

Office of the Minister for Tertiary Education, Skills and Employment

Office of the Minister of Education

Chair

Cabinet Social Policy Committee

Extending age eligibility and flexibility of the Youth Guarantee scheme

Proposal

We seek your agreement to two proposals to extend eligibility and flexibility of the Youth Guarantee fees-free scheme. Firstly, we propose to extend the age eligibility for Youth Guarantee fees-free provision to 19 year olds.

Out of the scope of the request

Executive summary

1. This Government has made more options available for students at the interface between secondary and tertiary education, to improve achievement of qualifications and progression to further training or a career. Examples of initiatives that have been rolled out already are the fees-free places in tertiary education, trades academies, and the new Vocational Pathways.
2. These schemes are proving popular and successful, and represent new choices and opportunities for 16 and 17 year olds. However, there is potential for further enhancement. While combined secondary-tertiary programmes, such as trades academies, continue to experience strong demand, Youth Guarantee fees-free places are undersubscribed in 2013, and the programme is set to expand further, to 10,500 places by 2015.

Extension of fees-free Youth Guarantee provision to 18–19 year olds

3. An analysis of 18 and 19 year olds in the education system, the welfare system, and those not in employment, education, or training (NEET), suggests there is significant potential to enhance the Youth Guarantee fees-free scheme by extending eligibility to 18 and 19 year olds¹. This will provide further educational options for an age group highly represented in the NEET population, provide programmes linked to NCEA Level 2 or equivalent qualifications, and include additional resourcing for pastoral care and transport assistance.
4. We therefore propose to extend the maximum age of eligibility for fees-free places from 17 to 19 years of age, from the 2014 academic year.

¹ See Appendix One for a table on potential Youth Guarantee students aged 16–19 years that were engaged in education, and those that were within the NEET population in 2012.

5. **Out of the scope of the request**

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Background

11. Since 2008, this Government has progressively introduced a number of new initiatives at the interface between secondary and tertiary education, operating under the Youth Guarantee set of initiatives. This includes fees-free tertiary places for young people who have left school, trades academies for young people still at school, and the new Vocational Pathways. These initiatives have provided students with more ways to achieve NCEA Level 2 or an equivalent qualification.

12. While the education system now offers more choices for students of upper-secondary school age, there is potential to further enhance these choices.

Fees-free places in tertiary education

13. The Youth Guarantee fees-free scheme, for students disengaged from the secondary system has been successful, and experienced significant growth. It has expanded from 2,000 places in 2010, to 8,400 places in 2013. Notably, in 2012, the former Youth Training scheme was merged with Youth Guarantee, to ensure that young people were achieving meaningful qualifications - particularly NCEA Level 2. Performance expectations for Youth Guarantee were

strengthened, and aligned with our Better Public Services result relating to the achievement of NCEA Level 2 or equivalent by 18 year olds.

14. Ministers will receive a full monitoring and evaluation report in October 2013, covering the first three years of the fees-free scheme. Course completions increased from 63% to 70%, and qualifications completions from 48% to 64%, between 2010 and 2012. These are positive results, given that learners in Youth Guarantee have disengaged from secondary school and previously not experienced success in education - only 7% of Youth Guarantee students in 2012 had achieved NCEA Level 2 by the time they entered the programme.
15. The merger of Youth Training and Youth Guarantee has also impacted on participation. 48 per cent of the students identified as European, 44 per cent Māori and 18 per cent Pasifika in 2012. Students identifying as Māori increased 9 percentage points between 2011 and 2012.
16. This year, while numbers of students in the fees-free scheme are comparable to 2012 at the same stage of the year, there are more total places available. This suggests there is capacity in the fees-free scheme, and it is set to grow further, in 2014 and 2015.

Trades academies and secondary-tertiary partnerships

17. Like the Youth Guarantee fees-free scheme, trades academies have proven successful and popular. In 2011, 83% of Trades Academy students maintained 80% attendance. 65% achieved NCEA Level 1 or Level 2, and 55% achieved at least one other foundation level industry qualification. The programme is fully subscribed in 2012, and early information from providers suggests that the 4,500 places available in 2014 will be fully allocated.
18. However, student choice and provider responsiveness are constrained by the practicalities of formal trades academy arrangements. Programmes must be approved by the Secretary for Education, the number of places is capped, expansion of the initiative would not be fiscally sustainable, and any individual trades academy is unlikely to offer the full range of vocational fields students may be interested in pursuing.

