operational staff work closely with the aged-care sector. The aged-care sector, as you point out, is an interesting space in terms of nurse-aide workers for example. That is an area where we have also been liaising with the Nurses Association, in terms of registrations requirements and professional standards, and so on. That is also an area where, whether New Zealanders are quite prepared to do the work or not, if there is available work and people are available to do the work, then that is where WINZ come into the picture. It is getting that balance right, as I keep saying, between the needs of New Zealanders seeking work and the needs of industry to have suitable labour for its purposes.

Bennett I think what Michael Woodhouse is saying is that what we get coming to our offices are the individuals and also the businesses saying: "We actually want these people.", and that they've been here for a number of years. Maybe WINZ needs to be more aware of the employer's desire to actually retain somebody that they know might—that on paper may be able to be filled by somebody else, but those inherent work-abilities that an individual holds is something that only the employer would know. We find it difficult to go into the bat and get the success in those cases that, say, a year ago we had a bit more luck in getting success.

Annakin I do understand the issue

- Bennett That is something that is out there. They are pretty genuine cases. It is just that they need a bit of freedom on that sometimes.
- Beaumont I have a supplementary question on that. The other side of the equation, of course, is the New Zealand labour market. I'd be interested in how you respond to this, because there are a number of sectors, and that is one where there has been some ongoing and quite long-term issues about people working in the industry because it is low-paid, hard work, with very little career opportunities. I am interested in how the department manages to balance the ongoing clamour, if you like, to import labour into an area like that against the need to ensure that you do not artificially hold down wages and conditions in that area.
- Annakin I totally agree with that, as well. This is the balance that we have. In immigration there are always two sides to the story. That is the harsh reality of immigration. Certainly in the low-paid area, around the minimum wage territory, we are very, very careful to make sure that the importation of labour is not used to drive down costs or lower the bar.
- Blake There is a broader labour market view, which is work that goes on Monique Dawson's area. Monique might like to talk a little bit more about that.
- Dawson We've actually got a major engagement under way with the aged-care industry. We released a large report this year, which was an analysis of the future needs of the industry. It is an unsustainable industry from a range of perspectives. They need basically three times as many workers in the industry in the medium to longer term just to keep it operating in the way that it currently is. That is obviously not going to happen if the conditions don't improve.
- We have a working group set up with the industry. In some respects, it is easy in New Zealand because on the provider hand it's represented by a small number of major providers of services, so we can get them in one room and talk to them. But if we have any of those major employers not participating in the conversation, you don't really have a sector. So it has taken quite some time for us to feel that we have a representative group to starting having this conversation with. Obviously, because public funding is a major part of the equation when you think about the conditions in the sector, it is quite sensitive to start talking about how the funding that comes through the public purse also influences some of the conditions in the sector, so we are involving our colleagues, obviously in the Ministry of Health, about a longer-term, more sustainable plan for the industry.
- What we don't want to see happening in 5 to 10 years' time is that we are completely dependent on bringing in people from overseas to fill these jobs. The Minister for Social Development and Employment is very keen for us to work closely with Work and Income on developing longer-term training programmes for the long-term unemployed or, potentially, mums who can do part-time work, so that they can start looking at filling some of these

jobs in the aged-care industry, when we know that they're always going to be on the skills shortage list, so how can we think about putting some extra investment in people inside New Zealand so that they can take up those jobs in the medium-to-longer term. We are attacking this on a range of different fronts, so that over the next few years we might be able to see some change in attitudes in the industry, so that it can become more sustainable.

- Blue Talking about the aged-care sector, and foreign trade and health professionals; can you confirm this. I read a report recently that the Nursing Council had moved the position on Filipino nurses; having developed registration, and now they can work in DHBs as a way to get registration.
- Annakin I recall something similar. Sorry, we can get some more information on that.
- Blue Yes, I just thought that move was a good thing.
- Annakin Certainly, we have put a lot of work into registration boards and getting them to understand the importance of getting registration right, but also facilitating skilled migration.
- Blue Thank you very much.
- Fenton Moving on to ACC, if we can, what advice has the department given to the Minister for ACC in regard to motorcycle levies?
- Blake We haven't given our specific advice yet.
- Armitage The process is that the ACC Board consults publicly on its view on levies, and this year that includes levies for motorcycle registration. The department gives independent advice, which we haven't done.
- Fenton When do you do that?
- Armitage We expect to do that next month.
- Fenton Once the consultation has come back. Has the department looked into or provided any advice to the Ministers on the cost of impact of the ACC changes on to Health or the MSD?
- Armitage Part of the terms of reference for the stocktake of ACC accounts, for which there is an independent group established, involves looking at those particular issues. So that is actively being considered by the stocktake group, not by the department.
- Fenton That is in the terms of reference?
- Armitage It is part of their programme of work—to look at both of those interfaces with health and the welfare system.

