

Education and Social Development Report: Apprenticeship Support Programme uptake

| | | | |
|---|--|-----------------------------|---------------|
| To: | Hon Chris Hipkins, Minister of Education, Hon Carmel Sepuloni, Minister for Social Development and Employment | | |
| Date: | 15 April 2021 | Priority: | Medium |
| Security Level: | Budget sensitive | MoE METIS No: | 1254676 |
| Drafter: | Lisa Sengelow | MSD Tracking number: | REP/21/3/293 |
| Key Contact: (MOE) | Eleonora Sparagna | DDI: | 9(2)(a) |
| Key Contact: (MSD) | Megan Beecroft | DDI: | |
| Messaging seen by Communications team: | Yes / No | Round Robin: | Yes / No |

Purpose of Report

This paper informs you about uptake of Apprenticeship Support Programme initiatives funded in Budget 2020. This includes information about the decision to extend the Apprenticeship Boost (ABI) from 20 to 24 months total duration, and associated financial decisions.

Summary

- 1 The Apprenticeship Support programme was approved by Cabinet in 2020 as a suite of four initiatives to support apprentices and their employers through the economic impact of COVID-19 [CAB-20-MIN-0280 refers]. Uptake of the initiatives has been strong, and they are performing as designed:
 - a. Since the **Apprenticeship Boost Initiative** (ABI) launched in August 2020, nearly 11,000 employers have signed up and received nearly \$116 million (including GST) for over 23,500 apprentices (as at 9 April 2021).
 - b. Expansion of **Mana in Mahi** has seen unprecedented demand for this programme. The annual target of 450 new starts was almost reached by September 2020, one month after the expansion, and 1,579 participants were on active training pathways as at the end of February 2021.
 - c. Since the **Regional Apprenticeships Initiative** (RAI) started in mid-2020 to the end of February 2021, 222 apprentices have commenced an apprenticeship (excluding 10 exits). This exceeds a forecast of 164.
 - d. **Group Training Scheme** (GTS) funding has kept the seven GTSs viable, able to retain their approximately 1,760 current apprentices and to increase the number of apprentices they support overall to 1,895 (as at March 2021).

A comparison table showing the detail of the four initiatives is provided in Annex 3.

- 2 Full uptake of RAI and extra demand for Mana in Mahi indicate that the higher levels of funding for these initiatives (targeted at people who need additional support for work and training) are valued by employers. GTS funding was specifically to keep the individual group training scheme organisations viable when fewer firms were hiring their apprentices, and the funding has been successful in achieving this.
- 3 Employer demand for ABI has built up steadily since it was launched in August 2020, with a surge in early 2021 bringing the monthly spend over the original costings (reaching around \$20 million per month, excluding GST, in April 2021). The monthly spend has not yet levelled out.
- 4 The Ministers of Finance, Education, and Social Development and Employment jointly approved changes to appropriations to extend ABI from 20 months (ending in April 2022) to 24 months (ending in August 2022) using the original cost profile of just over \$18 million per month [Treasury Report T2021/703 refers].
- This was announced to support the Government's work to increase housing supply and increase affordability of homes for first home buyers by supporting the building and construction training pipeline. Just under half of the apprentices whose employers are claiming ABI payments are in building and construction related qualifications.
 - \$18.5 million of 2020/21 ABI appropriation was transferred to 2021/22 to partially cover the cost of the additional four months (estimated at approximately \$75 million using current demand levels).
 - A further \$56.5 million was drawn down from the COVID-19 Response and Recovery Fund to cover the remainder of the cost of the ABI expansion.
- 5 Although monthly ABI expenditure has now exceeded originally budgeted levels, there is still likely to be some underspend against ABI's 2020/21 budget that would be available for reprioritisation. However, as ABI is demand driven, there is significant uncertainty around uptake (which depends on employer choice and ongoing apprentice eligibility), and whether the current demand levels will remain consistent, increase, or drop back below costed levels. We will provide further advice if demand stays at current levels or trends higher, as this would mean demand could exceed 2021/22 and 2022/23 appropriations.

6 9(2)(f)(iv)

[REDACTED]

1

[REDACTED]

1

[REDACTED]

Recommended Actions

Hon Chris Hipkins, Minister of Education and Hon Carmel Sepuloni, Minister for Social Development and Employment

It is recommended that you:

- a. **Forward** this paper to your Employment Education and Training (EET) Ministerial Group colleagues for their information.

Minister of Education

AGREED NOT AGREED

Minister for Social Development and Employment

AGREED / NOT AGREED

Review of Apprenticeship Support Programme uptake

- b. **Note** that officials have undertaken a review to understand actual volumes of uptake across the four initiatives within the Apprenticeship Support Programme.

Apprenticeship Boost extension (from 20 months to 24 months in total)

- c. **Note** that in March 2021, Cabinet
- agreed in principle to extend Apprenticeship Boost Initiative (ABI) coverage to 24 months,
 - agreed in principle to transfer any underspend in the 2020/21 appropriation for ABI, to the corresponding 2021/22 appropriation to preserve the option of extending ABI to 24 months, and
 - authorised the Ministers of Finance, Education, and Social Development and Employment to jointly approve changes to appropriations to extend the end-date of the ABI using underspend within the ABI in 2020/21 with any balance to come from the COVID-19 Recovery and Response Fund [CAB-21-MIN-0061 refers, excerpts attached as Annex 1].
- d. **Note** that to meet the estimated \$75 million cost of the ABI extension (based on the original cost profile), the Ministers of Finance, Education and Social Development and Employment jointly approved changes to appropriations to:
- transfer \$18.5 million from the ABI 2020/21 appropriation into the ABI 2021/22 appropriation, towards the cost of the extension.
 - draw down \$56.5 million from the COVID-19 Response and Recovery Fund to cover the balance of the cost of the extension.

