

Office of the Minister for Social Development and Employment

Cabinet Social Outcomes Committee

## **Excluding Flexible Childcare Assistance and the Training Incentive Allowance from Youth Money Management**

### **Proposal**

- 1 This paper seeks agreement to exclude Flexible Childcare Assistance (FCA) and the Training Incentive Allowance (TIA) payments from being paid in the Youth Money Management manner. This will enable both payments to be paid directly to the relevant client as is intended by the respective policy intents.

### **Relation to government priorities**

- 2 Our Government is committed to addressing the rising cost of living, and to helping people enter and remain in employment. This proposal is to exclude FCA and TIA from being paid through the Ministry of Social Development (MSD) Youth Service's Money Management process. This will support parents and caregivers to meet their obligations and prepare them for better employment outcomes.

### **Youth Money Management**

- 3 MSD's Youth Service uses Money Management to help some young people<sup>1</sup> manage their MSD payments. However, Money Management is also the term that is used in the Social Security Amendment Bill (referred back to the House on 14 April 2025) to refer to one of the non-financial sanctions available under the Traffic Light System. In this paper, to avoid confusion, the term "Youth Money Management" is used to refer to the type administered by MSD's Youth Service.
- 4 The intent of Youth Money Management is to discourage early reliance on benefits. After their accommodation, utility costs and lawful debts have been paid, the young person gets an in-hand allowance of up to \$50 per week. The remainder of any MSD payments are loaded on a payment card that can only be used to pay for standard living costs, such as food and toiletries from MSD-approved suppliers.

### **Flexible Childcare Assistance (FCA)**

- 5 FCA is a form of childcare assistance administered by MSD. It is the only government funding that provides direct support to caregivers for costs associated with informal childcare for their dependent children. It is granted to eligible caregivers that MSD considers at risk of long-term benefit receipt, to help them obtain and retain employment.
- 6 The informal childcare may be provided by family, friends, neighbours, or a babysitter. It is an important support for caregivers who are not able to access formal childcare, because their employment or training takes place outside standard business hours that formal childcare (generally provided by a licensed or certified early

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<sup>1</sup> Young people in receipt of Youth Payment, Young Parent Payment and young partners (aged 16 – 19 years) of people getting Jobseeker Support, Supported Living Payment or Emergency Benefit may be subject to Youth Money Management.

childhood service) is available, such as evenings or weekends. Informal childcare is also important for families living in rural areas, or where there are no places available in formal childcare services within a reasonable distance.

- 7 On 1 April 2024, the FCA eligibility criteria were expanded to include people receiving a main benefit, and people who are not sole parents who are entering or increasing their hours of employment, employment-related training or education. Previously, only sole parents who were exiting a specified main benefit for employment reasons were eligible for FCA. This expansion of FCA now includes beneficiary parents who are subject to Youth Money Management, such as those in receipt of the Young Parent Payment. In January 2025, there were 1,400 people in receipt of the Young Parent Payment.
- 8 If they have high living costs or debts, young people under Youth Money Management may not currently be able to access the FCA payment to pay for childcare costs as intended by the FCA policy because the payment will instead be redirected to cover those costs or debts. This could be a barrier to these young parents entering or staying in employment or training. As such, I am seeking to have FCA payments excluded from Youth Money Management.
- 9 Although the number of people who will be affected by this change is expected to be small (likely to be fewer than 20 Youth Payment recipients per year), young parents are particularly vulnerable to long term unemployment, and I consider that it is important to support them as much as possible to obtain or retain employment.

### **Training Incentive Allowance (TIA)**

- 10 TIA is a payment to help eligible clients take up education or training to improve their employment skills and future employment outcomes. It can be paid in a lump sum (e.g. towards course fees) and/or as a regular payment (e.g. for weekly transport costs). To qualify for the TIA, a person must be a sole parent in receipt of Sole Parent Support, Emergency Benefit, Jobseeker Support (while completing part-time study), Youth Parent Payment, or Supported Living Payment.
- 11 Originally, the TIA was paid under the Employment and Work Readiness Assistance Programme (EWRAP), but since 1 July 2021, it has been provided under the Training Incentive Allowance Programme. When that welfare programme was changed, the change to regulation 195(1)(c)<sup>2</sup> of the Social Security Regulations 2018 was overlooked. This means that regular TIA payments are currently not exempted from Youth Money Management. For this reason, I am seeking to correct the wording of regulation 195(1)(c).

