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Via email Tertiary.strategy@minedu.govt.nz

The Ministry of Education

Dear Tertiary Strategy team

RE: Feedback on proposed changes and on the document [Proposal to Improve the Performance of the Government's Investment in Industry Training](#).

Thank you for the opportunity to comment on the Ministry of Education's consultation paper, *Proposal to improve the performance of the Government's investment in industry training*.

Introduction

BusinessNZ welcomes the Government's commitment to industry training, formal (credentialed) training in the workplace, and recognition that NZ's industry training system is not fundamentally broken. We recognise that the industry training sector has improved its performance recently and seek to see that performance continues to increase to better support productivity and competitiveness.

We support most of the broad policy proposals outlined in the consultation paper, and consider they have the potential to produce benefits greater than the costs of change to trainees/apprentices, businesses, industry and the wider economy. However, the level of detail in many of the proposals is limited, especially around funding levels and accountability mechanisms, and it will be important to seek input from employers and others into how these proposals will work in practice.

Funding and accountability mechanisms are key drivers of behaviour in any education and training system. These are important, not in themselves but because they ensure that the vocational system produces a set of credentials that are meaningful to industry thereby creating value for individuals, industry, and the economy.

More generally, we have concerns that industry training is being looked at in isolation from the wider vocational education and training system that spans from schooling to the workplace. In our view systems thinking is required that brings together the component parts of the vocational system to ensure that these combine to form a

coherent whole both in policy and how they operate. It is not only important to have our vocational education system working in itself, we must also strengthen the connections between businesses and education organisations as well enhance the value vocational education has for industry, individuals and taxpayers. We are concerned that no one agency owns the outcome of credentials that reflects the needs and preferences of industry today or in the medium term.

The output of our vocational education and training system is more significant than the form of the sub-sector support (e.g. ITO, PTE, polytechnic, trades academy, school), and there is therefore an argument for neutrality between different kinds of education organisations. Officials (and the implementation working group) need to explore the interdependencies of the component parts, shifting the focus from what education organisations want to what is best for learners, trainees/apprentices, businesses, industries and taxpayers. Funding and accountability mechanisms need to balance the measurement of outputs with practices that shifts the vocational system towards meeting the preferences and needs of industry. Increasing the level of support for trainees and apprentices will not in itself achieve this.

It is commendable that the discussion document through its proposals attempts to do this although not explicitly making the connections. It will be important that the policy and implementation frameworks of Ministry of Business, Innovation and Employment, the Ministry of Education, the Tertiary Education Commission, and the New Zealand Qualifications Authority come together and support through incentives, regulations, and accountability mechanisms a responsive and flexible vocational system that supports industry competitiveness.

Summary of recommendations

BusinessNZ recommends that:

1. An implementation working group be established and include members from industry (employers and employees) and others to ensure that change promotes performance and responsiveness to industry needs and preferences at the lowest possible of administrative and compliance costs.
2. The Government articulates the official place of industry skills strategies in relation to the Tertiary Education Commission's investment planning processes and guidance, including how trade-offs across industries/sector clusters will occur.
3. A set of principles are developed for what effective industry skills leadership means in partnership with industry (employers and employees) with the support of MBIE and TEC.
4. The set of principles is accompanied by focused efforts to:
 - a. Identify the operational elements of effective industry skill leadership models.
 - b. Pilot the approach with the support of MBIE and TEC.

5. The NZQA review in standard setting and qualification policy to ensure that it enables industry to set standards and qualifications that meet the needs and preferences of industry.
6. Explicit recognition and resourcing be given to the role of ITOs to work with schools, service academies, and trade academies, particularly with the implementation of vocational pathways.
7. The role and purpose of apprenticeships, who and what they are for is clarified as part of the definition process and involves industry.
8. Proposals to improve the performance of industry training contribute be accompanied by focused efforts to:
 - a. Support vocational education as a system, ideally with a common framework of credentials based more on the quality and outcomes of vocational provision rather than on who provides it.
 - b. Shift focus from what tertiary education organisations want to what is best for learners, trainees/apprentices, businesses, industries and taxpayers.
 - c. Simplify the system.
 - d. Align funding and accountability mechanisms.
 - e. Identify constraints on tertiary education organisations' ability to respond efficiently to learners, trainees/apprentices, and industry demands and preferences.
 - f. Investigate effective support and services provided by industry training organisations to businesses and trainees/apprentices that positively impact on workplace learning success.
 - g. Identify effective workplace trainer and assessor training approaches.
 - h. Establish clear benchmarks of quality.
 - i. Provide information on the returns from vocational education by qualification to support informed decision making.
9. Government agencies evaluate the effectiveness of courses with embedded literacy, language and numeracy programmes to ensure that 122,000 adults are in fact enhancing their literacy, language and numeracy skills.