- Fenton There is already some cost-shifting going on, isn't there. It will be a while before that stocktake report is complete. How is that being dealt with at the moment?
- Armitage: I think over the last few years there have always been issues, particularly between the ACC scheme and the health system, in both directions around where is the most appropriate place for a particular health-care cost to be met. Is it by ACC levy payers or is it by the public health system.
- Woodhouse Would it be fair that the Department of Labour's ACC section are far more concerned about cost shifting from health to ACC and its impact on the non-earners account, and subsequently Vote ACC, which blew out by \$305 million alone in the last financial year?
- Armitage I think our concern has been around cost shifting in either direction and trying to establish a principle of where is the most appropriate place for a particular sort of health care to be met from. I think people will provide examples of cost shifting in both directions, including from the health sector to ACC.
- Fenton What advice has the department provided on whether there should be changes to the treatment injury account?
- Armitage We haven't provided any active advice at this point. Again, the structure of the accounts is within the scope of the working stocktake group.
- Fenton Is the department conducting any policy work on privatisation of ACC or the ACC accounts?
- Armitage The only work we have done in that regard is to assist the Government to set up the stocktake process. That is one of the elements of the stocktake work.
- Fenton So you haven't given any advice on privatisation either way? You might not know this but what advice did the department provide to the previous Government on the impact of opening up the scheme to private insurers in 1998-99, and if you don't know off the top of your head, could you provide that for us?
- Armitage So, this is advice to the Government to 1998-99? I can't paraphrase it but, obviously, the department was actively involved in assisting the Government of the day to establish competition.
- Fenton Is there information that we can access around that?
- Armitage Well, there're huge volumes of information. So, particularly, you're interested in the department's advice on—
- Bennett I think we need to concentrate on the financial review.

- Buchanan Your question was about our advice to the previous Government.
- Fenton Yes, that's right.
- Buchanan So the dismantling of privatisation.
- Fenton No, no, in 1998-99.
- Bennett I think you have to—this is a financial review.
- Fenton Has the department at any time provided advice to the Government that any of the changes to ACC that it has investigated undermined the principles of the ACC scheme?
- Armitage No, we haven't given advice of that nature.
- Fenton Has advice been sought?
- Armitage We have been actively discussing with the Minister both the bill, which this committee is considering, and the terms of reference in the approach of the stocktake. Both of those are operating within the framework of an ACC scheme continuing to operate.
- Henare Your annual report on page 21 has got a 10-liner headed: "Improving labour market outcomes for Māori". At the risk of sounding facetious is that the sum strategy of the department's strategy on increasing or improving labour market outcomes for Māori? I mean, do you have a strategy; if so what do you have?
- Blake Well, yes, the department does have a Māori strategy, which is focused on improving labour market outcomes for Māori. We can provide you with a copy of that, and there is some work sitting in behind that.
- Henare I was interested because the statement on the page 21 in the annual report was sort of—I think it might have been just put there to fill up a—
- Blake No, it is specifically referring to a tool that we've developed. But there is also a Māori strategy. We will give you that, as well. It is probably mentioned elsewhere in this large document. I am not quite sure where.
- Henare Not that I can find.
- Blake OK.
- Dawson I can probably answer that more comprehensively. We are about to—
- Henare I will wait for the stuff to come, because there are other people who want to—
- Blake OK.

