



Education Report: Support for schools with boarding facilities (hostels)

To:	Hon Chris Hipkins, Minister of Education		
Date:	16 April 2020	Priority:	High
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Messaging seen by Communications team:	No	Round Robin:	No

Purpose of Report

The purpose of this paper is for you to:

- **Note** the current gap in government wage support for school hostel employees.
- **Agree** to an approach for remediating this gap in wage support.

Summary

1. There are currently 69 school hostels which are operated by state and state-integrated schools. Hostels generate revenue through boarding fees or other board funds and this generally covers hostel operational costs, including paying hostel employees' wages. The Ministry does not provide any operating, maintenance or capital funding for hostels.
2. We have received feedback from a number of schools that they are experiencing a significant reduction in their hostel revenues due to the impact of COVID-19. As a result, there is an increased risk that school Boards of Trustees may now be unable to pay their hostel employees.
3. We are committed to ensuring all education sector workers are supported throughout the Alert Level 4 Lockdown period. Employing Boards are currently expected to support workers to work from home where possible, and provide discretionary paid leave where working from home is not possible, as with all other schooling employees. During the Alert Level 4 Lockdown some employees will have received an emergency payment funded centrally by the Ministry if they were paid variable hours during Term 1, 2020. These support mechanisms are not intended for an extended period of time.
4. Even once the Alert Level 4 Lockdown is lifted, it is unlikely that school hostels will be able to open for some time. This will mean that schools may face an extended period where they are unable to generate income from hostels. Without some form of ongoing support, hostel employees are at risk of redundancy, which in turn may force the closure of these school hostels. This would have long-term impacts for the viability of particular schools with majority boarding students, for the broader school network and for particular cohorts of students (such as geographically-isolated students or those facing particular social barriers).

5. There is currently no ongoing support for school hostel workers as Boards of state schools are not entitled to access the COVID-19 Wage Subsidy Scheme administrated by the Ministry of Social Development. Therefore, we recommend the Ministry of Education provide a targeted wage subsidy scheme for state and state-integrated schools to ensure these workers are supported to the end of Term 2, 2020. We recommend this scheme replicate the current COVID-19 Wage Subsidy Scheme with some modifications.
6. Providing income support to the end of Term 2, 2020 will give certainty to hostel employees while schools determine when it is appropriate to reopen their boarding facilities. While some schools may potentially decide to close their hostels permanently as a result of COVID-19, providing income support will mean that this decision can be based on long-term viability rather than immediate financial pressure to pay wages. It will also enable the Ministry to provide further advice on the network implications of any potential closures.
7. There is currently no funding appropriated for the provision of a wage subsidy for this workforce, and it is unlikely this cost could be met within existing Ministry baselines. We recommend you lodge a paper with the COVID-19 Ministerial Group for allocation of additional funding to support the implementation of a wage subsidy scheme for school hostel workers.

Recommended Actions

The Ministry of Education recommends you:

- a. **note** that school hostel operational costs (including hostel employee wages) are paid through hostel revenue, such as boarding fees and international student fees
Noted
- b. **note** the Ministry of Education has received feedback from schools with hostels that COVID-19 has significantly reduced hostel revenue and impacted schools' ability to pay hostel employees
Noted
- c. **note** that state and state-integrated school hostel employers are ineligible for the existing COVID-19 Wage Subsidy Scheme
Noted
- d. **agree in principle** that the Ministry of Education provide a targeted wage subsidy scheme for school hostel employees that replicates the existing COVID-19 Wage Subsidy Scheme with minor modifications (subject to agreement by the COVID-19 Ministerial Group), including the requirement that wage subsidies are passed on in full, and that employees are provided with at least 80% of their usual wages
Agree **Disagree**
- e. **note** that additional funding is required to implement a wage subsidy scheme to support school hostel employees, as it is unlikely this cost could be met within existing Ministry baselines
Noted

If you agree with (d) above:

f. **indicate** which of the following policy design options you would like to proceed with:

- i. **Option 1:** Additional wage subsidy funding for hostel employees of all state and state-integrated hostels (*recommended*)
- ii. **Option 2:** Additional wage subsidy funding for hostel employees of only state-owned hostels.

