



**Response to the  
Tertiary Education Commission's  
consultation paper  
"The Distinctive Contributions of  
Tertiary Education Organisations"**

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# Contributing to Outcomes

## Response to the Tertiary Education Commission's consultation paper "The Distinctive Contributions of Tertiary Education Organisations"

### 1. INTRODUCTION

- 1.1 Encompassing four regional business organisations (Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, and the Otago-Southland Employers' Association), Business New Zealand is New Zealand's largest business advocacy body. Together with its 56-member Affiliated Industries Group (AIG), which comprises most of New Zealand's national industry associations, Business New Zealand is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.
- 1.2 In addition to advocacy on behalf of enterprise, Business New Zealand contributes to Governmental and tripartite working parties and international bodies including the ILO, the International Organisation of Employers and the Business and Industry Advisory Council to the OECD.
- 1.3 Business New Zealand's key goal is the implementation of policies that would see New Zealand retain a first world national income and regain a place in the top ten of the OECD (a high comparative OECD growth ranking is the most robust indicator of a country's ability to deliver quality health, education, superannuation and other social services). It is widely acknowledged that

consistent, sustainable growth well in excess of 4% per capita per year would be required to achieve this goal in the medium term.

1.4 Business NZ welcomes the opportunity to respond to the Tertiary Education Commission's consultation paper on the distinctive contributions of tertiary education organisations.

1.5 Business NZ's view is that any discussion of the roles of tertiary education organisations and their distinctive contribution must be clearly framed within an understanding of what they are contributing to. From Business NZ's perspective, a key focus has to be tertiary education organisations contributing to the development needs of industries and sectors in an integrated manner.

## **2. INTEGRATED INDUSTRY / SECTOR DEVELOPMENT NEEDS**

2.1 In Business NZ's view, it is critical that the Commission takes a 'whole of industry' / 'whole of firm' approach to skill and business capability development. This means that the Commission must identify the services and outputs of the tertiary education system not in terms of who produces them, but how they assist their ultimate end users, employees and employers.

2.2 To do this, the Commission will have to invest a significant effort and resource, and use and develop the necessary infrastructure, to enable it to obtain a clear picture of the needs of industries, regions and firms.

- 2.3 The Commission will then be in a position to develop profiles of the supply needed to match the current and future needs of industries, regions and firms. These profiles of supply will most likely be ‘vertical slices’ across a range of skill levels, rather than horizontal disaggregating, of the kind suggested in the Distinctive Contributions paper. To the extent that vertical integration is impaired by differences in funding mechanisms, we submit that TEC should take early steps to recommend that these funding anomalies be removed or at least minimised. Indeed, there seems ample evidence that funding **mechanisms** are determining outcomes more significantly than the allocation of funding; this is inappropriate and requires review.
- 2.4 There is a clear role for the TEC to act as ‘honest broker’ assisting industries and sectors to identify their needs and match supply from providers. It is unrealistic to expect industries, let alone individual firms, to engage successfully with individual tertiary educational organisations (apart from ITOs), without the Commission establishing a clear framework for this to happen. Business, industries and sectors, both directly and through ITOs, need to have a means of signaling their ‘portfolio’ of needs to the sector, and the TEC is best placed to translate those needs to the tertiary education organisations.
- 2.5 Just as critical is the development of an analogous role in coordinating other actual or potential funders outside the tertiary sector. For example, the strategic value of enhancing leadership, management and team work skills at all levels of New Zealand enterprises – not just at ownership or senior management levels – has recently been ‘discovered’ by a pot pourri of

government agencies. There is commendable enthusiasm to grow or extend (sometimes competing) delivery programmes. It is arguable whether 'more' is needed or whether a strategic framework for existing programmes that would contribute to a common direction and better access, with improvements as necessary at the margin, would deliver better value. Again, TEC is best placed to broker between effective providers and, in this case, actual or potential funders.