- Dawson We are about to release a report that has been prepared in partnership Te Puni Kōkiri, which is looking at the particular risks and opportunities for Māori at this point in time. We do that on an annual basis. So that possibly will be in a form that we can provide a copy of that, as well.
- Henare Yes, but I would also like the strategies as well.
- Blake We'll do that.
- Beaumont I want to look at some of the areas around skills and productivity. I'm interested in knowing what changes if any the Minister of Labour has sought in relation to the New Zealand Skills Strategy and its implementation?
- Blake Some work has been done to create a Government focus around that. A skills forum has been created, and we are doing the early work in setting that up. I will get Monique to talk a little bit about the detail.
- Dawson There is a meeting due next month, which will be the first meeting of the new revitalised skills forum. It will be expanded slightly in scope from the previous skills forum, because we're now thinking about the skills that are needed for the new economy that is emerging out of the recession. The membership is proposed to be extended as well, but people have not yet been invited, because we're in that process at the moment. What the forum will be asked to do is look at the actions from the skills strategy that have continued throughout this period. There is some work that we want to continue with to pursue through the revitalised skills forum, as well as thinking about some new areas of focus, which might be supporting the tertiary education strategy, for example, to think about how we can ensure that industry is able to engage actively with the new tertiary education strategy and influence the spend of money through the tertiary education system on industry training.
- Beaumont You talk about the work that has been ongoing through the period. It seems to me to have been quite strangely silent around the skills strategy. So I wondered what sort of delays—because there have been delays, obviously, in implementing the skills strategy which was launched. What are the consequences of those delays in terms of things that have not happened over the last, say, 6 months?
- Dawson The skills action plan that was announced during 2007-08 did, in fact, continue. We've implemented all the actions under that action plan.
- Beaumont It was 2008, I think, it was released, wasn't it?
- Dawson Yes. And there were some particular actions under that which during the recession no longer became a priority for the people who were implementing the actions. That wasn't the Government; that was the people involved on the ground. In some of the regions, for example, the focus on productivity and management skills is not a priority when they were

worrying about what was happening with unemployment and the like. Other actions have continued, for example, the review of qualifications, and it, in fact, became a larger review. It started as a targeted review under the skills strategy, but it became broader review of qualifications that was picked up more broadly.

The major impact was that we had received funding that was designed to allow us to go out again during the year and develop a new action plan. Because of the economic cycle and the impacts of the recession, it was felt that it was not appropriate to do that at the time, because we weren't quite sure of what the focus of the action plan would be during the recession. Now, we're quite confident about what we're expecting to see next year. We can think about what we might consult on during the next year.

Beaumont That leads on quite nicely—the actual impact of the recession and economic stimulus packages. I was wondering if the department has done any analysis of overseas stimulus packages that have included investment in skills and workplace learning as part of the actual stimulus package. That is the first part of that question. Have you provided any advice to Government about undertaking similar initiatives as part of the stimulus package here in New Zealand?

Dawson We have from time to time given advice about a range of options that the Government could look at in responding to the recession. As part of that, in different forms, we've talked about whether there might be some interest in thinking about skills. There have been some programmes rolled out, but the main focus has been in sharpening the Ministry of Social Development's focus through their Industry Partnership programme. I talk to my colleagues about their programmes. We worked with our colleagues closely, because they are the frontline, of course, in supporting people to remain engaged in the labour market to move between jobs. We have worked very closely with them around supporting them to ensure that their programmes are well-targeted to the people who are becoming redundant during the recession. That is probably all I can say on that.

Beaumont Just on the productivity side, have you been providing advice to the taskforce headed by Don Brash, and are you getting regular reports from that taskforce?

Armitage No, we haven't had any direct input to that taskforce.

Beaumont OK. That's interesting given that I think one of the features of it is around closing the pay gap with Australia, as I understand that—*[Interruption]* Yes, the Department of Labour might have had something to say on that matter. So have you been providing advice to the Government at all on how the pay gap with Australia may be able to be closed by 2025?

Dawson We have commenced our department research programme, which is looking at that. I think when we previously met with the committee we

talked about the challenge of that, because we would be looking at that 3.1 percent improvement in productivity per-annum to be able to achieve that, and that we will be hoping to use the skills forum to create a work programme which will be looking at that. We would certainly have the view that skills are a primary answer to ways to improve productivity at that level and that it will require a step change, potentially, in some areas, in the skilling system so that we can get that kind of impact.

Beaumont I was curious that one of the areas that seems to have been cut was a reduction of \$2 million in literacy and numeracy training that was undertaken by the department. Can you explain to me why that was cut?

Haines I am probably best-placed to talk about that. The department had a 3-year programme under way called the Upskilling Partnership Programme. It finished at the end of June 2008. It had two jobs. One was to actually encourage and help employers to become aware of literacy, language, and numeracy needs in their workforces, and also to help them understand how they could address those issues. It also had the job of working out what were the effective ways for the Government to assist employers to do that. So it was very much an awareness-raising and effectiveness-evaluation project. That project finished, so the funding for it dropped off.

What the department is now doing is we have an ongoing role in continuing to promote and provide information to employers about workforce literacy, language, and numeracy, and how they might address it. It is at a lesser scale because we are not doing the same sort of level of evaluation. The evaluation work that we have done over the past 3 years, which has looked at a whole lot of different models of a whole lot of different employers doing a whole lot of different things is due to be published early in the new year. We will send results of that then.

