

Chair
Cabinet

PAPER D: FUTURE FOCUS: INCENTIVES, SUPPORT AND TRAINING

Purpose

- 1 This paper replaces the papers previously submitted as *Future Focus Paper D; Incentives, Support and Training* [CAB (10) 74 and CAB (10) 87]. It is one of four related papers seeking changes to the welfare system. It should be read together with:
 - Paper A: Overview of package
 - Paper B: Obligations and sanctions
 - Paper C: Tightening access and active assessment.
- 2 Together, these policy and operational changes will start to create a fairer benefit system with an unrelenting focus on work. The package will implement the manifesto commitments in the welfare portfolio.

Executive summary

- 3 This paper focuses on ensuring that the new obligations are backed by financial incentives to work, that people have access to training to get them into work, and on removing barriers to the provision of out of school care.
- 4 To improve financial incentives for part-time work, the abatement-free threshold will be increased from \$80 to \$100 per week for people receiving Domestic Purposes Benefits (DPB), Invalid's Benefit (IB), and Widow's Benefit (WB), and people who receive income-tested New Zealand Superannuation (NZS) or Veteran's Pension (VP). The part-time abatement threshold for DPB, IB and WB will also increase from \$180 to \$200.
- 5 Increasing the abatement thresholds will cost around \$14.5 million per annum, which is affordable within the current fiscal context.
- 6 Under the part-time work test I propose that DPB sole parents whose youngest child is aged six or over will be expected to work part time (at least 15 hours a week). Where a sole parent does not have the skills or qualifications to get a job then we will work with them to help them gain the skills needed. This will include training up to level 3 on the National Qualifications Framework through the Skill Investment Subsidy, Straight to Work¹, Training Opportunities and the Training Incentive Allowance.
- 7 In general, DPB sole parents whose youngest child is six or over will only be able to enter training if they cannot find a job immediately and if short-term training is the best way for them

¹ Straight to Work provides short-term courses to teach beneficiaries the skills to work in a specified vacancy or sector, including retail, hospitality and tourism. Straight to Work courses are developed with Industry Partners.

to move into work, in line with the work-test for people on Unemployment Benefit. While some sole parent beneficiaries will be ready to work, others will need support to find work and to develop the skills and confidence needed.

- 8 I am also proposing the following options to support DPB sole parents to study at level 4 or above:
 - an exemption from part-time work-test obligations for DPB sole parents whose youngest child is six or over who study full-time at level 4 or above
 - a new \$500 loan to support DPB sole parents to undertake higher-level study (this paper includes two options for how this loan should be targeted).
- 9 For the part-time work-test to succeed, many sole parents will need access to care for their children outside of school hours. There are a number of problems with the current formal care system and the introduction of the part-time work-test will put additional pressure on that system.
- 10 To address this I propose to remove some of the barriers to setting up Out of School Care and Recreation (OSCAR) programmes that are created by current quality standards, and to improve the targeting of the assistance grants paid to providers.
- 11 In the longer term I want to look at encouraging the expansion of school-based provision, developing employer and community-based models, and reviewing the financial assistance available to parents.

Background

- 12 On 14 December 2009, Cabinet agreed in principle, subject to further policy work and funding availability:
 - *to increase the \$180 income abatement-free threshold from \$180 to \$200 per week for DPB, IB and WB*
 - *to increase the abatement-free threshold from \$80 a week to \$100 a week for WB, DPB, IB and people receiving NZS or the VP at the non-qualifying spouse rate [CAB Min (09) 44/17].*
- 13 Cabinet also invited the Minister for Social Development and Employment to report back with further details on:
 - *a 'better off in work' proposal for DPB sole parents*
 - *proposals to support training and education for DPB sole parents.*

Improving financial incentives: abatement changes

- 14 Increasing the abatement-free threshold from \$80 to \$100 per week, and increasing the part-time abatement threshold from \$180 to \$200 per week will improve the incentive for people on benefit to work part-time and build attachment to the labour market. Limiting the change to beneficiaries receiving DPB, IB and WB will target this incentive to clients receiving benefits where part-time work is a desired outcome, and avoid improving the incentives to work part-time for those people for whom full-time work is the desired outcome. This will lessen the risk that people who can work full-time, instead work part-time and become 'trapped' as a result of the relatively small returns from moving from part-time into full-time work.