Comment on general approach

Many of the proposed changes to industry training are commendable, and should make a positive difference to trainees/apprentices, businesses and industry.

ITOs focus on providing excellent services and support for employers and trainees/apprentices

Proposal 1 provides industry, employers and trainees/apprentices with the opportunity to identify the support and services that enhance and add value to the learning of apprentices/trainees in the workplace. It is positive that the Government

has stopped short of articulating the specific expectations of support and service levels to be provided by ITOs.

Care will be required to ensure flexibility and performance - industry, employers, and trainees/apprentices want support and services to be responsive to their needs and preferences. Adopting a one size fits all approach to support and services may diminish responsiveness.

To ensure responsiveness to industry needs, consideration should be given to identifying forms of “effective” support and services, especially for workplace trainers. There needs to be a mechanism for industry input to define “effective” support and services and industry would benefit from greater clarity about what effective support and services involve, as ITOs approach this process differently. This issue should be considered by the implementation working group and involve industry.

ITOs focused on effectively and efficiently fulfilling their standard setting function for their respective industries/sectors

We support ITOs retaining the standard setting function for their respective industries, and that the standard setting role is enhanced by the deliberate retention of the arranging of training function. It will be important that NZQA policies enable industry to set standards and qualifications to meet the needs and preferences of industry. In our view NZQA needs to review its policies and rules around standard setting and qualifications to ensure that ITOs can effectively and efficiently set standards for their industries/sectors. Moreover, industry would benefit from greater clarity about what “effective” standard setting processes involve, as ITOs approach this differently.

Having nationally recognised standards and qualifications assures employers, trainees/apprentices, and learners that from an industry perspective there is consistency and commonality in the market place. In this regard, we support enabling education organisations and other ITOs to use ITO developed standards more freely. This may result in a smaller number of generic standards and cross-industry/sector standards that are of a high quality, and more cost effective and efficient to maintain. It will be important for industry to have confidence that the standards are meaningful and relevant.

Standards users require robust moderation systems ensuring consistent outputs regardless of the learning environment and assessment setting.

Higher expectation of qualification and programme completion for ITOs

BusinessNZ continues to support a strong focus on lifting the performance of ITOs as apprenticeships and workplace learning have a great deal to offer individuals, employers, industry, society and the economy in general. Furthermore, it is important to recognise that the need to enhance the quality of traineeships and apprenticeships occurs against a backdrop of an industry training sector that is

simultaneously under heavy pressure to lift performance (as defined by EPIs), to save money due to the pressures of reduced revenue, as well as sector consolidation through mergers. Care needs to be taken to ensure that quality is enhanced and apprenticeships are internationally competitive. Improved performance data need to reflect quality, outcomes and the value created for individuals, firms, industry, and taxpayers.

We suggest that as industry training is a partnership between employers, trainees/apprentices and government, a responsive training system recognises the objectives of both government and industry.

We support funding being shifted from programmes with low completions, although we are concerned that the Tertiary Education Commission fails to recognise that in the workplace there are many reasons for failing to gain credits or complete qualifications. Performance data needs to distinguish between non-completion due to low quality, poorly supported programmes and non-completion due to trainees/apprentices getting another job, business operational changes, or due to general economic conditions. We also suggest that the size of qualifications needs to better reflect the interests of learners, trainees/apprentices, industry and taxpayers, rather than what ITOs and education providers want.

In the pursuit of higher level qualifications care will need to be taken to manage perverse incentives to reclassify qualification levels and prioritise the training of adult workers over younger workers, particularly when combined with a differential funding rate.