Option 1 / **Option 2**

g. **agree** that the proposed wage subsidy scheme cover school hostel wage costs for 12 weeks to the end of Term 2, 2020

Agree / **Disagree**

h. **indicate** which of the following subsidy rate options you would like to proceed with:

- i. **Option 1:** providing a targeted wage subsidy scheme for school hostel employees at state and state-integrated schools that replicates the existing COVID-19 Wage Subsidy Scheme with an estimated cost of \$9.903 million for the 12 week period (*recommended*)
- ii. **Option 2:** provide a targeted wage subsidy scheme that covers 80% of hostel employee wages
- iii. **Option 3:** provide a targeted wage subsidy scheme that covers 100% of hostel employee wages

Option 1 / **Option 2 / Option 3**

i. **note** if you selected either Option 2 or Option 3 for (h) above, we will provide you further advice exploring the financial implications of your preferred subsidy approach

Noted

a. **agree** to lodge a paper to the COVID-19 Ministerial Group to seek additional funding for your preferred approach to a wage subsidy scheme to support school hostel workers

Agree / **Disagree**

b. **agree** to not proactively release the report at this time as decisions on financial support have yet to be made.

Agree / **Disagree**


Damian Edwards
Associate Deputy Secretary
Education System Policy


Hon Chris Hipkins
Minister of Education

16/04/2020

20 /04/ 2020

Background

Financial impact of COVID-19 on schools operating hostels

8. Hostels normally generate their revenue through boarding fees or other board funds which supports their day-to-day operations. Generally this includes all property costs, administrative costs, as well as paying hostel employees' wages. Some hostels will generate additional revenue by hiring their venue for events outside of term time.
9. We have received feedback from a number of schools that they are experiencing a significant reduction in their hostel revenues. There are three key themes have been identified:
 - a) Hostels that have provided boarding fee refunds to domestic students who are not attending due to the change in term dates and Alert Level 4.
 - b) Hostels experiencing a reduction in international student revenue who are not able to attend schools in New Zealand.
 - c) Loss of additional income due to cancellation of events during school holidays.
10. For many schools, there is a risk that they will not be able to continue paying hostel worker wages while under Alert Level 4. The potential for this to continue post - Alert Level 4 will depend on their ability to generate revenue going forward.

Profile of boarding facilities (hostels) within New Zealand

11. There are 92 hostels across the education sector that fit into three broad ownership structures.
 - a) Private – Those that are privately owned and operated.
 - b) State – Those owned and operated by a Board of Trustees.
 - c) State Integrated – Those operated by a private proprietor.

d) A high level breakdown of these hostels is provided in the table below:

Table 1: Breakdown of schools with hostels by ownership type

Ownership type	Number of schools with hostels
Private schools	23
Boards of Trustees – State schools	41
Trust Board/Proprietors – State-integrated schools	28
Grand Total	92

12. The Ministry does not currently fund hostel operations and as a result holds limited information about their employees or expenditure. The financial information we hold is limited to hostels at State schools.
13. The approved volume for boarding students across all three hostels types in New Zealand is currently 12,664. We do not have exact information about how many people are employed for each hostel, but estimate this is between 1800 and 2000 staff. This includes supervision resources such as matrons and housemasters, cleaners, kitchen and laundry staff. This number is estimated based on an average ratio of boarders to staff for hostels at state-owned schools.
14. We expect most of these employees are at least paid the 2019 living wage of \$21.15 per hour.

15. Our financial data for state-owned hostels in 2018 suggests that an average of 44% of total hostel costs are classified as personnel costs. This is based on only those schools where personnel costs were reported.

Current support for the education sector during lockdown

16. The Ministry has committed to ensuring all education sector workers are supported throughout the lockdown period. We are continuing to provide schools with their regular staffing entitlements and operational grant funding. In addition we have provided:
- a) Emergency wage payments for contingent schooling affected by the change in school holiday dates.
 - b) Additional relief teacher funding to support COVID-19 related absences in schools.
 - c) Funding for relief staff in hostels where they are required to remain open.