Beaumont Sorry, just so I'm clear on the answer. So the cut of \$2 million was as a result of the ending of the upskilling programme and there was no alternative way that you could be using money around literacy, language, and numeracy at the workplace level to use that \$2 million? It seems to me to be a priority, that's all.

Haines We had 3-year time-limited funding for that project. It had a specific research and evaluation purpose. We have ongoing funding of close to \$1 million to continue to work with the TEC and with the employer community to promote literacy, language, and numeracy. We have got a whole range of projects set up in there; for example, we've established a private sector employer champions forum, who are working with their colleagues as employers in promoting this area. We have established work place awards—the first one was held just a couple of weeks ago—and other things of that nature.

- Fenton I wanted to touch on redundancy, quickly—you understand why. Have you seen an increase in the number of mediation or employment relations authority cases around redundancy in the last year?
- Armitage We haven't seen an increase in the absolute number. What we have noticed is that the economic situation has certainly put pressure on where disputes have arisen: on the employer's preparedness and ability to make financial payments; and conversely on the employee's interest in either seeking compensation or seeking their job back. So, yes, it is, but not in a very large sense, numerically. We have seen significant increases in inquiries through the web and on the telephone, from people asking general questions about redundancy and restructuring situations. That peaked earlier in this calendar year, but it still remains higher than it has in previous years.
- Fenton You actually record mediation employment relations cases that relate to redundancy or disputes around redundancy?
- Armitage We could provide a break down of figures, yes.
- Fenton That would be very useful. I wondered, has the department considered doing any research around the cost to business of having to go through the process of disputes around redundancy resulting through mediation or the Employment Relations Authority?
- Armitage Not specifically. As I said, the number of cases in mediation and at the authority that are exclusively related to redundancy situations are relatively small in numerical terms.
- Fenton What work or advice has the department done on possible changes to the personal grievances processes in the Employment Relations Act?
- Armitage At this stage we're in discussion with the Minister of Labour on that subject matter.
- Fenton What advice have you provided to her?
- Armitage We haven't provided any specific advice. We have just had general discussions with her about the range of issues that stakeholders are raising on the way the personal grievance system operates.
- Fenton Are they new concerns that are being raised by stakeholders or are they the same old ones that we've keep hearing for some time?
- Armitage Most of them would have been discussed with her before, on a range of perspectives. The new ones probably would be around the experience of the 90-day trial period and suggestions that consideration be given to extending them to other sorts of firms. That would be different from what's occurred previously.

- Fenton What has happened since the implementation of the meals and rest breaks Act to justify changing it? What has changed? What has brought about the change in legislation that has been tabled?
- Armitage In a nutshell, the difficulties have been in workplaces where sole-charge employees—employees working on their own. In some cases employers and workers have had difficulty coming up with suitable arrangements. That has been the subject of quite a bit of correspondence, primarily directly with the Minister. The department has had a number of inquiries about it, but they're quite small in number. So primarily the issues are around those sole-charge workplaces.
- Fenton So you've had a small number of inquiries. Can you just tell me if there has been any disputes that have gone to mediation or the Employment Relations Authority?
- Armitage I think there have been. The one that has been most in the public arena is the one around air traffic control.
- Blue With the 90-day probation period, since it has come into law, how many employers have taken advantage of it? How many people have been employed under it? How many of those people have translated to permanent jobs?
- Armitage The Department of Labour does not hold and won't hold that sort of information.
- Beaumont Just in the industrial relations area, has the Minister of Labour sought any advice on some of the big disputes that have been happening recently: Telecom, Open Country Cheese, or the Auckland bus dispute?
- Armitage The department keeps the Minister of Labour aware of the pattern of industrial action more broadly, including significant disputes as a matter of course.
- Beaumont Would that also include the Parliamentary Service staff dispute?
- Armitage I would have to look back to see whether that one has been mentioned specifically, but we have a general pattern of keeping the Minister of Labour aware of the progress of those disputes.
- Beaumont Just one thing that I think is an error in your report—unless I've really, really missed something—is on page 40. It actually says that the Employment Relations Education Advisory Committee was disestablished during the year. My understanding is that those people still believe that that committee exists.
- Armitage Yes, that is an error. It hasn't been disestablished.

Bennett      Thank you very much everyone. We appreciate your time. Thank you for your hard work over the last year, and keep it up.