In our view, this is essential to make the most of taxpayer investments in human capital and promote strong and inclusive economic growth. The pursuit of higher levels of qualifications should not be seen as an end in itself. Over-qualification tends to reduce job satisfaction and increases the likelihood of on-the job search and those effects are likely to reduce productivity. In addition, mis-investment resulting in over-qualification represents a significant cost even if a good match, based on underlying skills, is achieved in the labour market. Clarification is required on the purpose of lower level qualifications (e.g. pre-employment, foundation education, initial education and training, lifelong skills development in response to labour market requirements).

We are concerned to ensure that there is a good match between the skill levels acquired through vocational education and those required in the labour market. A responsive vocational system should enable improved matching, especially where this is complemented by informed decision making supported by information on the returns to vocational education by qualification.

Industry responsible for industry skill leadership

The skill leadership function has been poorly defined, under-resourced, inconsistently performed (often with limited impact) and largely ignored by government agencies in their procurement of education and training services, by tertiary education organisations, and by NZQA as part of its qualification development and review processes. ITOs have struggled to gain and retain the confidence of industry, government, or the wider tertiary education sector to effectively and efficiently fulfil this function.

On balance, removing the skill leadership function from ITOs is unlikely to adversely impact on standard setting, qualification development, the arranging of training, or the supports and services provided to employers and trainees/apprentices. In fact, those ITOs that retain the confidence of their sector to fulfil this function will continue to be able to do so.

In our view, industry, employers, learners, trainees/apprentices and taxpayers will be best served by ITOs focusing on their core functions of standard setting and arranging training to meet these standards. A clear set of principles guiding industry skill leadership, the identification of the key operational elements, and clarifying the official place of industry skills strategies in relation to the Tertiary Education Commission's investment planning processes and guidance, will mean that industry will be better placed to make an investment decision to engage where they see value in doing so. Without this clarity and a clear mechanism for industry engagement transferring industry skill leadership back to industry is set to fail.

While we support proposal 4 we have two concerns. First, that ITOs will cease to work with schools. ITOs need explicit recognition and resourcing for their work with schools, service academies, and trade academies, especially with vocational pathways coming online. We are also concerned that the proposal has stopped short of articulating the official place of industry skills strategies and priorities in the wider tertiary education sector and the TEC's Investment Plan Guidance and Investment Plan processes. Industry is unlikely to see value in investing time and resources in workforce skills development and capability priorities if these are ignored. At a time where there is pressure on industry and business to economise due to the wider economic environment there must be a clear value proposition presented to industry.

Similarly, there needs to be a clear framework within which industry and sector trade-offs will occur. Without such a framework there is a risk that sectors with the loudest voices or those that take up the opportunity first will capture this opportunity without clear net benefits for the economy and taxpayers.

Pilots should be investigated further, including developing several approaches across quite diverse sectors and industries. Employees and employers from these sectors and industries should be involved in this process. The relevant education providers and government agencies would also be involved.

Involving the MBIE is a welcome development and BusinessNZ is willing to work with the MBIE and the TEC to develop and pilot this approach.

Increased funding support

We support proposal 5 that seeks to establish a sustainable funding regime for trainees and apprentices. However, we are concerned that the work to review of the funding rate for industry training and apprentices will be treated in isolation from standard setting functions, the support and services provided to workplaces, the support and services ITOs provide to schools, and the development and review of qualifications to ensure they remain valued in the market place and that the overall quality is high. Funding and accountability settings need to balance the delivery and measurement of outputs with a responsive system that efficiently responds to the needs of industry.

We want to ensure that training and qualifications reflect industry needs and that the government provides support to those areas with a disproportionate demand for skilled workers. More could be done to incentivise ITOs and vocational training providers to provide training for those occupations identified on the Long Term Skill Shortage List, and to respond to the needs and preferences of industry. Simply increasing the funding does not automatically result in improved responsiveness and performance.

We want the review of the funding rate for industry training to reflect the activities of ITOs in the vocational education system as standard setters, ensuring the qualifications reflect industry needs and preferences are consistently met, and provide the support and services to workplaces that positively impact on achievement, resulting in high quality traineeships and apprenticeships that are valued by industry.

