

Cabinet Paper material

Proactive release

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Cabinet paper: Apprenticeship Support Programme – design and implementation of the Mana in Mahi expansion and the Apprenticeship Boost Initiative

15 June 2020

Ministry of Education

Annex one: Overview of components within the Apprenticeship Support Programme

15 June 2020

Ministry of Education

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Cabinet office

Material redacted

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Office of the Minister of Education
Office of the Minister for Social Development
Office of the Minister for Employment
Chair, Cabinet Social Wellbeing Committee

Apprenticeship Support Programme – design and implementation of the Mana in Mahi expansion and the Apprenticeship Boost Initiative

Proposal

1. This paper proposes the establishment of an Apprenticeship Support Programme which covers four key initiatives:
 - 1.1. Expanded Mana in Mahi;
 - 1.2. The new Apprenticeship Boost Initiative;
 - 1.3. Increased support for Group Training Schemes; and
 - 1.4. The Regional Apprenticeships Initiative.
2. This paper seeks agreement to policy settings for an expansion of Mana in Mahi and the detailed design and implementation of the Apprenticeship Boost Initiative, including the following draw-downs from the \$412 million COVID-19 Support for Apprentices contingency, which was established as part of the COVID-19 Response and Recovery Fund (CRRF) Foundation Package:
 - 2.1. \$30.318 million for the expansion of Mana in Mahi; and
 - 2.2. \$380.554 million for the Apprenticeship Boost Initiative.

Executive Summary

The Apprenticeship Support Programme

3. Apprentices are industry trainees who undertake a recognised apprenticeship programme of study that leads to a Level 4 New Zealand qualification of at least 120 credits. Pre-apprentice training also occurs at Levels 2 and 3, and provides a pathway for learners into Level 4 apprenticeship programmes. Apprenticeships are high-quality training pathways that generally lead to good long-term employment outcomes, often in skill shortage areas.
4. A comprehensive package of support for apprentices and their employers is essential to ensure that the jobs of existing apprentices are secure and that new apprentices continue to start training throughout the recovery from COVID-19 so that our people and businesses continue to develop the skills needed for New Zealand's economic recovery and rebuild.
5. This paper proposes the establishment of an Apprenticeship Support Programme that covers four key job-focused initiatives for apprentices. This paper seeks policy decisions on two of these initiatives – an expansion of Mana in Mahi, and a new Apprenticeship Boost Initiative – and provides an overview of the other two initiatives – the Regional Apprenticeships Initiative and Group Training Scheme support.

6. Through this Apprenticeship Support Programme, based on the policy settings proposed in this paper, employers would be eligible to receive a base subsidy of \$12,000 per first year apprentice and \$6,000 per second year apprentice through the broad-based Apprenticeship Boost Initiative.
7. A higher subsidy rate would be available to some employers through other initiatives to reflect the different level of need of the individual apprentice (or pre-apprentice trainee) they hire and support. For example, we propose that Mana in Mahi, which targets at-risk individuals, provides a higher subsidy rate of up to \$16,000 per first year participant and up to \$8,000 per year second year participant to acknowledge the additional support employers need to provide for these individuals.

Proposed policy settings for the Mana in Mahi expansion

8. Mana in Mahi is an existing 12 month programme that supports at-risk, mostly young people through an industry training pathway (including apprenticeships) and into long term sustainable work. Mana in Mahi participants are among those most at risk of adverse employment outcomes from the economic and social impacts of COVID-19.
9. This paper seeks agreement to several adjustments to the Mana in Mahi programme, including an increase to the wage subsidy component of the programme and extending the period of time that participants in Mana in Mahi are supported.

Broad scope of the Regional Apprenticeships Initiative

10. The \$40 million Regional Apprenticeships Initiative will invest in creating up to 1,000 new apprenticeships in regional New Zealand across a range of sectors. It will initially focus on supporting recently displaced workers and Māori and Pacific peoples into apprenticeships to assist with the redeployment of workers. This initiative is funded through the Provincial Growth Fund (PGF).
11. Regional Economic Development Ministers will approve PGF Regional Apprenticeship investments over June.

Design and implementation of the Apprenticeship Boost Initiative

12. As part of the COVID-19 Response and Recovery Fund (CRRF) Foundation Package, Cabinet agreed to place \$412 million into the COVID-19 Support for Apprentices contingency set aside by Cabinet as part of the COVID-19 Response and Recovery Fund (CRRF) Foundation package [CAB-20-MIN-0219 refers]. This scheme is referred to in this paper as the Apprenticeship Boost Initiative.
13. The Apprenticeship Boost Initiative will make broad-based support available to employers of existing and incoming apprentices across all industries, in the early years of their apprenticeships. Under this initiative, support will be available to employers in all industries that run recognised Level 4 apprenticeship programmes, to help ensure that all types of training can continue.
14. The primary goal of the Apprenticeship Boost Initiative is to retain current apprentices in their jobs to the greatest extent possible during the economic downturn so that they can continue to earn and progress towards their level 4 qualifications. This will support the pipeline for the skilled workforces that New Zealand needs to recover from the impact of COVID-19.
15. The Apprenticeship Boost Initiative, and the other components of the Apprenticeship Support Programme, may also help to limit reductions in the uptake of new apprenticeships during the economic downturn, through giving more employers

confidence to bring on new apprentices as existing apprentices graduate. It is not intended or expected to raise the overall numbers of apprentices, and it remains likely that apprentice numbers will reduce below 2018 levels.

16. We consider that the Ministry of Social Development (MSD) is best positioned to implement the Apprenticeship Boost Initiative, as it has the capability to design and administer high volumes of payments to employers, and already has the infrastructure in place to manage payments to employers.
17. To effectively preserve jobs, details about Apprenticeship Boost Initiative (including its start date and eligibility settings) need to be announced as soon as possible, so that employers who have apprentices coming off the Wage Subsidy Scheme know that more support is coming.

Background

18. Government's primary response to supporting employees and businesses to manage the impacts of COVID-19 has been the Wage Subsidy Scheme (WSS), which provided subsidies to employers who had experienced a 30 percent (or more) decrease in revenue compared to the same time last year.
19. The WSS was initially intended to end on 9 June 2020, but a targeted extension will be accessible for a further period of up to 8 weeks to employers still significantly impacted by COVID-19. Eligible employers will need to reapply once their initial 12-week subsidy has come to an end, and must have experienced a revenue loss of at least 40 percent for the 30 days before the employer applies for the extension, compared to the closest period last year.
20. Some employers are likely to come under increasing financial strain once the extension to the WSS ends, and this will place even greater pressure on them to cut costs, potentially by laying off apprentices.
21. A comprehensive package of support for apprentices and their employers is essential to ensure that the jobs of existing apprentices are secure and that new apprentices continue to start training throughout the recovery from COVID-19. This support needs to be implemented quickly to avoid a drop-off in apprenticeships following the end of the WSS.

Overview of apprenticeships and the vocational education system

22. Apprentices are industry trainees who undertake a recognised apprenticeship programme of study that leads to a level 4 New Zealand qualification of at least 120 credits. Apprentices are part of a three-way training and employment agreement between themselves, their employer (or Group Training Scheme), and either a Transitional Industry Training Organisation (TITO) for a New Zealand Managed Apprentice or a subsidiary of the New Zealand Institute of Skills and Technology (NZIST) for managed apprenticeships. Pre-apprentice training also occurs at qualification Levels 2 and 3, and provides a pathway for learners into formal Level 4 apprenticeship programmes.
23. Apprentices are often starting out in their chosen industry. They may not be entering the labour market for the first time, but might be changing career or re-entering the labour market. Over half of all apprentices in 2018 were 25 years old or older.

24. The Reform of Vocational Education (RoVE) will shift the role of supporting workplace learning from TITOs to providers from 2021. The NZIST and other providers will support workplace-based and on-the-job training, and will deliver education and training in provider-based and off-the-job settings.
25. For apprentices, RoVE will make the vocational education system easier to understand and navigate, and they will more easily be able to move between on-job, off-job and online study. The new system will support learners to upskill and retrain throughout their working lives.
26. Apprenticeships create highly skilled practitioners within their industries that ultimately train the next generation. Apprenticeships are high-quality training pathways that generally lead to good long-term employment outcomes, often in skill shortage areas.
27. However, apprentices are costly for firms to support, particularly in the early years of their training when the productivity of these apprentices may be low. Apprentices are therefore vulnerable to being laid off during a recession, and this is of particular concern in the early stages of an apprenticeship when the apprentice is less productive and requires more support from the employer.

