MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Education Report: Apprenticeship Boost Initiative (ABI) – revised costings to August 2022, and options for extension

To:	Hon Chris Hipkins, Minister of Education		
Date:	10 September 2021	**Priority:**	High
Security Level:	In Confidence	**METIS No:**	1271208
Drafter:	Lisa Sengelow	**DDI:**	(04) 463 7696
Key Contact:	Eleonora Sparagna	**DDI:**	(04) 4630990 9(2)(a)
Messaging seen by Communications team:	No	**Round Robin:**	No

Purpose of Report

This report:

- provides new estimates for the total cost of the current Apprenticeship Boost Initiative (ABI), which show it will need additional funding to meet demand,
- seeks your agreement to a proposed way forward to meet ABI obligations to August 2022, and
- outlines initial options for extending ABI, which we can provide further advice on if you are interested in exploring any of these further.

Summary

Cabinet agreed to set up ABI as a demand-driven initiative [CAB-20-MIN-0061 refers]. ABI has played a part in the success story to date of preserving and expanding apprenticeships during the economic uncertainty of the last 18 months.

The Industry Training Register (ITR) data shows that apprentice numbers are almost 50 percent higher than when ABI was costed – with 63,130 active apprentices at the end of July 2021, compared with 43,180 at the same time in 2020. While this is good for the economy and apprentices, it has created unexpected fiscal pressure on ABI.

Due to the growth in apprenticeships and changed patterns of demand for ABI, we estimate additional funding of between $120 million and $175 million is needed to ensure ABI subsidies can be paid for claims made up to the end date of 4 August 2022 [Amendment to the ABI Welfare Programme, REP 21-6-571 refers]. This is over and above the funding already allocated which includes ABI underspends from 2020/21 transferred to 2021/22.

Proactively Released

We consider the core policy rationale to extend ABI beyond August 2022, as a wage subsidy targeting apprentices, is less urgent due to stronger than forecast labour demand, including for apprentices. However, we have included options for an extension for your consideration if you wish to receive further advice on any of them. If any of these options were to be progressed, it would need to be through a Budget 2022 initiative.

Recommended Actions

Additional funding to meet new claims from August 2021 to August 2022

The Ministry of Education recommends you:

1. **Note** that due to strong growth in apprenticeships and higher uptake for new apprentices, ABI costs for the first two years will be significantly higher than originally costed, and we now estimate them at between $120 million and $175 million over and above the funding already allocated.

2. **Note** that Treasury's initial advice is that you would need to seek additional funding for ABI to August 2022 as a pre-commitment against Budget 2022 allowances.

3. **Note** that Cabinet delegated detailed decisions on ABI policy and implementation to you and the Minister for Social Development [CAB-20-MIN-0061 refers], though this authority would not extend to appropriating additional funding for ABI.

4. **Note** that additional ABI funding to August 2022 would require additional funding before or from Budget 2022, and therefore need to be referenced in your letter to the Minister of Finance outlining your Budget 2022 priorities (which needs to be sent to the Minister of Finance on 30 September).

5. **Forward** this paper to the Minister of Finance and the Minster for Social Development, so that you can discuss this paper with them.

6. **Agree** that we will progress work to draft a joint Cabinet paper, in consultation with MSD, to seek an additional $175 million to ensure funding for ABI until August 2022 (at highest estimated levels of demand).

Agree/ Disagree

7. **Indicate** whether you would like further policy advice on changing the ABI settings to cap ABI so that MSD payments stay as close the current appropriation as possible.

Yes/ No

Options to extend ABI past August 2022

The Ministry of Education recommends you:

8. **Note** that with stronger-than-forecast labour demand, including for apprentices, wage subsidies targeting apprentices to protect their continuity of training are less urgent than expected when ABI was introduced. In the medium term, ABI wage subsidies are likely to be less cost-effective than measures targeting more marginal workers.

Proactively Released

9. **Indicate** which if any of the following areas you would like us to provide further advice on (as a Budget 2022 initiative):

    a. Exploring a wage subsidy to protect people on the margins of the labour market (including reconnecting people to work) as part of Employment Education and Training (EET) priorities across the wider education and labour market system (in addition to programmes that already exist such as Mana in Mahi and Flexi-wage).

    Yes / No

    b. Continuing the ABI in some form beyond August 2022, with the following broad options:

        i. Continue the ABI with current settings, for a set period.