Extending Age Eligibility for Youth Guarantee Fees-Free

19. At present, eligibility for Youth Guarantee places is limited to:
 - 16–17 year olds (at age of enrolment)
 - 15-year-old students with early leaving exemptions
 - 18-year-old teen parent beneficiaries.
20. There are approximately 8,500 EFTS of Youth Guarantee provision available in 2013, which is set to rise to 10,000 EFTS in 2014 and 10,500 in 2015.
21. As at the April Single Data Return (SDR), 5,659 students were enrolled in Youth Guarantee programmes. **Withheld under section 9(2)(f)(iv) of the Official Information Act 1982**

22. Improved retention in secondary schools, and the popularity of secondary-tertiary partnerships, suggest that there is capacity in the scheme that could be used to cater for students over 17 years old. If the 2012 and 2013 projected enrolment pattern continues, up to 3,000 places could be used to cater for 18–19 year old students through Youth Guarantee programmes by 2015.
23. Extending the age eligibility for Youth Guarantee to 19 year olds would therefore provide further free educational options for an age group more highly represented in the NEET population, provide programmes linked to full qualifications, and include pastoral care and transport assistance.
24. Learners aged 18 years and over can also access fees-free provision at New Zealand Qualifications Framework (NZQF) Levels 1 and 2 – in many cases participating in the same programmes as Youth Guarantee learners. There are approximately 5,400 EFTS of this fees-free provision available in 2013, accounting for 35% of all provision at this level.
25. Changes arising from the recent welfare reforms, and the discontinuation of the Foundation-focussed Training Opportunities (FFTO) programme also provide a further group of potential students for Youth Guarantee programmes from 2014. Proposals for how residual FFTO funding will be allocated between the tertiary and welfare systems are discussed in the reprioritising FFTO Cabinet Paper we are also considering.
26. While difficult to quantify, access to loans and allowances in general tertiary education (including fees-free foundational learning) is likely to be a significant factor in students choosing whether or not to take up a Youth Guarantee place. Ordinarily, 18 year old students would be eligible for student support through loans and allowances, and we are proposing that 18 and 19 year old Youth Guarantee students will have access to the living costs and course-related cost components of the loan scheme.
27. It is likely that tertiary education providers will support moves to expand age eligibility for the programme, since their entitlement to funding relies on them filling enrolments. Anecdotally, a number of providers have been critical of the cut-off age for Youth Guarantee provision, suggesting it hinders their ability to fill allocated places.

Policy Settings for the Proposed Changes

28. We propose to introduce the following policy settings to support the extension of eligibility for Youth Guarantee fees-free tertiary provision:
 - provision of student loans (not including fees) for 18–19 year old Youth Guarantee students;
 - removal of the specific age eligibility extension for teen parents;
 - maintenance of the current ratios of Level 3 provision and learners who have prior qualifications; and
 - capping the per student entitlement to Youth Guarantee provision to two years.

18–19 year old Youth Guarantee students will have access to student loans.

29. At present, Youth Guarantee students are not eligible to draw on student loans for fees, living costs or course-related costs, but may access student allowances, when exceptional criteria are met. Given Youth Guarantee provision is fees-free, student loans for fees are not required, but 18–19 year olds may require assistance for living costs and course-related costs to enable them to study.
30. The reasons for excluding 16 and 17 year old students from access to student support do not apply to 18 and 19 year olds. For example, 18–19 year olds are more likely to be living independently, and if living at home, their parents no longer receive Working for Families assistance.
31. Ordinarily, 18–19 year olds can access student support, including student allowances, when eligibility criteria are met. It is questionable if many 18 and 19 year olds will seek to engage in Youth Guarantee provision if it does not provide them with access to student support. It is likely that many would seek out full fees provision that provided full access to the student support scheme, notwithstanding that they would need to borrow for, and ultimately pay, fees for the programme.
32. We are therefore seeking your agreement that 18–19 year olds participating in Youth Guarantee programmes will be able to access the living costs and course-related cost components of the student loan scheme, in addition to student allowances. They will be subject to current eligibility criteria for student support, such as parental income tests and New Zealand residency. The existing policy restricting access to student support will be maintained for 16–17 year old Youth Guarantee students.

The specific age eligibility for teen parent beneficiaries will be removed

33. Given the extension in age eligibility, there is no longer a rationale for any separate criteria for teen parent beneficiaries. The Youth Guarantee will now cater to two eligible groups – those that are:
 - 16–19 years old at the time they commence their study; or
 - 15 years old at the time they commence their study, having received an early leaving exemption from school.

Current ratios of Level 3 provision and learners who have prior qualifications will be maintained

34. Extending the age of eligibility for Youth Guarantee provision should be focussed on those most at need, particularly NEETs. Students who have already achieved a Level 2 qualification, or are capable of Level 3 study, are not the target group for this policy change. We seek your agreement in principle to maintain the current restriction that 10% of TEO enrolments may be at the level that a student has previously achieved. We also recommend that the cap on Level 3 Youth Guarantee provision be maintained at the current proportion – resulting in a cap of 2,350 (of 10,000 EFTS) for 2014.