The Apprenticeship Support Programme

COVID-19 will create or exacerbate a range of barriers for apprentices and employers

28. Existing apprentices, those involved in pre-apprenticeship training, and those seeking to enter into a formal apprenticeship are particularly vulnerable to the immediate economic impact of COVID-19. Employers and apprentices are likely to face a range of barriers in starting or continuing employment and training, and these barriers may be greater for different groups of people and in different regions.
29. Barriers for apprentices and employers related to COVID-19 and the economic and social impacts of this pandemic include that:
 - 29.1. employers may be less able to absorb the short-term loss of productivity that can occur in the earlier stages of an apprentices' training, even if they recognise the longer-term benefits to their business and wider industry;
 - 29.2. employers may be hesitant to take on new apprentices or to invest in workforce training in the face of uncertainty around the longer-term outlook and recovery for their business and industry; and
 - 29.3. learner groups that historically have poorer access to education, training, and the labour market, can face a range of complex barriers that are likely to be increased by COVID-19. These groups may need more targeted wrap-around support.
30. If not addressed, these barriers will not only produce poorer education and employment outcomes for individuals, they will also weaken the skills pipeline that New Zealand will need to support our economic recovery and rebuild over the coming years.

We propose a package of support is delivered as a coherent work programme across government – the Apprenticeship Support Programme

31. The barriers outlined above can best be overcome by first establishing a broad base of support to help employers retain and bring on new apprentices, which will help to address the general disruptions that are likely to be felt across all industries.

32. This broad-based support would be complemented by more targeted initiatives to ensure that groups currently underserved by the vocational education and training system, who are likely to be disproportionately impacted by COVID-19, receive greater and more tailored support where they need it. Targeted initiatives could focus, for example, on Māori and Pacific learners, disabled learners, and learners in regions that do not have a strong history of apprenticeship training.
33. This type of comprehensive support package for apprentices and their employers is essential to ensure that the jobs of existing apprentices are secure and that new apprentices are able to start training through the recovery from COVID-19. This is critical to ensuring that our people and businesses continue to develop the skills needed for New Zealand's economic recovery and rebuild.
34. We propose that this package of support is brought together as an Apprenticeship Support Programme which will:
 - 34.1. Provide clarity to employers about the range of support that is available;
 - 34.2. Provide certainty for employers and current/prospective apprentices;
 - 34.3. Support coherence across agency programmes; and
 - 34.4. Demonstrate the Government's long-term commitment to supporting learning in the workplace, giving employers the confidence to do their bit by retaining and continuing to take on new apprentices.

The Apprenticeship Support Programme will cover four key initiatives

35. This Apprenticeship Support Programme will cover the following four initiatives:
 - 35.1. **The new Apprenticeship Boost Initiative** – delivered by MSD, this initiative will draw down \$380.554 million from a \$412 million COVID-19 Support for Apprentices contingency to provide broad-based support to employers of existing and incoming formal (qualification Level 4) apprentices across all industries, in the early years of their apprenticeships, through a wage subsidy paid to the employer per eligible apprentice.

This paper seeks agreement to set the subsidy rate for this broad-based support scheme at \$12,000 per annum for first year apprentices and \$6,000 for second year apprentices. This initiative will provide support for at least 20 months.
 - 35.2. **Expanded Mana in Mahi** – led by MSD, this existing initiative (which received \$49.9 million in funding in 2019) is a 12 month programme that supports at-risk, mostly young people through an industry training pathway (including pre-apprenticeship training and formal level 4 apprenticeship programmes) and into long term sustainable work. It provides employers with a range of support, including a wage subsidy, and it provides participants with incentive payments and access to in-work support.

This paper seeks to expand Mana in Mahi with an additional \$30.318 million in funding that will allow it to be extended from 12 to 24 months of support per participant, and provide an increased wage subsidy amount of up to \$16,000 per first year participant, and up to \$8,000 per second year participant. Additional pastoral care and other support would be provided on top of this wage subsidy amount. The expanded scheme will cover three financial years, which includes additional funding for current participants and two new cohort intakes.

- 35.3. **Increased support for Group Training Schemes** – funded through the Tertiary Education Commission (TEC), this \$19 million initiative provides funding for the seven existing Group Training Schemes to continue to employ apprentices and trainees and provide related services to host businesses, where host businesses (mainly construction-related) are unable to support them and provide on-the-job opportunities. This funding is different in design to other Apprenticeship Boost Initiatives because it is geared to maintaining the viability of these seven schemes, which together employ over 1,700 apprentices at any one time, and which are not getting sufficient income from their client host businesses to stay trading. The apprentices may also be eligible to attract support from other initiatives, such as the Apprenticeship Boost Initiative to contribute to their wage costs¹.

Retaining these apprentices through Group Training Schemes will support a quick restart of training once business opportunities improve for host employers. This will ensure apprentices can continue with their training and become work-ready sooner.

- 35.4. **The Regional Apprenticeships Initiative** – led by MBIE's Provincial Development Unit, this \$40 million initiative will invest in creating up to 1,000 new apprenticeships in regional New Zealand across a range of sectors. The initiative will initially focus on supporting recently displaced workers and Māori and Pacific peoples into apprenticeships.

The initiative allows up to \$40,000 per apprentice and will include wage subsidies of up to \$16,000 for the first year and up to \$8,000 for the second year, depending on the needs of each apprentice. This initiative will also provide other forms of business support and pastoral care to assist employers in supporting and retaining apprentices.

36. Through this Apprenticeship Support Programme, based on the policy settings detailed in this paper, employers would be eligible to receive a base subsidy of \$12,000 per first year apprentice and \$6,000 per second year apprentice they employ through the broad-based Apprenticeship Boost Initiative. A higher subsidy rate would be available to some employers through other initiatives to reflect the different level of need of individual apprentices (or pre-apprentice participant) they hire and support. For example, we propose that Mana in Mahi, which targets at-risk individuals, should provide a higher subsidy rate of up to \$16,000 per first year participant and up to \$8,000 per year second year participant to acknowledge the additional support employers need to provide these individuals.
37. Employers would be able to access support from either the Apprenticeship Boost Initiative, Mana in Mahi, or the Regional Apprenticeships Initiative (depending on the type of apprentice or pre-apprentice trainee they employ). Employers are also required to top up funding they receive through the Apprenticeship Support Programme to ensure their apprentices receive at least the relevant minimum wage or the training wage.
38. **Annex one** provides a high-level overview of the four initiatives within the Apprenticeship Support Programme, including each initiative's cost, scope and targeting (if any), and the number of employers and apprentices expected to be supported.

¹ Apprentices receiving ASI support will be first- and second-year apprentices. Group Training Scheme support has broader applicability including the support GTS give to businesses training at below level 4.

The Apprenticeship Support Programme is part of a wider landscape of initiatives

39. This Apprenticeship Support Programme will be complemented by wider ongoing and new initiatives, including the:
 - 39.1. RoVE which will create a strong, unified, sustainable system for all vocational education;
 - 39.2. \$320 million *Targeted training and apprenticeship fund* which will make a range of training and apprenticeship programmes free for learners from 1 July 2020; and
 - 39.3. development of a new online careers advice system for learners and workers to plan and manage their careers throughout their lifetime, and help them understand their transferable skills.
40. Another important part of the wider landscape is the Māori Apprenticeship Fund. This new Fund, led by MBIE, is a \$50 million scheme that will offer contestable grant funding for Māori groups, entities and employers to partner with the Crown to provide support to Māori workers in the trade sector. The Apprenticeship Support Programme is intended to provide supplementary support to Māori apprentices where gaps in the related initiatives are identified by applicants to the Fund, as well as provide a broader suite of pre-apprenticeship training, non-formal trades training and wraparound support for Māori.
41. The final policy design parameters for the Māori Apprenticeship Fund are currently being determined. The Minister of Employment intends to seek Cabinet agreement to the policy settings and implementation approach for the Fund in July 2020, in order to invite and assess initial applications shortly.
42. The existing Māori and Pacific Trades Training (MPTT) programme is also part of the wider landscape surrounding the Apprenticeship Support Programme. The purpose of MPTT funding is to increase access for Māori and Pacific learners to vocational and pre-employment training. This programme provides fees free tertiary places, and brokerage and support for Māori and Pasifika learners aged between 16 and 40 to achieve in pre-trades training and progress to sustainable trades or trades related employment including New Zealand Apprenticeships.

The sections below seek Cabinet's agreement to the policy settings for the Mana in Mahi expansion and for the Apprenticeship Boost Initiative

43. The sections below seek Cabinet's:
 - 43.1. agreement for adjustments to the settings for the Mana in Mahi programme to help ensure employers remain incentivised to invest in those most disadvantaged within the labour market; and
 - 43.2. agreement to the design and implementation of the broad-based Apprenticeship Boost Initiative.
44. Cabinet has already agreed to the policy settings for the Group Training Schemes support initiative [CAB-20-MIN-0219], and Regional Economic Development Ministers will make detailed policy design choices on the Regional Apprenticeships Initiative, as this is funded through the Provincial Growth Fund.
45. Decisions on the Regional Apprenticeships Initiative will align the funding rates with those of the wider Programme (i.e. up to \$16,000 for first year and up to \$8,000 in second year, depending on the apprentice's need).