        Yes / No

        ii. Continue the ABI with narrower eligibility settings, for a set period.

        Yes / No

        iii. A soft exit of ABI, with grandparenting of apprentices whose employers were already claiming ABI and who would still be eligible after 4 August 2022.

        Yes / No

10. **Note** that an extension of the ABI beyond August 2022 would require additional funding before or from Budget 2022, and therefore need to be referenced in your letter to the Minister of Finance outlining your Budget 2022 priorities (which needs to be sent to the Minister of Finance on 30 September).

11. **Agree** that the Ministry of Education release this briefing in line with other Budget 2022 information releases, with any information that is under active consideration withheld.

Agree / Disagree.

John MacCormick
Acting Group Manager
Graduate Achievement
Vocations and Careers

10/09/2021

Hon Chris Hipkins
Minister of Education

23/ 9 /2021

Proactively Released

Demand on the ABI appropriation to August 2022

ABI and other govt interventions have helped to increase numbers of apprentices since August 2020…

1 ABI has helped to achieve its core policy intent of preserving apprentices' jobs during the economic uncertainty of the last 18 months. Furthermore, the economy is in much better shape than forecast at the time that ABI was developed, supported by broad fiscal and monetary policy responses including direct government expenditure on capital projects that boost apprentice-rich industries such as construction.

2 With the strong growth in apprenticeships, the primary ABI policy objective (of preserving existing apprentices' jobs) has been eclipsed by secondary policy outcome of employers continuing to enrol new apprentices at the start of their training journey. This in turn has radically shifted the ABI uptake patterns on which ABI was costed.

3 The shift to ABI being claimed by employers taking on new apprentices will be due to a range of factors, including:

a. more confidence by employers to hire new apprentices, with the subsidy provided by ABI,

b. a stronger economy and more confidence in the pipeline of work, as evidenced for example by the strong growth in the construction industry,

c. apprenticeship training fees being covered by the Targeted Training and Apprenticeships Fund (TTAF) when normally they would be paid by the employer or apprentice or both, and

d. employers' hiring of apprentices proved more responsive to financial incentive of the wage subsidy than we expected.

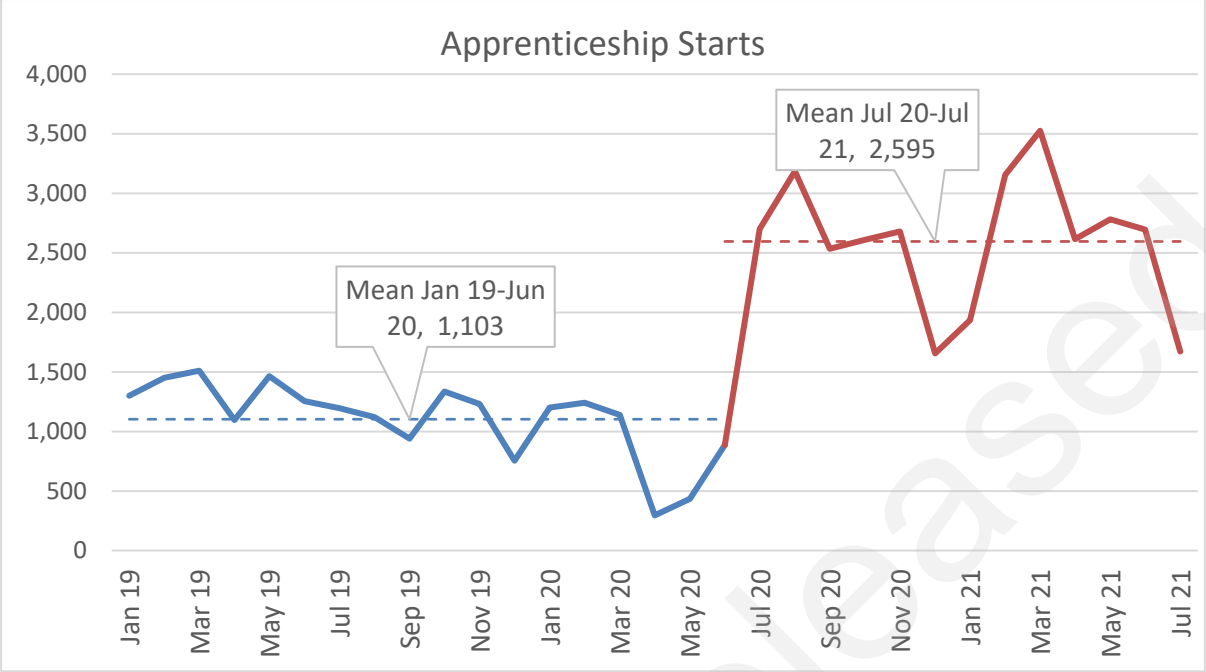
4 ABI was designed to operate for two years (due to finish in August 2022) in response to the expected initial economic impact of COIVD-19.[1] Due to its purpose ABI was funded through the COVID-19 Response and Recovery Fund (CRRF).