Even in terms of training itself, rather than a higher subsidy rate for trainees and apprentices, increased support may actually be better focused upon training more workplace trainers and those that supervise trainees and apprentices so that they are able to more effectively support workplace learning. The training of trainers and assessors inside the workplace, particularly in SMEs, could be better supported through the identification of models of good practice. In our view the implementation working group should explore this issue further.

We want the supply of industry training to respond to changes in demand, especially as the Canterbury rebuild gathers momentum. It will be important for the government to set subsidy rates that are sustainable and allow for increased participation in workplace training. A responsive vocational education and training system would enable resources to go where they create the greatest value.

More detail is required on the model for government contribution to industry training costs and better recognition of the industry, employer, and trainee/apprentice

contribution (cash and or in-kind). If industry is expected to increase the level of cash it contributes to training in proportion to any government increase it will be important to demonstrate enhanced value to firms and trainees/apprentices. It would be inappropriate for ITOs to provide services and support that reflect their needs rather than the needs and preferences of employers and trainees/apprentices.

We are concerned with the proposed definitions of “trainee” and “apprentice” and want these definitions to have meaning for industry. Industry should be able to determine the level and length of training as required as part of the traineeship and as part of an apprenticeship. To have meaning for industry there needs to be mechanisms for industry input to define “trainee” and “apprentice”.

In our view there needs to be explicit recognition and resourcing for ITOs to foster interaction between ITOs and schools, particularly the cultivation and support of clear vocational pathways for learners. To ensure that vocational pathways meet industry needs and that implementation is executed well ITOs are required to work collaboratively with schools providing them with a consistent level of service and support.

Apprentice support available to all apprentices regardless of age

We support the proposal to amalgamate all apprenticeships into the Modern Apprenticeship Scheme (proposal 6), making the same level of support and services available for all apprentices regardless of their age.

Apprentices and their employers should be able to access relevant support and services based on their needs in order to successfully progress and complete the apprenticeship.

We want the definition of ‘apprentice’, including credit value and duration, to be clarified by the implementation working group. How ‘apprentices’ is defined will be important for all industries and sectors. The concept of apprentice is likely to mean different things to different industries.

With regard to incorporating the Modern Apprenticeship co-ordination fee (proposal 7) into the training rate for apprentices, the priority has to be on getting better results for apprentices and employers by enhancing performance and providing quality, relevant support and services. Both options allow for ITOs to contract out this service.

Bundling and aggregating the Modern Apprenticeship co-ordination fee into the apprentice training fee will increase the ability of ITOs to decide their own spending priorities, subject to any conditions specified by the TEC (Option 1 preferred). ITOs must be transparent and accountable for all funding, demonstrating greater flexibility and self-management in the use of allocated funding to provide sustainable deliverables and importantly to achieve results for employers and trainees/apprentices. Greater flexibility creates the potential for overall better

outcomes, reducing duplication in contract management, support and administration. There must be sufficient incentives and accountability for ITOs to focus on the needs of the employer and apprentices.

Whilst ITOs are granted exclusive rights to develop standards and arrange training for a particular industry/sector, the Industry Training Act allows firms to apply to have their training arranged by a different ITO under certain conditions and with the approval of the TEC.

It will be important to work through appropriate transition arrangements.

Raising the current 10% restriction on training at levels 5 and 6 of the NZ Qualifications Framework

We do not support restrictions on training at levels 5 and 6 of the NZ Qualifications Framework and are concerned that this limits choice and ITO responsiveness to changing industry needs and preferences.

We seek clarification on the public policy objective the restriction on level 5 and 6 training seeks to achieve and how this supports industry competitiveness.

Remove disincentives from transferring between industry training and provider courses by recognising continuation of a qualification across sub-sectors as a positive outcome

This provision was needed at the outset and we support measures that aim to make it easier for trainees/apprentices to continue their learning should they lose their job and for learners to continue their learning once employed.

We think that more needs to be done to make our education and training system function as a national system, with a common framework of credentials based more on educational outcomes and quality than on who provides the education and training. This includes the increased harmonisation of standards among education and training organisations, ensuring diverse qualifications remain broadly portable.

