

The Treasury

Budget 2021 Information Release

August 2021

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- [36] 9(2)(h) - to maintain legal professional privilege
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- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [40] Not in scope
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Joint Report: Reinstatement of the Training Incentive Allowance

Date:	24 March 2021	Report No:	T2021/702 REP/21/3/267
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Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the recommendations	Thursday 25 March 2021
Minister for Social Development and Employment (Hon Carmel Sepuloni)	Agree to the recommendations	Thursday 25 March 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Anne Riley	Policy Manager, Employment Policy, MSD	[23]	X
Keiran Kennedy	Manager, Welfare & Oranga Tamariki, The Treasury	[39]	[35]
Sally-Ann Spencer	Analyst, Welfare & Oranga Tamariki, The Treasury		X
Hayley Hamilton	General Manager, Employment and Housing Policy, MSD	[23]	

Minister's Office actions (if required)

Return the signed report to the Treasury and Ministry for Social Development.

Enclosure: No

Joint Report: Reinstatement of the Training Incentive Allowance

Executive Summary

The Government's 2020 Election Manifesto commits to reinstating the Training Incentive Allowance (TIA) to support sole parents, people with disabilities and their carers to study towards qualifications at levels 7 and below on the New Zealand Qualifications Framework (NZQF).

Joint Ministers have determined that a Budget 2021 initiative should seek four years of funding for reinstatement of the TIA as a charge against the COVID-19 Response and Recovery Fund (CRRF).

This report seeks your direction on one of two approaches. [33]

Decisions are needed to ensure the initiative is communicated appropriately in the Budget documentation and suitable messaging can be provided to eligible participants about the support.

Ministry of Social Development (MSD) and Ministry of Education (MOE) officials have costed both approaches at \$174.182 million for a four-year reinstatement. This is lower than the funding originally sought for the initiative, which assumed TIA support would be ongoing. [33]

[33]

The purpose of the TIA is to help sole parents and people with disabilities and their carers by supporting the additional costs of studying while on eligible benefits. The TIA recognises that cohorts eligible for the TIA are likely to face significantly greater barriers to both study and employment than the general population.

MSD evaluation data has found participation in the TIA is associated with a positive impact on sole parents (particularly in increasing their income) but does not improve key outcome domains for disabled people other than improving their highest qualification held. Findings from a recent MSD research report suggest that the TIA has a limited influence on sole parents' decisions to undertake higher-level study, as participation rates did not fall substantially following the 2009 decision to restrict the level of study up to level 3 on the NZQF. Monitoring and evaluation will be undertaken to ensure the scheme meets its purpose.

Recommended Action

We recommend that you:

- a **note** that the Training Incentive Allowance (TIA) supports sole parents in the welfare system, as well as disabled people and carers receiving the Supported Living Payment, with tuition fees, transport, childcare and care costs when studying towards qualifications at levels 1-3 of the New Zealand Qualifications Framework (NZQF)

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- b **note** that reinstating the TIA to support these groups to gain qualifications at degree-level and below (or level 7 and below on the NZQF) is a Government 2020 Election Manifesto commitment

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- c **note** that at the Ministerial Income Support meeting on 9 March 2021, the Minister of Finance and Minister for Social Development and Employment directed that funding for the TIA be time-limited to four years and sought through Budget 2021 as a charge against the COVID-19 Response and Recovery Fund (CRRF)

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- d **note** that time-limiting the funding for the TIA reflects the purpose of the CRRF, but has implications for the availability and uptake of the support

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- e [33]

- i. [33]

ii. [33]

iii.

[33]

[33]

iv.

v.

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- f **note** that the total costings for a four-year reinstatement are lower than the original funding sought, as the earlier underpinning assumptions rested on the initiative being ongoing

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- g **note** that the updated cost for a four-year reinstatement is \$174.182 million (comprising \$153.105 million in operating funding and \$21.077 million in capital funding), [33]

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- h **note** there are a number of uncertainties that impact the costing of the initiative as several key assumptions are based on past data about TIA participants, and future behaviour may be impacted by other factors such as the ability to receive additional or new government supports

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- i **note** that the capital cost and Vote Revenue operating expenses will not be charged against the CRRF as this is expected to be fiscally neutral over the 10-year forecast period, which means the total funding sought as a charge against the CRRF is \$137.423 million