5 Aotearoa now has unprecedented numbers of active apprentices, with 63,130 active apprentices YTD at the end of July 2021, compared with 43,180 at the same time in 2020, and 42,645 at the same time in 2019. ABI has contributed to the strong growth in apprenticeships, as one of a number of government interventions in Budget 2020 to support the economy. However, because of the complex interactions of various interventions, it will not be possible to quantity exactly how much of this growth is due to ABI alone.

6 The table "Apprenticeship Starts" below shows the massive increase in new apprentices in late 2020 and early 2021. The blue line shows 2019 (ABI costings were taken from the second half of 2018 and the first half of 2019). There have been three significant spikes in new apprentice enrolments (August 2020, February 2021 and March 2021) that go over the maximum from 2019 which we used as our baseline for the original costing.

[1] ABI was part of a group of wage subsidy initiatives to support apprentices through the economic aftermath of COVID, along with the Mana in Mahi extension; Regional Apprenticeships Initiative, Group Training Schemes support (CAB-20-MIN -0280- refers). The Māori Trades and Training Fund was also an education and training COVID-19 response.

Proactively Released



… and the larger pool of apprentices and different ABI uptake patterns mean that ABI costs for the first two years will be higher than originally estimated.

7 Cabinet has agreed that ABI policy settings are uncapped and on-demand, so we have been monitoring uptake closely [CAB-20-MIN-0061 refers].

8 ABI was costed so that all eligible apprentices could be claimed for, using months of training consumed by all apprentices active during 2018/19. At the time, we considered that 2018/19 apprentice levels would be an absolute maximum given the expected impact of COVID-19 on the labour market. However, as described above, the pool of apprentices is about 20,000 above those levels.

9 We noticed unexpected patterns of ABI uptake, including a slow start, followed by steadily increasing monthly payments from early 2021, as reported to the Employment Education and Training Ministerial group (EET). As actual costs were below budget in the early months, $18 million was able to be transferred from the 2020/21 appropriation towards the costs of the extension (from 20 to 24 months) with an eventual 2020/21 underspend of $29.9 million.

10 In the ABI uptake report to EET Ministers, we found that only 48% of eligible apprentices were being claimed for (out of the far larger pool), and noted that employers were claiming for first year apprentices more often than for second years [Apprenticeship Support Programme Uptake, METIS 1254676 refers]. However, we needed more detailed data on ABI claims over time, as well as changes to patterns of apprenticeships generally, to be able to forecast the cost of ABI more accurately in response to the unexpected uptake patterns.

11 As ABI costs were close to budget in 2021/22, we used MSD data on ABI new claims for each month over the first year to determine whether there might be any marginal spend that could be directed to Mana in Mahi. We found that the lean to first years was not the whole story, and the majority of ABI new claims are for apprentices in the first 0 to 3 months of their training programmes, with far fewer who are further along.

Proactively Released

12 This uptake pattern has produced a longer and more costly 'tail' of payments for all the apprentices already registered in ABI, with their employers receiving the higher subsidy rate of $1000 per month for 9 to 12 months after their initial claim, and then moving to the second-year rate of $500 per month.

13 Because of the different uptake pattern and the effect of the long tail, the current ABI policy will significantly exceed originally budgeted costs. This is because the total cost of ABI payments is going to keep rising each month, even if the numbers of new ABI claims per month level out or decrease.

14 Of the total ABI appropriation of $427.5 million (excluding GST and excluding operational funding to TEC and MSD), MSD had paid $229 million to employers as at 27th of August (including GST).

