

Supporting families towards better futures

Training Incentive Allowance

Q. What is the Training Incentive Allowance?

A. The Training Incentive Allowance is a payment to help cover the additional costs of studying while on benefit. TIA covers fees, course costs, caring costs for children and older people, and course equipment and materials.

Q. How much can you get for support with the costs of study under the Training Incentive Allowance?

A. How much someone can get depends on the costs associated with their training. It can be used to cover costs such as transport, text books, tuition fees, course material and childcare. TIA is currently payable up to a weekly maximum of \$112.89 and a total maximum of \$4,515.60 a year and can be used in conjunction with Student Loans and childcare assistance, although not to meet the same costs.

Q. Who qualifies for the Training Incentive Allowance?

A. TIA is available to sole parents, disabled people and their carers. This includes people receiving the following main benefits: Sole Parent Support, Supported Living Payment 'caring for a person', Supported Living Payment 'health condition, injury or disability', and the Young Parent Payment for sole parents. People receiving student allowance do not qualify. Course costs are only supported for courses at or under level 3 in the National Qualifications Framework. Eligibility for level 4 courses and above was removed by the previous National Government in Budget 2009.

Q. Why is Labour expanding qualification eligibility for the Training Incentive Allowance?

A. Restoring the TIA for people undertaking level 4 courses and above will enable people to have support to gain higher level qualifications, including under graduate degrees. MSD found that this was likely to improve potential earning ability in the future. Other New Zealand research has found that attaining tertiary qualifications for example have a higher likelihood of employment and higher incomes, as well as having better health and lifestyle outcomes.

Q. How much will this cost?

A. The expansion of TIA will cost around \$431 million over four years, and around \$187 million in capital over 10 years. This will be funded from the COVID-19 Response and Recovery Fund.

Q. How many people will benefit from this?

A. Around 6000 people could benefit from reinstating TIA in the first year, increasing to 15,000 each year once fully implemented. This compares to only around 900 people who received TIA in 2018.

Q. Why is Labour focussing on upskilling and training?

A. Labour wants to support New Zealanders with their future aspirations and remove financial barriers to upskilling and training. We need a workforce that is skilled and ready for the future, and this will enable more people to build their skillset and gain qualifications.

Q. How will this improve employment opportunities for people?

A. Sole parents and disabled people can already face barriers to employment such as childcare, accessibility requirements or discrimination. This may be further enhanced in a post-COVID labour market which is likely to have more people looking for work. By supporting people to gain further qualifications, they can be more competitive in the labour market and work toward jobs that are meaningful and sustainable.

Abatement threshold

Q. What is an abatement threshold in the context of the welfare system?

A. The abatement threshold is the amount of money someone on a main benefit can earn before the amount of income support they receive starts to reduce. This applies to everyone on a working age

main benefit, and NZ Superannuation or Veteran's Pension recipients who have included a non-qualifying partner in their payment.

Q. What are the current abatement rates and thresholds?

A. Currently if someone receiving Jobseeker Support earns over \$90 per week, they will lose 70 cents of their benefit for every one dollar they earn.

For those on Sole Parent Support and Supported Living Payment they can currently earn up to \$115. Their benefit is then reduced by 30 cents for every dollar earned up to \$215, when it is then abated at 70 cents per dollar.

For Superannuation or Veteran's Pension non-qualifying partners, income over \$115 is abated at 70 cents for every dollar.

Q. What changes have already been made to increase the abatement thresholds?

A. In Budget 2019, we announced that we would increase the abatement threshold for the next four years in line with minimum wage increases. In April 2020, the first of these increases came into effect with abatement thresholds going up an additional \$10 to \$15. This will benefit 73,000 low income individuals and families.

Q. Why is Labour increasing the abatement threshold?

A. As a result of COVID-19, people may have reduced and/ or fluctuating hours and require income support. Higher abatement thresholds will help them maintain their attachment to employment. Increasing abatement thresholds will also improve financial incentives to work for people on main benefit and encourage people to take steps towards full time employment.

Q. How much will this cost?

A. The estimated cost is up to \$320 million over four years and is likely to immediately benefit up to 30,000 people. The additional costs of year on year increases in line with minimum wage were already committed to from Budget 19.

Q. How will this support low income New Zealanders?

A. Low income New Zealanders who are on a benefit while working part-time or in casual work will be able to keep more of what they earn. This means more money in the pockets of working New Zealanders and removing the financial disincentive to take on more work hours.

Q. Why is part-time work important?

For many, part-time work can be an important step towards full-time employment. It provides a chance to get work experience, and to re-connect with the labour market and the demands that can come with employment. This can be particularly important for parents or other caregivers who are also managing caring responsibilities. For some people, fulltime work may not be feasible. Maintaining part-time work while on a benefit can ensure people are able to take the opportunity to be in employment, without losing financial security.