2.6 Industry Training Organisations (ITOs) have a clear role in this area as well. ITOs need to be provided with incentives to focus on higher order strategic issues, rather than only on the arrangement of training themselves. They need to be concerned with the needs of their sector as a whole. ITOs have the potential to be a key part of the development of a clear picture of needs of industry across the full spectrum of skills and knowledge. The Commission will need to clearly identify how ITOs can play a role, under section 6 of the Industry Training Act, in providing strategic leadership on behalf of their industry in respect of skills, including having input into the Assessment of Strategic Relevance of the offerings of other TEOs.

2.7 TEC has a role to play in working to ensure that Government engagement with industry in industry strategy and development, skill development and R&D are coordinated. Again, while individual TEOs, industries and CRIs will engage successfully in one-to-one co-operation, this is much more likely to be successful if the Commission has established the appropriate infrastructure for a dialogue to take place at an industry and sector level about the inter-connections between industry strategy, research and skill development.

- 2.8 The Skill NZ Campaign is a model of an outcomes focused initiative, focusing on key industries' workplace learning needs. There is potential to expand this sort of partnership approach to other areas of tertiary education, involving the end-users to a much greater extent in the promotion and governance of tertiary education initiatives.

### **3. KINDS OF INDUSTRY SKILL / CAPABILITY DEVELOPMENT NEEDS**

- 3.1 Industries and sectors have a wide range of skill development needs, which need to be seen as part of an integrated and connected whole. Industries' skill needs are connected to wider industry strategies, and to related issues such as research and development, commercialisation and productivity enhancement activities. Again, the Commission, as the principal purchaser of tertiary education services, must have a broad perspective on the needs of industries, which are vertically integrated.

- 3.2 Some of the priorities for skill development across industries are:

- Literacy and numeracy
- Leadership, management and team work
- R&D and commercialisation
- Technical skills
- Workplace learning

### **4. LITERACY, NUMERACY AND FOUNDATION SKILLS**

- 4.1 Literacy and numeracy are the key to all tertiary learning. They cannot be assumed or consigned as an issue for compulsory education to address.

Businesses and industries know that unless the fundamental low literacy, numeracy and foundation skills amongst around 20% of our working-age population are addressed, then all the leadership enhancement, R&D and commercialisation in the world will not achieve desired outcomes. In our view, addressing these skills should become the primary priority for tertiary learning and funding and delivery of these skills should be reclaimed from their current, virtual 'add-on' status.

- 4.2 Unless people on the front line are able to communicate clearly, understand the purpose of their work (and safety considerations) and are able to achieve the desired changes and improvements, then value-added productivity improvements will not occur. A low-skilled workforce compels many businesses to focus on cost-reduction, rather than seeking higher productivity solutions.

## **5. LEADERSHIP, MANAGEMENT AND TEAM WORK**

- 5.1 Research such as "Firm Foundations" and the work of the NZ Institute of Management have shown that there are serious issues to be addressed in terms of leadership and management within the NZ business community. This challenge exists not simply at ownership or management levels, but throughout organisations. The ability of supervisors and team leaders to get the best performance from their teams is critical to achieving success for both firms, other organisations and indeed individuals.
- 5.2 The Commission needs to be clear that addressing the leadership, management and team work capabilities of tertiary education learners, and of

those already in the workforce, is a critical 'distinctive contribution' required of the tertiary education system. The Commission should be seek to explicitly identify, and incentivise, those providers and organisations that are focusing on improving leadership and management capability at all levels.

## **6. R&D AND COMMERCIALISATION**

6.1 New Zealand industries recognize that increasingly the only way they can compete internationally is to increase the value-added nature of their products and services. While there have been many successes in this area over the last two decades, there is still a long way to go.

6.2 A crucial component of this drive to add value is research and development of new products and services, and the enhancement of existing products and services. This means that there is a need for the Commission to focus on providers whose distinctive contribution is to assist firms and industries translate good ideas (whether sourced from within industry or the research system) into commercial products and services. In this context the skills required for 'commercialisation' should be interpreted broadly, and include factors such as design, market research, product and service testing and evaluation, and promotion. They also include international market knowledge, particularly for our export sector.