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

- j **note** that the TIA would be funded under a new BoRE appropriation which means if uptake exceeds the agreed funding, there will be a direct impact on fiscal indicators

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

k [33]

i. [33]

[33]

ii. [33]

Agree/disagree
Hon Grant Robertson

Agree/disagree
Hon Carmel Sepuloni

- l **note** that the Minister for Social Development and Employment has agreed to disestablish the Sole Parent Support Study Assistance Loan (SPSSAL) as part of the process of reinstating the TIA, as the SPSSAL would duplicate assistance provided through the TIA (with any savings returned to the centre)

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

m [33]

Noted
Hon Grant Robertson

Noted
Hon Carmel Sepuloni

Keiran Kennedy
Manager, Welfare & Oranga Tamariki
The Treasury

Anne Riley
Manager, Employment Policy
Ministry of Social Development

Hon Grant Robertson
Minister of Finance

Hon Carmel Sepuloni
Minister for Social Development and
Employment

Joint Report: Reinstatement of the Training Incentive Allowance

Purpose of Report

1. This report seeks joint Ministers' agreement on the approach to reinstating the TIA, following Ministerial direction that the initiative should seek four years of time-limited funding through the CRRF.
2. The report also advises on the implications of time-limited funding for the reinstatement of the TIA.

Background

3. In 2009, the TIA was restricted to study towards qualifications at levels 3 and below on the NZQF when previously these groups could study at levels 7 (or degree-level) and below.
4. The Government, as stated in its 2020 Election Manifesto, has committed to "reinstating the TIA to assist with the costs of getting a degree-level tertiary qualification".
5. The Minister for Social Development and Employment agreed to seek funding in Budget 2021 to reinstate the TIA from July 2021 [MSD REP/20/11/1091 refers]. At the Ministerial Income Support meeting on 9 March 2021, joint Ministers discussed the initiative and directed that funding for the TIA be time-limited to four years and sought through Budget 2021 as a charge against the CRRF.

Purpose of Reinstating the Training Incentive Allowance

6. The TIA supports sole parents across the benefit system¹, as well as disabled people and carers receiving the Supported Living Payment, to gain a qualification. Reinstatement of the TIA to support study towards qualifications at levels 7 and below on the NZQF is expected to positively impact these groups, based on previous evaluation data as per paragraphs 12 and 13 below.
7. The TIA provides a contribution to both the upfront and ongoing costs associated with study (such as tuition fees, books, transport, and childcare costs) to a maximum of \$112.89 per week of study, up to \$4,515.60 per year. These maximums are adjusted annually to account for inflation.
8. The TIA recognises that cohorts eligible for the payment are likely to face significantly greater barriers to both study and employment than the general population. Barriers include increased costs and complexity of balancing study or work while caring for a dependant.
9. Wellbeing statistics released by Statistics New Zealand also highlight that sole parents and disabled people are more likely than coupled parents and non-disabled people to not have enough money for everyday needs and experience poorer levels of mental wellbeing². Supporting these groups to achieve higher-level qualifications is therefore

¹ Eligible benefits for sole parents include Emergency Maintenance Allowance, Sole Parent Support and Young Parent Payment (sole parents only). Currently sole parents (with dependent children aged 14 and above) receiving Jobseeker Support are ineligible, but the Minister of Social Development and Employment intends to extend eligibility to this group from 1 July 2021. This change in settings has been costed as part of this initiative.

² <https://www.stats.govt.nz/news/wellbeing-outcomes-worse-for-sole-parents>

important and for some participating cohorts can be linked to higher earnings. At the general population level, it has also been linked to better mental wellbeing.³

10. Supporting employment and income prospects is also particularly important in the context of the COVID-19 response and recovery. We know that women have fared worse than men across several key labour market measures⁴ and approximately 86 per cent of all TIA participants are women. Reinstatement of the TIA will support participants to use this economic downturn to upskill and achieve a higher-level qualification.