Proposed policy settings for the Mana in Mahi expansion

Background to Mana in Mahi

46. Mana in Mahi – Strength in Work (Mana in Mahi) is a 12-month programme delivered by the Ministry of Social Development (MSD) that supports at-risk, mostly young people through an industry training pathway (including apprenticeships) and into long-term sustainable work.
47. Mana in Mahi's current offering includes a wage subsidy of \$9,580 per participant (based on one year of Jobseeker Support), three separate incentive payments for participants totalling \$3,000, pre-employment support of up to \$2,000 per participant, and on-going access to pastoral care. Employers are expected to top-up participants' wages to at least the national adult minimum wage. While Mana in Mahi is currently targeted towards young people who are between 18 and 24 years old, the programme is available to people of all ages who are disadvantaged in the labour market, including Māori, Pacific peoples and disabled people.
48. Mana in Mahi is an established and successful programme. While it is too early to formally evaluate it, the current service offering has been well received by both young people and employers. Placements have already exceeded the 2019/20 target of 300, with 458 placements filled in the 2019/20 year as at the end of April 2020 (bringing the total to 729 placements filled since August 2018).
49. Mana in Mahi complements the other initiatives in the Apprenticeship Support Programme by providing additional targeted support to those most vulnerable in the labour market, particularly those who are at risk of long-term benefit receipt. It is important that the Mana in Mahi offering is relevant and viable in the current economic climate, and that employers are incentivised to invest in this group, even with other apprenticeship supports being available.

Proposed adjustments to Mana in Mahi

50. We propose adjustments to increase the amount of support provided to employers and participants during the economic downturn. This will help ensure the ongoing efficacy of the Mana in Mahi programme and that participants, who are among the most vulnerable in the labour market, are best supported to achieve sustainable employment and a formal training qualification in the current environment. It will also ensure that the programme is not crowded out by new training and apprenticeship support initiatives.
51. We seek Cabinet's agreement to the following proposed changes, and that this adjustment be paid for by a draw-down of \$30.318 million from the \$412 million COVID-19 Support for Apprentices contingency. This will cover expansion of the scheme for three financial years, which includes additional funding for current participants and two new cohort intakes.

Increasing the wage subsidy rate and duration

52. We propose that adjustments are made to the Mana in Mahi programme, to provide a wage subsidy of up to \$16,000 per participant in the first year and up to \$8,000 per participant in the second year.
53. An increase in the overall rate per participant will help ensure employers remain incentivised to invest in those most disadvantaged in the labour market. It will also help to offset any productivity loss experienced by employers while participants develop their skills. The proposed Mana in Mahi rate (totalling up to \$24,000 per participant for up to 24 months) is higher than the recommended Apprenticeship Boost Initiative rate (which

varies due to when each apprentice started training, but would not be more than \$16,000 over 20 months) which will incentivise employers to retain and continue to take on new Mana in Mahi participants.

54. To align the timeframes of the Mana in Mahi employer incentives with the Apprenticeship Boost Initiative, and to support employers and participants through this recessionary period, we recommend that the wage subsidy, incentive payments and pastoral care support are extended for participants while they remain registered in formal industry training, up to a total of 24 months. This will help ensure Mana in Mahi participants are not disadvantaged relative to apprentices under the Apprenticeship Boost Initiative.

Supporting employers to pay for a participant's industry training course fees

55. Feedback from employers in Phase Two of Mana in Mahi highlighted that paying for course fees was a barrier for them taking on a participant. Although funding for course fees has been made available through the Targeted Training and Apprenticeship Fund, this is not available for all the industries that Mana in Mahi participants work in.
56. We therefore propose that payments be made available to help cover course fees up to a total of \$16,000 over two years. The maximum amounts available would be \$8,000 within the first 12 months, \$12,000 within 18 months, and \$16,000 within 24 months. Employers would be eligible for this optional payment while their participant remains in an industry training qualification, and they would only be able to access the fund if the participant is not able to access course fee funding through existing 'first year' Fees Free or the new Targeted Training and Apprenticeship Fund.

Payment for additional educational supports

57. Many current Mana in Mahi participants often have a low level of educational attainment. To ensure participants have the best chance at succeeding on the programme, an additional lump-sum payment of \$2,000 is proposed to help cover the cost of any required literacy and numeracy support (e.g. through a tutor) or equipment (such as laptops) to help facilitate working or studying from home.

Expanding the target cohort of Mana in Mahi to anyone at risk of long-term benefit receipt

58. We expect there to be widespread displacement of workers as a result of COVID-19, and as seen in previous recessions, many people of all ages (including older people) may be required to retrain in other industries. It is therefore proposed that the focus of Mana in Mahi be expanded to include anyone at risk of long-term benefit receipt, including older people who need additional support to retrain.
59. These changes will require minor amendments to the Employment and Work Readiness Assistance Programme.

Funding for this Mana in Mahi expansion

60. The total cost of the proposed changes to the Mana in Mahi programme outlined above would be \$30.318 million over three financial years. We propose reviewing the expansions to the Mana in Mahi programme following year one and before the Apprenticeship Support Initiative comes to an end. This review will focus on assessing which enhancements should be retained or revised into the future.
61. We seek Cabinet's agreement to fund this expansion in Mana in Mahi through a draw-down from the \$412 million COVID-19 Support for Apprentices contingency set aside from the CRRF.

Broad scope of the Regional Apprenticeships Initiative (new initiative)

62. The \$40 million Regional Apprenticeships Initiative, led by MBIE's Provincial Development Unit, will provide an immediate boost of funding into the regions, with payments frontloaded and the majority of funding to be disbursed in the first 12 months of the apprenticeships. This will ensure funds are disbursed into the economy during the critical time for addressing the economic impact of COVID-19.
63. This initiative will invest in up to 1,000 new Level 4 apprenticeships in regional New Zealand across a range of sectors, focusing initially focus on supporting recently displaced workers and Māori and Pacific peoples into apprenticeships to assist with the redeployment of workers.
64. The Regional Apprenticeships Initiative allows for up to \$40,000 per apprentice, which will include:
 - 64.1. 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 of each apprentice; and
 - 64.2. additional funding to assist employers in supporting and retaining apprentices, such as professional business advice and pastoral care – in line with what is valued by employers, following PDU engagement.
65. Regional Economic Development Ministers are considering the Regional Apprenticeships Initiative by mid-June 2020 and will make some initial approvals, with final approvals expected by the end of June.

Objectives of the Apprenticeship Boost Initiative

66. Apprenticeships are high-quality training pathways that generally lead to good employment outcomes, often in skill shortage areas. However, apprentices are costly for firms to support, particularly in the early years of their training, and are therefore vulnerable to being laid off during a recession.
67. The key objective of the broad-based Apprenticeship Boost Initiative is to enable firms to retain apprentices who are in the first 24 months of their training, so that they remain employed and able to continue their training. The first 24 months of training is when apprentices are most vulnerable to losing their job and training, due to their relative inexperience compared to more skilled workers, as well as the training time and supervision requirements placed on the employer. After 24 months, apprentices are able to operate more independently.
68. As well as training the skilled workforces we need to recover from the impact of COVID-19, the Apprenticeship Boost Initiative, along with other more targeted initiatives within the Apprenticeship Support Programme, may help to limit reductions in the uptake of new apprenticeships during the economic downturn.

Policy settings of the Apprenticeship Boost Initiative

Eligibility: employers of apprentices in their first 24 months of training

69. All apprentices in their first 24 months of training who meet the usual definitions² of either a New Zealand Apprentice or Managed Apprentice will be eligible for the Apprenticeship Boost Initiative, regardless of their industry.

² These are as used by the TEC for apprenticeship funding and records through the Single Data Return.

70. This broad eligibility is to keep as many current apprentices in their jobs as possible, and to stabilise the skills pipelines across all industries. Over half of all apprentices are in their first 24 months of training (over 35,000 learners).
71. Employers will be able to apply for the scheme in respect of both new and existing apprentices (as defined above) over the period of the scheme.
72. Employers will need to support the apprentice's continued employment and training as a condition of retaining the subsidy.
73. Employers claiming funding from the Apprenticeship Boost Initiative for an employee would not be able to also claim the wage subsidy or specific other support (e.g. from Mana in Mahi or the Regional Apprenticeship Initiative) in respect of that employee over the period of the subsidy.

Support to start from early August 2020

74. Timeliness is critical to the success of this initiative, and the wider Apprenticeship Support Programme: there is a high risk that apprentices will lose their employment and apprenticeship if employers do not have certainty and continued support.
75. We consider that Apprenticeship Boost Initiative payments should start after the first firms exit the wage subsidy extension, in early August. This will ensure continuity of support for the employers most affected by the downturn. An early announcement will mean all employers, including those who are not eligible for the extended wage subsidy, know this support will soon be available for apprentices.

