

The Treasury

Budget 2013 Information Release

Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Increasing the number of apprenticeships in New Zealand and improving the quality of industry training raising the profile of apprenticeships

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Purpose

1. The paper seeks Cabinet's agreement to improve the performance of industry training through a range of proposals that have come out of the review and public consultation process:
 - Combining traditional apprenticeships with Modern Apprenticeships so all apprentices regardless of age receive the same support.
 - A sustainable funding regime for apprenticeships and other industry training.
 - Clearer roles and performance expectations of ITOs.
2. The paper also seeks approval to two new initiatives that were not part of the consultation process:
 - Increasing competition by allowing employers direct access to industry training funding.
 - An Apprentice "re-boot initiative" (up to \$2,000 towards tools) to increase the number of apprentices.

Comment

3. We agree with the general direction of the design features in the paper that have been developed through the industry training review and public consultation. There are still some implementation details to be worked through by the Implementation Advisory Group in 2013.

Sustainable funding regime

4. The main driver to increase the number of apprentices is the proposal to combine Modern Apprenticeships and other apprentice type training and change the funding rates. Providing the same level of subsidy to all apprentices increases overall funding for apprenticeships by 20%. (Under the old funding regime for Modern Apprenticeships, the funding for the provision of learning plus funding for pastoral care and other services were higher than the new combined funding rate. "Grandfathering" is proposed for people affected by the new funding rates and this has been taken into account in the costings). The aim is to allow Industry Training Organisations (ITOs) to invest in the quality of training and drop their fees to employers to stimulate growth in apprenticeships.

Employer direct access to industry training funding

5. This proposal has not been consulted on and we expect it will be opposed by Industry Training Organisations (ITOs). Treasury's view is that this is likely to increase competition and incentivise ITOs to provide a higher quality service. A pilot is to be established to work through the implementation details.

Apprentice "re-boot" initiative

6. This initiative has two components: a subsidy (up to \$2000 towards tools) to be paid to apprentices that enrol from 1 April 2013 and a matching subsidy for employers. The main barrier is "release time" for employers. In our view the subsidy for employers is

therefore likely to be more effective in increasing the number of apprentices than the tools subsidy.

Fiscal Implications

7. The proposed changes to industry training will be met from within current baselines for industry training and the Modern Apprenticeship Scheme. The 2013/14 baseline is \$195.786m. The costings appear to be conservative as they assume that all trainees in level 4 programmes over 120 credits will qualify for the higher apprenticeship rate and this appears unlikely. The costings also include a significant contingency for unanticipated growth in the baseline.
8. The re-boot initiative will cost approximately \$28.2m and approval is being sought to draw this down from the 'Transitional Funding for Industry Training' tagged contingency. [6]

Regulatory Impact Analysis

9. This paper has legislative implications and a Regulatory Impact Statement (RIS) should be attached. The RIS is going to be submitted along with the paper going to SOC in February seeking approval to the specific legislative changes.

Treasury Recommendation

10. We recommend that you **support** the recommendations in this paper.

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			11/12	12/13	13/14	14/15	Out years	
Increasing the number of apprenticeships in New Zealand and improving the quality of industry training		Support	<i>Operating</i>					The proposed changes to industry training will be met from within current baselines. The apprenticeship re-boot initiative will cost \$28.20m and approval is being sought to drawn down from the 'Transitional Funding for Industry Training' tagged contingency.
			-	-	28.20	-	-	
			<i>Capital</i>					
			-	-	-	-	-	