Hostels eligibility for ongoing wage support

17. The Government's COVID-19 Wage Subsidy Scheme supports employers and their staff to maintain an employment connection and ensure an income for affected employees, even if the employee is unable to actually work any hours. This subsidy covers a 12 week period. State-sector organisations are not eligible for the Government wage subsidy.
18. There are 51 hostels which could be eligible for the COVID-19 Wage Subsidy as they are a mixture of independent, private, trust board and proprietor ownership. This leaves 41 Board-owned hostels that are classified as state-sector organisations and these are schools excluded from eligibility for the COVID-19 Wage Subsidy.
19. There is currently no equivalent form of ongoing income support for school hostel employees. This presents a risk schools may use their regular operational grant to cover these costs, thus depleting the funds available to deliver the curriculum.
20. While it is a discretionary fund, there is an expectation that schools use operational grant funding for the purpose for which it is provided, and this does not include funding school hostel employees' wages.
21. This highlights a gap in current wage support for school hostel worker employees, creating additional fiscal risk for school Boards that operate hostels.

Recommended Policy Response

22. We understand the COVID-19 is having wide-ranging impacts on different aspects of the education system. These impacts include:
- a) decreases in locally raised funds, such as parental donations or community fundraising events
 - b) decreases in international student revenue
 - c) broader impacts on the long-term viability of school hostels, and
 - d) impacts on the long-term viability of some private schools.

23. Further work is required to understand the impact of COVID-19 on the education system. While this broader policy work is developed further, the response outlined below provides a short-term remedy for the current gap in wage support for school hostel employees.
24. We recommend that funding be made available to allow the Ministry to provide a targeted wage subsidy for school hostel employees, for a period of 12 weeks until the end of Term 2, 2020.
25. We expect state school hostels will be unable to operate for an extended period of time. If funding is not provided, this cost will fall to school Boards of Trustees, who are unlikely to be able to meet it. This would also be contrary to the expectation that schools do not use operational grant funding to cover costs associated with the operation of a school hostel. This risks school hostel employees being made redundant.
26. Should schools lose their hostel workforce, their boarding facilities may be unable to reopen when schools are reopened. This would have long-term impacts on the broader network, particularly for those schools that have a majority of boarding students, which may no longer be viable without a boarding facility. This includes some special character schools that serve particular purposes within the education system (e.g. Māori boarding schools).
27. There would also likely be impacts for particular cohorts of students for whom boarding is necessary to access education. This includes geographically-isolated students who live far away from an appropriate school and students who experience multiple barriers to educational, such as environmental difficulties in their home life, social isolation or poor participation at school.
28. Providing support to hostel employees is consistent with the broader Government approach to protect jobs and businesses that have been adversely impacted by COVID-19. It also aligns with our agreement to support all education sector employees during this time. It would be inequitable for this workforce to remain an outlier without any form of ongoing support.
29. If agreed, we recommend replicating the approach taken with the existing COVID-19 Wage Subsidy Scheme, with some minor modifications. The Ministry would collect the relevant information from schools around number of employees and hours worked, and pay the subsidy to schools as a lump sum.
30. Please note, two state schools have been approved funding through the existing COVID-19 Wage Subsidy Scheme for staff employed in their boarding hostels – Timaru Boys' High School and Southland Boys' High School. While these schools are not technically eligible and have been approved the subsidy in error, this is likely to have raised expectations for support.

Additional funding is required

31. There is currently no funding appropriated for the purpose of providing a wage subsidy for school hostel employees. It is also unlikely the additional cost of implementing such a scheme could be managed within existing Ministry baselines.
32. We recommend that you lodge a paper with the COVID-19 Ministerial Group to seek additional funding to support this wage subsidy scheme, as this additional funding is required as a direct impact of COVID-19 on school hostel operations.

Eligibility

33. We recommend that all state and state-integrated schools with boarding facilities be eligible for this subsidy through the Ministry of Education, as long as they have not claimed funding through the COVID-19 Wage Subsidy already.
34. Although schools whose boarding facilities are owned by a trust or proprietor are eligible for the existing COVID-19 Wage Subsidy Scheme, we consider that it would be simpler for all schools that meet the eligibility criteria below, to be paid the subsidy by the Ministry of Education rather than through two avenues.
35. Our recommended eligibility criteria for a hostel worker-specific wage subsidy is provided below. The key difference between the proposed criteria and the existing COVID-19 Wage Subsidy Scheme, is that we have not included a requirement to prove loss of revenue as a result of COVID-19 as we consider all school hostels will have lost their income sources.
36. To be eligible for the school hostel wage subsidy, schools must declare that they:
 - a) are not receiving any other wage subsidy for the named employees
 - b) will retain named employees for at least the duration of the grant
 - c) will pay named employees, at a minimum:
 - i. for any work they do at their normal rates
 - ii. at least 80% of income where reasonably possible (for employees working reduced hours while self-isolating)
 - iii. the full subsidy received for each named employee, except where a person's income is normally less than the subsidy amount, in which case they can be paid their normal salary.