- 15 Providing this increase to people receiving income-tested NZS or VP will fulfil a specific commitment in the manifesto.

Impact

- 16 Increasing the abatement-free threshold from \$80 to \$100 per week for clients receiving DPB, IB, WB and NZS/VP and increasing the \$180 threshold for DPB, IB and WB is estimated to increase the incomes of approximately 27,700 clients in total. Depending on their level of earnings, people will be better off by up to \$14 per week as a result of these changes.
- 17 The changes will result in an estimated 7,900 clients with incomes between \$80 and \$180 per week gaining up to \$6 per week, and a further 19,800 with incomes above \$180 per week gaining between \$6 and \$14 per week.
- 18 An estimated 3,200 people receiving income tested NZS or VP with income of more than \$80 per week will gain up to \$14 per week. A small group of Veterans under 65² receive Veteran's Pension (due to a disability) at a rate equivalent to Invalid's Benefit and with the same abatement rules. These people will gain up to \$6 if they earn between \$80 and \$180 and up to \$14 if they earn more than \$180 per week.

Table 1: Number of people better off as a result of the benefit abatement changes

<i>Benefit</i>	<i>Clients who gain up to \$6 per week</i>	<i>Clients who gain up to \$14 per week</i>
Invalid's Benefit	5,000	4,000
Widow's Benefit	800	800
NZS and Veteran's Pension		3,200
Domestic Purposes Benefits	2,100	11,800
Total	7,900	19,800

- 19 Sole parents working 15 hours per week will be at least \$10 better off each week as a result of this change, and \$14 better off if they work 16 or more hours at the minimum wage.
- 20 Approximately 900 clients who receive Special Benefit or Temporary Additional Support are expected to receive no overall increase in income as the increase they receive will be offset by a reduction in this assistance. These payments top up a client's income to meet essential costs and are designed to reduce by \$1 for every \$1 that a client's income increases.

Flow-on effects

- 21 Increasing the \$80 abatement-free threshold for people receiving income-tested NZS and VP will lift a small number of these people above the income threshold to qualify for Disability Allowance.
- 22 I propose to increase the married, civil union and de facto income threshold for Disability Allowance by \$14 per week from 4 October 2010 to prevent this from happening. The financial impact of this change is likely to be less than \$0.1m annually.

² Approximately 350 Veterans under 65 receive Veteran's Pension and less than 40 of these people declare income of more than \$80 per week

Financial incentives for Domestic Purposes Beneficiaries

- 23 I advised Cabinet in December 2009 of the importance of ensuring that DPB sole parents who start work will be better off each week in work than on benefit.
- 24 The current system ensures that most sole parents moving from benefit to 20 hours of work per week should be better off by over \$100 per week mainly as a result of the in-work tax credit. This is a relatively strong financial incentive, which supports the introduction of the part-time work test for DPB sole parents.
- 25 These provisions will be backed by strong messaging that part-time work tested Domestic Purposes beneficiaries are:
- required to actively seek employment for a minimum of 15 hours per week
 - required to take any suitable job offer of 15 hours per week or more
 - considerably better off financially if they work at least 20 hours a week and leave benefit completely
 - able to access financial support to help with the transition to work – Work and Income can help with childcare, debt repayment holidays, and start up costs of working.

Getting people ready for work – support and training – further policy decisions

How the part-time work test will affect DPB sole parents

- 26 Our goal in introducing the part-time work test is for more sole parents to enjoy the advantages of work. This Government believes strongly that employment is the best way out of poverty, meaning that sole parents and their children are better off.
- 27 The part-time work test will apply to DPB sole parents once their youngest child turns six when they will be expected to get a job. Generally they will be required to meet their Work and Income case manager to assess their job prospects. Those who cannot immediately get a job will be supported into work by improving their confidence, motivation, skills or qualifications.