Scale and scope

76. We recommend a differentiated subsidy rate for the Apprenticeship Boost Initiative:
 - 76.1. \$12,000 per annum (\$1,000 per month) for apprentices while in the first year (months 1-12) of their training programme; and
 - 76.2. \$6,000 per annum (\$500 per month) for apprentices in the second year (months 13 to 24) of their training programme.
77. Individual apprentices will move from the year 1 rate to the year 2 rate at different times, depending on when they started their training programme. For example, once the subsidy starts in August 2020, an apprentice who started their programme in January 2020 would get five months at the year 1 rate, and move to the year 2 rate in January 2021.
78. Apprentices may reach the 24 month point of their training programme before the scheme ends. For example, an apprentice who started their training programme in January 2020 would cease to be eligible for the subsidy after December 2021, as they would have reached the end of their second year of training.
79. We propose that the subsidy rates for the Apprenticeship Boost Initiative are at the right level to give employers the support needed to keep apprentices through the economic downturn. The year 1 rate works out at around \$230 per week (for an apprentice in their first 12 months of training), which is about 38 percent of the training wage of \$604.50 per week for a full time employee. Employers maintain a significant investment of around 60 percent of the apprentice's wages.
80. The estimated cost of the recommended subsidy rates is up to \$222.6 million for a full year, using a costing model based on 2018/19 apprenticeship data (the most recent full year data). Given the \$412 million set aside in the COVID-19 Support for Apprentices

contingency for this initiative, and the \$30.318 million required from this contingency for the Mana in Mahi expansion, the remaining \$381.682 million in the contingency would enable the scheme to run from August 2020 until the end of March 2022 (around 20 months).

81. These estimates are likely maximums. There are uncertainties in the costings as there may be a drop in new and existing apprenticeships as a result of the economic downturn. This would reduce the uptake of the Apprenticeship Boost Initiative.
82. s 9(2)(f)(iv)

Expected impact of Apprenticeship Boost Initiative

83. The primary intended impact of the apprenticeship subsidy will be that apprentices remain employed and continue to train towards their qualifications. Through continued employment and training, apprentices will develop industry-relevant skills that support sustainable employment and skill development for industries.
84. Support for apprentices, employers and firms will strengthen and protect industry resilience and skills pipelines. The funding will support apprentices who might otherwise have lost their jobs in the economic downturn to remain in employment while they continue their training, and will support firms to develop skilled workers.
85. The subsidy is not expected to speed up apprentices' training progression. We expect that apprentices will progress towards their qualification at the same rate as any apprentice at the same stage of their apprenticeship.
86. Progress on an apprenticeship programme is monitored by the relevant TITO against an agreed training plan, and performance of a TITO is monitored by the TEC, using its funding agreements.
87. It is expected that the subsidy will have a modest influence over the flow of new apprentices into training or reductions in numbers of apprentices, as there will be many factors influencing the labour market. A significant reduction in new apprenticeships due to the economic downturn is still possible, as is some loss of existing first and second year apprentices. As noted above, this would lower expenditure and could make extending the duration of the scheme a possibility.
88. The impact of COVID-19 on the economy will mean that some employers will not want to commit to retaining or taking on a new apprentice even with a subsidy, and some businesses will not be sustainable. Employers may still delay taking on new apprentices until they feel more financially secure and are more confident of the demand pipeline for their industry and firm.

Implementation approach for the Apprenticeship Boost Initiative

89. We propose that the Ministry of Social Development (MSD) implements the Apprenticeship Boost Initiative. MSD already offers programmes that support employers to increase participation and attachment to work by people who would otherwise be vulnerable to unemployment.

90. The initiative must be implemented rapidly to support the employers of apprentices after the extended wage subsidy finishes. This will create additional demand on MSD's payment systems. This will be mitigated by starting the Apprenticeship Boost Initiative as the extended wage subsidy finishes.
91. We have not proposed an education system payment, as the TEC has limited experience in administering employer subsidies or citizen-facing payments, and does not have direct relationships with employers or individuals. We consider that an attempt to build this capability within the TEC in the short time before the Apprenticeship Boost Initiative rolls out would carry a significant risk of payment issues and loss of employer confidence, particularly as the TEC does not have experience in managing probity in payments to employers or citizens.
92. MSD has:
- 92.1. capability to design and administer high volumes of payments to employers, including creating easy interfaces and systems for employers to use;
 - 92.2. infrastructure in place to manage payments to employers, including the portal through which the wage subsidy is paid, and a contract-based payment system (currently used to pay Mana in Mahi employers); and
 - 92.3. potential for efficiencies for employers already accessing MSD payments such as Mana in Mahi or Flexi wage, or transitioning between payments such as wage subsidy and Apprentice Support.
93. The TEC will support MSD's implementation of the Apprenticeship Boost Initiative by verifying each apprentice's eligibility and confirming which rate applies, both at the outset and ongoing. This will avoid MSD having to request information from employers that they have already provided through Tertiary Education Organisations (TEOs) to the TEC.
94. The costs of implementing the Apprenticeship Boost Initiative is \$9.563 million over two years:
- 94.1. \$8.663 million for MSD's administration of the scheme. This includes \$0.866 million for project implementation and ongoing project support, \$1.500 million for Information Technology infrastructure, and \$6.297 million for frontline delivery staff.
 - 94.2. \$0.900 million for the TEC's verification of apprentice eligibility and subsidy rate, which requires some manual processes. This includes \$0.300 million for initial set-ups costs and \$0.300 million each year to operate it.
95. The Apprenticeship Boost Initiative will initially be set up using MSD's employer payment portal (used for the WSS), which enables a high volume of payments to be made at speed. This will ensure employers of apprentices receive the subsidy in a timely manner supporting them to retain current apprentices as the extended wage subsidy ends.
96. MSD will work with TEC to confirm the existence of apprenticeship enrolments as part of the application process upfront. MSD will also require employers to make a declaration that they meet the eligibility criteria for the scheme, prior to payment being made.
97. Payments will, over approximately three months, be transferred to MSD's standard contracting mechanisms. This will support MSD to:

- 97.1. re-confirm employer eligibility when claiming for each instalment of the subsidy; and
- 97.2. monitor and respond to changes in employers' and apprentices' circumstances.
- 98. This approach will increase the integrity of the scheme in the longer term, and means that MSD will have the ability to better manage an employer and employee's change in circumstances.
- 99. Officials will undertake the further work to refine the detailed policy and design settings for the scheme and report to lead Ministers to take detailed decisions before implementation.

Risks related to the Apprenticeship Support Programme

- 100. The number of apprentices is the largest variable for the Apprenticeship Support Programme, and the four key initiatives that are covered by this Programme. **There is uncertainty over whether the current number of apprentices in their first and second year will be maintained due to the economic downturn.**
- 101. For the purpose of this paper's assessment of the Apprenticeship Boost Initiative, officials have used the most recent data available to assess the costs of the scheme, based on pre-COVID apprentice volumes, including the flow of new apprentices. While it is difficult to anticipate how these will change as the economy and labour market respond to the impacts of COVID-19 and how the Apprentice Support Programme will help to mitigate these impacts, we anticipate that apprentice uptake over the next two years will not exceed the current level and therefore will enable the Apprenticeship Boost Initiative to meet the recommended level for a minimum of 20 months.
- 102. **Employers, especially those not eligible for the extended wage subsidy, may let go of apprentices before the Apprenticeship Support Programme is rolled out.** This can be mitigated by clear, early communication to employers that these initiatives are coming, along with information about how each of the four initiative is targeted and eligibility criteria.
- 103. **There could be a cliff-edge after the WSS ends.** The Apprenticeship Support Package must be implemented rapidly to support the employers of apprentices after the extended wage subsidy finishes. This will be mitigated by starting the Apprenticeship Boost Initiative and the Mana in Mahi expansion as the extended wage subsidy finishes, rather than alongside the expiry of the general wage subsidy.
- 104. **The Apprentice Support Programme could affect the employment of job-seekers.** We consider that the proposed initiatives will offer proportionate support to employers, and does not pose a significant risk of distorting hiring of skilled workers (i.e. hiring a larger number of apprentices, or firing non-apprentices at a higher rate than normal). Skilled workers are able to work independently and are not at the same risk of job loss as first and second year apprentices.
- 105. **There may be some confusion among businesses,** and there is also a risk of potential 'double dipping', by having three different initiatives that employers could apply for to receive wage subsidy support for apprentices. Clear communications and engagement with employers will be key to mitigating this risk.