[Treasury Report T2021/703 refers, attached as Annex 3]

- e. **Note** that the Budget Technical Paper [CAB-21-SUB-0096 refers] sought agreement in principle to an expense transfer to carry forward any underspends from 2020/21 to 2021/22 in the administration and assistance costs of the Mana in Mahi expansion and for the ABI (this paper was considered on 6 April 2021, and the in-principle expense transfer recommendations were approved).


Proposed use of any Apprenticeship Boost 2020/21 underspend

- f. **Note** Cabinet has authorised the Minister of Finance and the Minister for Social Development and Employment to jointly approve fiscally neutral transfers between appropriations to reflect changes in the uptake of ABI and Mana in Mahi [CAB-20-MIN-0280 refers].

- g. **Note** that Mana in Mahi has seen a significant increase in interest in the programme since it was expanded in August 2020.
- h. **Note** that Mana in Mahi has baseline funding for 2021/22 of \$13.141 million and received an additional \$12.275 million for 2021/22 as part of the expansion (both figures are inclusive of administrative and programme costs).
- i. 9(2)(f)(iv) [REDACTED]
- j. [REDACTED]
- k. **Note** that the ABI monthly spend has not yet levelled out, and has recently exceeded the budgeted amount of \$18.5 million per month.
- l. 9(2)(f)(iv) [REDACTED]
- m. **Note** that officials will continue to monitor uptake and spend for ABI, and will provide further advice in early 2021/22 on the utilisation of any 2020/21 underspends from ABI.

Proactive release


- n. **Note** that the Ministry of Education intends to proactively release this paper after the Budget moratorium as part of its usual proactive release process. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.


Katrina Sutich
Group Manager, Tertiary Education
Ministry of Education

15/04/2021


Megan Beecroft
Manager, Employment Policy
Ministry of Social Development

15/04/2021


Hon Chris Hipkins
Minister of Education

23/ 4 /21

Hon Carmel Sepuloni
Minister for Social
Development and Employment
 / /

Background

- 1 The Apprenticeship Support Programme was intended to prevent apprenticeships being affected by the economic impact of COVID-19 in the same way that they were after the Global Financial Crisis.
- 2 The Apprenticeship Support Programme was approved by Cabinet [CAB-20-MIN-0280 refers] as a suite of four initiatives to provide a comprehensive package of support for apprentices and their employers:
 - a. The *Apprenticeship Boost Initiative (ABI)* provides a subsidy to employers of first- and second-year apprentices across all industries with formal apprenticeship programmes, to support employers to keep these apprentices employed and in training during the immediate economic impact of COVID-19. Employers of eligible apprentices can claim \$1,000 per month for a first-year apprentice, and \$500 per month for a second-year apprentice.
 - b. *Mana in Mahi* helps people who are disadvantaged in the labour market and need additional support to get paid jobs and gain real world skills and experience. It supports them into long-term sustainable employment while gaining an apprenticeship or formal industry qualification. Mana in Mahi provides a higher subsidy rate of up to \$16,000 per year for first year participants and up to \$8,000 per year for second-year participants to acknowledge the additional support employers need to give these people.
 - c. The *Regional Apprenticeships Initiative (RAI)* provides an immediate economic boost for businesses in the regions wanting to take on new or displaced apprentices during a critical recovery time for the regions. It is also intended to increase skills acquisition in regional New Zealand while providing employment security for apprentices by subsidising their wages for the first two years and providing pastoral support. It focuses initially on displaced workers, Māori and Pasifika, and people working in the primary, construction, manufacturing, engineering, and wood processing sectors. RAI contracts have a \$40,000 funding amount per apprentice.¹
 - d. *Group Training Schemes (GTS)* are primarily not-for-profit industry-based organisations that employ apprentices and place those apprentices with 'host' employers. Funding was provided to the seven GTSs so they could continue employing apprentices. This was to enable a quick restart of training once business opportunities improve for host businesses, and to ensure apprentices continue with their training. The TEC has allocated funding to the seven GTSs on a case by case basis. The programme is due to end at the end of June 2021.

Annex 3 provides a comparison table detailing the four initiatives.
- 3 Cabinet noted that officials would undertake a review later in 2020 to understand actual volumes of uptake across the four initiatives within the Apprenticeship Support Programme, and that it may be possible to utilise any underspend in the \$412 million contingency² to extend the duration of the ABI from 20 months (potentially up to 24 months, depending on actual volumes). [CAB-20-MIN-0280 refers]. This was subsequently approved [Treasury Report T2021/703 refers].

¹ For the contracted party to receive the entire \$40,000 contracted amount for an individual, the apprentice needs to be engaged in their apprenticeship training for two years. To claim funding for an apprenticeship the contracted party must have an Apprenticeship Engagement Form completed by the individual, and a signed Apprenticeship Training Agreement that has been signed by the Employer, Apprentice and transitional Industry Training Organisation (ITO).