## **7. TECHNICAL SKILLS**

7.1 In addition to leadership, management and key foundation skills, business and industry are reliant on an ever changing set of technical skills. These

skills cover the full spectrum from pre-trades training, apprenticeships, trades and professions, and scientific and engineering skills and knowledge.

- 7.2 The Commission should ensure that the tertiary education system, including that funded by ITOs, has the capability to provide for the ongoing development of technical skills essential to the delivery of value-add products and services. This capacity should not be constrained by capped funding mechanisms applicable to some modes of provision and not others.

## **8. WORKPLACE LEARNING**

- 8.1 Every industry has a need for ongoing workplace learning. Remarkable gains have been made through the Industry Training Strategy and the work of ITOs, supported by PTEs, wananga and ITPs. But this is only a beginning. The Commission needs to continue to recognize that learning in the workplace must be a growing part of the work of many tertiary education organisations, including the universities.

## **9. ROLES OF DIFFERENT PROVIDERS AND ORGANISATIONS**

### **9.1 ITOs**

- 9.1.1 From the perspective of business and industry, ITOs have a central role in assisting industry to articulate their needs not only in terms of learning in the workplace, but more broadly. This does not mean that business and industry are uncritical in their views of the performance of ITOs – but by design and operation, ITOs have the best links and understanding of the needs of business and industry of any of the tertiary education organisations.

9.1.2 It is therefore critical, from the perspective of the business community, that the Tertiary Education Commission value and make use of the distinctive contribution of ITOs in a much broader way than at present. The Commission must assist ITOs to make real their statutory mandate to provide strategic, sectoral skills leadership.

## **9.2 PTEs**

9.2.1 Private training establishments have a strong role to play in delivering the vocational education and training needs of industry and businesses on a just-in-time basis. Business NZ believes this role is undervalued, and the distinctive contribution the PTE sector makes to the business community's needs requires greater recognition by the Commission. In particular, the arbitrary freeze on funding for PTEs, irrespective of the quality or relevance of their programmes, requires urgent attention.

9.2.2 In Business NZ's view, PTEs also provide a critical counter-balance to the public tertiary education system. Business NZ believes that a healthy tertiary education system requires both a strong public system, and a vigorous and vibrant private sector. It is the combination of the two that works together to meet the needs of business and industry. This objective cannot be well served by decisions of non-tertiary sector funders to fund training, say, as part of a wider strategy or programme, if there is no adequate prior review of its impacts on existing provision, particularly private provision. As noted in paragraph 2.5 above, TEC should exercise an oversight and coordinating role to preclude unnecessary duplication or, worse, substitution of private provision by publicly funded ("free") training.

### **9.3 ITPs**

- 9.3.1 Institutes of Technology and Polytechnics (ITPs) have an important role in meeting the regional needs of industry, but also a key national role in critical areas. For example, there is no good reason to duplicate specific regional specialisation in, say, wine-making or a particular area of horticulture when a national centre of excellence exists as part of a regional ITP. Business NZ also believes that the distinctive contribution of a number of ITPs in meeting the strategic needs of key industries needs to be recognised.
- 9.3.2 ITPs do have an important regional and local role, in supporting local 'clusters' of businesses, particularly smaller businesses. There is considerable potential for ITPs to work more closely with small and medium sized enterprises, at a 'whole of enterprise' level, to address skills, managerial and business development issues. As part of this regional role, it may be highly cost effective for an ITP to foster a centre of regional learning involving a number of different tertiary providers to deliver the expertise desired by stakeholders rather than seek to replicate that expertise in-house.
- 9.3.3 Another key area of distinctive contribution by ITPs to the business sector is in the area of technology transfer and commercialisation. ITPs have the potential to play a vital role in linking the work of ITP researchers, CRIs, and universities with the needs of business and industries, at a regional and industry/national level. Examples such as Project GDP should be fostered and enhanced.