Per student entitlement to Youth Guarantee provision will be capped

35. Currently, a student may access Youth Guarantee provision fees-free for a maximum of approximately two years. This is considered a reasonable time-frame to enable the majority of learners to complete a Level 2 qualification.

However, by extending the eligibility to Youth Guarantee places to 19 year olds, there is the potential for students to access fees-free provision for a four year period. This presents a number of problems:

- Four years is considerably longer than it should take to get most students to the targeted goal of NCEA Level 2 or equivalent; and students spending that length of time in a programme would be costly, and may crowd out other possible candidates.
 - Enabling students to spend up to four years in a Youth Guarantee programme would undermine the existing Youth Guarantee performance expectations.
36. We therefore recommend that all students have a maximum two year entitlement to Youth Guarantee provision – this being equivalent to the maximum time a student might currently spend in Youth Guarantee provision. Two years should provide the majority of students with time to complete the desired level of qualification, while ensuring the growth in places and access to the programme benefits the largest number of students practicable.

Piloting Secondary-Tertiary Partnerships through Youth Guarantee

37. **Out of the scope of the request**

38. **Out of the scope of the request**

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48. **Out of the scope of the request**

Released under the Official Information Act

Risks

Youth Guarantee might be crowded out by older students

49. With respect to increasing Youth Guarantee age eligibility, there is some possibility that older students may crowd out younger students. Providers may prefer to enrol older students because they are perceived as less challenging to teach, or because they have less time remaining to use their Youth Guarantee entitlement. While this would provide 18–19 year olds with opportunities to reengage with education, it would run counter to the aim of Youth Guarantee to provide students who have disengaged from secondary school a way to immediately continue their education fees-free in a tertiary setting.
50. Options to address this could include policy settings to incentivise the prioritisation of younger students, or a cap on enrolment of older students similar to the cap on Level 3 provision. However, as it is difficult to predict what provider behaviours might eventuate from the extension in age eligibility, we initially recommend that officials monitor enrolment patterns with a view to intervening only if there is evidence the new policy is resulting in crowding out 16–17 year old students.

IT systems are not currently designed to support age-differential entitlements

51. We are advised that TEC and StudyLink systems are not designed to accommodate different student support eligibilities for learners accessing programmes through the same funding source. A technical workaround - involving creating different course codes for students over and under 18, will presents challenges for TEC and StudyLink, and add compliance costs to providers. **Withheld under section 9(2)(g)(i) of the Official Information Act 1982**
52. We are seeking advice and costs for improvements to Studylink and TEC systems to support this new policy. These changes will be for the 2015 academic year, with any costs to be sought through Budget 2014.
53. **Withheld under section 9(2)(g)(i) of the Official Information Act 1982**

54. **Out of the scope of the request**

55. **Out of the scope of the request**

Implementation

Youth Guarantee age extension

56. The age eligibility extension will come into effect from the 2014 academic year. Youth Guarantee providers have not yet been advised of student places for 2014 and therefore the announcement of age eligibility changes will enable providers to plan their offerings in that light.
57. We are proposing this change in conjunction with a further proposal to make all Level 1 and 2 provision fees-free for those under 25 years. This proposal is part of providing more fit-for-purpose educational opportunities for beneficiaries under the investment approach established through the recent welfare reforms. This proposal is being considered in the reprioritising Foundation-focussed Training Opportunities (FFTO) paper we are also considering.

58. **Out of the scope of the request**

59. **Out of the scope of the request**

60. **Out of the scope of the request**

Consultation

61. **Out of the scope of the request**

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68. **Out of the scope of the request**

69. TEC and StudyLink have identified system challenges to implementing the expanded age eligibility for Youth Guarantee fees-free tertiary provision, but believe these can be ameliorated through system improvements over time.

Financial Implications

70. The cost of extending age eligibility for Youth Guarantee, including student support changes, can be accommodated within baselines. Youth Guarantee is a capped fund, and the number of available places in the programme was established in Budget 2012. We do not anticipate additional student support costs as a result of the proposal, since 18–19 year old students would ordinarily be eligible for student loans (including for fees). Further growth in the Youth Guarantee scheme would need to be subject to future Budget decisions.

71. We are seeking advice from TEC and StudyLink on the anticipated IT system improvements required to provide appropriate eligibility to student support for

students in the Youth Guarantee scheme and reduce compliance costs to providers.

