



Report

Date: 10 June 2021

Security Level: IN CONFIDENCE

To: Hon Chris Hipkins, Minister of Education

Hon Carmel Sepuloni, Minister for Social Development and Employment

Amendment of the Apprenticeship Boost Initiative Welfare Programme

Purpose of the report

- 1 This report advises you on amendments to the Apprenticeship Boost Initiative (ABI) Welfare Programme required to future proof the programme to support the Reform of Vocational Education (RoVE) changes and operationalise the Ministerial decision to extend the ABI to 24 months. The enhancements will support Ministry of Social Development (MSD) to continue to deliver ABI through to the expiry of the initiative.
- 2 A copy of the ABI Welfare Programme needs to be tabled in the House of Representatives once you have signed it no later than on 2 July 2021.

Executive summary

- 3 On 8 July 2020, you agreed to the detailed policy and implementation decisions for ABI, including how the Tertiary Education Commission (TEC) would calculate the 'start date' of an apprentice's programme of study, how payments would be made, and that a Ministerial Welfare Programme would be established under section 101 of the Social Security Act 2018 as the ABI funding instrument [METIS 1233803 and REP/20/7/757 refer].
- 4 RoVE includes changes to Industry Training System actors and the transition of some vocational education functions (under Schedule 1, clause 52 of the Education and Training Act 2020). These changes affect some of the ABI eligibility criteria agreed by Cabinet [CAB-20-MIN-0280 refers] and by Joint Ministers [METIS 1233803 and REP/20/7/757 refer].
- 5 The upcoming transition of some vocational education functions will change the way we calculate an apprentice's entitlement. Amendments are needed to ensure we can future proof the ABI Welfare Programme for the RoVE changes and continue to give effect to Cabinet and Joint Ministers' policy decisions, and to ensure MSD can continue to pay employers as it currently does.
- 6 This report seeks your approval to:
 - Ensure eligibility will continue to include enrolment in apprenticeship programmes (New Zealand Apprenticeships and Managed Apprentices) that are approved and funded by the TEC.
 - Clarify that the TEC will continue to calculate the months of a programme of study already completed by an apprentice, and will include past enrolment in any same or similar programme(s) of study in their calculation.

- Implement other minor technical changes in the Welfare Programme which officials consider will continue to give effect to Cabinet and Joint Ministers' policy decisions following RoVE changes and clarify operational payment processes, without changing the policy intent.
 - Amend the end date of ABI in the Welfare Programme following Ministerial agreement to extend the ABI to 24 months.
 - Clarify the process of making final payments at the end of the ABI, in line with previously agreed policy decisions.
- 7 Note the Minister for Social Development and Employment has the authority to amend the Welfare Programme under section 101 of the Social Security Act 2018.
- 8 At the time the Welfare Programme was made, only the COVID-19 Wage Subsidy and Extension were live. The Welfare Programme excluded those in receipt of ABI from also receiving either COVID-19 wage subsidy. Two other short-term COVID-19 wage subsidies have since been available. Employers could apply for both the ABI and these two COVID-19 wage subsidies (which were not excluded under the Welfare Programme). No amendment to the Welfare Programme to exclude these two COVID-19 wage subsidies was sought at the time in order to:
- reduce disruption for employers accessing ABI, and ensure they were not disadvantaged; and
 - continue to incentivise employers to retain their apprentices who may be more vulnerable to being laid off in the first and second years of their study relative to more experienced workers.
- 9 All COVID-19 Wage Subsidies to date have expired, and any future COVID-19 Wage Subsidies would require Cabinet approval.
- 10 Officials considered addressing future COVID-19 wage subsidies (should any be required) as part of these amendments to the ABI Welfare Programme. However, as we do not yet know what any future COVID-19 wage subsidy payments would look like and this is a wider issue across multiple similar payments (e.g. Mana in Mahi and Flexi-Wage) we recommend providing advice to you both at the time if another COVID-19 wage subsidy is needed, through the relevant Cabinet paper approving the introduction of the COVID-19 wage subsidy.

Recommended actions

It is recommended that you:

- 1 **note** that changes as part of the Reform of Vocational Education (RoVE) are ongoing and amendment of the ABI Welfare Programme is necessary to ensure MSD can continue to pay employers as it currently does
- 2 **note** that the Minister for Social Development and Employment has the authority to amend the Welfare Programme under section 101 of the Social Security Act 2018
- 3 **indicate** whether or not you agree that the following proposed technical changes to be included in the new Welfare Programme will continue to give effect to Cabinet and joint Minister policy decisions following RoVE changes, without changing the policy intent:
 - Remove references to enrolment with transitional Industry Training Organisations (ITOs) or providers, and focus eligibility on enrolment in apprenticeship programmes (New Zealand Apprenticeships and Managed Apprentices) that are approved and funded by the TEC, and eligibility will continue to include enrolment in a New Zealand Apprenticeship or TEC-recognised Managed Apprenticeship
 - Clarify that the TEC will continue to calculate the months of a programme of study already completed by an apprentice and will include past enrolment in any same or

similar programme(s) of study in their calculation, enabling the TEC to be consistent with the methodology that was used for costing ABI, and meet the intent of counting previous apprenticeship training that would be expected to have increased the apprentice's experience