Consultation

106. The Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, Department of the Prime Minister and Cabinet, the Treasury, Te Puni Kōkiri, the Ministry of Pacific Peoples, and the Ministry for Women were consulted in preparing this paper. The Ministry of Education (MoE), MSD, and the TEC were involved in the development of this paper.

Financial Implications

107. Two of the four initiatives within the Apprenticeship Support Programme were provided funding in Budget 2020 through the CRRF Foundation Package. This included:
- 107.1. The \$412 million COVID-19 Support for Apprentices contingency;
 - 107.2. \$19 million for Group Training Scheme support; and
108. Mana in Mahi is currently operating through existing funding secured in Budget 2019, and the Regional Apprenticeships Initiative was funded through the Provincial Growth Fund after reprioritisation of funds [CAB-20-MIN-0197 refers].

Apprenticeship Boost Initiative

109. The proposals in this paper for the Apprenticeship Boost Initiative cost \$209.907 million in 2020/21 and \$170.647 million in 2021/22. The total cost is \$380.554 million over two years.
110. The total estimated cost of this initiative comprises:
- 110.1. \$370.991 million for wage subsidies for apprentices; and
 - 110.2. \$9.563 million for agency operating costs.
111. The cost of the wage subsidies has been spread across 2020/21 and 2021/22 on an assumption of an equal monthly cost and commencement from August 2020. This provides for 11 months of payments in 2020/21 (\$204.045 million) and 9 months of payments in 2021/22 (\$166.946 million). These cost estimates are highly sensitive to take-up, and will be reviewed based on experience.
112. The balance of the \$412 million COVID-19 Support for Apprentices contingency after the draw-down for the Apprenticeship Boost Initiative will therefore be \$31.446 million.

Mana in Mahi expansion

113. The total cost of the proposed changes to the Mana in Mahi programme outlined in this paper would be \$30.318 million over three years.
114. We seek Cabinet's agreement to fund this expansion in Mana in Mahi by drawing down a further \$30.318 million from the \$31.446 million remaining in the \$412 million COVID-19 Support for Apprentices contingency. There will therefore be \$1.128 million remaining in the contingency following these draw-downs.
115. MSD will need to make some changes to the Employment and Work Readiness Assistance Programme to support proposed adjustments to the Mana in Mahi programme.

Legislative Implications

116. There are no direct legislative implications stemming from the policy decisions in this Cabinet paper.

Population Impacts of the Apprenticeship Support Programme

<u>Māori</u>	<p>The Apprenticeship Boost Initiative is designed to make broad-based support available for all apprentices in their first 24 months of training. This will support Māori to stay in work and continue training. Participation continues to be highest for apprentices of Māori ethnicity.</p> <p>In addition, more targeted initiatives will support Māori apprentices, in particular through Mana in Mahi (which includes support for Māori participants who are most at risk of adverse labour market outcomes) and the Regional Apprenticeships Initiative.</p> <p>These initiatives support <i>He kai kei aku ringa</i>, the Crown-Māori Economic Development Strategies, particularly goals to:</p> <ul style="list-style-type: none">• grow future Māori workforce into higher-wage, higher-skilled jobs, and• increase Māori participation in regional economic development. <p>The proposed increase to the period of time pastoral care is provided through Mana in Mahi will better support Māori through their trades training.</p> <p>As of the end of April 2020, Māori made up a significant 45 percent of all Mana in Mahi participants. Increasing payments the wage subsidy component of Mana in Mahi during the economic downturn will help to retain the skills acquisition and employment of Māori.</p> <p>While participation rates for apprentices increased across all ethnic groups in 2018, the largest increases were for Māori and Pacific Peoples. These newer apprentices will be in the first 24 months of their apprenticeships.</p>
<u>Pacific Peoples</u>	<p>The Apprenticeship Boost Initiative and targeted initiatives, in particular Mana in Mahi, will support Pacific Peoples to stay in work and continue training.</p> <p>While participation rates for apprentices increased across all ethnic groups in 2018, the largest increases were for Māori and Pacific Peoples. These newer apprentices will be in the first 24 months of their apprenticeships.</p>
<u>Women</u>	<p>The Apprenticeship Support Programme as a whole is likely to benefit more male learners overall, as females make up a small proportion of apprentices (13 percent of all apprentices in 2018 and 25 percent of Mana in Mahi participants as at the end of April 2020).</p> <p>Broad eligibility across all industries means that apprentices in both male and female dominated industries will be supported.</p> <p>Furthermore, initiatives are underway across the tertiary sector aimed at encouraging more women into vocational areas where skills demand is expected to be strong, such as building and construction.</p> <p>Officials will undertake a gender analysis of the implementation of the Apprenticeship Support Programme, along with the wider Trades and Apprenticeships Training Package announced through Budget 2020 (which</p>

	includes the Targeted Training and Apprenticeships Fund) by the end of 2020 to understand whether any potential adjustments need to be made to the initiatives within the Programme, and the wider Trades Package.
<u>Disabled People</u>	Historically, disabled people are likely to remain out of work for longer than other population groups, and also to be under-employed when in work. Financial support provided through the apprenticeship initiatives in this paper (and further wraparound supports through Mana in Mahi) may mean that more employers will be willing to hire a disabled person in a trades training position.
<u>People living in rural areas</u>	The Apprenticeship Boost Initiative is designed to make broad based support available for all apprentices in their first 24 months of training. It will support apprentices (existing and new) in rural areas. Furthermore, the Regional Apprenticeships Initiative will provide additional targeted support to rural areas.

Human Rights

117. There are no direct human rights implications stemming from the policy decisions in this Cabinet paper.

Communications

118. The high-level objective and purpose of Apprenticeship Boost Initiative were announced as part of Budget 2020 announcements on Thursday 14 May.
119. We intend to announce the policy settings for the Apprenticeship Boost Initiative set out in this paper once Cabinet has confirmed these. This will provide detail on the duration of the scheme, eligibility, and relationship to the other initiatives within the Apprenticeship Support Programme as far in advance of implementation in early August 2020 as possible, to give certainty to employers.
120. We also intend to announce the details of the Mana in Mahi expansion following Cabinet agreement to the settings in this paper and to the funding arrangements for this expansion.

Proactive Release

121. We propose to release this paper and its annex proactively. The release will be subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Education, the Minister for Social Development, and the Minister for Employment recommend that the Committee:

The Apprenticeship Support Programme

1. **note** that a comprehensive package of support for employers is essential to ensure that they retain existing and bring on new apprentices throughout the economic downturn caused by COVID-19 so that our people and businesses continue to develop the skills needed for New Zealand's economic recovery and rebuild.

2. **agree** that an *Apprenticeship Support Programme* is established which covers four key initiatives:
 - 2.1 Mana in Mahi;
 - 2.2 The Apprenticeship Boost Initiative;
 - 2.3 Group Training Scheme support; and
 - 2.4 The Regional Apprenticeships Initiative.
3. **note** that through this Programme, employers would receive a base subsidy of \$12,000 per first year apprentice and \$6,000 per second year apprentice through the Apprenticeship Boost Initiative, with higher rates of funding available to some employers through other initiatives (such as Mana in Mahi) to reflect the different level of need of individual apprentices (or pre-apprentice trainees) involved.
4. **note** that employers would be able to access support from **either** the Apprenticeship Boost Initiative, Mana in Mahi, or the Regional Apprenticeships Initiative (depending on the type of apprentice or pre-apprentice trainee they employ).
5. **note** that employers would be required to top up funding they receive through the Apprenticeship Support Programme to ensure their apprentices receive at least the relevant minimum wage or training wage.
6. **note** that the \$50 million Māori Apprenticeship Fund, led by the Ministry of Business, Innovation and Employment, is related to the Apprenticeship Support Programme, but is intended to provide a broader scope of support than the four initiatives within the Programme.
7. **note** that the final policy design parameters for the Māori Apprenticeship Fund are currently being determined, and that the Minister of Employment intends to seek Cabinet agreement to the policy settings and implementation approach in July 2020.

Group Training Schemes Support initiative

8. **note** that Cabinet has already agreed to the policy settings for the Group Training Schemes (GTS) support initiative [CAB-20-MIN-0219], and that this funding is different in design to other initiatives within the Apprenticeship Support Programme.
9. **note** that the specific details of this support will be negotiated between the Tertiary Education Commission (TEC) and each GTS provider, and that through these negotiations, the TEC will ensure that other factors are taken into account, such as any other financial assistance they receive from government.