Support for those who need it

- 28 We know that almost half of the 43,000 DPB sole parents whose youngest child was six or over in December 2009 had no formal school qualifications. Many of this group will also have little work experience and/or other problems which make it difficult for them to move into work quickly. This will be a diverse group and Work and Income will assess people's needs before providing help such as basic foundation skills, short work-focused training or job placements with employers. This group will be able to receive training up to level 3 on the National Qualifications Framework.
- 29 Work and Income already provides this kind of support through the Skill Investment Subsidy, Straight to Work, Training Opportunities and the Training Incentive Allowance. [**SECTION WITHHELD**].

- 30 There will clearly need to be a staged implementation of the part-time work test. From the start, Work and Income will work with a mix of the work-ready sole parents and those who need additional support to prepare for the part-time work test. The latter group will initially include those sole parents who came on to the DPB as teen parents and have the least work experience and lowest qualifications.

Higher-level study

- 31 I am proposing the following options to support DPB sole parents to study at level 4 or above:
- an exemption from part-time work-test obligations for DPB sole parents whose youngest child is **six or over** who study full-time at level 4 or above
 - a new \$500 loan to support DPB sole parents to study at level 4 or above.

An exemption from part-time work-test obligations for DPB sole parents whose youngest child is six or over who study full time at level 4 or above

- 32 I believe that the part-time work test should not prevent DPB sole parents from studying full time at level 4 or above. It is important that DPB sole parents are able to attain higher-level qualifications because these qualifications allow sole parents to get better-paying jobs. DPB sole parents will still have to invest in themselves to undertake this study, by taking out a student loan to cover course fees and course-related costs.
- 33 This proposal requires an additional exemption not described in *Future Focus Paper B: Obligations and Sanctions*. That paper proposed an exemption for work-tested beneficiaries who were in study before they became subject to the part-time work test. I am proposing an additional exemption for DPB sole parents whose youngest child is six or over from requirements to seek or take up work while they are studying full time at level 4 or above.
- 34 While they are studying, these sole parents can still be required to meet with their case manager and plan for employment. This will allow Work and Income to monitor progress with study, and end the exemption for someone who is not passing their course. It will also allow case managers to work with sole parents who have nearly finished their study to develop a plan to seek work.
- 35 The Ministry of Social Development will report back to me on the operation of the exemption by October 2012, two years after the part-time work test is first implemented. Any sudden increase above existing patterns of study by DPB sole parents will be scrutinised. All exemptions are set in regulations which can be changed at a later date if the review suggests this is required.
- 36 The Minister for Tertiary Education, the Treasury, the Ministry of Education and the Ministry of Women's Affairs support this proposal.

\$500 loan for course-related costs

- 37 I am also proposing that an interest-free, tax-free loan of \$500 per year is introduced from the 2011 academic year to support DPB sole parents to study at level 4 or above.
- 38 This loan will:
- help DPB sole parents to gain the skills and qualifications they need to move off benefit and away from long-term welfare dependency

- help DPB sole parents to meet their course-related costs – DPB sole parents often have higher study costs compared to those without childcare responsibilities and their childcare responsibilities also limit opportunities to fund study through work
 - cover course-related costs, including transport costs, childcare costs, books, stationery, equipment and materials³
 - be on top of the existing \$1,000 loan that is already available for course-related costs through the student loan system.
- 39 Providing this funding as a loan rather than a grant is consistent with the principle that people who wish to study at level 4 or above should be prepared to invest in themselves. The loan will be repaid when the client finishes their course or leaves DPB – Sole Parent, whichever comes first.
- 40 The loan will not be available for those who are still receiving grandparented Training Incentive Allowance for their course. Nor will the loan be available for postgraduate diplomas, postgraduate certificates, or bachelors with honours, masters and doctorate degrees, as it is appropriate that people studying for these advanced qualifications fund their own study.
- 41 I propose that the cost of this new loan is met from savings in my overall Budget 2010 package.

