



FLEXI-WAGE FOR SELF-EMPLOYMENT, NEW ZEALAND

What?

The Flexi-Wage for Self-Employment is a subsidy which supports unemployed people who wish to start a business. The subsidy targets specifically populations at risk of long-term unemployment and those that are disadvantaged in the local labour market. The self-employment scheme is part of a larger Flexi-Wage scheme, which provides wage subsidies to those who are disadvantaged in the job market while they seek employment or self-employment opportunities.

Why?

The suite of Flexi-Wage subsidies was introduced in 2012 by the Ministry of Social Development (MSD). The programme was developed in response to the under-representation of women, Māori and Pacific people in self-employment and the challenges faced by these population groups as they consider self-employment from unemployment, and reduce barriers to entry induced by start-up costs.

Key Activities

Access to the Flexi-Wage for Self-Employment programme is conditional to the approval of applicants' business plans. Successful candidates receive a wage subsidy calculated on their living expenses, needs, skills and expected cash flow of the business. This subsidy covers 30 hours per week spent working on the business, for up to 52 weeks and cannot exceed the minimum wage. Participants are expected to make a mid-project financial report within the first 12-20 weeks, which outlines productivity levels, actual cash flow, a performance comparison against the original business plan and expected cash flow for the next 6 months. There is regional variation in the supports offered. For example, participants in Auckland also receive an 8-week training programme, Be Your Own Boss, dedicated to upskilling participants for self-employment. Other agencies also provide support and advice for those seeking self-employment, including the Ministry of Business, Innovation and Employment, Inland Revenue and Te Puni Kōkiri.

The Flexi-Wage programme works closely with two forms of self-employment programmes offered by MSD, and

redirects Flexi-Wage candidates and participants to them depending on their needs and the level of maturity of their project. The first programme is the Business Advice and Training Grant, which typically supports aspiring entrepreneurs in earlier stages, i.e. before they are ready to apply for Flexi-wage programme. The Business Advice and Training Grant offers financial support for entrepreneurs to seek business advice and training, notably for the development of a business plan – a prerequisite for the Flexi-Wage for Self-Employment scheme. The grant supports an entrepreneur for up to NZD 1 000 (EUR 615) per year. The second programme is the Self-Employment Start-Up scheme. The scheme offers a payment for essential start-up costs (e.g. leasing premises) for up to NZD 10 000 (EUR 6 150) per year.

How did the programme adapt to the pandemic?

In 2020, the overall Flexi-Wage scheme increased its capacity to help those that had become unemployed during the crisis, including NZD 30 million (EUR 18.5 million) in dedicated funding for the Flexi-Wage Self-Employment. The updated scheme continues to promote self-employment among the targeted population groups.

Impact

In the financial year 2019/20, 186 people used the Flexi-Work for Self-Employment subsidy for a total financial support of approximately NZD 2 million (EUR 1.2 million). The average subsidy was NZD 6 121 (EUR 3 765). Most participants benefited from the subsidy for less than 12 months – 64% received the subsidy for 5 to 7 months. Women and men accessed the subsidy at proportionate rates, while Māori and people with disabilities remained under-represented. As the scheme is managed regionally, programmes and take-up rates vary by region.

Monitoring data for the period 1 July 2018 to 31 May 2020 indicate that 77% of participants remained off benefits for 6 months after the end of the Flexi-Wage for Self-Employment support period (maximum of 1 year), suggesting that the majority of participants achieved relatively sustainable employment. Business survival is not monitored.

In 2021, the MSD consulted with other agencies to identify improvements for the expansion of the scheme. Recommendations included removing the requirement to have exhausted all other job search alternatives to access the scheme, ensuring regional consistency, providing more targeted supports to increase access for Māori and Pacific peoples, and providing on-going mentoring support.

Source

- [*Ministry of Social Development \(2022\), Flexi-wage for self-employment; Ministry of Social Development \(2021\), Flexi-Wage, The Aurora Centre, Wellington \(accessed on 15 April 2022\) \[1\].*](#)
- [*Office of the Minister for Social Development and Employment \(2020\), Expansion of Flexi-Wage to support 40,000 New Zealanders into work or to start their own business, Cabinet Business Committee \(accessed on 15 April 2022\). \[2\]*](#)

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Links

[1] <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/april/20210408-request-for-a-copy-of-all-advice-and-analysis-msd-produced-regarding-the-extension-to-flexi-wage-scheme-announce-p1.pdf> [2] <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/information-releases/2021/flexi-wage-expansion/cabinet-paper-expansion-of-the-flexi-wage-scheme.pdf>