



25 SEP 2017

John Dickson  
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Dear John

Thank you for your email of 10 August 2017 to the Ministry of Education requesting the following information:

- *"A copy of the Cabinet Paper written by the PCET Unit of MOE in 1995 on the Skill Start subsidy"*

Your request has been considered under the Official Information Act 1982 (the Act).

Following a search of our historic records we located two folders containing information about the Skill Start subsidy. On 21 August 2017, we emailed you to clarify the information you required. Following your response of 31 August 2017, we are releasing the following document to you in full:

- *Cabinet Paper 24747 "Skill Start" – 5 February 1996*

Skill Start was a trainee recruitment incentive payment of \$1,000 designed to encourage employers to provide structured industry training to new recruits. It was provided in the context of the development of a new industry training system at that time. It was disestablished in the mid-1990s following an evaluation, and a substantial increase in young industry trainees the previous year.

Please note, the Ministry now proactively publishes OIA responses on our website. As such we may publish this response on our website after five working days. Your name and contact details will be removed.

Thank you again for your email. You have the right to ask an Ombudsman to review this decision. You can do this by writing to [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz) or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely



Claire Douglas  
**Deputy Secretary**  
**Graduate Achievement, Vocations and Careers**

ED 30/07/09/2



**CABINET COMMITTEE ON  
EDUCATION, TRAINING  
AND EMPLOYMENT**

ETE (96) 5

5 February 1996

Copy No: 24

CABINET PAPERS  
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ED Ministerial

<b>Title</b>	<b>SKILL START</b>
<b>Purpose</b>	The submission proposes that the Skill Start programme be discontinued.
<b>Previous Cabinet/ Committee Consideration</b>	On 25 July 1995, the Cabinet Committee on Education, Training and Employment (ETE) directed the Ministry of Education, in consultation with other agencies, to report on the future of the Skill Start programme [ETE (95) M 24/2 refers].
<b>Summary</b>	<p>An Executive Summary is provided on page 1 of the submission.</p> <p>Skill Start is a trainee recruitment incentive payment of \$1,000 made to employers who provide structured, qualifications-based training to new recruits aged 16-22. Establishment as the Government's response to the declining number of apprenticeships in 1993, it was developed with two key aims:</p> <ul style="list-style-type: none"> <li>— to boost on-job vocational training for young people; and</li> <li>— to build support for the Industry Training Strategy.</li> </ul> <p>The 1994 evaluation of Skill Start revealed that it was largely ineffective as an incentive for employers to recruit young people, particularly those who would not otherwise be trained in industry. However, the paper indicates that there remains a problem of low participation by Maori in training. A range of education and training policies have been put in place to address the problems underlying low Maori participation in industry training including TOP, Skill Enhancement and the Skill New Zealand Youth Project. Officials will report back to ETE on progress achieved in this area by October.</p>
<b>Baseline Implications</b>	If Skill Start is discontinued at the end of 1995/96, there will be savings of \$5.0 million in the 1996/97 year.
<b>Legislative Implications</b>	Nil.
<b>Timing Issues</b>	It is proposed that Skill Start finish on 30 June 1996.
<b>Announcement</b>	A communications strategy is proposed (see paragraph 31 in the paper) which would see announcement take place in mid-1996.

Consultation Treasury, TPK, Labour, Youth Affairs, Women's Affairs, Education Training Support Agency.

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**The Minister of Education recommends that the Committee:**

- a note that a 1994 evaluation revealed that Skill Start was largely ineffective as an incentive for employers to recruit young people who would not otherwise be trained in industry;
- b note that the substantial increase in industry traineeships in 1995 indicates there is no longer a need to maintain a specific recruitment scheme such as Skill Start;
- c note that low Maori participation in qualifications-based industry training is linked to a number of problems including high Maori unemployment, and the concentration of Maori in jobs with limited training opportunities;
- d note that a range of education and training policies, both general and specific, have been put in place to address the problems underlying low Maori participation in industry training including TOP, Skill Enhancement and the Skill New Zealand Youth Project;
- e agree that Skill Start should not be reconfigured, but discontinued at the end of the 1995/96 financial year, with the present annual budget of \$5 million to be used as savings from the start of the 1996/97 financial year;
- f note that because this is a budget related matter, the Ministry of Education, in consultation with the Education Training Support Agency (ETSA), will develop a communications strategy to be announced with the budget release in mid-1996;
- g note that measures are underway to improve the monitoring of industry training data concerning ethnic groups;
- h direct the Ministry of Education, in conjunction with the Treasury, the Department of Labour, Te Puni Kokiri and ETSA to report to the Cabinet Committee on Education, Training and Employment by October 1996, focusing particularly on the level of participation of under-represented groups, including Maori in qualifications-based industry training, identify key issues, and if necessary, develop proposals to address these issues.