Courses the \$500 loan will cover

- 42 I would like you to consider two options for those courses at level 4 or above that the \$500 loan will cover:
- Option 1: all courses
 - Option 2: courses in the community and social sector, including aged care, addiction rehabilitation, mental health, early childhood education, community work, social work and youth work, **and** courses in areas experiencing skill shortages or areas where strong job growth is anticipated.
- 43 Under **Option 1**, the \$500 loan will be available for all courses at level 4 or above, maximising DPB sole parents' study options. This option will be simple to administer.
- 44 It is estimated that approximately 3,600 DPB sole parents will take up the \$500 loan each year⁴. This option is estimated to cost \$8.96 million over the four years beginning 2010/11. The cost of each loan is \$700, which includes a \$200 cost to government of borrowing to make loans and the cost of bad debts.
- 45 **Option 2** targets the loan to areas which will have an ongoing need for staff, including the community and social sector. This option will be cheaper than Option 1 but it will limit sole parents' choices. To implement this option, officials will need to develop and regularly update skill shortage lists. Work and Income will have to advise DPB sole parents of the courses that the loan is available for.

³ These are the same costs covered by the Recoverable Assistance for Study Costs Programme we introduced on 1 February 2010 for beneficiaries to study to be doctors, nurses, midwives, vets and teachers [SOC Min (09) 23/7 refers].

⁴ This is the figure for each year from 2011/12 onwards when the loan will be available for the full financial year. A smaller number is estimated to take up the loan in 2010/11 because the loan will only be available from 1 February 2011, partway through that financial year.

46 The Department of Labour advises that more areas will experience skill shortages as the economy recovers. If you agree to this option, the Ministry of Social Development will work with the Department of Labour to develop a process for determining skill shortages. The cost of this option will be determined once the list of skill shortage and anticipated job growth areas is prepared. Funding for the cost of the proposed loans would then be sought via the 2010 Budget process as part of Cabinet's consideration of my baseline proposals in April 2010.

Should funding for the \$500 loan be capped or demand-driven?

47 The Ministry of Social Development recommends that funding for the \$500 loan be demand-driven so that everyone who meets the eligibility criteria can access it. Demand-driven funding makes the loans simpler to administer.

48 The Treasury recommends capped funding for the loans because it would allow Cabinet to make an explicit decision about whether it wishes to provide additional funding for loans if demand exceeds funding available. This would mean that any tradeoffs with other spending pressures could be identified. Establishing this programme as demand-driven also sets a precedent for other programmes to be set up on the same basis, which risks seeing Cabinet lose oversight of spending decisions.

49 If Cabinet decides to cap loans expenditure, Work and Income will administer the loans on a first in first served basis. There is a risk with this option that not everybody who would benefit from the loan would receive it. If demand looks set to exceed the number of loans available then I may seek to reprioritise additional funding to provide additional loans.

50 There is a greater risk that demand will exceed the capped level if Cabinet chooses to restrict the loan to courses in the community and social sector and areas experiencing skill shortages or areas where strong job growth is anticipated. This is because under this option, the capped level would be set at the outset based on a current list of areas, when it is unknown which areas the loan will cover in the future, as labour demand changes. If this option is chosen the Ministry of Social Development will work with the Department of Labour to regularly review the areas covered by the loan.

Treasury, Ministry of Education, Ministry of Women's Affairs and Department of Labour views on the \$500 loan

51 The Treasury does not support the loan proposal, as it considers that a \$500 loan is unlikely to have a significant impact on an individual's decision to study. The proposal therefore carries a deadweight cost by providing funding to those who will already study. If Ministers do support the loan, the Treasury recommends Option 1 (all courses).

52 The Ministry of Education, the Ministry of Women's Affairs and the Department of Labour also favour Option 1.

Improving access to out of school care – further policy decisions

Short-term options for improving access to formal out of school care

53 Providing appropriate and affordable out of school care and recreation (OSCAR) services is essential for the part-time work test to be a success. OSCAR services comprise before-school, after-school and school holiday programmes for children aged 5 to 13. Programmes

are run in a variety of locations including schools, churches, community centres and camp complexes.

- 54 At the end of December 2009, there were 43,000 working age sole parents on the DPB Sole Parent benefit whose youngest dependant child was six or older. Over half had one child, and 30 per cent had two children. In total, approximately 70,000 children will be affected by the proposed part-time work test.
- 55 Current provision of out of school care for DPB sole parents with children over the age of six is not likely to be sufficient to meet the anticipated need following the introduction of the work test, even though not all children will need care. Most children will attend school during the day in term time, but not all parents will work during school hours.
- 56 I propose that two short-term approaches are adopted to increase the supply of OSCAR for parents:
- remove barriers currently posed by the OSCAR Standards for Approval
 - improve targeting of OSCAR grant funding.
- 57 These changes should be in place by 4 October 2010 to help meet the needs of parents who will be subject to the work test.