Proposed policy settings for Mana in Mahi expansion

10. **note** that Mana in Mahi participants are among those most at risk of adverse employment outcomes from the economic and social impacts of COVID-19, and that further support is needed to incentivise employers to partner with the Ministry of Social Development (MSD) to ensure this cohort gains and maintains employment.
11. **agree** to the following adjustments to the Mana in Mahi programme:
 - 11.1 increase the wage subsidy to up to \$16,000 for first year participants and up to \$8,000 for second year participants;

- 11.2 extend the period of time that current Mana in Mahi participants will be supported through the programme from 12 months to up to 24 months, depending on the length of a participant's pathway;
- 11.3 pay for course fees for a participant's training pathway, where participants are not eligible for Fees Free or the Targeted Training and Apprenticeship fund, up to a total of \$16,000 over two years; and
- 11.4 provide additional education support up to \$2,000 per year to cover the cost of required literacy and numeracy training or equipment to work or study from home.
- 12. **agree** to expand the focus of the Mana in Mahi programme to anyone at risk of long-term benefit receipt, regardless of age.
- 13. **note** that MSD will make changes to the Employment and Work Readiness Assistance Programme (EWRAP) to support the proposed adjustments to the Mana in Mahi programme.
- 14. **agree** that MSD will review expansions to the Mana in Mahi programme following year one, before the Apprenticeship Support initiative comes to an end.

Broad scope of the Regional Apprenticeships Initiative

- 15. **note** that the \$40 million Regional Apprenticeships Initiative will:
 - 15.1 provide up to \$40,000 per apprentice with the majority of the funding to be dispersed in the first 12 months of the apprenticeship;
 - 15.2 target displaced workers and Māori and Pasifika in regional New Zealand, in the first instance;
 - 15.3 provide a wage subsidy rate of up to \$16,000 for the first year and up to \$8,000 for the second, depending on the needs of each apprentice;
 - 15.4 provide additional support to employers to support and retain apprentices (such as pastoral care); and
 - 15.5 not duplicate other funding streams.
- 16. **note** that this initiative is funded through the Provincial Growth Fund (PGF), and that standard PGF processes and decision making apply – i.e. that Regional Economic Development Ministers will make decisions on the Regional Apprenticeships Initiative.
- 17. **note** that the Provincial Development Unit's engagement with employers is underway to gain early traction and assist with prompt support for regional businesses to enable funding to be released as soon as possible
- 18. **note** that Regional Economic Development Ministers will approve PGF Regional Apprenticeship investments over June.
- 19. **note** that the majority of funding for the Regional Apprenticeships Initiative will be disbursed in the first 12 months of the initiative, during the critical time for addressing the economic impact of COVID-19.

Proposed policy settings for the Apprenticeship Boost Initiative

- 20. **agree** 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.

21. **agree** that the Apprenticeship Boost Initiative may be claimed by employers of apprentices who are:
 - 21.1 enrolled as a New Zealand Apprentice with a Transitional Industry Training Organisation (TITO) or in a TEC recognised Managed Apprenticeship with a provider; and
 - 21.2 have completed less than 24 months of their programme of study.
22. **agree** that employers will be able to receive subsidies for eligible apprentices regardless of the impact of COVID-19 on the employer's revenue.
23. **agree** that that apprenticeship subsidy payments will start after the wage subsidy extension finishes.
24. **agree** to the following subsidy rates:
 - 24.1 \$12,000 per annum (\$1,000 per month) for apprentices while in the first year (months 1-12) of their training programme, and
 - 24.2 \$6,000 per annum (\$500 per month) for apprentices in the second year (months 13 to 24) of their training programme.
25. **note** that the Apprenticeship Boost Initiative is expended to run for about 20 months at the subsidy rates identified in recommendations 24.1 and 24.2.
26. **agree** that employers can apply for the subsidy in respect of both new and existing apprentices over the period of the scheme.
27. **delegate** detailed decisions on policy and implementation of the Apprenticeship Boost Initiative to joint Ministers of Education and Social Development.

Implementation approach for the Apprenticeship Boost Initiative

28. **agree** that MSD implement the Apprenticeship Boost Initiative and make payments to employers, with ongoing support from TEC.
29. **agree** that 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.

Funding source for the Apprenticeship Boost Initiative the Mana in Mahi expansion

30. **note** that as part of the COVID-19 Response and Recovery Fund (CRRF) Foundation Package, Cabinet agreed to place \$412 million into a COVID-19 Support for Apprentices contingency to establish a subsidy scheme to support employers to retain and keep training their apprentices [CAB-20-MIN-0219 refers].
31. **note** that we seek to use this \$412 million contingency to fund the new Apprenticeship Boost Initiative and the expansion of Mana in Mahi.
32. **note** that the total cost of the Apprenticeship Boost Initiative, as outlined in recommendations 20 to 26 is estimated to be \$380.554 million.
33. **note** that the total cost of the proposed changes to the Mana in Mahi programme outlined in recommendations 11 and 12 would be \$30.318 over three years.
34. **agree** to fund this expansion in Mana in Mahi through a drawdown of \$30.318 million from the \$412 million COVID-19 Support for Apprentices contingency.

35. **note** that funding the Mana in Mahi expansion through this drawdown from this \$412 million contingency will mean that less funding is available for the Apprenticeship Boost Initiative and that this initiative will support apprentices for up to 20 months, rather than 21 months as previously estimated.
36. **note** that officials will undertake a review later in 2020 to understand actual volumes of uptake across the different initiatives within the Apprenticeship Support Programme, s 9(2)(f)(iv)

Financial implications of the Apprenticeship Boost Initiative and Mana in Mahi expansion

37. **agree** to establish the following new appropriation:

Vote	Minister	Title	Type	Scope
Social Development	Minister for Social Development	COVID-19 Apprentice Support	Non-Departmental Other Expenses	This appropriation is limited to supporting employers of existing and incoming apprentices through the COVID-19 Apprenticeship Boost Initiative in accordance with criteria established by Cabinet.

38. **agree** to a performance exemption under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative as this appropriation is solely for payments related to the Apprenticeship Boost Initiative.
39. **approve** the following changes to appropriations to give effect to the policy decisions in related to the new Apprenticeship Boost Initiative in recommendations 20 to 26, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Vote Social Development Minister for Social Development Non-Departmental Other Expense: COVID-19 Apprentice Support	204.045	166.946	-	-	-
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support MCA <i>Departmental Output Expenses:</i> Improving Employment Outcomes (funded by Revenue Crown)	5.262	3.401	-	-	-
Vote Tertiary Education Minister of Education Non-Departmental Output Expense	0.600	0.300	-	-	-

Administration of and Support for the Tertiary Education and Careers Systems					
Total Operating	209.907	170.647	-	-	-

40. **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 11 and 12 and the drawdown decision in recommendation 34 to implement the Mana in Mahi expansion, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Vote Social Development					
Minister for Social Development					
Multi-Category Expenses and Capital Expenditure					
Improved Employment and Social outcomes MCA					
Departmental Output Expenses:					
Improving Employment Outcomes (funded by revenue Crown)	13.937	12.275	4.106	-	-
Total Operating	13.937	12.275	4.106	-	-

41. **agree** that the above changes to appropriations in recommendations 39 and 40 be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
42. **agree** that the expenses in recommendation 39 and 40 above be charged against the COVID-19 Support for Apprentices tagged operating contingency described in recommendation 30 above.
43. **note** that the expenses in recommendation 39 and 40 above reduce the balance of the COVID-19 Support for Apprentices tagged operating contingency to \$1.128 million.
44. **note** that payments under the Apprentice Support Programme will be subject to GST.
45. **authorise** the Minister of Finance and the Minister for Social Development to jointly approve fiscally neutral transfers between appropriations to reflect changes in the uptake of the Apprenticeship Boost Initiative and the Mana in Mahi expansion.

Gender analysis

46. **note** that the Apprenticeship Support Programme as a whole, and the wider Trades and Apprenticeships Training Package announced through Budget 2020, are likely to benefit more male learners overall, as females make up a small proportion of apprentices.

47. **direct** officials to undertake a gender analysis of the implementation of the Apprenticeship Support Programme and the wider Budget 2020 Trades and Apprenticeships Training Package and to report back to Cabinet in early 2021 on potential adjustments to the initiatives within the Programme and wider Trades Package.