(Signed) Bill Frecklington

**COPIES TO:**

Cabinet Committee on Education, Training and Employment  
Chief Executive, PM&C  
Secretary to the Treasury  
Minister of State Services  
State Services Commissioner  
Secretary of Labour  
Chief Executive, Ministry of Education  
Chief Executive, Education Training Support Agency  
Secretary of Labour (Employment)  
Chief Executive, Te Puni Kokiri  
Director-General of Social Welfare  
Chief Executive, Ministry of Youth Affairs  
Chief Executive, Ministry of Women's Affairs

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Chair  
Cabinet Committee on Education, Training and Employment.

**SKILL START**

**Executive summary**

- 1 In light of the 1994 evaluation of Skill Start, and last year's substantial rise in young industry trainees, officials agree there is little value continuing Skill Start in its present form. However, the problem of low Maori participation in structured industry training gives rise to a key issue: whether it should be reconfigured to address the problem of Maori participation.
- 2 There are already a number of policies addressing the problems underlying low Maori participation such as Skill Enhancement, TOP work-based training and the Skill New Zealand Youth Project and consequently, officials recommend the current Skill Start programme be phased out by June 1996 with the annual budget appropriation of \$5 M returned as savings from the start of the 1996/97 financial year.
- 3 To monitor the participation of Maori and other under-represented groups within industry training, officials propose a report back by October 1996 on participation levels in qualifications-based industry training, and moreover, whether existing initiatives are adequate.

**Introduction**

- 4 On 25 July 1995, the Cabinet Committee on Education Training and Employment (ETE) directed the Ministry of Education, in consultation with other agencies, to report on the future of the Skill Start programme with a view to reconfiguring it to better meet the needs of young people, including Maori, to enter qualifications-based industry training. [ ETE (95) M 24/2 ]

**Background**

- 5 Skill Start is a trainee recruitment incentive payment of \$1,000 made to employers who provide structured, qualifications-based training to new recruits aged 16 - 22. Established as the Government's response to the declining number of apprenticeships in 1993, it was developed with two key aims:

- to boost on-job vocational training for young people; and,

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- to build support for the Industry Training Strategy, and in particular the progressive linking of training to the National Qualifications Framework (NQF).
- 6 To be eligible for the \$1 000 payment, employers must take on a young person aged 16 - 22, and engage them in a formal training contract. The training contract must provide for on-job vocational training up to, and including level 3 of the NQF, or its equivalent.
- 7 The total annual appropriation for Skill Start is \$5 M. In addition, \$1.25 M was allocated to subsidise industry training organisations (ITOs) for administering the Skill Start scheme. This was changed in mid-1995, when Ministers agreed that the \$1.25 M would be merged with other industry training funding pools, to create the Industry Training Fund. It is no longer specifically tagged as Skill Start ITO administration funding. [ CAB (95) M 11/1 b(i) ].

### The Future of Skill Start

#### Issues

- 8 The 1994 evaluation of Skill Start revealed that it was largely ineffective as an incentive for employers to recruit young people, particularly those who would not otherwise be trained in industry. Research showed that nine out of ten employers who received the \$1,000 would have taken the trainees on without the payment. Furthermore, 76% of participating employers actually heard about the programme after they had received the payment. In other words, the subsidy largely pays employers for taking on young people who they were already going to train.
- 9 Furthermore, new apprenticeships and other industry trainee numbers grew by 18% during the period from June 1994 to June 1995 - a level of training activity not seen since the 1980s. The number of people who entered apprenticeships was 9,166, bringing the total industry training number to 18,344. Officials consider that a number of factors, other than the introduction of Skill Start, are likely to have contributed to the increase in trainees over the last two years. These include the impacts of economic growth, such as an increased willingness by employers to invest in training, and a growing familiarity with, and support of the industry training strategy.<sup>1</sup>

<sup>1</sup> Evidence shows that the number of new apprenticeships in the last twenty years tends to mirror other aspects of economic growth and investment - that is, a positive correlation exists between the annual percentage change in new apprenticeships, private investment and real GDP growth.

- 10 Officials conclude that the Skill Start scheme is no longer a necessary intervention - at least, in its current form. First, as the evaluation reveals, the subsidy is being captured largely by employers of young people who were already going to be trained; a point that relates to the fact that the target group is very wide. Secondly, the increase in trainee numbers supports the view that employers are no longer reluctant to invest in training young people. This supports the view that other incentives are more effective in encouraging employers to take on trainees, like economic growth.
11. Yet despite the aggregate increase in trainees, the growth is disproportionately spread amongst different groups. In particular the available, albeit limited, data shows that low participation of Maori in industry training is persisting. Increased access for wider groups is a key objective of the industry training strategy that, to date, has had limited focus. Now the industry training strategy is established, Ministers may wish to focus on objectives such as increasing the participation under-represented groups within industry training. For the purposes of this paper, the next section examines Maori participation in structured training, and places it within the wider context of Maori employment.