² At the time that Cabinet decision was made, there was a \$412 million contingency, which was used to fund both ABI and the extension of Mana in Mahi.

Apprenticeship Support Programme Review

- 4 This review looks at initial uptake of the four initiatives over late 2020 and early 2021.
- 5 The Apprentice Support Programme was set up so that employers of apprentices could effectively receive a base subsidy of \$12,000 per first year apprentice and \$6,000 per second-year apprentice, whichever of the four initiatives they applied for.
- 6 The ABI was set at baseline funding levels (as a pro-rata monthly rate of \$1,000 for a first-year apprentice and \$500 for a second-year apprentice³). The other initiatives were set at a higher subsidy rate to reflect the different level of need of the individual apprentice (or pre-apprentice trainee) they hire and support. This higher support includes funding direct to the seven GTTs to maintain viability, greater wrap around support where needed (Mana in Mahi), and promoting new hires in regions (RAI).
- 7 While it is too early to assess the full impact of the Apprenticeship Support Programme, we are seeing strong growth in apprenticeships, which is likely due to the interplay between a number of factors, including the Apprenticeship Support Programme, the strong economy, and other stimulus initiatives such as the Targeted Training and Apprenticeships Fund (TTAF) which covers the cost of fees for all apprentices.
- 8 Across the board, apprenticeships are becoming much more popular. Over 15,000 apprentices commenced in the second half of 2020 compared to nearly 7,000 in the second half of 2019, an increase of 125 percent.
- 9 Full uptake of RAI and extra demand for Mana in Mahi indicate that the higher levels of support are valued by employers and are reaching people who need additional support to succeed, getting them into work and training. GTT funding was specifically to keep the individual group training scheme organisations viable when fewer firms were hiring their apprentices, and the funding has been successful in achieving this and enabling the GTTs to increase the number of apprentices they employ overall from 1,760 to 1,895 in March 2021. Employer demand for ABI has built up steadily since it was launched in August 2020, with a surge in early 2021 bringing the monthly spend to levels costed for (approximately \$18 million per month).

Demographic uptake

Apprenticeship Boost Initiative

- 10 ABI was supporting 20,100 apprentices as at 28 February 2021.⁴ Of these, demographic uptake is reasonably consistent with demographic patterns across all apprenticeships. Of the apprentices whose employers claim ABI payments:
- a. 14 percent are female⁵ (compared to 12 percent of apprentices in 2019)⁶
 - b. 67 percent are European (compared to 68 percent of apprentices in 2019)
 - c. 13 percent are Māori (compared to 17 percent of apprentices in 2019)

³ Only employers of first-year apprentices starting ABI and their apprenticeship at the same time would get the full \$12,000. A second-year apprentice would need to start their second year no later than 12 months before the end of the ABI for their employer to get the full \$6,000. The most an employer could get across 24 months is \$18,000.

⁴ MOE demographic data is as at 26 February 2021, and is based on data sets provided at the end of each month by TEC of apprentices verified for ABI payments. MSD payments data is updated more frequently.

⁵ This matches TEC data sets of apprentices verified for ABI against the Industry Training Register and Single Data Return to get anonymised demographic data on ABI-funded apprentices.

⁶ Education Counts, tables for "Participation in Industry Training", 2019 figures (latest data): [Tertiary Participation | Education Counts](#). The relative percentages may have shifted since 2019 (2020 apprenticeship participation data will be available later this year). The 4% unknown or unlinked may also change the ABI percentages.

- d. 6 percent are Pacific Peoples (compared to 7 percent of apprentices in 2019)
 - e. 6 percent are Asian (compared to 8 percent of apprentices in 2019)
 - f. 3 percent are Middle Eastern, Latin American or African (MELAA) (compared to 8 percent of apprentices in 2019)
 - g. 3 percent are unknown
 - h. 1 percent are not yet linked to demographic information in current SDR and ITR data sources, due to data timing issues.
- 11 Regionally, ABI apprentices are concentrated in the larger urban areas, with about a quarter in Auckland, which is also consistent with spread of apprenticeships generally.
- 12 ABI apprentices are concentrated in fields of study for Engineering and Building, with 33 percent in engineering and related trades, and 46 percent in building. The next highest are agriculture (8.5 percent) and food, hospitality and personal services (6 percent).
- 13 ABI uptake strongly reflects apprenticeship demographics generally, consistent with the initiative intent to preserve current first- and second-year apprentices' jobs, and support industry training pipelines. The most notable trend in ABI payments is that more claims have been made for first-year apprentices, and that employers are more likely to claim payments for younger apprentices.
- 14 More detail on ABI uptake patterns is provided in Annex 2.
- Mana in Mahi extension*
- 15 The expansion of Mana in Mahi has seen an unprecedented demand for this product. The annual target of 450 was almost reached by September 2020, one month after the expansion. As at the end of February 2021, MSD placed 1,579 people into the Mana in Mahi programme for 2020/21. MSD has started to notice a reduction in Mana in Mahi placements as the Flexi-Wage expansion has gone live. However, it is still anticipated that take-up will remain above previous years' activity levels.
- 16 Mana in Mahi has been available since 2018, and in that time has supported more than 2,400 disadvantaged jobseekers into Mana in Mahi placements. 1,579 of those placements were made in 2020/21 (as at the end of February 2021), 1,129 more people than the original 450 target for the year.
- 17 These increased levels of Mana in Mahi take-up have meant MSD has been able to support even more disadvantaged jobseekers into employment and training. Across the life of the programme, Māori make up the biggest group of Mana in Mahi participants by ethnicity, at 38 percent of all placements since 2018 (as at the end of February 2021). This percentage is higher than the total proportion of Māori on main benefits (36 percent as at December 2020), which shows the programme is effective at reaching Māori who make up the largest cohort on benefit. Take-up by women is also relatively high at 25 percent compared to 19 percent of apprentices.⁷
- 18 The increased supports through Mana in Mahi also make the programme uniquely suited to support disabled people and people with health conditions into trades industries. At the end of February 2021, 7 percent of all participants placed over the life of the programme declared a disability, injury or health condition at referral. This includes those on Jobseeker Support ("Health Condition and Disability") and is likely to be an undercount, as not all participants will declare a disability or health condition.