Welfare Overhaul

Q. What is the Welfare Expert Advisory Group?

A. The Welfare Expert Advisory Group was established to provide advice to the Government on the welfare overhaul and what changes needed to be made to improve the welfare system. They were a diverse group of 11, plus a special advisor and included views and expertise that represented academics, benefit advocates, business experts, unionists, disabled people, Maori, Pacific People and health experts.

Q. Why is a welfare overhaul needed?

A. After nine years under National, our welfare system was failing to meet the needs of New Zealanders. Not only did people not have enough income to cover basic necessities, they also

experienced stigma and difficulties accessing support. This is not how an effective welfare system should operate. Labour is committed to creating a welfare system that ensures people in need have an adequate income, are treated with respect and dignity, and are able to participate meaningfully in their communities.

Q. What progress has already been made?

A. In our first term, we have already made significant progress including:

- Increasing main benefits by \$25 per week
- Indexing main benefit increases to average wages
- Removing punitive sanctions that impact children
- Aligning the abatement threshold with minimum wage increases
- Increasing the number of frontline staff at MSD dedicated to employment support
- Investing more in employment initiatives
- Better supporting our social services to make a difference in their communities

On top of this, our Families Package will see 384,000 families with children on average \$75 per week better off and thousands of children lifted out of poverty.

Q. How long will an overhaul of the welfare system take?

A. This is not a one term job. Our long term plan is intended to be achieved over the next four to five years.

Q. Will main benefits be increased?

A. We have already increased main benefits by \$25 per week and indexed them to increases in average wages for the first time in New Zealand's history. 315,000 people on a benefit are better off by \$55 a week because of our changes so far and 85,000 sole parents are on average \$101 a week better off. As part of our medium term plan we are also committed to continuing to improve income support.

Q. Who is impacted by a welfare overhaul?

A. Prior to COVID-19, around one million New Zealanders accessed support from the welfare system each year. This includes a huge range of people: sole parents, students, those who are unemployed, disabled people, carers, people with health conditions and older people. The majority of New Zealanders will need support from the welfare system at some point in their lives, and that's why the welfare overhaul is so important.

Flexi-Wage

Q. What is Flexi-wage?

A. Flexi-wage is a wage subsidy programme targeted at people who are at risk of long-term unemployment. The subsidy is targeted and flexible, commensurate to the type of business or the needs of the person being employed.

Q. How does Flexi-wage work?

A. An employer discusses with the Ministry of Social Development their hiring or staff retention plans, and how Flexi-wage would make a difference to their business. Ministry staff administering the Flexi-wage subsidy assess someone's need for assistance and whether they are disadvantaged in the labour market to determine eligibility

The Ministry and the employer will then negotiate the rate and duration of the subsidy. The subsidy should reflect the investment necessary to increase participant's skills to the requirements of the

position or necessary to retain the employment relationship while the business is able to pivot to the new economic situation.

Q. Who is at risk of long-term unemployment?

A. The Ministry of Social Development will take a flexible approach to supporting New Zealanders to retain their job or gain employment. People can be disadvantaged for a variety of reasons including limited skills or work experience, the on the job training required, low confidence, age or other discrimination. The Ministry of Social Development will assess the suitability of the candidate against the requirements of the job.

Q. What evidence supports the Flexi-wage programme?

A. Flexi-wage is intended to support New Zealanders long term employment outcomes. Of the 6,700 people who received a flexi-wage subsidy between 1 July 2018 and 31 August 2019, 70% of recipients were not on a benefit as at 22 September 2019.

The Ministry of Social Development's Cost-effectiveness of MSD employment assistance: Summary report for 2016/2017, published in February 2019, rated Flexi-wage as "effective" and having significant positive impacts, with the average investment of \$3,785 per participant yielding an average return of \$29,686, a benefit cost ratio of 7.8.

Q. Has the Government made recent changes to Flexi-wage?

A. The Government recently amended the Employment and Work Readiness Assistance Programme to expand the eligibility criteria for Flexi-wage. This was made as part of an additional \$200 million from the CRRF that was invested into strengthening and expanding MSD employment services.

Q. Why is Labour focussing on those at risk of long-term unemployment?

A. Treasury's review of the potential impacts of COVID-19 on the wellbeing of New Zealanders, and the associated economic recession, shows that large increases in unemployment in recessions can result in long-term unemployment. This will particularly effect young, Māori and Pacific people.

Q. How much will Flexi-wage cost?

A. The direct funding for each placement is negotiable and varies depending on the type of business or the person being employed. Labour will make a one-off multi-year investment of \$311m, based on an average of wage subsidy of \$7,500 for 40,000 places.