OSCAR Standards for Approval

- 58 OSCAR programmes must meet the OSCAR Standards for Approval administered by the Ministry of Social Development to be eligible for core government funding. The standards, although voluntary, must be met for providers to get assistance grant funding and for parents to get the OSCAR subsidy. The standards act as a safety-net for programme quality.⁵
- 59 I am seeking a decision now that the Out of School Care and Recreation (OSCAR) Standard of Approval requiring that two staff members are present at all times is changed to one staff member.
- 60 Prior to 2005 the standards allowed one staff member to supervise programmes and this change restores the standard to that setting. The change in 2005 resulted in many OSCAR providers, particularly home-based and small-scale services, being prevented from gaining approval, and therefore being funded.
- 61 Although the change in 2005 was made in the interests of child protection, there is nothing to indicate that a return to the 2005 setting would compromise child safety. The change would also make supervision levels for home-based OSCAR consistent with those currently in operation for home-based early childhood education (which allow one adult to educate up to 4 children alone in a home, with an ECE teacher in regular contact).
- 62 I expect that the number of small-scale and home-based programmes will increase as a result of the change to the supervision standard. This change will have financial implications for OSCAR funding as increased numbers of programmes will have a flow-on effect on applications for the OSCAR subsidy.

⁵ The OSCAR subsidy is a non-taxable payment that aims to assist low and middle income parents to enter and remain in employment. It can also be used for families where the principal caregiver, or the child or children of the principal caregiver have serious ill health or a disability. The rate of subsidy is based on number of children and gross weekly income, and is paid directly to the OSCAR provider, to be passed on in reduced fees.

63 The estimated net fiscal cost of the increased OSCAR subsidy expenditure is as follows:

Table 2: Increase in total net expenditure (\$ millions)

2010/11	2011/12	2012/13	2013/14
\$0.201	\$0.550	\$1.375	\$2.131

64 I will direct the Ministry of Social Development to review the remaining OSCAR standards (such as staff/child ratios, space requirements, performance measures, and frequency of reviews), with input from the OSCAR sector, and report back to me in June 2010.

OSCAR grant funding

65 Since 2002 two types of provider grants have been available to OSCAR providers:

- Development Grants - one-off grants of up to \$3,000 to help with the cost of establishing an approved programme. Forecast Crown expenditure on this in 2009/10 is \$0.600 million.
- Assistance Grants - annual grants of up to \$16,000 per programme for approved providers to assist with operational costs. Currently OSCAR programmes receive an average of \$11,000 each per annum. Forecast Crown expenditure on this in 2009/10 is \$15.852 million.

66 OSCAR grant funding is intended to increase the sustainability of programmes by assisting with operational costs that cannot be met through parent fees, subsidies and other income streams. I am concerned that the current model sends perverse signals to providers that in order to qualify for on-going assistance they must demonstrate they are not able to operate in a profitable manner.

67 To support the part-time work-test we need OSCAR programmes to be available in the locations where they are most needed. The current contestable system directs funding to programmes that are approved and meet other criteria, such as operating for five days per week. The funding does not currently have the capacity to target programmes in specific areas.

68 I propose to amend the OSCAR grant funding model to include specific targeting to the locations of need for the DPB sole parent group. I will direct the Ministry of Social Development to explore the most effective way of targeting existing OSCAR grant funding and report back to me in June 2010.

Longer-term options for improving access to childcare

69 Short-term options will address some barriers and increase supply but will not address more fundamental questions about the adequacy of childcare provision for the current economic and labour market environment.

70 I also propose to consider some longer-term approaches to address the adequacy of out of school care services for DPB sole parents including: encouraging the expansion of school-based provision, developing employer and community-based models, and reviewing financial assistance available for parents.