15 We have calculated that most of the remainder of the appropriation will be spent paying out the long tail for the apprentices who were enrolled in ABI between August 2020 and July 2021. More funding will be needed to cover the payments for the apprentices whose employers start ABI claims after 1 July 2021 to 4 August 2022 (the final date on which an ABI claim can be made).

To ensure funding for ABI until August 2022 will cost between $120 million and $175 million more…

16 We shared some of our initial modelling of the following scenarios with our colleagues in Treasury and MSD, but more engagement is needed with both agencies. The modelling is set out in the table below:

Scenario	**Cost in additional to the $427.5m appropriation**	**Total ABI subsidy appropriation increase to**:	**Additional ABI-supported apprentices – new claims** (Note: 33,385 apprentices have been supported by ABI between August 2020 and July 2021)	**Scenario Assumptions**
1. Low	$119.8 million	$547.3 million	20,982	The number of new starts in ABI dropped in July 2021, and this scenario is based on a continuation to the end of ABI of the July 2021 ABI new start levels.
2. Medium	$135 million	$562.5 million	22,169	Replicates the pattern of new ABI signups in 2020/21, but with more moderate peaks. The new starts pick up in October 2021 off Auckland coming out of lockdown, with a seasonal dip in December, and a moderate pick up again in January and February 2022, dropping back to July 2021 levels for the remainder of the ABI.

Proactively Released

3. High	$173.7 million	$601.2 million	29,440	Replicates the pattern of new ABI signups in 2020/21, but with more pronounced and sustained peaks. It is based on a stronger pick up in ABI new starts in October 2021, maintaining high numbers of new starts until a seasonal dip in December, and a series of higher peaks in early 2022 that are maintained until August.

17 All of the scenarios above assume that ABI is not extended beyond August 2022, and there is an element of demand falling away (to greater or lesser degrees) over the final period of ABI as (for some employers) the transactional cost of starting a new apprentice on ABI becomes greater than the months able to be claimed. If ABI were extended, we might not see this behaviour, which would increase the cost.

18 Annex 1 provides more detail on the method we have used to revise the costings assumptions and how they have changed through uptake over the first year of ABI.

…and Treasury's initial view is that the additional funding does not fit within the current scope of the CRRF

19 Treasury has set an expectation that agencies would seek to fund as much of the estimated ABI shortfall from within existing baseline funding. Reprioritisation of Vote Tertiary Education funding is not a viable option. You will soon receive advice [METIS 1266917 refers] on the need to use expected Fees Free Payments underspends to fund additional tertiary education and training volume in 2022 and 2023, including volume related to the significant increases in apprenticeships outlined above.

20 MSD is not yet in a position to advise on ability to manage the ABI pressure within Vote Social Development, but we will continue to work with them closely on this.

21 Treasury's initial advice is that that additional funding does not fit within the scope of CRFF, and that additional funding for ABI to August 2022 would be a pre-commitment against Budget 2022 allowances. This would therefore need to be referenced in the letter you have been asked to provide the Minister of Finance on 30 September 2021 that outlines your priorities for Budget 2022. We are seeking clarification of Treasury's rationale for this position, as Cabinet approved the ABI policy as demand-driven.

22 After discussion with our Treasury colleagues, we have tested a counter factual if ABI was not extended. This is attached in Annex 2.

Initial advice on options to extend ABI after August 2022

Success of ABI and other initiatives means that apprentices are not as vulnerable to job loss as we expected them to be in early 2020…

23 ABI was designed to retain current apprentices in their jobs to the greatest extent possible during the expected economic downturn. To achieve its outcomes, ABI provides broad-based support to employers in all industries with formal apprenticeship training, and eligibility is not connected to firms experiencing economic hardship (unlike the various COVID-19 wage subsidies).

Proactively Released

24 The sustained and deep economic shock that was anticipated[2] when the ABI policy settings were developed has not eventuated. However, Treasury also noted that "uncertainty about the economic outlook remains high owing to both volatility and the potential for sizeable revisions in the data."

25 Given the above, ABI may not be the most cost-effective way to encourage training or employment in the longer term.

26 Wage subsidies targeted at apprentices are now less urgent and more expensive than originally planned, due to the success of the programme, and unprecedented numbers of apprentices in a much stronger labour market. ABI protects those in the labour market who have been able to secure employment at level 4 of the NZQF. These learners are likely to have a good connection to the labour force in a normal or strong economy.