⁷ However, the volumes of the two initiatives mean that ABI supports more female apprentices in total: 2,725 ABI apprentices were female (as at 26 February 2021). Mana in Mahi supported 624 female participants over the life of the programme since 2018.

19 There were 1,566 participants in Mana in Mahi at the end of February 2021, 1,170 of whom had active training pathways.⁸ The majority of active participants (89 percent) were studying towards a Level 3 or 4 qualification (45 percent and 44 percent respectively).

20 As agreed by Cabinet [CAB-20-MIN-0280 refers], MSD will review expansions to Mana in Mahi following year one, before ABI comes to an end. This review will look at the effects of the expansion in more detail and whether any changes are required to policy settings.

Regional Apprenticeships Initiative

21 Between RAI commencing in late-2020 to the end of February 2021, a total of 222 apprentices have commenced an apprenticeship (excluding 10 exits). This is compared to a forecast of 164. Of these 220 apprentices:

- a. 52 percent identify as Māori or Pasifika
- b. 4 percent are female; 95 percent are male and 1 percent are non-gender specific
- c. 67 percent are aged 24 or younger
- d. 24 percent declared they were negatively impacted by COVID-19
- e. 85 percent are employed in the construction and infrastructure industry
- f. 47 percent are supported through BCITO.

22 Based on provider forecasts, the Ministry of Business, Innovation and Employment (MBIE) expect to have around 450 apprentices started by December 2021 and have all 681 contracted apprenticeships started by October 2022.

Group Training Schemes

23 Funding has been positively received by GTSS and directly supported apprentices experiencing limited opportunities as a result of the impacts of COVID-19. Those impacted have been redeployed to other host companies, resulting in apprentices being able to continue their training.

24 GTSS predominantly support building and construction, and engineering and manufacturing. Apprentice occupations with the four largest GTSS include: electricians; plumbers, gasfitters and drainlayers; engineering, fabrication and manufacturing; and scaffolding, roofing and plumbing.

25 GTS contracts have payments attached to the TEC priority areas for GTS funding:

- a. *Priority A:* Maintain current apprentices employed by the scheme.
- b. *Priority B:* Reconnect with apprentices that have been let go since the impacts of COVID-19 (i.e., they must offer those apprentices their places back if possible).
- c. *Priority C:* Employ any additional apprentices necessary to bring them up to a viable level, not exceeding their usual level, as long as training arrangements are in place for the additional apprentices, and the GTS can show a viable pathway to in-work training.

⁸ The number of active participants includes those who started in the previous year i.e. March 2020 to June 2020 and are still going, which can lead to the number of active participants being larger than the number of new starts for 2020/21. Participants are also not required to enter a training pathway until they reach 91 days in the Mana in Mahi programme. This means the number of participants in active training pathways can be smaller than the total number of active participants

2020/21 spend to date

- 26 A table showing the comparative appropriations, learners support, and spend to date across the four initiative is attached as Annex 3.

Apprenticeship Boost Initiative

- 27 Payments have built up steadily during 2020, and increased significantly in early 2021, reaching the budgeted spend of \$18 million per month in March 2021, and exceeding it in April 2021.
- 28 Since launching, nearly 11,000 employers have signed up and received nearly \$116 million (including GST) for over 23,500 apprentices (as at 9 April 2021):
- a. \$95,312,000.00 is for first-year apprentices (including GST)
 - b. \$20,546,550.00 is for second-year apprentices (including GST)

- 29 The 2020/21 appropriation is GST exclusive. As at March 2021, \$96.482 million of the subsidy appropriation has been spent.

- 30 ABI is the only one of the four initiatives with significant uncertainty around uptake (as this depends on employer choices and ongoing apprentice eligibility) and about future demand. The recent surge in numbers may remain consistent, increase, or drop back below costed levels. However, a drop appears unlikely, as once an ABI payments start for an apprentice, they continue until the apprentice has completed 24 months of their training programme (unless they cease to be eligible for another reason).

Mana in Mahi

- 31 Through the expansion in July 2020, Cabinet agreed to allocate \$12.275 million to Mana in Mahi for 2021/22 [CAB-20-MIN-0280 refers] and the programme has existing baseline funding of \$13.141 million for the same year. Baseline funding was to support a target of 450 starts, with the 2020 funding intended to cover increased supports provided through the expansion.