Consultation

71 Consultation on the package is outlined in *Paper A*.

Financial implications

72 The financial implications of the proposals in this paper are outlined in *Paper A* with the exception of the proposed \$500 loan to support DPB sole parents with course-related costs for study at levels 4 or above.

73 It is estimated that under Option 1 (all courses) approximately 3,600 DPB sole parents will take up the \$500 loan each year. This option is estimated to cost \$8.96 million over the four years beginning 2010/11. The cost of each loan is \$700, which includes a \$200 cost to government of borrowing to make these loans and the cost of bad debts.

74 Option 2 will be cheaper than Option 1. The cost of Option 2 will be determined once the list of skill shortage and anticipated job growth areas is prepared.

Human rights implications

75 The human rights implications of the proposals in this paper are outlined in *Paper A*.

Legislative implications

76 The legislative implications of the proposals in this paper are outlined in *Paper A*.

Regulatory impact and compliance cost statement

77 The Regulatory impact statement for the package is included in *Paper A*.

Gender implications

78 The gender implications of the package are outlined in *Paper A*.

Disability perspective

79 The disability implications of the package are outlined in *Paper A*.

Publicity

80 The proposed publicity for the package is outlined in *Paper A*.

Recommendations

81 I recommend that Cabinet:

Previous consideration by Cabinet

1. **note** that on 1 March 2010 Cabinet;
 - 1.1 **noted** the contents of the submission under CAB (10) 74;
 - 1.2 **invited** the Minister for Social Development and Employment, in consultation with the Minister for Tertiary Education, to submit a revised paper for Cabinet consideration on 8 March 2010 [CAB Min (10) 7/11];
2. **note** that on 8 March 2010 Cabinet;
 - 2.1 **deferred** consideration of the submission under CAB (10) 87, *Future Focus Paper D: Incentives, Support and Training* until 15 March 2010;
 - 2.2 **invited** the Minister for Social Development and Employment to submit a revised paper to Cabinet on 15 March 2010, that includes details and firmer costings for a revised Option 3 – widening eligibility to all Domestic Purposes Benefit sole parents for all courses at level 4 or above [CAB Min (10) 8/8];
3. **note** that this paper replaces the papers previously submitted as *Future Focus Paper D: Incentives, Support and Training* [CAB (10) 74 and CAB (10) 87];
4. **note** that on 1 March 2010 Cabinet agreed to a number of exemptions to the part-time work test for DPB sole parents as proposed in *Future Focus Paper B: Obligations and Sanctions* [CAB Min (10) 7/9 refers];
5. **note** that recommendation 12 in this paper proposes an additional exemption to those in *Future Focus Paper B: Obligations and Sanctions* to allow sole parents on Domestic Purposes Benefit to receive an exemption from requirements to seek or take up work while they are studying full time at level 4 or above;
6. **note** that previous Cabinet decisions about issues covered in this paper are summarised in *'Future Focus Paper A: Overview of Package'* that was considered by Cabinet on 1 March 2010 [CAB Min (10) 7/8 refers];

Improving financial incentives: abatement changes

confirmation of previous in-principle decisions

7. **agree** to increase the abatement-free threshold from \$80 a week to \$100 a week for Domestic Purposes Benefits, Invalid's Benefit, Widow's Benefit and income tested New Zealand Superannuation or Veteran's Pension from 4 October 2010;
8. **agree** to increase the part-time abatement threshold (where the 70 per cent abatement rate begins) for Domestic Purposes Benefits, Invalid's Benefit, Widow's Benefit and Veteran's under 65 receiving Veteran's Pension from \$180 to \$200 per week from 4 October 2010;

further policy decisions

9. **agree** to increase the Disability Allowance income threshold for people who are married, civil union or de facto couple by \$14 per week;
10. **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in recommendations 7 to 9 above in the Social Assistance (Future Focus) Bill;

Getting people ready for work – support and training

further policy decisions

11. **note** that in general, Domestic Purposes Benefit sole parents whose youngest child is six or over will only be able to enter training if they cannot find a job immediately and if short-term training is the best way for the sole parent to move into work, in line with the work test for people on Unemployment Benefit;

Exemption from part-time work-test obligations for DPB sole parents whose youngest child is six or over who study full time at level 4 or above