It is time to shift the focus from what education and training organisations want to what is best for learners, apprentices/trainees, employers, industry and taxpayers. Funding and accountability mechanisms need to reinforce these points. We seek further clarification of this proposal.

Lead qualification developers will manage the process for assuring the consistency of graduate outcomes

We support proposals that lead qualification developers to manage the process for assuring the consistency of graduate outcomes. We want this to occur within a framework of good practice identified and supported by the NZQA to give learners, trainees/apprentices, employers, tertiary education organisations, and taxpayers confidence that the same qualification achieved through different pathways lead to

consistent qualification outcomes as specified in the graduate profile for a specific qualification and that these are aligned to vocations in industry.

Where qualification outcomes are underpinned by industry specific standards, particularly those reflecting industry specialised work conditions and requirements, it will be important for industry to retain the right to moderate these. However, we are concerned that the proposal fails to acknowledge that industry involvement in external moderation comes at a cost.

We are concerned that this proposal will result in yet another layer of quality assurance bureaucracy without any clear net benefits to industry, employers, learners, trainees/apprentices, and taxpayers. The education sector agencies need to work together better.

Further clarity on what is intended by this proposal is needed before detailed comments on the options proposed can be made.

Review of unit standard quality assurance settings will be undertaken with a view that unit standards will be flexible and able to be contextualised to different settings

Similarly, we support proposal 11 to undertake a review of standard quality assurance settings, and incentivising the use of standards as a common currency across vocational education and training. Such an approach is likely to support labour market flexibility and lifelong learning through increased portability, transferability, and support the easier recognition of prior learning. This assists the labour market to function efficiently.

We also seek a stronger focus on whether the learning environment enables learners and trainees/apprentices to satisfy the appropriate skill standards. It should be possible for standards focused on introductory skills and underpinning knowledge to be acquired in simulated environments such as a classroom. Care needs to be taken to ensure that industry standards reflect industry needs, and distinguishing between generic and foundation skills and competencies, and industry specific and technical skills and competencies found in some lower level qualifications.

While the priority concern must be with the outcome of education and training services consumed, it needs to be acknowledged that some outcomes and standards may be dependent on the process by which the service is provided.

Retaining the confidence of learners, trainees/apprentices, employers, industry and taxpayers is a priority. There are multiple incentives acting on qualification design and delivery that are beyond the needs and preferences of industry (e.g. qualification driven by immigration policy settings). We are concerned that the should the review of standards follow the Targeted Review of Qualifications where there is a risk that the Minister will succeed in the rationalisation of qualifications, but that the qualifications will be viewed as impractical and irrelevant by industry undermining

clarity and currency. For standards, like qualifications, to gain the currency in industry we need a balance of flexibility and context with the desire for standardisation. This requires agencies to work together better as part of review processes with the agencies administration of these processes being responsive to industry needs and preferences as the customer.

Conclusion

BusinessNZ recommends that a working group is established to work through the detail and implementation of what is proposed. It will be important for organisations from the private sector, those that utilise vocational education and training, to be involved in the implementation working group to better inform the work of officials in the design and implementation of operational changes. This also includes involving employees.

Key issues that the working group needs to focus on includes:

1. The role and purpose of apprenticeships, who and want they are for, is clarified as part of the definition process.
2. The role and purpose of lower level of qualifications in vocational education.
3. Funding and accountability that supports performance and meeting the needs and preferences of industry.
4. Supporting the implementation of vocational pathways.
5. Identifying effective support and services provided by industry training organisations to businesses and trainees/apprentices that positively impact on workplace learning success.
6. Identifying effective workplace trainer and assessor training approaches.

The same working or separate working group could be set up to look at:

1. The official place of industry skills strategies in the wider tertiary education sector and the Tertiary Education Commission investment planning processes and guidance, including how trade-offs across industries/sector clusters will occur.
2. The development of a set of principles to guide industry led industry skills leadership.
3. Identify key operational elements of effective industry skill leadership models.
4. Pilot several approaches with the support of MBIE and TEC at potential demonstrator models.

BusinessNZ seeks to be involved in the review implementation work group and we would want other members from the private sector to participate in the implementation working group.

I would be happy to meet to discuss or provide further information that would support the Ministry of Education's decision-making around these issue.

Yours sincerely,

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