### **Implementation**

- 12 To allow sufficient time for changes to be made to MSD's IT systems, it is proposed that FCA and TIA payments be excluded from Youth Money Management from 3 November 2025.

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<sup>2</sup> Regulation 195(1)(c) of the Social Security Regulations 2018 states that MSD may pay to or on account of a young person to whom regulation 194 applies, all or part of any payments of training incentive allowance under the employment readiness and work assistance programme.

### **Cost-of-living Implications**

- 13 The proposals discussed in this paper will help eligible clients with the costs of informal childcare, and the costs of education and training respectively.

### **Financial Implications**

- 14 Funding of \$0.245m is required to make the changes to MSD's IT systems to exclude FCA from Youth Money Management. This funding is proposed to be met from reprioritisation within Vote Social Development. No costs are associated with excluding TIA payments from Youth Money Management.

### **Legislative Implications**

- 15 Cabinet agreement is required to amend the Social Security Regulations 2018 to exempt FCA and TIA payments from being paid in a Youth Money Management manner. If you agree to these amendments, the Parliamentary Counsel Office will be instructed to draft changes to these regulations.

### **Impact Analysis**

#### **Regulatory Impact Statement**

- 16 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.

#### **Climate Implications of Policy Assessment**

- 17 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

### **Population Implications**

- 18 The majority (95%<sup>3</sup>) of Young Parent Payment recipients are female. More than half (58%) of recipients are Māori, 16% are New Zealand European and 12% are Pasifika.

### **Human Rights**

- 19 There are no human rights implications arising from this paper.

### **Use of external resources**

- 20 No external resources were used in the development of this paper.

### **Consultation**

- 21 The following agencies have been consulted: Oranga Tamariki, Treasury, Te Puni Kōkiri, Ministry for Pacific Peoples, Ministry for Women, Ministry of Education, Te Kawa Mataaho (Public Service Commission) and The Department of Prime Minister and Cabinet.

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<sup>3</sup> As at April 2024.

## Communications

- 22 The exemption of FCA and TIA payments from Youth Money Management will be published on the MSD website and MSD's operational policy guidance (which is available to staff and the public) will be updated. Recipients of Young Parent Payments will be informed directly.

## Proactive Release

- 23 I intend to proactively release this paper subject to the provisions of the Official Information Act 1982.

## Recommendations

I recommend that the Committee:

- 1 **note** that Flexible Childcare Assistance (FCA) was expanded on 1 April 2024;
- 2 **note** that recipients of the Young Parent Payment, Youth Payment and partners aged 16-19 of recipients of Jobseeker Support, Supported Living Payment and Emergency Benefit who also receive FCA payments may not be able to use them as intended if they are paid using the Money Management manner as administered by the Ministry of Social Development's Youth Service (the Youth Service);
- 3 **agree** that FCA payments be excluded from being paid in a Money Management manner as administered by the Youth Service so that they can be used to pay for costs of informal childcare as per the policy intent;
- 4 **note** that regulation 195(1)(c) of the Social Security Regulations 2018 refers to the Training Incentive Allowance (TIA) as being administered under the Employment and Work Readiness Assistance Programme instead of the Training Incentive Allowance Programme;
- 5 **agree** that TIA payments made under the Training Incentive Allowance Programme be excluded from being paid in a Money Management manner, as administered by the Youth Service;
- 6 **invite** the Minister for Social Development and Employment to instruct the Parliamentary Counsel Office to draft the necessary changes to the Social Security Regulations 2018 to give effect to recommendations 3 and 5 (above).

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment