

1. Portfolio overview: Workplace Relations and Safety

KEY ISSUES

For the Employment Regulator (or MBIE Employment Services), the key issues are the current economic climate which is leading to increased demand for employment and dispute resolution services. This is contributing to increased reports of exploitation and longer wait times for resolution. There are ongoing resourcing trade-offs and prioritisation between services within the Employment Relations Services appropriation. Free and frank opinions

For Workplace Relations and Safety (WRS) Policy, the key issues are resourcing the work programme within baselines, where trade-offs frequently must be made across priorities, and balancing the pace of work with providing quality advice and regulatory stewardship.

WorkSafe are continuing to prioritise the delivery of its services to within baselines. It is going through a significant period of change to align the business to its new strategy and implement new ways of working. While there may be some reduction in productivity through this period of change, it is not anticipated to impact the delivery of core functions and services or the ability to do so within baseline funding.

TARGETS AND PRIORITIES

Government targets

There is an indirect link to *Target 5: Fewer people on the Jobseeker Support benefit* (one of the nine Government targets).

Effective employment and health and safety regulatory systems can contribute to good employment outcomes, which helps to lower unemployment and reduce pressure on the Jobseekers benefit.

Strategic priorities

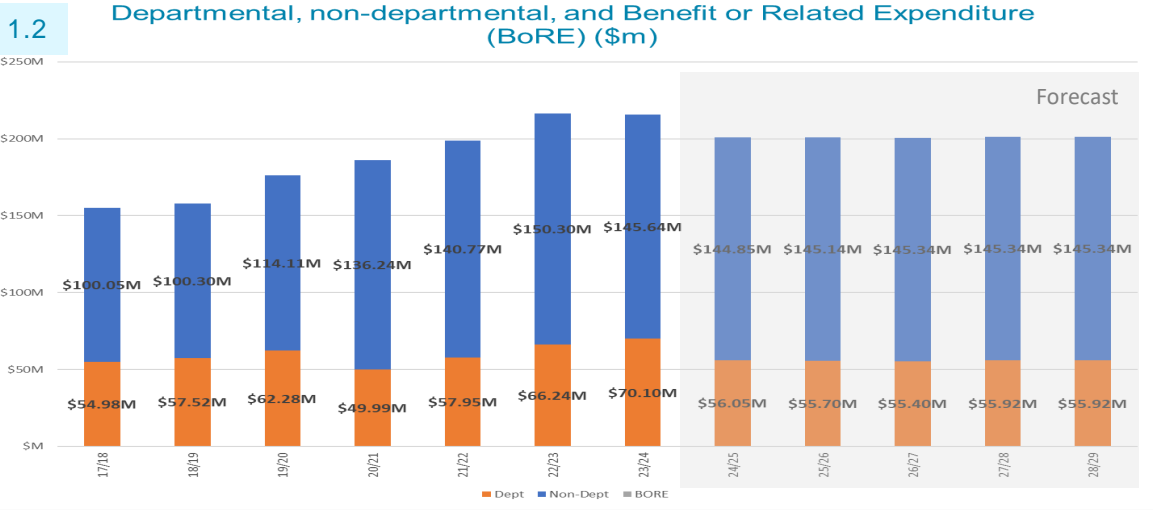
- Clearer regulation that strikes the right balance between labour market and regulatory flexibility, certainty of obligations and protection for workers.
- Having a health and safety regime that is based on principles of good law-making and economic efficiency.
- Improved efficiency of frontline regulatory services with measures in place to assess performance.

Portfolio priorities

The Minister for Workplace Relations and Safety set out four key WRS Policy portfolio priorities. These were:

- To reform the health and safety legislation and regulations by ensuring they are based on principles of good law-making and economic efficiency.
- Amending the Employment Relations Act so it strikes the right balance between labour market and regulatory flexibility, certainty of obligations and protection for workers (*this includes clarification of contractors' status and reforms to personal grievance setting*).
- Address longstanding issues in the Holiday's Act to make it easier for businesses to comply with and provide them with certainty as to their obligations.
- Ensuring that frontline services are delivered effectively, and there are measures in place to ensure they are delivering value for money services to New Zealanders.

EXPENDITURE BY TYPE



Recent changes in expenditure

Across all three key appropriation organisations, expenditure is driven by government choices about service types and levels and prioritisation. For the *Employment Regulator*, revenue has fluctuated because a mix of ongoing and fixed-term funding changes, including:

- A \$2.212 million increase to baseline funding (introduced in 2023/24, decreasing to \$2.077 million ongoing from 24/25)
- \$1.999 million for the Holidays Act work programme (introduced in 2022/23, decreasing to \$0.831 million ongoing from 2025/26).
- \$12.952 million ongoing for the Fair Payment Agreements work programme (introduced in 2021/22)
- \$6.36m for the Migrant Exploitation work programme (introduced in 2020/21).

In Budget 24, the \$12.952 million for Fair Pay Agreements was returned, and an additional \$4 million per annum in savings was returned.

For *MBIE WRS Policy*, there has been no new ongoing funding over the last five years. In Budget 2021, there was time-limited funding for the Health and Safety Policy team for Whakaari policy reforms, and in 2022/23, there was a switch to levy funding for the Health and Safety Policy team (i.e. the team's funding no longer comes from the Crown, but the Health and Safety at Work levy, with the Crown funding being used for workplace relations). In Budget 2024, \$0.946 million per annum in savings were returned (8.1% decrease).

For *WorkSafe New Zealand*, since Budget 19, there has been new ongoing operational funding of approximately \$36 million per annum for increased capacity, cost pressures and specific reforms. There was also time limited funding for Whakaari prosecutions, COVID-19 enforcement and a one-off contingency of \$7 million to support restructuring costs. WorkSafe returned \$5.56 million in savings in Budget 24.

Expected changes in expenditure

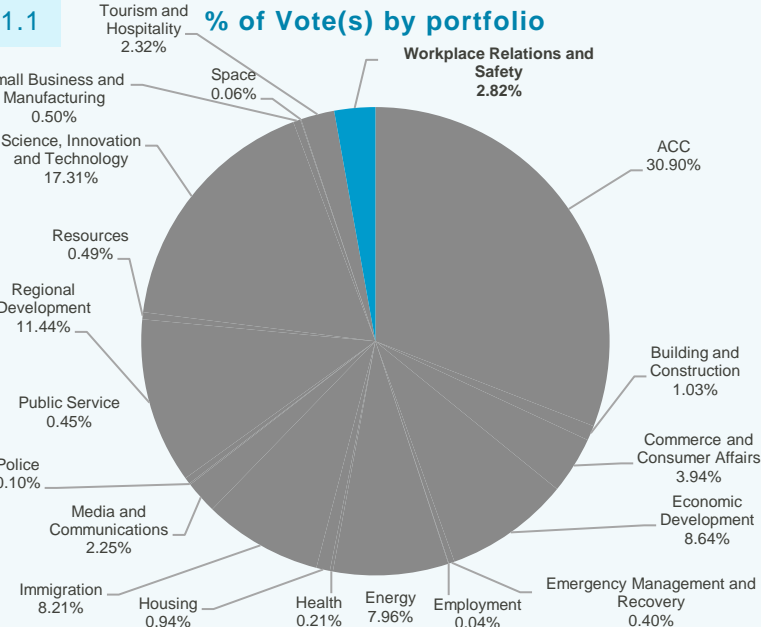
There are two key drivers of expected expenditure change for policy and the Employment Regulator, which impact other MBIE portfolios. One driver is the forecasted MBIE staff remuneration increases (wage pressures), which are estimates only as bargaining is still underway. The other driver is MBIE-wide cost pressures (price pressures), which includes other inputs that enable the delivery services (e.g. increasing property lease costs and digital infrastructure costs).

For WorkSafe, since they have agreed to cease their \$15 million per annum funding arrangement with ACC from March 2025 for harm prevention activities, any harm prevention activities undertaken by WorkSafe will have to be done from baseline funding.

Monitoring and funding of Crown companies or entities

WorkSafe New Zealand is monitored by MBIE and funded by the Health and Safety at Work Levy through Vote Labour Market.

SPEND BY PORTFOLIO



2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
No Specific Fiscal Risks		

WORKFORCE

2.2

Drivers and implications of change(s) in FTE

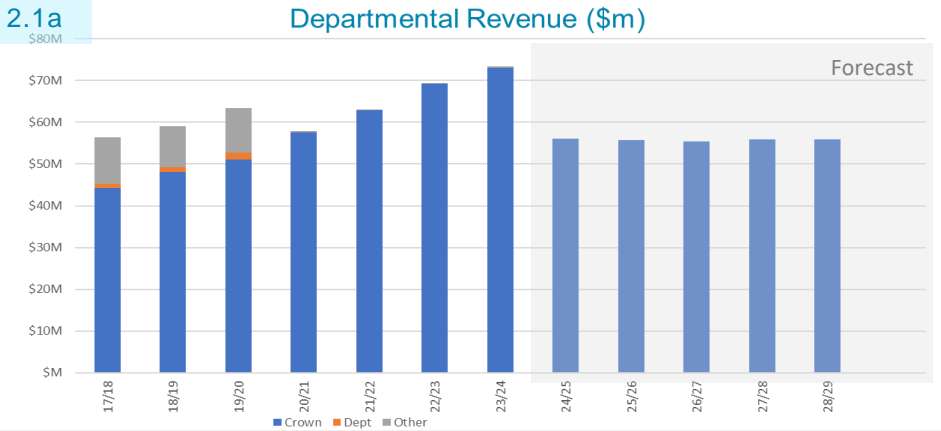
No drivers of FTE change for policy as FTEs are set by baseline funding and allocated to work in line with ministerial priorities.