Minister of Education

**Minister for Social Development
and Employment**

Agree / Disagree

Agree / Disagree

4 **indicate** whether or not you agree that the following proposed technical changes to be included in the new Welfare Programme (Appendix A) will continue to give effect to agreed policy decisions:

- Clarify original policy decisions to allow employers to reconfirm payments up to three months after their reconfirmation date, with the last payment date being 3 November 2022 (3 months after 4 September 2022 which is last possible reconfirmation date of ABI)
- Clarify that an employer can receive a full monthly ABI payment provided they are eligible and meet the declaration requirements before the end of the ABI on 4 August 2022 and that this would mean employers' last payments could cover a period after the end of the ABI

Minister of Education

**Minister for Social Development
and Employment**

Agree / Disagree

Agree / Disagree

5 **note** that, should another COVID-19 wage subsidy be needed and if there is a decision in the future to exclude those in receipt of ABI (or Mana in Mahi and Flexi-wage) from also receiving a COVID-19 wage subsidy, this could be included in the relevant Cabinet paper approving the introduction of the COVID-19 wage subsidy

For the Minister for Social Development and Employment only

6 **agree** to amend the ABI Welfare Programme (attached as Appendix A) to give effect to Cabinet and Joint Ministers' policy decisions following RoVE changes

**Minister for Social Development
and Employment**

Agree / Disagree

7 **agree** to amend the ABI Welfare Programme to give effect to Joint Ministers' policy decisions, to clarify last payments and extend the expiry date of the ABI to 4 August 2022

**Minister for Social Development
and Employment**

Agree / Disagree

- 8 **note** that MSD has prepared the instrument for the Minister for Social Development and Employment to amend the ABI Welfare Programme, allowing the instrument to be gazetted and tabled in the House by 2 July 2021
- 9 **note** that the amendments to the ABI Welfare Programme should come into force on 1 August 2021 and the first transitional ITO will transfer functions a day later on 2 August 2021, to allow MSD to continue to pay employers as intended
- 10 **approve and sign** the attached ABI Welfare Programme

**Minister for Social Development
and Employment**

Agree / Disagree

- 11 **direct** your Office to arrange for a copy of the ABI Welfare Programme to be tabled in the House of Representatives once you have signed it and no later than on 2 July 2021, to amend the Welfare Programme before transitional ITOs begin to transfer arranging training functions to providers from 2 August 2021.

**Minister for Social Development
and Employment**

Agree / Disagree

Eleonora Sparagna
**Manager, Vocational & Skills Policy
Ministry of Education**

10/06/2021

Megan Beecroft
**Manager, Employment Policy
Ministry of Social Development**

10/06/2021

Hon Chris Hipkins
Minister of Education

___/___/___

Hon Carmel Sepuloni
**Minister for Social Development
and Employment**

___/___/___

Background

- 11 On 15 June 2020, Cabinet agreed to the policy parameters for ABI, and authorised the Minister of Education and the Minister of Social Development and Employment to make detailed policy and implementation decisions [CAB-20-MIN-0280 refers].
- 12 On 8 July 2020, you agreed to the detailed policy and implementation decisions for ABI, including how TEC would calculate the 'start date' of an apprentice's programme of study and that a Ministerial Welfare Programme would be established under section 101 of the Social Security Act 2018 as the ABI funding instrument [METIS 1233803 and REP/20/7/757 refer].
- 13 The policy settings in the papers reflected the Industry Training System that were relevant to New Zealand Apprenticeships and Managed Apprenticeships.
- 14 On 15 March 2021, Cabinet agreed to extend the duration of the Apprenticeship Boost to a total of 24 months [CAB-20-MIN-0061 refers].

