



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi
to the

Industry Training Review

**Proposal to improve the performance of the Government's
investment in industry training**

P O Box 6645
Wellington

12th September 2012

1. Introduction

- 1.1 This submission is made on behalf of the 35 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 330,000 members, the CTU is the largest democratic organisation in New Zealand.
- 1.2 The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3 The CTU is a committed long-term partner in vocational education and training. We recognise that a well-functioning vocational recognition system is a vital component of vocational education training.
- 1.4 The CTU welcomes this opportunity to comment on the Ministry of Education Industry Training Review Consultation Document – Proposal to improve the performance of the Government’s investment in industry training (‘proposal’).
- 1.5 In the course of this review we have made prior submissions. This includes a November 2011 document setting out the major issues from a union perspective and a subsequent response to the Review document on ‘Key Roles in Industry Training’.

2. Summary of CTU Position

- 2.1 We set out below a summary of our position on each of the proposals:
 1. We agree that a major focus must be to provide excellent support and services to employers and trainees resulting in the successful achievement of qualifications. We need to ensure that this is done in partnership throughout the VET sector and drives an inclusive model to preserve and extend opportunities to potential trainees.
 2. The CTU supports ITOs retaining the arranging training role. There could be greater specification and guidance of what that entails while allowing for a degree of diversity.
 3. We accept the necessity for a continued improvement in completions and we note progress. But we warn against the long run economic and welfare consequences of excluding ‘marginal’ trainees.
 4. We are concerned that the skills leadership role will ‘fall between stones’ and will not improve what is already an inadequate situation. The strategic role has been poorly specified to date. It needs to at least have a template around the questions that a strategic approach to skill needs must address. The Government should have a role in some resourcing and consolidation of expertise and methodology on this strategic role. It should not just be left as a vague expectation. The proposal implies that there will be support from Government but more detail is needed.

5. We support a sustainable funding regime but are concerned about implications in the split rate between trainees and apprentices. We can see the rationale for a higher rate but it will be important for all rates to lift, pastoral care is needed at all levels, and there is a risk of devaluing the importance of achievement at foundation level.
6. We support the amalgamation of apprenticeships into the Modern Apprenticeship system.
7. The coordination subsidy should be incorporated into the subsidy for apprenticeship training.
8. We support a modest lift to 15-20% in the extent to which training at levels above 4 are funded.
9. We support greater transferability between ITOs and providers.
10. We do not agree with a diminution of external moderation, removal of the credit rebate or a levy. We prefer the status quo with an emphasis on ensuring high quality.
11. We support a review of unit standard quality assurance settings.

3. Context

- 3.1 The context for this proposal includes the performance requirements on completions and qualification achievement, the pressure to reduce the number of ITOs, high unemployment, a record loss of people to Australia, the skill needs for the Canterbury rebuild, and a general concern that there is a growing mismatch between employer expectations of skill levels and the capacity and therefore employability of many workers in these circumstances.
- 3.2 The CTU has been concerned that this review would unreasonably add to the pressures in the industry training system that already exists because of the focus on improved levels of completions and qualification achievement as well as the restructuring and mergers occurring in the ITO sector. There is a need for some structural certainty on how the system will operate to ensure rational decisions are made by ITOs. The proposal has to some extent lessened that concern as it appears to preserve major roles for ITOs, extends and simplifies the 'apprenticeship' system, and is based on a rationale of fewer trainees/apprentices but with more support.
- 3.3 While we have some reservations and specific issues, we do recognise that the review therefore is broadly supportive of industry training and includes some enhancements.
- 3.4 Part of the context is the relationship between industry training, youth guarantee, vocational pathways and other parts of the vocational education and training ecosystem. This includes how 'job streams' and other Government programmes via Work and Income and other programmes intersect with formal training and qualification recognition.

- 3.5 It is important in our view that we ensure there is a viable VET sector with the different stakeholders all working in partnership.
- 3.6 We also need to factor in some major trends in the workforce towards precarious work for an increasing number of people. This exacerbates the risk of bifurcation of outcomes. Some will be picked up on a (high) skill pathway. But for many the combined effect of marginal employment options, low attachment to an employer, and a VET system driven by completions mean a low skill pathway, poor economic outcomes and low self-esteem.

4. ITO Roles

- 4.1 The CTU supports ITOs retaining the arranging training role. There could be greater specification and guidance of what that entails while allowing for a degree of diversity.
- 4.2 We also support ITOs retaining the standard setting role and we recognise that an outcome of the review should include ensuring flexibility to ensure that providers and other ITOs are able to effectively use ITO-developed standards. Quality assurance remains an important consideration.
- 4.3 ITOs should however also be properly resourced to promote and implement vocational pathways.