- 32 As there was such high take-up following the expansion (1,579 new starts in 2020/21 as at the end of February 2021), Mana in Mahi funding (\$12.275 million through the expansion and \$13.141 million in baseline) for 2021/22 is now already estimated to be committed to the continuation of placements that commenced in 2020/21 and other planned costs.⁹

- 33 9(2)(f)(iv)

- 34 When Mana in Mahi was first established, it received funding for four years from 2019/20 to 2022/23. The allocation for 2022/23 is \$4.106 million in expansion funding and \$18.167 million in baseline. There is an existing 650 target for 2022/23.

Regional Apprenticeships Initiative

- 35 The RAI is fully committed with \$27.24 million across 12 contracts for 681 apprenticeships (at Level 4). Eight contracts are with individual employers and four contracts with Third Parties (who support a range of SME's). All contracts have been signed and commenced.
- 36 RAI sits under the existing process for Provincial Growth Fund, which allows MBIE to request a carry forward of any unspent funding so that it can be used to pay for the contracted initiatives in the following year.

⁹ Mana in Mahi funding includes both administrative and programme costs. This means yearly spend is not necessarily proportional to the number of placements made

Group Training Schemes

- 37 In the 2020 Budget, \$19.360 million was allocated to support Group Training Schemes to continue employing approximately 1,760 current apprentices as part of the COVID-19 response package.
- 38 To date, the TEC had paid out \$13.7 million (excluding GST) of the \$19.360 million allocated for the Group Training Scheme Support Fund. Following an initial payment of \$3.06 million to the seven GTSS on 1 July 2020 to provide support as soon as possible after lockdown, a further \$15.9 million was contracted for. The remaining milestone payments were paid in March 2021.

Apprenticeship Support Programme Decisions

Apprenticeship Boost extension

- 39 On 17 March 2021, the Minister of Finance, the Minister of Education and the Minister for Social Development and Employment jointly approved changes to the appropriation to extend ABI to 24 months. This extension contributed to support initiatives to increase housing supply and improve affordability for first home buyers and renters [Treasury Report T2021/703 refers]. The decision paper is attached as Annex 3.
- 40 \$18.5 million of 2020/21 ABI appropriation was transferred to 2021/22 to partially cover the cost of the additional four months (estimated at approximately \$75 million). A further \$56.5 million was drawn down from the COVID-19 Response and Recovery Fund to cover the remainder of the cost of the ABI expansion.
- 41 A financial recommendation was included in the technical Budget package to transfer any underspends in the administration and programme funding of the ABI in 2020/21 to the 2021/22 financial year.

Implications of the ABI extension for Mana in Mahi

- 42 9(2)(f)(iv)
- 
- 

Group Training Schemes support

- 44 A potential underspend of around \$6.5 million was identified in the contracted payments, if all of the milestones had to be met by 30 June 2021 as contracted. The Minister has agreed that the TEC will not recover the GTS funding from the GTSS which will allow them to continue to support apprentices until the allocated funding is exhausted [METIS 1254420 REVISED refers].

Future decision points for underspends and marginal spend

- 45 9(2)(f)(iv)
- 
- 

9(2)(f)(iv)

Risks

- 48 Because ABI uptake is employer demand-driven, it is not possible to eliminate the potential for over demand on the appropriation even with conservative costing.
- 49 ABI was costed on 2018/19 participation levels, which at the time were seen as a possible maximum if the impact of COVID-19 on apprentices was strongly mitigated. It was also costed on the assumption that employers of eligible apprentices would claim the ABI subsidy.
- 50 Uptake patterns have been different to costing assumptions. We now have a larger pool of apprentices than was costed for, and therefore more apprentices eligible for ABI. About 48 percent of employers with eligible apprentices have claimed subsidies, and payments are weighted to the higher first-year subsidy rate.
- 51 The pool of eligible employers who have not claimed yet carries risk of further demand on the appropriation, as these could still apply. However, they could only receive payments for eligible months after the date of application, so there is not a risk of backdated payments to the start of the initiative.
- 52 It is not possible to predict whether new apprenticeships and ABI uptake will drop back to standard seasonal pattern of approximately 2000 new starts per month, stay as high as in February and March 2021, or increase further. However, the monthly payments have not yet levelled out, and if they stay at current levels or continue to rise, then the possibility of over demand on the appropriation in 2021/22 would increase, and we would then provide further advice.
- 53 We will monitor the ABI spend closely using MSD spending data. We get updated data on ABI from TEC monthly, and updated Industry Training Register data monthly, and MSD spend data can be generated weekly. This will enable us to see changes in trends relatively quickly, with MSD data (GST inclusive) being the most immediate indicator.