Subsidy rates

37. We recommend replicating the subsidy rates currently provided under the existing COVID-19 Wage Subsidy Scheme. They are:
 - a) \$585.80 (gross) per week for full-time employees, where full-time is 20 hours or more per week
 - b) \$350.00 (gross) per week for part-time employees, where part-time is less than 20 hours per week.
38. This approach provides consistency across both the Ministry of Education and the Ministry of Social Development regarding the level of subsidy provided to employees. This mitigates the risk of similar employees in other sectors receiving different subsidy rates to school hostel workers.
39. However, hostel providers are likely to have lost the majority of their revenue due to COVID-19. There is a risk school hostel providers may be unable to top-up the wage subsidy to meet the 80% requirement provided above.

40. Alternatively, the Ministry could subsidise hostel workers' wages at a higher rate. This could include subsidising the 80% wage payment or fully subsidising the entire cost of hostel employee wages, rather than the flat subsidy rate provided above. This approach would be more likely to maintain hostel employees' wages at a level closer to the wages they would normally receive.
41. The major drawbacks of this approach include the significant increase in total cost for the scheme, as well as the risk of increased confusion and lack of consistency regarding wage subsidies offered across government.
42. The Ministry holds very limited information on hostel employees, including the hours they are employed for or their rate of pay. This makes it very difficult to determine the cost of an 80% or full subsidy.
43. If you wish to proceed with either of these alternative subsidy rate options, we will provide further advice and analysis at a later date.

Duration of funding

44. If funding is approved, we recommend that wages be subsidised for a 12 week period, to the end of Term 2, 2020. This aligns both with the COVID-19 Wage Subsidy Scheme and with the approach being taken towards support for early learning services.
45. An alternative would be to provide funding for a shorter period of time, for example a further four weeks immediately following the end of the Alert Level 4 Lockdown period. However, depending on what further restrictions or guidance apply relating to movement of individuals around New Zealand, these boarding facilities are likely to need to remain closed for a longer period of time.
46. School hostels are facing significant uncertainty and an initial 12 week coverage period would allow schools to assess when it is appropriate to reopen or potentially to close boarding facilities permanently should they no longer be viable in the post-COVID environment. This initial coverage period may need to be revisited should this prove not to be adequate time for schools to make decisions relating to the future operation of school hostels. This would likely depend on when the Alert Level 4 Lockdown is lifted, what restrictions continue to apply at other Alert Levels and how these impact on school operations. At this stage, we consider a 12 week period to be reasonable.

Cost estimates

47. The Ministry holds limited information about school hostel operations as we do not provide funding for schools for hostels. Schools typically fund hostel operations through boarding fees or other revenue such as hiring their venue for events.
48. In order to calculate estimated cost, we generated a staffing ratio for each school based on a sample of school hostel personnel information held by the Ministry.
49. Should you agree to the recommended approach outlined in this report, the total estimated cost to subsidise hostel employees' wages is approximately \$9.903 million. This estimate includes all state and state-integrated schools using the existing subsidy rates as the COVID-19 Wage Subsidy for a 12 week period.

50. This is a maximum estimated cost to provide a wage subsidy for all hostel employees at state and state-integrated schools, including special residential schools.
51. If you disagree with the recommended coverage period of 12 weeks, we can provide further costings for alternative timeframes you may wish to explore. There are also options which would reduce this estimated cost, including limiting eligibility to state schools only. These are shown in the table below.

Table 2: Alternative approaches for a wage subsidy scheme for hostel employees

Alternatives that may reduce cost	Number of schools eligible	Estimated maximum cost	Analysis
Wage subsidy for all state and state integrated schools for a 12 week period (recommended approach)	69	\$9.903m	The recommended approach as outlined previously.
Wage subsidy for school hostel employees at state schools only for 12 week period	41	\$4.676m	This option minimises overall cost while also providing a longer period of support. However, it does not provide all school hostel employees with wage subsidy support. This is contrary to the general Ministry approach of treating state and state-integrated schools the same. State-integrated schools may see this as unfair treatment.