#### Maori participation in qualifications-based industry training

- 12 There are, at present, a number of problems with ascertaining a clear overall picture of Maori participation within industry training. Two key reasons for this are:
- *no one data source on industry-related training exists in New Zealand: industry training data, which includes information that is often not comparable, is spread across a wide range of different organisations, causing monitoring and reporting difficulties; and,*
  - *information gaps with ethnicity data provided by ITO's: large numbers of employers guess the ethnicity of their trainees. Consequently, the present information on apprenticeships fails to accurately capture ethnicity data.*
- 13 Despite these limitations, in light of youth employment participation, unemployment figures and data on where Maori employed are predominantly placed, the available information confirms the limited numbers of Maori accessing industry based training.

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- 14 Maori comprised 11% of all 16 - 24 year olds in employment to June 1995. However, in the same period they represented only 5% of those in training contracts with ITOs.<sup>2</sup> While Maori are well represented in forestry primary industry cadetships (25%), they account only for 6% of other cadetships.
- 15 Furthermore, when Maori are employed they are typically concentrated in industries and jobs where structured training opportunities are limited. Maori are highly concentrated in a narrow range of industries and occupations, that have been typically shedding labour, and are not expected to offer large increases in employment over the medium term.
- 16 A separate, but relevant point is that the high level of Maori unemployment, particularly amongst the young, compounds their low participation in structured industry training. Although it has dropped, at 15% the Maori unemployment rate is almost four times that of the non-Maori rate. Also, more than a third of Maori unemployed were aged 16-24.

**Government initiatives addressing Maori participation in industry training**

- 17 Generally, structured industry training can only be accessed by those with jobs. For Maori numbers in structured industry training to increase positively, there must be an increase in Maori employment, and in particular, within growth industries that provide qualifications-based training.
- 18 A range of complex and inter-related factors underlie low Maori participation in industry training, and moreover, within employment. These include skills development, cycles of disadvantage, under achievement in the school system, limited career information, and subtle, yet equally important problems, like discrimination. Despite the complexity and deep rooted nature of such difficulties, a range of education and training policies, have been developed to address these problems.
- 19 At the post secondary school level, strategic initiatives like Skill New Zealand, and the Government's Employment Taskforce response have been developed to address systemic problems underlying unemployment, and limited access to industry training. These

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<sup>2</sup> Figures from industry derived data, and Statistics NZ HLFS data. Note, however, the problems with the industry derived data as referred to in para 11 above.

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problems include disincentives to invest in skill development, and inter-generational cycles of disadvantage.

- 20 Secondly, a number of specific post compulsory education and training initiatives are facilitating wider opportunities for young people, including Maori, to access structured industry training. These include pre-employment schemes like Skill Enhancement and TOP work-based training, as well the Skill NZ Youth Project.
- 21 Skill Enhancement, a pre-employment scheme, provides a range of vocational educational pathways for Maori and Pacific Island youths. A key aspect of the programme is that it offers trainees with financial, as well as cultural, or pastoral support. The vocational education pathways include retail/business, catering, tourism, film production, automotive engineering, journalism, as well as fishing. Despite being an off-job initiative, providers must include an on-job training component in their courses. ETSA ensure that the course outcomes include flow-ons to employment. At 31 July 1995, there were 710 trainees.
- 22 TOP work-based training, focuses particularly on disadvantaged young job seekers, improving their employability by offering both general education, and work-based learning. While experience shows work based learning to be a difficult area to develop, in 1994 nearly 4,400 trainees were involved in TOP work-based training. Moreover, Maori made up 34% of the total number of trainees involved. ETSA aims to increase the total number who access work-based opportunities to 10% of all TOP trainees by mid-1996.
- 23 At a different level, the Skill NZ Youth Project assists small employers in setting up training for young, poorly qualified employees. A government led initiative, the focus of this pilot project is to increase work-based learning opportunities for those aged 16 - 21 by promoting the lower levels of the NQF amongst industries that previously did not have formal training arrangements. As at 31 December 1995, 370 out of 500 trainee places had been filled amongst 167 employers. 24% of the trainees are Maori. Originally intended to run from November 1994 to June 1995, the pilot was extended to 30 June 1996. A report to key Ministers will be provided in April this year. In June, a full report on the Youth Action package (including the Skill NZ Youth Project) will be provided to Cabinet ETE.