Financial Implications

- 54 Changes to the ABI appropriation have been agreed by the three Joint Ministers, following Cabinet's approval in principle of a four month extension and authorisation for the Joint Ministers to jointly approve changes to appropriations to extend the end-date of the ABI using underspend within the ABI in 2020/21 with any balance to come from the COVID-19 Recovery and Response Fund.
- 55 \$18.5 million of COVID-19 Apprentice Support (the ABI subsidy appropriation) has been transferred from 2020/21 to 2021/22.
- 56 Of the COVID-19 Recovery and Response Fund, \$37.750 million has been transferred to COVID-19 Apprentice Support in 2021/22, and \$18.750 million for 2022/23.
- 57 9(2)(f)(iv)

- 58 If ABI demand stays at current levels or increases in 2021/22 so that the appropriation is likely to be over-subscribed, we would provide further advice, 9(2)(f)(iv)

Annexes

- Annex 1: ABI Decisions
Annex 2: ABI Uptake Analysis
Annex 3: Joint Ministers' decisions on the ABI extension and changes to the appropriation

Annex 1: ABI Decisions

1. Cabinet agreed policy settings for Apprenticeship Boost Initiative (ABI) in March 2020

- 1 On 15 June 2020, Cabinet agreed to the policy and implementation settings for the Apprenticeship Boost Initiative (ABI), as part of the Apprenticeship Support Programme (CAB-20-MIN-0280 refers). These Cabinet decisions included:
 - a. The key objective of the initiative is to keep first- and second-year apprentices employed and training towards their qualification, training the skilled workforces we need to recover from the impacts of COVID-19.
 - b. ABI payments may be claimed by employers of apprentices who are:
 - i. enrolled as a New Zealand Apprentice with a Transitional Industry Training Organisation (TITO) or in a TEC-recognised Managed Apprenticeship with a provider; and
 - ii. have completed less than 24 months of their programme of study.
 - c. Employers will be able to receive subsidies for eligible apprentices regardless of the impact of COVID-19 on the employer's revenue.
 - d. Apprenticeship subsidy payments will start after the Wage Subsidy extension finishes.
 - e. The subsidy rates will be:
 - i. \$12,000 per annum (\$1,000 per month) for apprentices in the first year (months 1-12) of their training programme; and
 - ii. \$6,000 per annum (\$500 per month) for apprentices in the second year (months 13-24) of their training programme.
 - f. Employers can apply for the subsidy in respect of both new and existing apprentices over the period of the scheme.
 - g. MSD will implement ABI and make payments to employers, with ongoing support from TEC.
 - h. The TEC will support MSD's implementation by verifying each apprentice's eligibility and confirming which rate applies, both at the outset and on an ongoing basis.

2. Cabinet made in principle decisions about an extension to ABI in March 2021

[CAB-21-MIN-0061 refers]

1. In March 2021, Cabinet:

- a. noted that the Apprenticeship Boost Initiative (ABI) was funded for 20 months from implementation: \$209.907 million in 2020/21 and \$170.647 million in 2021/22.
- b. noted that ABI implementation started on 5 August 2020, with the 20 months ending on 4 April 2022.
- c. noted that officials are currently reviewing uptake across the different initiatives within the Apprenticeship Support Programme [CAB-20-MIN-0280], and that it may be possible to utilise any underspend to extend the duration of the ABI from 20 months, potentially up to 24 months, depending on actual volumes).
- d. agreed in principle to extend duration of ABI to 24 months.
- e. agreed in principle to transfer any underspend in Vote Social Development: Non-Departmental Other Expense: COVID-19 Apprentice Support from 2020/21, to the corresponding 2021/22 appropriation, to preserve the option of extending ABI to 24 months.
- f. authorised the Minister of Finance, Minister of Education, and Minister of Social Development and Employment to jointly approve changes to appropriations to extend the end-date of the ABI using underspend within the ABI in 2020/21 with any balance to come from the Covid-19 Recovery and Response Fund.

3. The Joint Ministers of Finance, Education, and Social Development and Employment made appropriation changes to give effect to the ABI extension

[Treasury Report T2021/703 refers]

Increasing Housing Supply and Improving Affordability for First Home Buyers and Renters

Building sector capacity and capability

Agreement is sought from delegated joint Ministers for the following:

- 1 **note** that on 15 March 2021 Cabinet [CAB-20-MIN-0061, refers]:
 - 1.1 agreed in principle to extend the duration of the Apprenticeship Boost Initiative to a total of 24-months;
 - 1.2 authorised joint Ministers to approve any appropriation changes to give effect to this extension with costs covered from underspends within the Apprenticeship Boost Initiative in 2020/21 and the COVID-19 Response and Recovery Fund;

- 2 **note** that the four-month extension is estimated to cost an additional \$56.250 million in 2021/22 and \$18.750 million in 2022/23, \$18.500 million of which will be funded from underspend in 2020/21 and \$56.500 million by drawing down from the COVID-19 Response and Recovery Fund;
- 3 **agree** to expense transfer \$18.500 million from 2020/21 to 2021/22 to partially provide for the four-month extension to the Apprenticeship Boost initiative;
- 4 **approve** the following changes to appropriations to give effect to the decision in recommendation 3, with no impact on the operating balance and/or net core Crown debt across the forecast period:

| | \$m - increase/(decrease) | | | | |
|---|---------------------------|---------------|----------|----------|--------------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 & Outyears |
| Vote Social Development | | | | | |
| Minister for Social Development and Employment | | | | | |
| Non-Departmental Other Expense: | | | | | |
| COVID-19 Apprentice Support | (18.500) | 18.500 | - | - | - |
| Total Operating | (18.500) | 18.500 | - | - | - |