There is ongoing reprioritisation of FTEs through turnover into frontline services to manage demand pressures, with changes underway within MBIE Employment Services in their operating models to increase productivity per FTE.

WorkSafe’s new strategy will redirect its activity into high-risk sectors and activities. It intends to undertake an organisational change process to align its FTE to the strategy. It envisions overall FTE numbers will remain steady, although capacity is likely to shift from the back office to the frontline

DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

Revenue sources

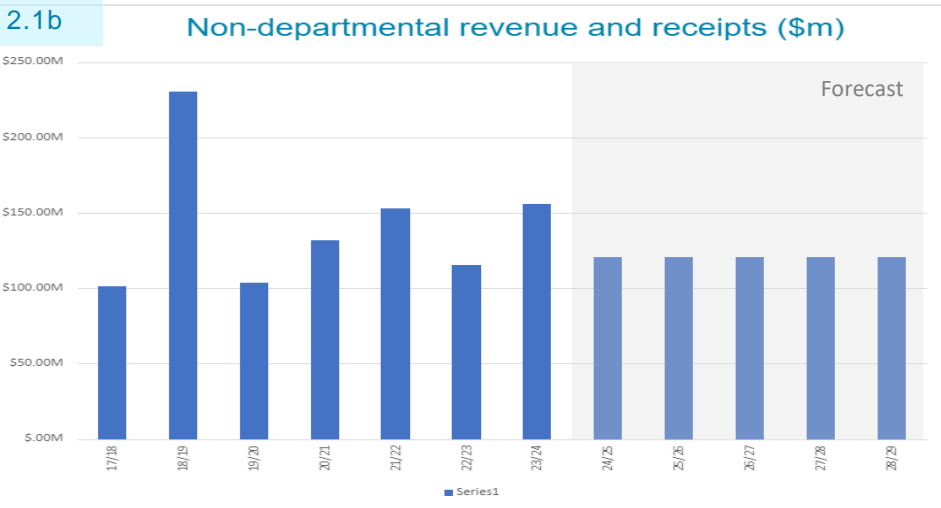


Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
N/A		

Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
Health and Safety at Work Levy	Payroll levy collected from all employers and self-employed. Funding from the levy is appropriated to fund WorkSafe, the designated regulators (Civil Aviation Authority [CAA] and Maritime NZ (MNZ), and the MBIE Health and Safety Policy team.	2016 (not reviewed since the levy was set in 2016)	No date set, pending major review of Health and Safety law.	2023/24 forecast \$8.564 million.	Percentage of people (workers and employers) who made at least one change to improve workplace safety and/or reduce risks to workers’ health, after interaction with a Health and Safety Inspector. The target is ≥85%. The actual performance measure was 75%.
Major Hazard Facilities (MHF) Fees and Levies	Annual levy for each MHF, user fees for safety case assessments.	2023	No date set.	2023/24 actual surplus of \$1.442 million.	The number of high hazard sites (including major hazard facilities, petroleum and geothermal, and mining, tunnelling, and quarry sites) inspected annually. The target is >440 high hazard sites. The actual performance measure was 459 sites.



3. Portfolio Managing within baselines: Current and future drivers

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1

	Operating impact \$m increase, (decrease)					
	2017/18	2024/25	2025/26	2026/27	2027/28	2028/29
Total baseline*	155.03	192.00	195.93	195.84	196.36	-
Operating baseline	155.03	192.00	195.93	195.84	196.36	-
Total volume pressures	-	2.03	2.03	2.03	2.03	2.03
Total price pressures	-	-	-	-	-	-
Total wage pressures**	-	1.23	2.25	3.27	4.32	5.39
Total other pressures**	-	0.20	0.62	0.68	0.73	0.85
Total cost pressures	-	3.46	4.90	5.98	7.08	8.27
Total reprioritisation/ savings	-	3.46	4.90	5.98	7.08	8.27
Net impact on baseline	-	-	0	0	0	0

*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.