12. **agree** that sole parents on Domestic Purposes Benefit can receive an exemption from requirements to seek or take up work while they are studying full time at level 4 or above;
13. **note** that while they are studying, these sole parents can still be required to meet with their case manager and plan for employment;
14. **note** that this exemption will be monitored, and formally reviewed after two years;
15. **direct** the Ministry of Social Development to report back to the Minister for Social Development and Employment on the operation of the exemption in recommendation 12 above by October 2012;
16. **note** that exemptions are included in regulations and can be changed with Cabinet's agreement;
17. **invite** the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office for amendments to the Social Security (Exemptions under Section 105) Regulations 1998 to give effect to the decision in recommendation 12 above;

\$500 loan for course-related costs

18. **agree** that an interest-free, tax-free loan of \$500 per year be introduced in the 2011 academic year for course-related costs, to support DPB sole parents to study at level 4 or above;
19. **agree** that the \$500 loan will:
 - 19.1 be available for course-related costs including transport costs, childcare costs, books, stationery, equipment and materials;
 - 19.2 not have to be repaid by the recipient until they finish their course or leave Domestic Purposes Benefit – Sole Parent, whichever comes first;

19.3 not be available for those who are still receiving grandparented Training Incentive Allowance for their course; and

19.4 not be available for postgraduate diplomas, postgraduate certificates, or bachelors with honours, masters and doctorate degrees;

20. **agree** that the \$500 loan outlined in recommendations 18 and 19 above is available for:

EITHER (Option 1):

20.1 all courses at level 4 or above;

OR (Option 2):

20.2 only those courses at level 4 or above in the community and social sector, including aged care, addiction rehabilitation, mental health, early childhood education, community work, social work and youth work and areas experiencing skills shortages or areas where strong job growth is anticipated;

21. **note** that Option 1 above is estimated to cost \$8.96 million over the four years beginning 2010/11;

22. **note** that the cost of Option 2 above cannot be determined until the skill shortages and anticipated job growth areas have been determined, but these costs will not exceed \$8.96 million over four years from 2010/11;

23. **note** that if Option 2 above is agreed, the Ministry of Social Development and the Department of Labour will determine the skill shortages and anticipated job growth areas so that the cost of the \$500 loan can be estimated and funding for the cost of the proposed loans can be sought via the 2010 Budget process as part of Cabinet's consideration of my baseline proposals in April 2010;

24. **agree** that the new \$500 loans will be funded from identified savings within Vote Social Development as part of Budget 2010;

25. **agree** that funding for the \$500 loan outlined in recommendations 18 to 20 above:

EITHER (Ministry of Social Development preference):

25.1 be demand-driven with no cap on the total number of loans per year;

OR (Treasury preference):

25.2 be capped at the number of loans estimated to be taken up (to be agreed by the Minister of Finance and the Minister for Social Development and Employment) with the understanding that the Minister for Social Development and Employment may seek to reprioritise additional funding if demand for the loans exceeds the capped funding;

26. **invite** the Minister for Social Development and Employment to establish and approve a Ministerial Welfare Programme under section 124(1)(d) of the Social Security Act 1964 to authorise the payment of the \$500 loan outlined in recommendations 18 to 20 above;

27. **delegate** authority to the Minister for Social Development and Employment to make detailed policy decisions for the \$500 loan in keeping with the overall direction outlined in recommendations 18 to 20 above;

Improving access to out of school care and recreation

further policy decisions

28. **agree** that the Out of School Care and Recreation (OSCAR) Standard of Approval requiring that two staff members are present at all times be changed to one staff member;
29. **direct** the Ministry of Social Development to:
 - 29.1 review the OSCAR Standards for Approval (with input from the OSCAR sector);
 - 29.2 explore the most effective means of targeting areas of need for Domestic Purposes Benefit Sole Parents using the existing OSCAR grant funding system; and
 - 29.3 report back to the Minister for Social Development and Employment on progress made in June 2010; and
30. **invite** the Minister for Social Development and Employment to report back to Cabinet Social Policy Committee with further options to encourage the provision of out of school care by November 2010.

Hon Paula Bennett
Minister for Social Development and Employment

Date