The transition of some vocational education functions will change the way we calculate an apprentice's entitlement

- 15 RoVE includes changes to Industry Training System actors and the transition of some vocational education functions (under Schedule 1, clause 52 of the Education and Training Act 2020). These changes affect some of the ABI eligibility criteria agreed by Cabinet [CAB-20-MIN-0280 refers] and by Joint Ministers [METIS 1233803 and REP/20/7/757 refer]. Some technical changes are therefore needed for the ABI Welfare Programme to continue to give effect to these decisions.
- 16 The ABI Welfare programme currently states that an apprentice is eligible for ABI if they are either:
 - enrolled in a New Zealand Apprenticeship with a transitional ITO, or
 - enrolled in a TEC-recognised Managed Apprenticeship with a provider.
- 17 In order to grant ABI, MSD must receive advice from TEC about how long the apprentice has been in their current programme of study. This allows MSD to determine how many months of 'year 1' and 'year 2' payments their employer can claim.
- 18 The apprentice's start date is currently calculated by TEC using the date of the apprentice's first training agreement with the transitional ITO or provider they are enrolled with at the time their current employer applies for ABI payments. However, changes as part of the RoVE will mean that apprentices' start dates can no longer be calculated this way.
- 19 From 2 August 2021, transitional ITOs will begin to transfer their functions of arranging Industry Training to providers, through their TEC-approved transition plans under Schedule 1, clause 52 of the Education and Training Act 2020.
- 20 When a transitional ITO's function of arranging training is transferred to a provider, their apprentices will be enrolled in New Zealand Apprenticeships with the provider and will technically no longer meet the eligibility criteria in the ABI Welfare Programme.
- 21 When an apprentice's enrolment changes from a transitional ITO to a provider, the start date of their programme of study would change to the date of enrolment with the provider, and their previous training would not be counted, resetting their ABI entitlement to up to 24 months despite their previous apprenticeship training in the industry.

Changes are needed to ensure we can continue to give effect to policy decisions

- 22 To future proof the ABI Welfare Programme for the RoVE changes and continue to give effect to Cabinet and Joint Ministers' policy decisions, we propose that Ministers agree to the following technical changes:

- Remove references to enrolment with transitional ITOs or providers, and focus eligibility on enrolment in apprenticeship programmes (New Zealand Apprenticeships and Managed Apprentices) that are approved and funded by the TEC. Eligibility will continue to include enrolment in a New Zealand Apprenticeship or TEC-recognised Managed Apprenticeship. This will better support the arranging training functions transition required for RoVE moving forward.
 - Clarify that the TEC will continue to calculate the months of a programme of study already completed by an apprentice and will include past enrolment in any same or similar programme(s) of study in their calculation. This will enable the TEC to be consistent with the methodology that was used for costing ABI, and meet the intent of counting previous apprenticeship training that would be expected to have increased the apprentice's experience.
- 23 Officials consider the proposed technical changes in the Welfare Programme will continue to give effect to Cabinet and Joint Ministers' policy decisions following RoVE changes, without changing the policy intent.
- 24 The Minister for Social Development and Employment has authority to amend the Welfare Programme under section 101 of the Social Security Act 2018.

Amendments are required to clarify existing policy settings

- 25 On 15 March 2021, Cabinet agreed to extend the duration of ABI from 20 months to up to 24 months [CAB-20-MIN-0061 refers]. With this extension, text in the original Welfare Program requires adjusting to reflect the new expiry date. Officials also propose that the Welfare Programme be amended to clarify when the last ABI payments will be made, and for what period in line with agreed policy decisions to:
- pay ABI monthly, in advance; and
 - make those payments on the same date every month (provided eligibility is unchanged and the payment date falls within the ABI duration period) [REP/20/7/757 refers - Appendix B].
- 26 Currently clause 12 of the Welfare Programme states assistance ends when the ABI expires. However, because an employer who is entitled to ABI must be paid a full month in advance, we recommend an amendment to clause 12(1)(a) to eliminate the term "payment month", so that an employer can receive a full monthly ABI payment provided they are eligible and meet the declaration requirements before the end of the ABI on 4 August 2022. This would ensure eligibility for payment can continue up to the expiry date, providing declaration requirements are met by the employer.
- 27 This will mean some final payments may be intended to cover a period after the ABI ends. For example, someone who reconfirms on the 10th of every month will receive their full payment for the period 10 July - 9 August 2022. Because they were eligible for that payment and had a reconfirmation date before the expiry on 4 August, they would still qualify to receive that payment even though it is intended to cover a period after the ABI ends. The alternative option of a partial payment in the last month is not feasible given operational time pressures and costs.
- 28 Original policy decisions allowed for employers to reconfirm payments up to three months after their reconfirmation date [REP/20/7/757 refers - Appendix B], providing a necessary grace period for smaller employers or extenuating circumstances. Officials propose amending the Welfare Programme to clarify these settings noting that any unclaimed payments will not be able to be claimed after three months from the expiry of the ABI.
- 29 It is also possible that an employer could apply for a first ABI payment for an eligible apprentice on 4 August 2022 and receive a single ABI payment for that apprentice. This is consistent with the policy that employers can start applying for ABI payments for eligible apprentices at any point during the 24 months of the ABI. The appropriation for the 2022/23 payments that covers the final month is \$18.75 million.