Evidence on the effectiveness of the Training Incentive Allowance

11. MSD evaluates the effectiveness of its employment assistance programmes against six main outcome domains.⁵ Effectiveness is measured by comparing participant outcomes to a comparison group who had a similar profile to participants but did not participate in the programme.
12. Accounting for impacts of the TIA from 2000 to present, the TIA has a positive impact on key domains for sole parents, although the positive impact could be attributed to tertiary study rather than the TIA itself. On average, participation in the TIA has a positive effect on sole parents' income and a likely positive effect on sole parents' time spent in employment when compared to a comparison group. From 2009 onward, it has been harder to detect impacts partly because of the smaller number of participants. The programme also has a consistently positive effect on the highest qualifications held for sole parents.
13. TIA participation is not effective at improving key domains for disabled people other than the "highest qualification held" domain. MSD's evaluation could not detect any impact of the TIA on this group's income, time spent in employment or time spent receiving a main benefit. The impact on the highest qualification held was greater than it was for the sole parent cohort. These findings highlight that there are likely to be further barriers to the employment of disabled people that need to be addressed alongside the provision of training or study support.
14. A recent MSD research report has found that participation and qualification completion rates for study at higher levels did not fall substantially among TIA eligible sole parents following the 2009 decision to restrict the level of study.⁶ These findings suggest that TIA has limited influence on the behaviour of the eligible group of sole parents to study at level 4 and above on the NZQF. There was also no discernible difference between completion rates for the TIA eligible group of sole parents and the comparison group with similar characteristics but who were not on benefit. However, the TIA does allow recipients to leave tertiary study with less student debt and assists with ongoing weekly costs during their course of study.
15. [33]

MSD will also continue to monitor the effectiveness of the TIA through the existing methodologies described in paragraph 11 above.

³ Ministry of Education (2017). How much more? Earnings premium for young, domestic graduates. Wellington and Ministry of Education (2008). Healthy and wise: does education improve wellbeing? Wellington.

⁴ <https://www.stats.govt.nz/news/covid-19s-impact-on-women-and-work>

⁵ The domains are net income, time spent in paid employment, time spent in corrections services, highest qualification held, time spent in education or training and time spent receiving a main benefit/employment assistance.

⁶ Ministry of Social Development (2020). Participation in study by TIA-eligible population.

Time-limited Funding for the TIA

- 16. The purpose of the CRRF is to support the Government's response to the COVID-19 pandemic. For this reason, the CRRF is a time-limited fund, and funding charged against the CRRF should also be time-limited.
- 17. While time-limiting the funding for the TIA reflects the purpose of the CRRF, it has implications for the ongoing availability of the support and is expected to have impacts on uptake of the initiative across the four years.
- 18. It is also unclear the effect that time-limiting the funding may have on the effectiveness of the TIA to improve employment and income prospects for participants. [34]

19. [33]

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ii.

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- 21. Both options have been costed at \$174.182 million, as detailed in Appendix One. This cost accounts for reinstatement at levels 4 to 7. The cost of provision at levels 1 to 3 will continue to be met by existing funding. Some costs of reinstatement have been offset by a reduction in expenditure in other areas: for example, Student Allowance receipt is expected to decrease, which has been offset against the expected benefit increase.
- 22. Under both options, there will be capital and operating implications relating to student loans beyond the four-year period of TIA support. The capital cost and Vote Revenue operating expenses will not be charged against the CRRF as this is expected to be fiscally neutral over the ten-year forecast period. The total to be charged against the CRRF is therefore \$137.423 million in operating funding.

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Cost implications

33. The costings and assumptions for the original initiative rested on TIA support being ongoing. A total of \$303.081 million (comprising \$203.169 million in operational funding and \$99.912 million in capital funding) was sought.

34. [33]

35. The costings at Appendix One are based on the following key assumptions:

- Over four years, the reinstated TIA is expected to support a total of 16,080 individual participants, based on 2009 participation rates
- Participants will draw down 80 per cent of the maximum amount of support available, based on MSD data

- A greater proportion of applications will be submitted in 2022 as generally clients will start their study as soon as they are able to arrange their enrolments because of the limited timeframe to access funding
 - There will be a reduction in applications during 2023 and 2024 because of the limited timeframe.
 - Participants will study on average for three years with a 75 per cent return rate each year
36. The costings at Appendix One are also based on the following key criteria:
- Funding is for four years only with no new applications accepted after 1 January 2025
 - Funding will be available until 1 January 2025 for all eligible costs. Funding for tuition fees will be available until 30 June 2025 only where a client has successfully enrolled in a course, programme or paper prior to 1 January 2025 and which will be completed by 30 June 2025.
37. There are a number of uncertainties that may impact the costings. Some assumptions are reliant on historical data, and others necessarily assume participant behaviour. How participants behave in the future is likely to differ due to a number of factors, including the ability to receive additional government supports (such as Fees Free). Other decisions to be taken in Budget 2021 may also have an impact. Additionally, communication of the time-limited funding for the initiative could have a different impact on uptake than expected.
38. There are further uncertainties around the number of new participants MSD officials assume will be induced into study by the TIA. The actual number may differ from assumptions, which would impact the costings.
39. There are also fiscal implications for decommissioning the scheme at the end of the four years that have been included in the operational costs.
40. The TIA will be funded by a new BoRE appropriation, so if uptake exceeds funding, it will directly impact fiscal indicators. Officials will monitor uptake and report back to Ministers as appropriate.