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- 24 Another key development is the Industry Training Development Fund research project. Established last year, \$50 000 has been set aside to sponsor research that examines barriers within industry for under-represented groups. The contract has been awarded to the Agriculture ITO who are focussing on barriers for Maori. Officials believe that the resulting information will provide valuable insights and strategies to different ITOs and, it is expected, will eventually foster increased participation by Maori and other under-represented groups.

**Monitoring of programmes, and industry training in general**

- 25 All of the policy initiatives are subject to regular monitoring and evaluation processes: Skill Enhancement is currently being evaluated by the Ministry of Education, with a report back to Ministers in August 1996; TOP work based training was recently evaluated, as part of the TOP evaluation, and will be reported on again in 1997; and, as noted above, the Skill NZ Youth Project will be the subject of an evaluation report to Ministers in April.
- 26 ETSA is implementing a new collection and computerised data base system, specifically designed to capture a better picture of the characteristics of trainees undergoing formal training towards recognised qualifications. This system is to start in the first quarter of 1996, and is expected to address the gaps in ethnicity data as discussed in para 12.
- 27 Officials propose that the Ministry of Education in consultation with the Treasury, Te Puni Kokiri, the Department of Labour and ETSA, report to the Cabinet Committee on Education, Training and Employment by October 1996, on the level of participation of under-represented groups, including Maori in qualifications-based industry training. This report will also identify outstanding issues concerning the low participation of groups such as Maori, and if necessary, develop proposals.

**Conclusion**

- 28 Given the range and nature of policies that are attempting to address low Maori participation in industry training, officials do not believe there is a rationale for reconfiguring Skill Start at this stage.
- 29 Officials recommend that the present Skill Start policy be discontinued at the end of the 1995/96 financial year, with the annual budget of

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\$5 M to be offered up as savings from the beginning of the 1996/97 financial year.

- 30 However, officials agree that there is a need to improve the monitoring of industry training, especially data relating to the participation of ethnic groups. Measures are in place to improve this information and it is proposed that officials report to Ministers in October 1996 using this data.

### Communications strategy

- 31 If Cabinet agrees to phase Skill Start funding out by mid-1996, this policy change will need to be clearly communicated to the relevant stake-holders including employers, potential trainees, and ITOs. While it is likely that some ITOs may raise concerns, the scheme's discontinuation is justified given the sharp rise in trainee numbers since the programme's inception. As this is a budget related matter, the Ministry of Education, in consultation with ETSA, will develop a more detailed communications strategy, which will be announced with other budget releases in mid-1996.

### Consultation

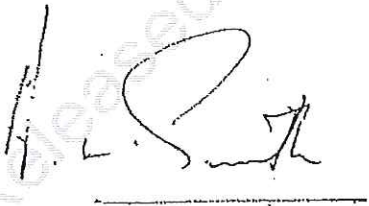
- 32 This paper has been prepared in consultation with Te Puni Kokiri, the Treasury, the Department of Labour, the Ministry of Youth Affairs, and the Ministry of Women's Affairs, and the Education Training and Support Agency.

### Recommendations

- 33 It is recommended that you:
- (a) note that a 1994 evaluation revealed that Skill Start was largely ineffective as an incentive for employers to recruit young people who would not otherwise be trained in industry;
  - (b) note that the substantial increase in industry traineeships in 1995 indicates there is no longer a need to maintain a specific recruitment scheme such as Skill Start;
  - (c) note that low Maori participation in qualifications-based industry training is linked to a number of problems including high Maori unemployment, and the concentration of Maori in jobs with limited training opportunities;

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- (d) note that a range of education and training policies, both general and specific, have been put in place to address the problems underlying low Maori participation in industry training including TOP, Skill Enhancement and the Skill New Zealand Youth Project;
- (e) agree that Skill Start should not be reconfigured, but discontinued at the end of the 1995/96 financial year, with the present annual budget of \$5 M to be used as savings from the start of the 1996/97 financial year;
- (f) note that because this is a budget related matter, the Ministry of Education, in consultation with ETSA, will develop a communications strategy to be announced with the budget release in mid-1996;
- (g) note that measures are underway to improve the monitoring of industry training data concerning ethnic groups;
- (h) direct the Ministry of Education, in conjunction with the Treasury, the Department of Labour, Te Puni Kokiri and ETSA to report to the Cabinet Committee on Education, Training and Employment by October 1996, focussing particularly on the level of participation of under-represented groups, including Maori in qualifications-based industry training, identify key issues, and if necessary, develop proposals to address these issues.



Hon Lockwood Smith, PhD  
Minister of Education