



Briefing Note: Wage subsidy for school hostel employees

To:	Hon Chris Hipkins, Minister of Education		
Date:	13 Sept 2021	Priority:	High
Security Level:	In Confidence	METIS No:	1271171
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Purpose of Report

The purpose of this paper is to advise you that the Ministry intends to use Tier One funding from the Covid-19 Support Scheme to establish an application-based wage subsidy scheme for school hostel employees that are not able to access the Ministry of Social Development wage subsidy scheme.

Summary

- School hostels operated by state and state-integrated schools are funded through boarding fees, or other board funds. The Ministry does not provide any operating, maintenance or capital funding for hostels. There is also an expectation that state and state-integrated schools do not use funding from the government to run their hostels as this diverts funding away from its core purpose, curriculum teaching and learning.
- As Board employees, state school hostel workers are not eligible to be covered by the wage subsidy operated by the Ministry of Social Development, though some state-integrated school hostel employees are. Many schools plan to provide refunds to parents to cover the period of Alert Levels 3 and 4 when hostels are closed, reducing available funds to pay their staff.
- In 2020, Cabinet approved funding to establish an application-based wage subsidy scheme administered by the Ministry of Education for school hostel employees that had not received support from the Ministry of Social Development wage subsidy.
- Due to the recent Alert Level changes, schools have advised the Ministry that further support is required. The Ministry intends to use funding from the Covid-19 Support Scheme to set up a further wage subsidy scheme for school hostel employees. This aligns with the purpose of the Scheme, as agreed by Cabinet.

Recommendations


It is recommended that you

- a **Note** that the Ministry of Education will use funding from the Covid-19 Support Scheme to establish an application-based wage subsidy to support school hostel employees

Noted

- b **agree** that the Ministry of Education release this briefing once it has been considered by you

Agree **Disagree**



John Brooker
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Hon Chris Hipkins
Minister of Education

13 / 09 / 2021

16 / 9 / 2021

Background

1. In 2020, some schools with hostels advised the Ministry that they were facing difficulty in continuing to pay their hostel employees.
2. On 23 Apr 2020 Cabinet approved a wage subsidy scheme for school hostel employees, with payment criteria mirroring that of the Ministry of Social Development (MSD) administered wage subsidy scheme. This scheme also aligned with the instruction from Te Kawa Mataaho for state sector employers to continue to pay casual staff during Alert Level 4 and 3 lockdowns, to ensure continuity of income for people and minimise the load on MSD.

The August 2021 Alert Level change has prompted new concerns about hostel staff

3. At the onset of the recent escalation to Alert Level 4 in August 2021, a small number of schools approached the Ministry to query whether the hostel wage subsidy would be available again, given that the Government wage subsidy had been re-established. However, it was not immediately apparent that the latest lockdown had affected hostel cashflow in the same way as the March 2020 lockdown, given fees had already been paid for the term.
4. In late August and early September 2021, School Financial Advisors made direct contact with all state and state-integrated schools with hostels to determine whether they needed support, including if:
 - they were planning to or had already refunded/credited boarding fees
 - they continued to pay their employees
 - they had applied for the MSD wage subsidy (integrated schools only)
5. Responses indicate that most schools are continuing to pay their employees, and many of these were also planning to offer refunds/credits to parents for the period of closure. Many state-integrated schools also indicated they planned to or had already accessed the MSD wage subsidy, highlighting a potential inequity in not making similar support available to state schools.
6. It is also a priority to support schools to retain these employees, as Government would bear costs through other support schemes such as benefits if hostels were to reduce their staff. It also aligns with the expectation from Te Kawa Mataaho that state sector employers support casual staff during lock-down. In addition, a network of school hostels provides important schooling options for learners in remote communities, and learners with barriers to education in their home environments.
7. The Ministry is therefore intending to set up a further application-based wage subsidy for state and state integrated schools using funding from the Covid-19 Support Scheme for schools agreed by Cabinet in June 2021. This subsidy is only for schools that have not received, or are not eligible to receive, MSD support.

Costs of a potential wage subsidy for school hostel employees

8. Uptake for the hostel wage subsidy in 2020 was somewhat lower than anticipated (28 of 67 schools received it), likely due to some integrated schools accessing the MSD subsidy, and differing decisions by schools on refunds/credits. As a result, we have more conservatively costed uptake for a similar subsidy in 2021. This costing is based on the following assumptions:
 - no school that indicated it intended to access the MSD subsidy is included

- the initial payment for all eligible schools will be for a period of four weeks (18 Aug to 15 Sept) to reflect potentially differing opening dates of hostels
- further payments of up to six weeks will be available to Auckland schools, and those schools where a high proportion of their boarders come from Auckland, which reflects the impact of the extended Level 4 lockdown may have on these schools
- two-thirds of eligible schools will receive the subsidy (based on lower uptake than anticipated last year).

Table One: estimated cost of wage subsidy for school hostel employees

Details	Estimated Cost
Hostel wage subsidy for eligible schools in all regions for initial four-week period	\$814,759
Additional costing for Auckland and surrounding areas (Waikato and Te Tai Tokerau) for additional six-week period	\$458,964
Total cost estimate	\$1,273,723

9. If 100% of eligible schools that responded to the survey received the wage subsidy, this would cost approximately \$1.75m. This amount could still be met within the existing Tier One funding, though it would leave less available to meet other costs. As the Ministry proactively contacted all schools with hostels to understand their situation, uptake could be higher than in 2020.

The Ministry has funding available to meet this cost

10. In 2020, Cabinet agreement and appropriation of funding was required to establish the wage subsidy, as no funding was available that could be used for this purpose.
11. In July 2021, Cabinet approved the re-allocation of funding appropriated for Additional Relief Teacher Funding to a two-tier Covid-19 Support Scheme for schools. This funding is in the Primary and Secondary Multi-Category Appropriation. The two tiers are:
- Tier One: Financial support to help schools meet immediate, unforeseen costs of COVID-19 lockdown (initially costed at \$6.5 million).
 - Tier Two: Intensive support for schools identified as being at-risk due to medium-term impacts of COVID-19 on finances 9(2)(f)(iv)
12. We consider that it is appropriate to establish a wage subsidy for school hostel employees using Tier One funding, as these are unforeseen and immediate costs for schools. Many state-integrated schools will also be accessing the MSD wage subsidy, and some state schools are already querying the discrepancy in support available to them.

9(2)(f)(iv)

Next Steps

14. The Ministry will stand up an application-based wage subsidy scheme for school hostel employees in the week of 13 September 2021. This will be communicated through the School Bulletin, and to Ministry regional offices.
15. Sector Enablement and Support will process applications, and ensure schools meet criteria including continuing to pay their staff, and that they have not received the MSD wage subsidy.
16. Tier One funding will continue to be available for other unforeseen costs of Alert Level changes on an application basis.