27 As the economy recovers it means that a lot of ABI subsidies are for industries where there are currently no signs of an economic downturn, and the pipeline of future work is looking secure. For example, almost half of ABI subsidies have gone to the construction industry (the building industry accounts for 46 percent of all ABI-supported apprentices, and engineering and related technologies account for 30 percent)[3].

…and we think ABI could wind down as planned in August 2022 …

28 ABI is very popular with employers as it recognises the resources employers need to invest in training apprentices, even without a significant and deep economic shock. Nevertheless, given the success of the government's economic stimulus and the extremely strong uptake of apprenticeships since August 2020, the current market conditions are less aligned to the scope and intent of ABI.

29 If ABI were to wind down as planned, there will still be broader government policy responses in place that support the economy and drive labour demand. We expect this fiscal stimulation on top of the general economic outlook will provide sufficient support to keep apprentices in work and training.

… while workplace-based training can be supported in other ways.

30 If you wish to focus on continuing to support employers with the costs/resources for workplace-based training, our view is this will be directly and more effectively addressed through policy settings for fees and employer's contributions to the costs of delivering tertiary education and Training [METIS 1267229 refers], rather than extending ABI.

31 If you wish to consider a wage subsidy to protect people on the margins of the labour market (including reconnecting people to work), officials can explore options as part of Employment Education and Training (EET) priorities across the wider education and labour market system, and in conjunction with related MSD initiatives such as Mana in Mahi and Flexi-wage.

---

[2] In the *Budget Economic and Fiscal Update* (BEFU) 2020 real production GDP was forecast to fall sharply in the June quarter, resulting in an annual contraction of 4.6% over the June 2020 year, with annual real GDP falling a further 1.0% by June 2021. Treasury reported in the BEFU *2021* that "after the sharpest contraction on record in the June 2020 quarter, GDP rebounded by 12.8% over the second half of 2020 and the unemployment rate fell to 4.7% in the March 2021 quarter. Stronger economic activity has led to a recovery in the year-to-date financial results of the Government, with actual results outperforming expectations".

[3] June 2021 data

Proactively Released

However, there are options to extend ABI, and we can provide further advice on any of these.

32 If you wish to focus on protecting apprenticeships against potential job loss due to future unexpected impacts of COVID-19 beyond the initial 2-year duration of ABI, we can provide further advice on extending ABI, noting that any of these would need to be considered as a Budget 2022 initiative in order to be progressed

33 The following options correlate to different aspects of the original objectives of ABI, and outline the design implications that would be explored in further advice. For each of these options, further advice would include the duration and cost of an extension, as well as timing relative to the start of UFS and to the transition of the transition of the arranging workplace training role from transitional ITOs to providers:

a. If you want to provide continued broad-based support for employers of first and second-year apprentices across all industries, then you could continue the ABI for a set period. Further advice would consider design implications, such as the duration and cost of an extension, continuing an uncapped fund, and the ongoing impact of the long tail.

b. If you want to provide support to employers of apprentices in a more targeted way, then you continue with a modified ABI. Design considerations would include which policy aims to carry forward (e.g. focusing on retention vs growing new apprenticeships), whether there are groups of apprentices and/or employers with more risk of apprentice job loss due to the economic impact of COVID-19.

c. If you wish to wind down ABI more gradually to avoid a cliff-edge end to this form of wage subsidy for employers and continue to protect the cohort of apprentices whose employers have claimed ABI during its 2-year implementation, you could consider a grandparenting scheme. Design considerations would focus on duration and cost, noting that we can use data on the apprentices already in ABI to help predict the cost of grandparenting, and by the 4 August 2022 we will know exactly how many apprentices would be grand-parented and how much this will cost.

We can provide Initial estimates of the options to extend ABI in the next 2 to 4 weeks…

34 Based on the estimates of the cost of ABI to August 2022, we consider that delivering another year of ABI at the current policy settings, would be likely to cost at least $400 million.