Sole Parent Support Study Assistance Loan

41. The Minister for Social Development and Employment agreed to disestablish the Sole Parent Support Study Assistance Loan (SPSSAL) as part of the process of reinstating the TIA, as the programme would duplicate assistance provided through the TIA when it is reinstated [MSD REP/20/11/1133 refers]. Any savings identified will be returned to the centre.
42. The SPSSAL was introduced in 2011 to assist sole parents who wanted to study at levels 4 or above on the NZQF but could no longer receive assistance through the TIA. Eligible clients⁷ can receive up to \$500 per year in recoverable assistance for necessary costs including books, transport, and childcare. Clients must have used all their entitlement to student loan course related costs (if any) before they can access the SPSSAL. Approximately 210 participants utilised the loan in 2019, at a total cost of \$88,000.
43. [33]

⁷ Clients must be receiving Sole Parent Support or Young Parent Payment.
MSD REP/21/3/267

Next steps

44. Officials will update the TIA initiative in the materials for Budget Ministers 3 to reflect the four-year limited funding period and the amount sought as a charge against the CRRF (a total of \$137.423 million).
45. If the initiative is progressed by Budget Ministers, officials will work with Ministers' offices to align Budget communications with the preferred approach and to provide suitable messaging to participants following Budget announcements.

Appendix One: The Ministry of Social Development's costing for reinstating the TIA for four years

The tables below present the net impacts of this initiative over the proposed four-year time limited funding period. These are the costs for reinstating the TIA that MSD, in collaboration with MOE, has developed for the Budget 2021 process.

The total cost for a four-year reinstatement is \$174.182 million (comprising \$153.105 million in operating funding and \$21.077 million in capital funding). The total funding sought as a charge against the CRRF is \$137.423 million, as the capital costs and Vote Revenue operating expenses are expected to be fiscally neutral over the ten-year forecast period.

Operating costs	Funding profile (\$m)					Total
	2020/21	2021/22	2022/23	2023/24	2024/25	
Total Vote Social Development		34.552	38.137	38.232	16.124	127.045
Total Vote Revenue	-	9.109	4.507	1.715	0.351	15.682
Total Vote Tertiary Education	-	-	-	5.517	4.861	10.378
Total Operating						153.105

Student Loan debt impact	Funding profile (\$m)										Total
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
Vote Social Development	-	20.236	10.288	4.391	1.596	0.200	-	-	-	-	36.711
Vote Revenue	-	(0.109)	(0.596)	(1.117)	(1.599)	(2.026)	(2.365)	(2.579)	(2.650)	(2.593)	(15.634)
Total debt impact		20.127	9.692	3.274	(0.003)	(1.826)	(2.365)	(2.579)	(2.650)	(2.593)	21.077

The operational costs are as follows:

- i. Vote Social Development (\$127.045 million) – this represents the cost of paying the TIA to participants and associated costs (\$121.883 million) as well as costs associating with implementing the initiative (\$5.161 million).
- ii. Vote Revenue (\$15.682 million) – this cost relates to the implicit subsidy of no interest for New Zealand-based borrowers and student-loan write downs, or the amount we expect borrowers not to repay due to death, bankruptcy etc.
- iii. Vote Tertiary Education (\$10.378 million) – this cost relates to Student Achievement Component funding (the Government's contribution to the direct costs of teaching, learning and other costs that is driven by student numbers).⁸

The capital implications (or student loan debt impact) are as follows:

- iv. Vote Social Development (\$36.711 million) – this cost relates to TIA participants drawing down a student loan to pay for remaining tuition fees and course-related costs not covered by the TIA.
- v. Vote Revenue (a saving of \$15.634 million) – this saving relates to TIA participants paying back their student loan.

⁸ The cost of SAC funding for 2021 to 2023 calendar years will be met within baselines.
MSD REP/21/3/267