**Getting New Zealanders Working**

**Q. What is Flexi-wage?**

A. Flexi-wage is a wage subsidy programme targeted at people who are at risk of long-term unemployment. The subsidy is targeted and flexible, commensurate to the type of business or the needs of the person being employed.

**Q. How does Flexi-wage work?**

A. An employer discusses with the Ministry of Social Development their hiring or staff retention plans, and how Flexi-wage would make a difference to their business. Ministry staff administering the Flexi-wage subsidy assess someone's need for assistance and whether they are disadvantaged in the labour market to determine eligibility

The Ministry and the employer will then negotiate the rate and duration of the subsidy. The subsidy should reflect the investment necessary to increase participant's skills to the requirements of the position or necessary to retain the employment relationship while the business is able to pivot to the new economic situation.

**Q. Who is at risk of long-term unemployment?**

A. The Ministry of Social Development will take a flexible approach to supporting New Zealanders to retain their job or gain employment. People can be disadvantaged for a variety of reasons including limited skills or work experience, the on the job training required, low confidence, age or other discrimination. The Ministry of Social Development will assess the suitability of the candidate against the requirements of the job.

**Q. What evidence supports the Flexi-wage programme?**

A. Flexi-wage is intended to support New Zealanders long term employment outcomes. Of the 6,700 people who received a flexi-wage subsidy between 1 July 2018 and 31 August 2019, 70% of recipients were not on a benefit as at 22 September 2019.

The Ministry of Social Development’s Cost-effectiveness of MSD employment assistance: Summary report for 2016*/2017*, published in February 2019, rated Flexi-wage as “effective” and having significant positive impacts, with the average investment of $3,785 per participant yielding an average return of $29,686, a benefit cost ratio of 7.8.

**Q. Has the Government made recent changes to Flexi-wage?**

A. The Government recently amended the Employment and Work Readiness Assistance Programme to expand the eligibility criteria for Flexi-wage. This was made as part of an additional $200 million from the CRRF that was invested into strengthening and expanding MSD employment services.

**Q. Why is Labour increasing funding for Flexi-wage?**

A. Despite the programme’s effectiveness, it has not been receiving the funding needed. In 2016/17 funding for Flexi-wage decreased by $10m to $29m.

**Q. What Ministry of Social Development clients are eligible for the subsidy?**

A. A person is eligible for the Flexi-wage subsidy if they are:

* a New Zealand citizen or permanent resident and ordinarily resident in New Zealand within New Zealand’s working age population, and
* disadvantaged in the labour market, and
* at risk of likelihood of long-term benefit receipt dependency, or
* in a situation where the Regional Director or National Manager for a programme has decided that there is a need to provide assistance (in exceptional circumstances).

Recently eligibility was extended to enable Flexi-wage to assist people to gain the skills to obtain or retain unsubsidised employment. This will allow Flexi-wage to assist those at risk of redundancy to retain their employment, provided they meet the other criteria.

**Q. Why is Labour focussing on those at risk of long-term unemployment?**

A. Treasury’s review of the potential impacts of COVID-19 on the wellbeing of New Zealanders, and the associated economic recession, shows that large increases in unemployment in recessions can result in long-term unemployment. This will particularly effect young, Māori and Pacific people.

**Q. How much will Flexi-wage cost?**

A. The direct funding for each placement is negotiable and varies depending on the type of business or the person being employed. Labour will make a one-off multi-year investment of $311m, based on an average of wage subsidy of $7,500 for 40,000 places.

**Q. What employers are able to use the scheme?**

A. Employers can be private employers and community organisations incorporated under the Incorporated Societies Act 1908, Charitable Trusts Act 1957, Companies Act 1993, or Maori Trust Boards Act 1955.

The employer must be solvent and able to pay the first six weeks wages before the first subsidy claim is paid.

**Q. Does the Ministry of Social Development need more staff and resources to process applications?**

A. Yes, Labour has included $10m to enable the Ministry of Social Development to administer the scheme across the country. The Government also recently announced the temporary suspension of a number of administratively burdensome requirements in order to free case managers up to focus on responding to increased demand and getting more people into work. This builds on our investment of an addition 263 employment focused case managers in Budget 2019 and an additional 807 FTEs to support the Ministry’s response to COVID from the COVID Response and Recovery Fund.

**Q. How will employers know to access the scheme?**

A. Labour has included an additional $1m for outreach to ensure business are able to consider whether it is right for them. This will include promoting it through Business Connect, Chambers of Commerce, business.govt.nz, and the Ministry of Social Development’s regional network.

**Q. Are you enabling employers to hire staff they later can’t afford to retain?**

A. The employer must be solvent and able to pay the first six weeks wages before the first subsidy claim is paid. If the employer is only interested in a subsidy because they cannot afford to employ a worker then they will not be offered a subsidy. Part of the negotiation will entail an examination of the business’ plans for its future operations.

**Q. Can an employer hire a person for a short period of time and take up the subsidy?**

A. No, as part of the Ministry of Social Development’s process employers will need to be able to pay the employee for six weeks before the subsidy is paid. Of Ministry clients who received Flexi-wage between 1 July 2018 and 31 August 2019, 70% remained off main benefit as of 22 September 2019.

**Q. Can an employer make a worker redundant and then re-hire them?**

A. No. However through this additional investment, an employer who needs a subsidy to retain a disadvantaged employee permanently while their business recovers from the impact of COVID-19 will be able to seek support from the Ministry of Social Development.

**Q. Can an employer hire multiple Flexi-wage employees?**

A. Yes, however multiple subsidies will only be paid if the business will not be dependent on the subsidies to survive, providing financial support will not give them a significant competitive advantage over other employers in the same industry, and each employee will still have a job with the employer once their subsidy has ended.

**Q. What is the criteria for the Flexi-wage self-employment scheme?**

A. Clients are assessed individually based on disadvantage in the labour market and the quality of the business plan (taking into account a vetting agent’s independent report). Approvals are at the discretion of the Service Centre Manager (or delegated level 4 manager) based on the overall budget available and the circumstances of the client.

**Q. How will you support new businesses being established through the Flexi-wage Self Employment?**

A. The Ministry of Social Development will assess a candidate’s business plan and obtain advice from a business advisor prior to agreeing to the subsidy. The Ministry will also put the candidate in contact with advisory services, such as Business Mentors. Candidates will also be provided *New Zealand’s Small Businesses.* A document setting out the support available to small businesses. This is publicly available at: <https://www.business.govt.nz/assets/Uploads/Documents/Small-business-booklet.pdf>