35 If you indicate that you would like further advice on any of the extension options, we can provide estimates within the next two or four weeks (depending on which options you are interested in):

a. *Continuing ABI with current settings* – we can provide an estimate in two weeks, but at this stage we think it would be at least $400m (due to the cost of new starts as well as the long tail of those already having ABI claimed at the start of the extension).

b. *Continuing ABI as a more targeted initiative* – this will cost less, but estimates will be much more difficult as MSD does not have demographic data, and would take about four weeks to work out what we could do and provide estimates. These may be less robust than estimates for the other options, unless we can find a way to connect MSD new start data to the demographic data in the ITR. (We provide demographic data for all apprentices who have been supported

Proactively Released

by ABI, but we cannot currently connect our demographic information to the new MSD data on start dates, due to restrictions on sharing NSNs.)

c. *Grandparenting* - we can provide an estimate in 2 weeks. This will cost less as it will only be the cost of the long tail as at August 2022.

36 We would also need to provide revised estimates on the cost of ABI to August 2022, and it is likely to increase if ABI is extended, as we would not assume any tapering away of demand in the later half of 2022.

… and funding would need to be sought before or from Budget 2022

37 You recently indicated a preference to seek funding for an extension of ABI (and potentially also the Targeted Trades and Apprenticeship Fund (TTAF)) ahead of Budget 2022. This would most likely require seeking Cabinet approval to fund an extension from the CRRF, or as a pre-commitment on Budget 2022. We expect that Treasury would not support either of these options. As indicated above and in parallel advice [METIS 1266917 refers], expected 2021/22 and 2022/23 Fees Free Payments underspends will need to be used to manage demand pressures in Vote Tertiary Education (including ensuring sufficient funding for the expected duration of the TTAF).

38 We therefore expect that any extension of the ABI beyond August 2022 will require seeking funding from Budget 2022. This means that proposing an extension of the ABI would need to be referenced in the letter you have been asked to provide the Minister of Finance on 30 September 2021 that outlines your priorities for Budget 2022.

39 An extension of the ABI could be sought as part of contributing the Budget 2022 goal of 'Accelerating the recovery and rebuild from the impacts of COVID-19' [CAB-21-MIN-0349 refers]. There would also be a connection between extending the ABI and Budget 2022's focus on accessibility to affordable, safe and stable housing (by supporting the development of the building and construction workforce).

Next steps for additional ABI funding to August 2022 or an ABI extension

40 You may wish to discuss this at your next meeting with the Minister of Finance as part of Budget 2022 preparations.

41 Treasury has advised that they are not in a position to comment on whether we would support an extension of ABI with the information available currently, and would need to see more detail in a draft Cabinet paper.

Risks

42 Completing or extending ABI both have fiscal impacts. Not completing and not extending ABI present other risks. ABI has been very successful and is a popular programme, and there is a strong awareness of the importance of protecting the apprenticeship training pathway. Employers, industry groups, and representative groups such as Business New Zealand are likely to want ABI to continue.

43 With currently policy settings, the continuation of the ABI subsidy risks subsidising employers who do not need additional support to keep an apprentice on in a stronger economy.

44 At this stage we consider the grandparenting option is the lowest risk and a fair option, as it would sustain the broad-based support for longer for those in the ABI-supported cohort who would still be eligible when the ABI was set to end. However, a grandparenting announcement could create a surge in new enrolments in the last months of the current programme, when they might otherwise taper off. This would

Proactively Released

likely increase the amount of funding we would need to seek to cover ABI to August 2022.

45 An extension of ABI past 1 January 2023 would keep ABI running when the Unified Funding System (UFS) is launched. It would require consideration alongside UFS decisions to avoid bringing additional complexity into the mix of fee regulation and employer and learner contributions to the cost of workplace-based mode delivery. However, grandparenting could be dovetailed into the start of the UFS or overlap it for a time until UFS is more established. Employer and industry interest in wage subsides could still be considered as part of EET priorities.

Proactively Released

Annexes

Annex 1: Revised costings methodology

Annex 2: Counterfactual scenario if additional funding is not sought.

Proactively Released

Annex 1: Revised costing methodology

1 MSD has provided summary counts of ABI starts by apprenticeship position, for ABI starts between August 2020 and July 2021. Using this data, we have calculated the entire ABI finding liability for these starters until the end of the initiative under the current settings, in August 2022.

2 The funding liability for these ABI starts ($413m) comes close to the value for the entire initiative, and does not including any potential liability from ABI starters between August 2021 and August 2022.

3 It is very difficult to forecast the number of ABI starts, given the extraordinary deviance of ABI start patterns from traditional apprenticeship start patterns. Signups to ABI depend on pools of people available to take up apprentice training, as well as employers willing and able to provide employment opportunities to support training. Employers also have to be open to taking up the subsidy. These decisions may be confounded by the concurrent availability of other government COVID-related supports.