Officials considered addressing future COVID-19 wage subsidies through the Welfare Programme

- 30 Employment, Education and Training Ministers have previously indicated the desire to ensure no two same or similar payments can be received at the same time [REP/20/7/813 refers]. The ABI Welfare Programme currently specifies the following as payments that cannot be received at the same time as the Apprenticeship Boost:
- Mana in Mahi
 - the COVID-19 Wage Subsidy and Extension:
 - the Flexi-Wage Subsidy:
 - the Regional Apprenticeships Initiative as administered by MBIE:
 - any wage-subsidy component of the Māori Trades and Training Fund as administered by MBIE.
- 31 At the time the Welfare Programme was made, only the COVID-19 Wage Subsidy and Extension were live. The purpose of these payments was to support businesses to retain employees during the effects of COVID-19, which was similar to the purpose of ABI. The Welfare Programme excluded those in receipt of ABI from also receiving either COVID-19 wage subsidy.
- 32 Two other short-term COVID-19 wage subsidies have since been available. Employers could apply for both the ABI and these two COVID-19 wage subsidies (which did not overlap). These two COVID-19 wages subsidies were not excluded under the Welfare Programme.
- 33 No amendment to the Welfare Programme to exclude these two COVID-19 wage subsidies was sought at the time in order to:
- reduce disruption and confusion for employers accessing the ABI (which is paid monthly) especially given the very short lead in times for employers
 - ensure employers of apprentices who have applied for the ABI in good faith are not disadvantaged (COVID-19 wage subsidy payments are higher than ABI)
 - continue to incentivise employers to retain their apprentices who may be more vulnerable to being laid off in the first and second years of their study relative to more experienced workers.
- 34 All COVID-19 wage subsidies to date have expired, and any future COVID-19 wage subsidies would require Cabinet approval. We advised your offices that we would provide further advice on a long-term approach for employers being able to receive both future COVID-19 wage subsidies and ABI payments.
- 35 Officials considered whether or not the ABI Welfare Programme should be amended to exclude any future COVID-19 wage subsidies. However, as we do not yet know what these payments will look like and this is a wider issue across multiple similar payments (e.g. Mana in Mahi and Flexi-Wage) we recommend providing advice to you both at the time if another COVID-19 wage subsidy is needed. We are working towards being able to provide such advice quickly if required.
- 36 If a decision is made at that time to make ABI and COVID-19 wage subsidy payments exclusive, it can be achieved through writing an exclusion into any future COVID-19 wage subsidy employer declarations rather than the ABI Welfare Programme. This would allow us to consider each new COVID-19 wage subsidy separately and ensure all similar payments can be excluded at once.
- 37 Any future decision on exclusions will include consideration of the trade-offs for ABI if employers cannot claim both. Operational feasibility of moving employers from ABI to COVID-19 wage subsidies and back will also be considered.

Next steps

- 38 MSD seeks your approval and signature of the attached Welfare Programme by 1 June 2021 to allow sufficient time to table, publish and notify the instrument prior to the first transitional ITOs transferring their arranging training function to providers on 2 August 2021.
- 39 Once you have tabled the Welfare Programme in the House of Representatives, officials will also arrange for the publication of the instrument on the Ministry of Social Development's external website and notify the amendment of the instrument in the New Zealand Gazette. Completing these steps will meet the requirements of section 102 of the Social Security Act 2018 and section 41 of the Legislation Act 2012.

REP/21/6/571

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Appendix A

Draft Amended Instrument – attached

Appendix B

Excerpt from Education and Social Development Report: further policy and implementation decisions for the Apprenticeship Boost Initiative.

REP/20/7/757, 8 July 2020

Implementation

Employers will be paid monthly in advance and asked to reconfirm their circumstances each month through a declaration

- 28 Applications will be open to employers from August 2020. A completed application and any supporting evidence must be provided while the programme is active in order to be granted. The commencement date for payment will be the application date or the date of eligibility, whichever is later.
- 29 The first set of ABI payments will be paid one month in advance. Payments will be made on the same date every month, provided the employer and apprentice still meet the eligibility criteria at the declaration point and the payment date falls within the programme period. Employers may be eligible for between one and twenty Apprenticeship Boost payments, depending on when they apply and their apprentice's year of study.
- 30 Payment will not be made until the declaration for the month is received by MSD. Any unclaimed payments will not be able to be claimed after three months from the expiry of the initiative.
- 31 Employers will be asked to confirm that they and all their eligible apprentices still meet the criteria at a declaration point each month in order to receive payments the following month. The declaration point will be scheduled a month after the employer's first application for the Apprentice Boost Initiative. Having a single declaration date for an employer is designed to reduce administration for large employers.