5. Skills Strategy

- 5.1 The 'strategic' role for ITOs is removed in the proposal. We would observe that the application of this role has been highly variable and somewhat vague. It is now proposed that this role would be carried out by 'industry'.

- 5.2 As we said in an earlier submission:

The CTU believes that there is room for consolidation of expertise and advice around the leadership function. It is too disaggregated at the moment. There could be much greater cohesion around a model for skills leadership that can really drive change and responsiveness. It can include how to attract people to industries, emerging trends, and so forth – but also drive to more of an action plan for each ITO.

and also:

.....strategy needs to go far further than opportunities for the accumulation of qualifications. Such a strategy would include ways to promote workplace practices that encourage skill development and deploy workers so as to capture and reward the skills gained.

- 5.3 Some ITOs will remain well-placed to carry out this role and it will be important that there are no impediments to this.

- 5.4 We also strongly submit that the definition of 'industry' includes organisations representing workers (unions).
- 5.5 Our criticism is that the strategic role has been poorly specified. It needs to at least have a template around the questions that a strategic approach to skill needs must address. The Government should have a role in some resourcing and consolidation of expertise and methodology on this strategic role. It should not just be left as a vague expectation. The proposal implies that there will be support from Government. This must therefore include clear lines of communication involving all stakeholders and decision making processes for this arrangement to work effectively. More detail is required.
- 5.6 Coordination at the system level is vital if we are to have a strong vocational education training system and that means robust processes on skills leadership and strategy.
- 5.7 There is a risk that the 'leadership role' will fall through the gaps. We believe that there is significant potential to lift overall performance through this role. As we said in a prior submission:

.....achieving "relevance" in practice can be a complex process. It is a matching process that requires a lot of information, some degree of future-proofing, assessment of national and regional demand for skills, and time horizons that are workable. But this is all possible if there is a clear framework that sits 'relevance' into a broader strategic context to lift skills and wages and promote sustainable development.

- 5.8 For these reasons, we believe that this review now needs to focus much more deliberately on this role and we look forward to detailed discussions on this.

6. Trainee/apprentice funding rates and definitions

- 6.1 It will be important to clarify whether or not the funding rate for trainees will actually increase. The proposal does not commit to that whereas it does state clearly that the rate for an apprentice will increase.
- 6.2 The Government will need to ensure that the higher rate for apprentices in recognition of greater pastoral care and other factors does not diminish the value of Level 1-2 training. Pastoral care needs can be greater at this level. It needs to be remembered that for many people achieving at Level 2 is a major advance and a significant outcome. For many, this level of achievement entails significant improvements in literacy and numeracy for example. It is also a pathway for progression through to higher levels and an essential component of improving the quality of care in sectors such as disability support and aged care. There are examples of government funded sectors where employers struggle to fulfill their training obligations because of resource constraints.

- 6.3 We understand that the distinction in rates is to recognise the higher level of theory and off-job training required in an apprenticeship but there are some aspects of the split rate that need to be considered.
- 6.4 It is not clear for instance how the split rate will in practice work with pathways where a trainee might start as a trainee but then move to an apprenticeship that includes unit standards from the period as a trainee. Our understanding is that some ITOs create pathways through their qualifications rather than have one programme. So an employer might not sign someone up for the whole apprenticeship at the start but instead look at how progress is made and continue when appropriate for the trainee and the workplace.
- 6.5 The implication of the proposal is that there will be fewer students in industry training, but attracting a higher level of STM funding and gaining qualifications at a higher level. But tertiary education priorities for the Government include, for instance, increasing the number of Māori students enjoying success at higher qualification levels; and increasing the number of Pasifika students achieving at higher qualification levels. That does not necessarily mean there is inconsistency between these aims – but the potential for a material inconsistency exists if many students (including a Māori and Pasifika) are achieving at lower levels but in reducing numbers and with an inference that these achievements are of minimal value.
- 6.6 Once again there is a concern that this new arrangement could herald a return to much greater support for traditional apprenticeships but at a cost of excluding recognition and support for others.
- 6.7 For instance, if there is no funding available for courses under 40 credits how will this impact on the need to encourage people into career pathways and have an inclusive model for skills development?
- 6.8 We support increased funding for both trainees and apprentices and hope that it can be to a level that really does encourage greater use of off-job training where that best meets the needs of learners. We have previously been critical of the Government removing \$55 million from industry training due to the impact of tighter tests around completion and also the impact of the recession. It was our view then and is now that such ‘savings’ need to be reinvested back into industry training. That could include a higher rate and improved resourcing for ITO roles, but also ensure that funding is there to support higher numbers of trainees and apprentices through greater encouragement of both employers and potential learners.
- 6.9 We also seek clarification on the definition of an apprenticeship and in particular how high the bar is set. The definition of an apprenticeship has to be flexible enough to cover those apprentices that reflect a trend towards shorter length and lower credit load.
- 6.10 There are some entire sectors that do not use the apprenticeship model yet deliver huge value to trainees and we need to ensure that the funding variation does not disadvantage these ITOs and learners.