Communications

48. **note** that decisions in this paper will be announced as soon as practicable to give assurance to employers.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Hon Carmel Sepuloni

Minister for Social Development

Hon Willie Jackson

Minister for Employment

Annex one: overview of components within the Apprenticeship Support Programme

Component	Description	Total Cost (\$m)	Targeting	# employers	# apprentices	Subsidy amount per apprentice per year	Current status of policy decisions
Apprenticeship Boost Initiative (MoE) <i>Policy settings detailed in this Cabinet paper</i>	This new initiative will provide broad-based support to employers of existing and incoming formal apprentices at level 4 across all industries, in the early years of their apprenticeships.	<u>\$412m contingency</u> Drawdown of 380.554 million.	Existing apprentices and new apprentices will be eligible during the first 24 months of their <u>formal level 4 apprenticeship</u> training programme.	Around <u>18,000 employers</u> (based on 2019/19 data, which is the most recent full year of data available)	<u>Level 4 Apprentices</u> – Around <u>36,000 apprentices</u> (based on 2019/19 data, which is the most recent full year of data available). <u>Pre-apprentice trainees (level 2-3)</u> – none	<u>First year</u> of Level 4 apprenticeship – \$12,000 (for apprentices in months 0-12 of training). <u>Second year</u> of level 4 apprenticeship – \$6,000 (apprentices in months 13-24 of training)	This Cabinet paper seeks agreement to policy settings for the Apprenticeship Boost Initiative. Decisions are expected to be confirmed by 15 June.
Mana in Mahi – current programme (MSD)	<p>Mana in Mahi is a 12 month programme that supports at-risk young people through an industry training pathway (including apprenticeships) and into long term sustainable work.</p> <p>Mana in Mahi supports <u>employers</u> with:</p> <ul style="list-style-type: none"> a wage subsidy, financial support with pre-employment/on the job training for their employee, and access to an in-work support programme to help with long-term staff retention. <p>Mana in Mahi supports <u>participants</u> with:</p> <ul style="list-style-type: none"> incentive payments, access to a range of in-work support products. 	\$49.9m (over 4 years)	Focussed on young people (18-24 years olds) who are at risk of long term benefit receipt. However, this scheme can also be accessed by people of all ages who are disadvantaged in the labour market, including Māori, Pasifika and disabled people. Available to those involved in both <u>formal level 4 apprenticeship</u> and <u>level 2 and 3 pre-apprenticeship training</u> .	As at the end of April 2020, <u>329 employers</u> had active participant(s) in Mana in Mahi. Employers range in size from small (1-19 employees) to large (50+ employees).	<p>Placements have already exceeded the 2019/20 target of 300, with <u>458 placements filled in the 2019/20 year</u> as at the end of April 2020, bringing the total to <u>729</u> placements since August 2018.</p> <p>The current target over the full four year Mana in Mahi programme are <u>1850 participants</u>.</p> <p><u>Note:</u> the above numbers do not reflect the number of apprenticeships Mana in Mahi participants have undertaken, as Mana in Mahi supports participants to access an industry training qualification (which encompasses NZQA courses L2 and above).</p>	\$9,580 per participant (may be apprentice of pre-apprentice trainee)	n/a This is an existing initiative.
Mana in Mahi – proposed expanded programme (MSD) <i>Policy settings detailed in this Cabinet paper</i>	<p>An expanded Mana in Mahi will continue to provide the same supports for both employers and participants as above, but will also include the following:</p> <ul style="list-style-type: none"> an increased wage subsidy financial support to help pay for a participants industry training course fees (where not covered through the Targeted Training and Apprenticeship fund or Fees Free) financial support for additional educational supports <p>In addition to these increased supports, the Mana in Mahi programme will:</p> <ul style="list-style-type: none"> be extended from 12-24 months formally expand the target cohort to accommodate for the increase in displaced workers and those needing to retrain in other industries. 	<u>412m contingency</u> Drawdown of \$30.318m (over three years)	The target cohort will be expanded to accommodate for the increase in displaced workers and those needing to retrain in other industries, including Māori, Pasifika and disabled people. Available to those involved in both <u>formal level 4 apprenticeship</u> and <u>level 2 and 3 pre-apprenticeship training</u> .	It is expected that the increased supports and an expanded cohort will ensure that employers will continue to access Mana in Mahi.	<p>There has been no change to the target numbers for the programme, and they will remain at <u>1850 participants</u>.</p> <p>The programme will continue to focus on supporting participants through an industry training qualification (which encompasses NZQA courses L2 and above) and which may also include an apprenticeship.</p>	<p><u>First year</u> of apprenticeship or pre-apprenticeship training - \$16,000</p> <p><u>Second year</u> of apprenticeship or pre-apprenticeship training - \$8,000</p> <p>These first and second year rates are in relation to the individual's participation in the Mana in Mahi programme, not where they are at in their apprenticeship studies (i.e. someone might be in their second year of a level 4 apprenticeship, but be in their first year of Mana in Mahi support, and would therefore receive \$16,000.)</p>	This Cabinet paper seeks agreement to policy settings for the Mana in Mahi expansion and to confirm the funding arrangements for this expansion. Decisions are expected to be confirmed by 15 June.

Group Training Scheme (GTS) support (MoE)	This initiative provides funding for seven GTEs to ensure they remain viable in the period following COVID-19 lockdown and can continue to employ apprentices where host employers (primarily small construction businesses) are unable to support them and provide on-the-job opportunities. Retaining these apprentices through the COVID-19 restrictions will enable a quick restart of training once the restrictions are lifted and business opportunities improve for host employers. This will ensure apprentices can continue with their training and become work-ready sooner. Led by the Minister of Education.	\$19.630m	No targeting. 80 percent of apprentices are in construction industries.	7 GTS Approximately 850 host employers who engage GTS services	1,740 apprentices (enrolled as at May 2020) – generally about 1,700 at any one time Some 2,200 apprentices per year in total	Average of \$10,400 Not to be paid out as a rate but negotiated with each GTS as different mixes of support needs will mean different costs for each GTS. Negotiations will take into consideration any other government support each GTS receives	Decisions on this initiative were made through Budget 2020 (Covid response) – Cab decision 11 May [Cab minute: CAB-20-MIN-0219]
Regional Apprenticeships Initiative (MBIE PDU) <i>Broad policy settings detailed in this Cabinet paper</i>	Provide support to regional businesses to take on a new level 4 apprentice and provide other business support and pastoral care as necessary to maintain the apprenticeship.	\$40m	New Level 4 apprentices. Targeting displaced workers, Māori and Pasifika in the first instance.	n/a	<u>Level 4 Apprentices</u> – up to 1,000 apprentices <u>Pre-apprentice trainees (level 2-3)</u> – none	<u>First year</u> of Level 4 apprenticeship – up to \$16,000, depending on needs of individual apprentice. <u>Second year</u> - up to \$8,000, depending on needs of individual apprentice. With front-loaded payments, this initiative will provide up to \$40,000 in total per apprentice, with other funding being used for other supports to employers/apprentices, including administration costs. Most funding to be paid in the first six to twelve months.	Regional Economic Development Ministers are considering the Regional Apprenticeships Initiative by mid-June 2020 and will make some initial approvals, with final approvals expected by the end of June.



Cabinet

Minute of Decision

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Apprenticeship Support Programme: Design and Implementation of the Mana in Mahi Expansion and the Apprenticeship Boost Initiative

Portfolios Education / Social Development / Employment

On 15 June 2020, Cabinet:

Apprenticeship Support Programme

- 1 **noted** that a comprehensive package of support for employers is essential to ensure that they retain existing and bring on new apprentices throughout the economic downturn caused by COVID-19, so that people and businesses continue to develop the skills needed for New Zealand's economic recovery and rebuild;
- 2 **agreed** that an Apprenticeship Support Programme be established, covering four key initiatives:
 - 2.1 Mana in Mahi;
 - 2.2 the Apprenticeship Boost Initiative;
 - 2.3 Group Training Scheme support;
 - 2.4 the Regional Apprenticeships Initiative;
- 3 **noted** that through the Apprenticeship Support Programme, employers would receive a base subsidy of \$12,000 per first year apprentice and \$6,000 per second year apprentice through the Apprenticeship Boost Initiative, with higher rates of funding available to some employers through other initiatives (such as Mana in Mahi) to reflect the different level of need of individual apprentices (or pre-apprentice trainees) involved;
- 4 **noted** that employers would be able to access support from either the Apprenticeship Boost Initiative, Mana in Mahi, or the Regional Apprenticeships Initiative (depending on the type of apprentice or pre-apprentice trainee they employ);
- 5 **noted** that employers would be required to top up funding they receive through the Apprenticeship Support Programme to ensure their apprentices receive at least the relevant minimum wage or training wage;
- 6 **noted** that the \$50 million Māori Apprenticeship Fund, led by the Ministry of Business, Innovation and Employment, is related to the Apprenticeship Support Programme, but is intended to provide a broader scope of support than the four initiatives within the Programme;

- 7 **noted** that the final policy design parameters for the Māori Apprenticeship Fund are currently being determined, and that the Minister of Employment intends to seek Cabinet agreement to the policy settings and implementation approach in July 2020;

Group Training Schemes Support initiative

- 8 **noted** that Cabinet has already agreed to the policy settings for the Group Training Schemes (GTS) support initiative [CAB-20-MIN-0219], and that this funding is different in design to other initiatives within the Apprenticeship Support Programme;
- 9 **noted** that the specific details of this support will be negotiated between the Tertiary Education Commission (TEC) and each GTS provider, and that through these negotiations the TEC will ensure that other factors are taken into account, such as any other financial assistance received from government;