Next steps

52. Should you agree with the recommended approach for providing school hostel workers with a wage subsidy, we will provide you with a paper to lodge with the COVID-19 Ministerial Group seeking additional funding to implement this scheme.

Annexes

Annex 1: Breakdown of state and state-integrated school hostels

Annex 1: Breakdown of state and state-integrated school hostels

Please note:

- Auckland Grammar and Epsom Girls Grammar School both operate two separate hostels each. These have been recorded as two separate entries in the table below.

School Number	School Name	Total School Roll at March 2020	Maximum number of boarders	Decile as at April 2020
104	Wesley College	372	305	1
222	St Joseph's Maori Girls' College	217	200	2
435	Hukarere Girls' College	73	75	2
522	Halswell Residential College	13	32	2
503	Kelston Deaf Education Centre	84	23	2
187	Wanganui City College	334	12	2
232	Te Aute College	68	180	3
188	Wanganui Girls' College	378	160	3
152	Rotorua Boys' High School	1022	140	3
4156	Blind and Low Vision Education Network NZ	47	40	3
4157	Westbridge Residential School	14	32	3
525	Salisbury School (Nelson)	5	20	3
199	Hato Paora College	122	160	4
157	Otorohanga College	301	67	4
519	Van Asch Deaf Education Centre	29	20	4
197	Feilding High School	1560	192	5
180	Taranaki Diocesan School for Girls (previously known as St Mary's Diocesan School (Stratford))	104	132	5
191	Longburn Adventist College	228	131	5
405	Southland Girls' High School	1077	112	5
16	Whangarei Girls' High School	1481	105	5
15	Whangarei Boys' high School	1241	80	5
216	Napier Boys' High School	1160	195	6
217	Napier Girls' High School	1043	175	6
365	Waitaki Boys' High School	388	145	6
132	Hamilton Girls' High School	1727	142	6
404	Southland Boys' High School	1047	115	6
361	Timaru Girls' High School	447	83	6
366	Waitaki Girls' High School	417	75	6
171	New Plymouth Boys' High School	1360	215	7
131	Hamilton Boys' High School	2197	170	7
294	Nelson College (Boys)	1033	154	7
295	Nelson College for Girls	910	151	7
172	New Plymouth Girls' High School	1360	150	7
369	St Kevins College (Oamaru)	435	140	7
360	Timaru Boys' High School	646	140	7

69	Mt Albert Grammar School	3249	110	7
242	Solway College	162	101	7
202	Palmerston North Boys' High School	1701	193	8
59	Sacred Heart College	1306	180	8
175	Francis Douglas Memorial College	786	150	8
252	St Patrick's College (Silverstream)	729	120	8
397	St Peter's College (Gore)	445	110	8
174	Sacred Heart Girls' College (N Plymouth)	749	84	8
372	Dunstan High School	591	63	8
6975	Garin College	526	56	8
373	Cromwell College	519	35	8
1043	Matarau School, Excellere College and Huanui College	295	20	8
192	Wanganui Collegiate School	457	382	9
230	Lindisfarne College	498	258	9
196	Nga Tawa Diocesan School	169	250	9
245	Rathkeale College	333	237	9
225	Woodford House	336	205	9
246	St Matthew's Collegiate (Masterton)	312	150	9
377	Otago Boys' High School	811	150	9
315	St Bedes College	822	150	9
64	Epsom Girls Grammar School	2210	150	9
357	Craighead Diocesan School	387	143	9
54	Auckland Grammar	2622	125	9
328	Christchurch Girls' High School Te Kura o Hine Wairoa	1261	110	9
54	Auckland Grammar	2622	55	9
64	Epsom Girls Grammar School	2210	32	9
224	Iona College	314	172	10
140	Waikato Diocesan School for Girls	690	162	10
380	St Hildas Collegiate	477	158	10
327	Christchurch Boys' High School	1430	142	10
387	John McGlashan College	546	131	10
386	Columba College	618	130	10
533	Mt Aspiring College	1157	30	10
2876	Kelburn Normal School	304	18	10