**These are based on MBIE wide cost pressures allocated across portfolios by size.

Summary of cost pressures:

These cost pressures are for Employment Services. Volume pressures are already resulting in longer wait times for services, Free and frank opinions

WorkSafe is managing within its baseline funding with careful financial monitoring. It is also aligning the business to its new strategy to ensure activities, and therefore expenditure, will be focused on the right outputs and outcomes.

4.2

FUTURE DRIVERS

Economic challenges: the economic cycle will continue to drive demand for services given current labour market conditions and Immigration settings.

Fiscal challenges: ongoing fiscal constraints combined with inflationary pressures means the purchasing power of our services is reducing, increasing our focus on efficiency and effectiveness.

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Confidential advice to Government
Economic conditions means greater demand for employment services	
Confidential advice to Government	

Impact						
Area	24/25	25/26	26/27	27/28	28/29	Description
WorkSafe	Budget forecasts not yet available					WorkSafe will maintain financial monitoring to ensure expenditure remains within baseline. Some of the cost controls implemented in 2023/24 remain in place.
Employment regulator	2.03	2.03	2.03	2.03	2.03	This volume pressure will result in longer wait times for services or require targeted services reductions or new funding. We are currently undertaking a programme of service review to identify efficiencies across services. Development and implementation of the Labour Inspectorate and Dispute Resolution Operating Models will provide great enablement to making choices about how and where we deploy resources while maintaining regulatory effectiveness as the employment regulator.

4. Portfolio Managing within baselines: Workforce and capability

Strategy for workforce costs, including remuneration

Bargaining is underway and we are unable to provide full details of MBIE's remuneration strategy while that is ongoing. The focus of MBIE's approach is to ensure workforce costs balance affordability alongside ongoing sustainability and enable us to deliver MBIE's work programme.

MBIE is working through what measures need to be put in place to balance those cost pressures we have been directed to absorb. This is being done as part of our preparation for Budget 2025.

WorkSafe is ensuring that all roles are funded within baseline budget, inclusive of any change activity that aligns to the new strategy. Future workforce costs are factored into financial planning and bargaining strategies, in line with market data.

Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

MBIE has both a significant enterprise ICT infrastructure and technology platforms that underpin specific economic systems and engagement with businesses and the public – from key application processes (e.g. visas), registries (e.g. licenced builders), to contact centre help lines (e.g. tenancy). MBIE is investing in modern, cloud-based, scalable, multi-use platforms to reduce system complexity. Simplification and the considered use of AI will contribute to greater efficiency and effectiveness across the business.

MBIE collects and manages a wide range of data. We have invested in and are implementing a cloud data platform designed to make data more accessible, but also safe. This work is prioritised within our new Data Strategy which brings together new technology and data capabilities, and a new way of working to deliver the value of analysis and insights that shape policy and operational decisions at speed. MBIE has extensive governance and risk management systems in place, managing both strategic, policy and operational matters.

WorkSafe intends to undertake an organisational change process to align its roles to its new strategy and uplift capability in a number of areas. It has built capacity into its work programme for 2024/25 to ensure it can respond to any government priorities as they arise. WorkSafe has also prioritised development and capability building within its 2024/25 work programme to ensure its workforce remains highly skilled and is able to meet changing demands.

6. Managing with baselines: Investment and monitoring

MONITORING STATEMENT (IF APPLICABLE)

WorkSafe New Zealand (WorkSafe) is New Zealand's primary work health and safety regulator:

- Main objective: *'promote and contribute to a balanced framework for securing the health and safety of workers and workplaces'*.
- Secondary objective: *'promote and contribute to the safe supply and use of electricity and gas in New Zealand'*.
- WorkSafe is almost 100% levy funded and reports quarterly on its performance to the Minister for Workplace Relations and Safety.
- There are no specific significant fiscal risks. WorkSafe are focused on achieving increased frontline activity whilst remaining within their (decreased) funding envelope and as such, this may necessitate a restructure in late 24/early 2025 .

MBIE's monitoring activities include:

Activity ▼	Entity name ►	WorkSafe
	Monitoring status ►	Intensive
	Frequency ▼	
Appointments & Governance	As required	✓
Performance advice to relevant Minister/s	Quarterly, unless stated. Plus Weekly Report items.	✓
Engagement with Chair / Board	Varies depending on situation	Monthly
Engagement with CE / ELT	Varies depending on situation	Monthly/ weekly
Regular attendance at board meetings	Typically monthly, but frequency depends on board timetables	✓ Enhanced because WorkSafe's monitoring status is Intensive
Significant additional activities status ►		Follow-up review in progress