4 While we do not have a robust methodology for forecasting the potential number of starters in the second year of ABI, we can calculate estimated liability scenarios using the patterns of starts witnessed to date as a template. This has been done in a spreadsheet, using cell formulas that calculate the maximum possible year one ($1000) and year two ($500) rate liability from the month of the start and the start position to the end of ABI (currently August 2022).

5 We have provided three scenarios for ABI starts between August 2021 and August 2022, which can be broadly categorised as low, medium and high numbers of starts.

6 The low scenario extends the start number and position pattern observed in July 2021 to each subsequent month, to August 2022. It assumes that the pool of potential additional apprentices and employers willing to claim ABI has been satisfied, and that starts will revert to more typical apprenticeship start levels from August 2021. This, combined with the liability for ABI starts in year one of ABI, projects a total possible liability of $547.3m.

7 The medium scenario extends the average pattern of position of starts observed in the most recent months (April 2021 to July 2021) to the remaining period under current ABI settings, where the majority of starts (85%) were for learners in the first 6 months of their apprenticeship. The overall start projections used are based on repeats of high numbers of starts seen in September 2020, after Auckland city moved out of COVID-19 alert level 3. It matches the seasonality of starts that occurred in December 2020 to January 2021, which was still above traditional apprenticeship start levels, to December 2021 to February 2022, and proceeds with a flattened projection of 1,500 starts per month from March to August 2022.

8 The flattened projection represents a small reduction on the number of starts in the latest month available, July 2021, of 1,500 starts. This assumes that the large pool of potential apprentices and employers willing to claim ABI has been mostly satisfied, and that starts will revert to traditional apprentice start levels from March 2022. This projection, combined with the liability for ABI starts in year one of ABI, returns a total possible liability of $562.5m.

9 The high scenario assumes that high levels of demand for ABI observed in the period September 2020 to July 2021 will continue into the period August 2021 to August 2022.

Proactively Released

It assumes that a repeat of the very high numbers of starts in August 2020 (7,600 starts) will not recur in August 2021, but that similar patterns of overall starts numbers will be seen in each month. The average position pattern observed in the period April to July 2021 is extended to this period.

10 The high scenario projects a total ABI liability of $601.2m.

Proactively Released

Annex 2: Counterfactual scenario if additional funding is not sought

1 Under the settings agreed by Cabinet [CAB-20-MIN-0061 refers] and the ABI funding instrument, MSD is required to make payments to employers for valid claims up to the 4 August 2022.

2 Any changes to this would require a new decision by Cabinet to cap the ABI fund, and approval of a new ABI funding instrument though a decision paper to the Minster for Social Development.

3 We consider that the end of October 2022 is the absolute earliest that both of those processes could be completed.

4 A way to keep close to the appropriation and honour existing claims would be to continue to pay employers for apprentices who started on ABI up to the end of October, but not to accept any new ABI claims for apprentices after that.

5 Assuming that this was recommended to Cabinet and approved, and a revised ABI funding mechanism could be tabled in time, MSD could stop accepting new ABI claims after October 2021, but continue to pay claims for apprentices already claimed for in ABI before then. Using our estimates in paragraph 16 above, the effect on the appropriation would be:

a. *Scenario 1:*
An estimated 16,140 apprentices would miss out on support from ABI (those estimated to start from November 2021 to August 2022)

The total funding needed to pay out existing apprentices who started before the end of October 2021: $464.3m (including estimated new claims starting in July to October 2021)

b. *Scenario 2:*
An estimated 16,642 apprentices would miss out on support from ABI (those estimated to start from November 2021 to August 2022).

The total funding needed to pay out existing apprentices who started before the end of October 2021: $471.6m (including estimated new claims starting in July to October 2021).

c. *Scenario 3:*
An estimated 22,610 apprentices would miss out on support from ABI (those estimated to start from November 2021 to August 2022).

The total funding needed to pay out existing apprentices who started before the end of October 2021: $484.6m (including estimated new claims starting in July to October 2021)

6 As the total ABI appropriation (subsidy only) is $427.5 million, additional funding of between $36.8 million and $57.1 million would still be needed to cover ABI claims to August 2022 under the three scenarios above.

Proactively Released