9.3.4 Finally, the Commission needs to urgently address the need to foster partnerships between ITPs and ITOs. Current funding systems drive these organisations apart rather than together. The Commission's mandated role to develop an integrated funding system that harmonises Student Component and Standard Training Measure funding must be resolved in very short order.

## **9.4 Universities**

9.4.1 Business NZ agrees that Universities have a leading role to play in the area of research, but also believes that they have an important role in sub-degree delivery where is appropriate as part of a broader strategy to address the needs of industries and communities.

9.4.2 The critical issue is not the role of universities, but the needs of industries, businesses and regions. If sub-degree provision by universities is assisting the integration of skills, business development and business outcomes, then this should be encouraged and supported. If not, then there are legitimate questions why universities should be engaged in this area of activity.

## **9.5 Wananga**

9.5.1 Wananga have a vital contribution to make to ensure that Maori and others who do not find traditional / mainstream education appropriate have the skills needed for industry. Again, the key issue is what outcomes are being achieved by the learners engaged in Wananga programmes, rather than seeking to assess the relevance or value of programmes in terms of level or subject area.

9.5.2 They also have a critical role to play in Maori social and economic development. The fostering of a robust Maori business community is critical to the future of New Zealand. The engagement of Wananga with the business community to this end should be encouraged and enabled.

## **9.6 Colleges of Education**

9.6.1 Business NZ is not convinced about linkages of Colleges of Education with universities. In our view, it is equally if not more important that Colleges of Education have greater linkages with the wider world. The Commission should seek to ensure that all teacher education providers are as concerned with the linkages of their programmes to the needs of the wider community, including the business community, as they are with the linkages of these programmes to academic programmes or the compulsory education system.

9.6.2 There is, in particular, a need for a focus on teachers fostering an ‘enterprise culture’. This is not a narrow focus on ‘business skills’, but rather on fostering the desires of young New Zealanders to be the best they can be, to innovate and develop, and take charge of their own lives.

## **9.7 Specialist Colleges**

9.7.1 Finally, Business NZ believes there may be a role for a number of ‘virtual’ institutes which bring together capability from a number of other organisations to meet the needs of specific industries. The TEI category of ‘specialist colleges’ may fill this role. The Commission should be **actively** considering the need for such Colleges, rather than waiting for applications. Such consideration should be informed by the clear picture of industry and

business needs identified above. Our comments in paragraph 9.3.2 above in the context of ITPs are also relevant here.

## **10. COMPETITION AND COLLABORATION**

- 10.1 An important issue when considering the distinctive contributions of tertiary education organisations to meeting outcomes set out in the TES is how they both compete and collaborate in ways that enhances the achievement of those outcomes. Business NZ sees competition and collaboration as critically linked activities. TEOs, as much as businesses and enterprises more generally, need to both collaborate and compete to be efficient and effective.
- 10.2 Competition provides choice and allows for innovation and diversity. Without competition there is unlikely to be efficiency, or incentives for relevance or responsiveness. On the other hand, simplistic competition without any sense of inter-connectedness in the achievement of outcomes relevant to the needs of industry and the wider community is also sub-optimal.
- 10.3 There is a role for TEC to both assist industry sectors and providers to collaborate, and to enable fair and effective competition. It can assist collaboration both by providing incentives and examples of approaches to collaboration, but also by removing barriers to collaboration. In particular, this includes removing artificial and outdated barriers based on funding streams.
- 10.4 TEC should also remove barriers to healthy competition between providers and brokerage organisations so that informed industry consumers are able to exercise real strategic choices about options for meeting their needs. This is

particularly important in terms of the funding and operation of ITOs, but also in terms of current limits on private providers. These issues need urgent attention, and the Commission should provide robust advice to the Government on these policy issues. It is to deal with this sort of complex issue that the Commission was established, and Business NZ is willing and able to assist the Commission in this task.