72. **Out of the scope of the request**

73. **Out of the scope of the request**

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76. **Out of the scope of the request**

Human Rights Implications

77. As an age-related programme, Youth Guarantee, raises a *prima facie* issue of age discrimination under section 19 of the Bill of Rights Act 1990. Under the proposed age eligibility extension, the access by some students to student loans raises the same issue. On balance, the Ministry of Education considers that the proposal to extend age eligibility does not introduce additional risk in this regard.

78. **Out of the scope of the request**

Legislative Implications

79. **Out of the scope of the request**

Regulatory Impact Analysis

80. A regulatory impact analysis is not required for the proposals in this paper. They have no or only minor impacts on businesses, individuals or not-for-profit entities.

Gender Implications

81. A gender analysis has not been undertaken. No significant effects on gender differences have been identified, however, as boys are more likely to leave school with less than NCEA Level 2, Youth Guarantee is likely to improve achievement rates for young males.

Disability Perspective

82. The proposals in this paper are not inconsistent with the New Zealand Disability Strategy.

Publicity

83. We recommend publicly announcing the extension of Youth Guarantee fees-free as soon as possible, so providers are in the best position to be able to respond in academic year 2014.
84. **Out of the scope of the request**

Recommendations

85. The Minister for Tertiary Education, Skills and Employment, and the Minister of Education, recommend that the Committee:

Extension of fees-free Youth Guarantee provision to 18–19 year olds

1. **agree** that the age of eligibility for Youth Guarantee fees-free tertiary provision be extended to 19 years old
2. **agree** to the following policy settings to support this change:
 - i. extending the age of learner eligibility for Youth Guarantee provision from 16–17 years olds to 16–19 year olds at age of commencing a Youth Guarantee programme
 - ii. removing the specific eligibility for 18-year-old Teen Parent Beneficiaries
 - iii. maintaining the current ratio of Level 3 provision and learners who have prior qualifications
 - iv. restricting per student eligibility to Youth Guarantee provision to a two-year period
3. **agree** to allow 18–19 year old Youth Guarantee students to access the student loan scheme for living costs and course-related costs, but continue to restrict eligibility from 16–17 year old Youth Guarantee students
4. **agree** that where a student turns 18 years of age during a period of study the new eligibility rules, regarding access to the student loan scheme for living costs and course-related costs, will not apply to that student until their next period of study

5. **note** that extending age eligibility for Youth Guarantee, and allowing 18–19 year old Youth Guarantee participants to access student support for living costs and course-related costs, can be funded from within the existing baselines
6. **note** there are IT system issues in having age-related student support eligibility for students on the same course; 2014 will be a transition year, with TEC and StudyLink to undertake work on system changes to take effect from 2015, with any costs to be sought in Budget 2014

86. **Recs 7 – 16 Out of the scope of the request**

Hon Steven Joyce
Minister for Tertiary Education, Skills and Employment

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Hon Hekia Parata
Minister of Education

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Released under the Official Information Act

Appendix One: 16–19 Year Old Students and NEETs, 2012

The following tables detail where potential Youth Guarantee students were accessing the education system in 2012.

Table 1: All 16–19 Year Olds 2012

	16	17	18	19
Secondary School ²	54,881	46,213	11,058	2,037
Youth Guarantee	2,960	4,022	1,418	153
Targeted Training	13	42	2125	1942
Tertiary Levels 1–2 ³	1,023	1,285	1,805	1,518
Tertiary Level 3	688	1,906	3,409	2,830
NEET - CG			1,100	1,300
NEET - not CG	2600	6400	8200	7200

Table 2: Maori 16–19 Year Olds 2012

	16	17	18	19
Secondary School	10,295	7,541	1,555	345
Youth Guarantee	1,317	1,608	588	68
Targeted Training	4	11	485	434
Tertiary Levels 1–2	391	440	598	528
Tertiary Level 3	307	649	1,016	912
NEET - CG ⁴		1,600 total		
NEET - not CG		8,800 total		

Table 3: Pasifika 16–19 Year Olds 2012

	16	17	18	19
Secondary School	5,071	4,241	1,129	156
Youth Guarantee	458	691	275	39
Targeted Training		2	100	90
Tertiary Levels 1–2	112	137	288	242
Tertiary Level 3	58	233	630	553
NEET - CG		Data not available ⁵		
NEET - not CG		3,300 total		

² Schooling participation figures are based on school roll returns as at 1 July 2012, and age at that date.

³ Tertiary Participation figures represent a head count of total enrolments during 2012, regardless of study load. If students enrolled in more than one programme (including school at 1 July 2012), they are counted in each.

⁴ NEET figures are based on 2012 Household Labour Force Survey estimates of the size of different labour force categories. These represent an average over the four quarters in the year.

⁵ The number of 16–19 year old Pasifika caregivers was too small to be accurately estimated via the Labour Force Survey