- 5 **agree** that the proposed changes to the appropriation for 2020/21 above be included in the 2020/21 Supplementary Estimates;
- 6 **agree** to drawdown \$56.500 million from the COVID-19 Response and Recovery Fund to cover the balance of the cost of the extension;
- 7 **approve** the following changes to appropriations to give effect to the decision in recommendation 6, with a corresponding impact on the operating balance and/or net core Crown debt across the forecast period:

| | \$m - increase/(decrease) | | | | |
|---|---------------------------|---------------|---------------|----------|--------------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 & Outyears |
| Vote Social Development | | | | | |
| Minister for Social Development and Employment | | | | | |
| Non-Departmental Other Expense: | | | | | |
| COVID-19 Apprentice Support | - | 37.750 | 18.750 | - | - |
| Total Operating | - | 37.750 | 18.750 | - | - |

- 8 **agree** that the appropriation changes in recommendation 7 be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Annex 2 – ABI uptake analysis

Apprenticeship Boost Initiative

- 1 ABI was funded for 20 months from implementation in August 2020. The COVID-19 Apprentice Support appropriation (the employer subsidy) was \$204 million in 2020/21 and \$166.9 million in 2021/22 (this excludes operational funding to MSD and TEC). ABI was costed so that all employers of eligible applicants could get a subsidy if they applied, and was conservatively estimated based on 2018 (a year of very high participation) to reduce risk of over-demand on the appropriation or denying the subsidy to eligible employers.
- 2 ABI is the only one of the four initiatives with significant uncertainty around uptake (which is dependent on employer choice and ongoing apprentice eligibility) and therefore uncertainty in predicting underspends.

Patterns of Apprenticeship Boost uptake

- 3 We have also used data sets to analyse the percentage of eligible apprentices (i.e. of all first- and second-year apprentices) who have had ABI claimed by their employers, and to identify any differences in uptake between demographic groups.
- 4 The data set used is all eligible first- and second-year apprentices, who are all employed and in apprenticeship training, regardless of whether their employer claims ABI payments for them or not. This means that not having an employer claim ABI doesn't indicate a negative impact on the apprentice in terms of being employed and progressing their training (which are the policy outcomes sought by ABI).
- 5 Apprentices take-up to date (as at 31 January 2021) is at 48 percent of all potentially eligible learners. (We are not able to tell from our data which apprentices are getting support from another initiative – this is to be compliant with Privacy Act requirements).
- 6 We do not know why some employers of eligible apprentices are not applying for ABI; however, some elements that may affect uptake include:
 - a. Cost-benefit analysis of engaging with government to apply, especially for second-year apprentices who are more experienced. Employers may not see it as worthwhile to apply for ABI funding for only a few months, and for a lower subsidy amount (\$500 per month, compared to \$1000 per month for a first-year apprentice).
 - b. Social conscience, and public views on companies that took the wage subsidy when they didn't need it. Some employers may not consider they are justified in applying for ABI unless they are suffering a loss of income (even though this isn't a criterion).
 - c. Employers claiming for other initiatives such as Mana in Mahi or the Regional Apprenticeships Initiatives (not visible from Ministry of Education data).
- 7 We know that the rate of uptake is higher than 48% for eligible apprentices who are:
 - a. In their first year of training (51%)
 - b. Younger (61% of under 18s, and 61% of 18- to 19-year olds)

c. European (50%).

- 8 ABI has been claimed for 46 percent of eligible Māori apprentices, and 43 percent of eligible apprentices who are Pacific Peoples.
- 9 We have not seen any significant difference by region or by gender (48% for male apprentices; 43% for female apprentices). However, Agriculture, Horticulture and Social Care qualifications have lower uptake.
- 10 There is some uptake variation between transitional ITOs, with a range from 29% (Careerforce) to 65% (Skills Active). There is also variation of uptake for Managed Apprenticeships across Te Pūkenga subsidiaries, although Managed Apprenticeships are a small portion of eligible apprentices (about 8 percent).
- 11 The most significant variants are age and year of training. The higher uptake for first-year and younger apprentices indicates that employers are more likely to apply for apprentices who need more support, and who attract a higher subsidy amount.
- 12 ABI claims are heavily weighted to first-year apprentices, for whom payments are higher, and more likely to continue through the entire ABI duration (e.g. a brand-new apprentice starting in August 2020 would remain eligible for the duration of the initiative, and therefore claim 24 months of funding).
- 13 In contrast, an apprentice whose payments start in their second year of training will cease to be eligible in 12 months or less.