- 6.11 Funding rates also need to be sufficient to cover the breadth and depth of ITO roles while ensuring high quality delivery.

7. Scale

- 7.1 The CTU recognises that the Government is aiming for fewer trainees and apprentices but higher funding per person. We accept that quality issues matter as evidenced by the focus on completions and also that there is a case for fewer ITOs.
- 7.2 We are concerned as we have stated elsewhere that the combined impact of these changes could exclude many potential learners. A legitimate focus on completions drives ITOs towards exclusion of 'marginal' or 'risky' trainees. There is a risk of even greater exclusion if the relative level of funding support at lower levels diminishes.
- 7.3 But we are also concerned that there is a scale issue that is being set aside. If New Zealand is to become a high wage, high skill, high value economy then we need the scale of investment in industry training, and the number of people involved to lift. We are a small country. Like many other countries we have a high proportion of small and medium enterprises and it is a challenge for a VET system to be relevant and appropriate for their needs. But 69 percent of the workforce is in enterprises of 20 people or more and there are tremendous opportunities to lift and sustain training opportunities in these enterprises as well as look at ways to include all SMEs.
- 7.4 A more strategic focus on the medium term needs to be part of this review.

8. Transfer

- 8.1 We support the proposals that remove disincentives from transfer between industry training and provider courses. Employment or another opportunity to continue with education should not impact negatively on providers or ITOs in respect of course/programme completions.
- 8.2 There are some practical issues that need to be considered. For instance, ITPs have to maintain enrolments at 97% to 103% in relation to the investment plan and other commitments and this could militate against the flexibility implied by easier transfer.
- 8.3 Until we are advised of proposed funding rates for apprentices/trainees it is hard to gauge the extent to which the drivers around different rates for STM and EFT-based funding will continue to impact on flexibility.

9. Coordination

- 9.1 We support the amalgamation of apprentices into the Modern Apprenticeship Scheme ensuring that the same level of support is available to apprentices regardless of age. This will be a simpler system and is more equitable.
- 9.2 We believe that the Modern Apprenticeship co-ordination fee should be incorporated into the Modern Apprenticeship training rate.

9.3 We agree that the responsibility for coordination should lie with ITOs but note that quality assurance will be important particularly if there is extensive contracting out by ITOs of this role.

10. Moderation

10.1 We do not support a levy or a reduction in the breadth of standards requiring external moderation.

10.2 We believe the credit rebate should be maintained.

10.3 Moderation of workplace learning is vital and should be strengthened to ensure the consistency of trainee outcomes.

10.4 External moderation on a regular basis should not therefore be weakened. The credibility of the sector depends on meeting the same standards on assessment and moderation as other 'institutions'.

11. Current restriction of 10% for above Level 4

11.1 We do have some concerns that relaxing this restriction when combined with the differential funding for trainees and apprentices skews funding and support away from learners at lower levels 2 and 3.

11.2 However we also recognise the need for flexibility, and the value to workers of qualifications above Level 4. Therefore we support a lift to 15-20%.

12. Unit Standard Review

12.1 We support the intention of this review (and have also supported the TRoQ). However, implementation will be very important as will the maintenance of moderation across all standards.

12.2 A common framework of credentials also needs to be supported by greater alignment of rules and policies across agencies such as NZQA, TEC, and MoE. For instance NZQA policy does not require providers to use unit standards.

13. Consultation

13.1 As we have stated before it is important that relevant stakeholders in vocational education and training are cooperating. This implies a role in part of the TEC and Ministry of Education. We also suggest that the Minister should regularly meet with stakeholders in a forum to bring the widest possible view of needs and opportunities together.

14. Implementation

14.1 We believe that implementation of the outcomes of this review would be enhanced by the appropriate involvement of a representative group from across the VET sector. We would welcome participation in such a group.