Proposed policy settings for Mana in Mahi expansion

- 10 **noted** that Mana in Mahi participants are among those most at risk of adverse employment outcomes from the economic and social impacts of COVID-19, and that further support is needed to incentivise employers to partner with the Ministry of Social Development (MSD) to ensure this cohort gains and maintains employment;
- 11 **agreed** to the following adjustments to the Mana in Mahi programme:
- 11.1 increase the wage subsidy to up to \$16,000 for first year participants and up to \$8,000 for second year participants;
 - 11.2 extend the period of time that current Mana in Mahi participants will be supported through the programme from 12 months to up to 24 months, depending on the length of a participant's pathway;
 - 11.3 pay for course fees for a participant's training pathway, where participants are not eligible for Fees Free or the Targeted Training and Apprenticeship fund, up to a total of \$16,000 over two years;
 - 11.4 provide additional education support up to \$2,000 per annum to cover the cost of required literacy and numeracy training or equipment to work or study from home;
- 12 **agreed** to expand the focus of the Mana in Mahi programme to anyone at risk of long-term benefit receipt, regardless of age;
- 13 **noted** that MSD will make changes to the Employment and Work Readiness Assistance Programme (EWRAP) to support the proposed adjustments to the Mana in Mahi programme;
- 14 **agreed** that MSD will review expansions to the Mana in Mahi programme following year one, before the Apprenticeship Support initiative comes to an end;

Broad scope of the Regional Apprenticeships Initiative

- 15 **noted** that the \$40 million Regional Apprenticeships Initiative will:
- 15.1 provide up to \$40,000 per apprentice, with the majority of the funding to be dispersed in the first 12 months of the apprenticeship;
 - 15.2 target displaced workers and Māori and Pasifika in regional New Zealand in the first instance;

- 15.3 provide a wage subsidy rate of up to \$16,000 for the first year and up to \$8,000 for the second, depending on the needs of each apprentice;
- 15.4 provide additional support to employers to support and retain apprentices (such as pastoral care); and
- 15.5 not duplicate other funding streams;
- 16 **noted** that the Regional Apprenticeships Initiative is funded through the Provincial Growth Fund (PGF), and that standard PGF processes and decision making apply, i.e. Regional Economic Development Ministers will make decisions on the Regional Apprenticeships Initiative;
- 17 **noted** that the Provincial Development Unit's engagement with employers is underway to gain early traction and assist with prompt support for regional businesses to enable funding to be released as soon as possible;
- 18 **noted** that Regional Economic Development Ministers will approve PGF Regional Apprenticeship investments over June 2020;
- 19 **noted** that the majority of funding for the Regional Apprenticeships Initiative will be disbursed in the first 12 months of the initiative, during the critical time for addressing the economic impact of COVID-19;

Proposed policy settings for the Apprenticeship Boost Initiative

- 20 **agreed** that the key objective of the Apprenticeship Boost Initiative is to keep first and second year apprentices employed and training towards their qualification, training the skilled workforces that New Zealand needs to recover from the impacts of COVID-19;
- 21 **agreed** that the Apprenticeship Boost Initiative may be claimed by employers of apprentices who are:
 - 21.1 enrolled as a New Zealand Apprentice with a Transitional Industry Training Organisation (TITO) or in a TEC recognised Managed Apprenticeship with a provider; and
 - 21.2 have completed less than 24 months of their programme of study;
- 22 **agreed** that employers will be able to receive subsidies for eligible apprentices regardless of the impact of COVID-19 on the employer's revenue;
- 23 **agreed** that that apprenticeship subsidy payments will start after the wage subsidy extension finishes;
- 24 **agreed** to the following subsidy rates:
 - 24.1 \$12,000 per annum (\$1,000 per month) for apprentices while in the first year (months 1-12) of their training programme;
 - 24.2 \$6,000 per annum (\$500 per month) for apprentices in the second year (months 13 to 24) of their training programme;
- 25 **noted** that the Apprenticeship Boost Initiative is expected to run for about 20 months at the subsidy rates identified in paragraphs 24.1 and 24.2 above;

- 26 **agreed** that employers can apply for the subsidy in respect of both new and existing apprentices over the period of the scheme;
- 27 **authorised** the Minister of Education and the Minister for Social Development to take detailed decisions on policy and implementation of the Apprenticeship Boost Initiative;

Implementation approach for the Apprenticeship Boost Initiative

- 28 **agreed** that MSD implement the Apprenticeship Boost Initiative and make payments to employers, with ongoing support from TEC;
- 29 **agreed** that 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;

Funding source for the Apprenticeship Boost Initiative and the Mana in Mahi expansion

- 30 **noted** that as part of the COVID-19 Response and Recovery Fund Foundation Package, Cabinet agreed to place \$412 million into a COVID-19 Support for Apprentices contingency to establish a subsidy scheme to support employers to retain and keep training their apprentices [CAB-20-MIN-0219];
- 31 **noted** that responsible Ministers seek to use the \$412 million contingency referred to in paragraph 30 to fund the new Apprenticeship Boost Initiative and the expansion of Mana in Mahi;
- 32 **noted** that the total cost of the Apprenticeship Boost Initiative is estimated to be \$380.554 million;
- 33 **noted** that the total cost of the changes to the Mana in Mahi programme would be \$30.318 million over three years;
- 34 **agreed** to fund the expansion to Mana in Mahi through a drawdown of \$30.318 million from the \$412 million COVID-19 Support for Apprentices contingency;
- 35 **noted** that funding the Mana in Mahi expansion through a drawdown from the \$412 million contingency will mean that less funding is available for the Apprenticeship Boost Initiative, and that this initiative will support apprentices for up to 20 months, rather than 21 months as previously estimated;
- 36 s 9(2)(f)(iv)

Financial implications of the Apprenticeship Boost Initiative and Mana in Mahi expansion

37 **agreed** to establish the following new appropriation:

Vote	Minister	Title	Type	Scope
Social Development	Minister for Social Development	COVID-19 Apprentice Support	Non-Departmental Other Expenses	This appropriation is limited to supporting employers of existing and incoming apprentices through the COVID-19 Apprenticeship Boost Initiative in accordance with criteria established by Cabinet.

38 **agreed** to a performance exemption under section 15D(2)(b)(ii) of the Public Finance Act 1989, as additional performance information is unlikely to be informative as this appropriation is solely for payments related to the Apprenticeship Boost Initiative;

39 **approved** the following changes to appropriations to give effect to the policy decisions in relation to the Apprenticeship Boost Initiative, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Vote Social Development Minister for Social Development Non-Departmental Other Expense: COVID-19 Apprentice Support	204.045	166.946	-	-	-
Multi-Category Expenses and Capital Expenditure Improved Employment and Social Outcomes Support MCA <i>Departmental Output Expenses:</i> Improving Employment Outcomes (funded by Revenue Crown)	5.262	3.401	-	-	-
Vote Tertiary Education Minister of Education Non-Departmental Output Expense Administration of and Support for the Tertiary Education and Careers Systems	0.600	0.300			
Total Operating	209.907	170.647	-	-	-

- 40 **approved** the following changes to appropriations to give effect to the above policy decisions and the drawdown decision in paragraph 34 to implement the Mana in Mahi expansion, with a corresponding impact on the operating balance:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & outyears
Vote Social Development					
Minister for Social Development					
Multi-Category Expenses and Capital Expenditure					
Improved Employment and Social outcomes MCA					
Departmental Output Expenses: Improving Employment Outcomes (funded by revenue Crown)	13.937	12.275	4.106	-	-
Total Operating	13.937	12.275	4.106	-	-

- 41 **agreed** that the above changes to appropriations be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 42 **agreed** that the expenses incurred above be charged against the COVID-19 Support for Apprentices tagged operating contingency;
- 43 **noted** that the expenses incurred above reduce the balance of the COVID-19 Support for Apprentices tagged operating contingency to \$1.128 million;
- 44 **noted** that payments under the Apprentice Support Programme will be subject to GST;
- 45 **authorised** the Minister of Finance and the Minister for Social Development to jointly approve fiscally neutral transfers between appropriations to reflect changes in the uptake of the Apprenticeship Boost Initiative and the Mana in Mahi expansion;

Gender analysis

- 46 **noted** that the Apprenticeship Support Programme as a whole, and the wider Trades and Apprenticeships Training Package announced through Budget 2020, are likely to benefit more male learners overall, as females make up a small proportion of apprentices;
- 47 **directed** officials to undertake a gender analysis of the implementation of the Apprenticeship Support Programme and the wider Budget 2020 Trades and Apprenticeships Training Package and to report back to Cabinet in early 2021 on potential adjustments to the initiatives within the Programme and wider Trades Package;

Communications

- 48 **noted** that the decisions in the paper under CAB-20-SUB-0280 will be announced as soon as practicable to give assurance to employers.

Michael Webster

Secretary of the Cabinet

Proactively Released by the Minister of Education