Annex 3: Comparison Table for the Apprenticeship Support Programme initiatives

| | Apprenticeship Boost Initiative | Mana in Mahi | Regional Apprenticeships Initiative | Group Training Schemes |
|--|---|--|---|--|
| Agency | MOE (policy) and MSD (implementation) Apprenticeship Support Programme | (MSD) Apprenticeship Support Programme | MBIE (Provincial Development Unit) Grow Regions | TEC contracts – no applications process |
| Learners supported to date | 20,100 (as at 26 February 2021) | 1,579 (in 2021/22 as at end of February 2021) | 222 | 1,895 |
| Contracted total learners (if applicable) | N/A | N/A | 681 | N/A |
| 2020/21 Appropriation | \$204.045 million originally appropriated \$18.5 million has since been transferred to 2021/22 That leaves \$185.545 million in the 2020/21 baseline | \$13.397 million (extension – 2020/21) \$14.731 million (baseline – 2020/21) \$28,128million (total) (Note that Mana in Mahi funding includes operational costs) | \$27.240 million | \$19.360 million |
| 2020/21 Spend to date | \$96.482 million as at March 2021 (actual spend, GST exclusive) That leaves about \$89 million for rest of this fiscal year. If current burn rate continues (about \$20 million per month GST exclusive), up to around \$27 million could be available for further reprioritisation/transfer at year end. | \$15.021 million | \$4.85 million (as at 31 March 2021) | \$13.700 million |
| 2021/22 Appropriation | \$166.946 million originally appropriated \$18.5 million was transferred from 2020/21 and \$37.75 million was transferred from CRFF That gives \$223.196 million in the 2021/22 baseline | \$12.275 million (extension) \$13.141 (baseline) | N/A | N/A |
| 2022/23 Appropriation | No original appropriation for 2022/23. \$18.750 was transferred from CRFF That gives \$18.750 million in the baseline | N/A | N/A | N/A |
| Purpose | To support people in the first two years of a New Zealand Apprenticeship or a Managed | To support people into long-term sustainable work, through employment and an industry training | Support New Zealand regions to redeploy workers, by investing in up to 681 new level 4 apprenticeships. | To ensure apprentices employed by the seven Group Training Schemes continued in employment and training following the COVID- |

| | | | | |
|---|---|--|---|---|
| | Apprenticeship to stay employed and in training. | pathway (including apprenticeship and pre-apprenticeship training). | | 19 lockdown, and to enable a quick restart of training once business opportunities improved for host businesses |
| Who it's for | New Zealand Apprentices and Managed Apprentices (existing and new), in their first two years of training. | <p>For existing and new Mana in Mahi participants</p> <p>To be eligible for Mana in Mahi, a person must be:</p> <ul style="list-style-type: none"> a New Zealand citizen or permanent resident (ordinarily resident in NZ) considered disadvantaged in the local labour market and at risk of long-term benefit dependency available for full-time work (30 hours or more) or part-time work (15 -30 hours). <p>Mana in Mahi was previously targeted to young people, but this targeting was removed through the expansion</p> | <p>For up to 681 new apprentices in the regions – looking for:</p> <ul style="list-style-type: none"> Regional employees who are recently displaced from work women those who have undertaken pre-trades training and are looking for work Māori Pacific Peoples <p>Once that initial need has been met, the fund will be open to all regional apprentices and employers.</p> | The seven Group Training Schemes: These are not-for-profit industry-based organisations that employ apprentices and place those apprentices with 'host' employers. The GTS bills the 'host' employers for the apprentice's wages as well as a margin for training and operating costs. GTSs make it easier for employers to take on apprentices and most GTSs provide pastoral support for apprentices. |
| Duration | 24 months, starting in August 2020 (employees may be eligible for between 1 and 24 months, depending how much apprenticeship training they have done) | Up to 2 years of support from the date a participant starts Mana in Mahi. | 2 years from when funding is approved (most will be approved in 2021) | Currently contracts ends 30 June 2021 (the Minister of Education is considering options to extend contracts to 31 December 2021 or 30 June 2022), but without additional funding). |
| Type of support | <p>Employers get a subsidy</p> <ul style="list-style-type: none"> \$1,000 per month, for each month of ABI that an eligible employee is in the first year of their apprenticeship training \$500 per month, for each month of ABI that an eligible employee is in the second year of their apprenticeship training <p>TEC will check the employee is a New Zealand Apprentice or Managed Apprentice, and how much apprenticeship training they have done.</p> | <p>Employers and participants get support, including:</p> <ul style="list-style-type: none"> A wage subsidy paid to the employer (up to \$16,000 in the first year, and up to \$8,000 in the second year) Incentive payments for the employee (up to \$3,000 per year for two years) Additional educational supports, e.g. funding for literacy and numeracy training (up to \$2,000 per year for two years) Pre-employment training and support (up to \$2,000) Support for industry training course fees, if not in areas covered by Targeted Training and Apprenticeships Fund (up to \$8,000 per year for two years) Pastoral care for up to 24 months | <p>Employers get a subsidy and additional business and pastoral care support (for up to 2 years) based on needs of the apprentice and the business.</p> <ul style="list-style-type: none"> A wage subsidy of up to \$16,000 for the first year and up to \$8,000 for the second year, depending on the specific level of need for each apprentice/trainee Additional funding to assist employers in supporting and retaining apprentices (up to \$40,000 in total, depending on the apprentice's and business's needs, and including the wage subsidy amount) | <p>GTS get an amount contracted with the TEC to meet the following priorities:</p> <ul style="list-style-type: none"> Priority A: Maintain current apprentices employed by the scheme. Priority B: Reconnect with apprentices that have been let go since the impacts of COVID-19 (i.e., they must offer those apprentices their places back if possible). Priority C: Employ any additional apprentices necessary to bring them up to a viable level, not exceeding their usual level, as long as training arrangements are in place for the additional apprentices, and the GTS can show a viable pathway to in-work training. |
| What employee needs to be able to do | Able to undertake level 4 training in a New Zealand Apprenticeship or Managed Apprenticeship. | <p>Able to undertake training at apprenticeship or pre-apprenticeship level, with wrap around support.</p> <p>Available for full-time work (30 hours or more) or part-time work (15 -30 hours).</p> | Able to undertake level 4 training, with extra support if needed. | Employed by the GTS. |