

4 April 2019

Reform of Vocational Education
Tertiary Education Commission
PO Box 27048
Wellington 6141
New Zealand

via email: vocationaleducation.reform@education.govt.nz

REFORM OF VOCATIONAL EDUCATION

Introduction

1. Thank you for the opportunity to submit regarding the Ministry of Education's consultation document 'Reform of Vocational Education' dated February 2019.
2. The Wellington Chamber of Commerce (the Chamber) has been the voice of business in the Wellington region for 160 years since 1856 and advocates for policies that reflect the interest of Wellington's business community, in both the city and region, and the development of the Wellington economy as a whole. The Chamber is accredited through the New Zealand Chamber of Commerce network.
3. Business Central represents business interests throughout central New Zealand from Taranaki across to Gisborne and down to Nelson. Business Central is one of the four regional organisations comprising New Zealand's peak business advocacy group, BusinessNZ. In Wellington, our organisation operates the Wellington Chamber of Commerce, accredited to the New Zealand Chamber of Commerce network. Our organisation also delivers ExportNZ to Wellington and the Hawke's Bay.
4. As a member of Business NZ, we support their submission. We particularly support their systems approach to vocational education training and their recommendations. In addition, we have included below additional feedback particularly important to our members.
5. Improvements to vocational education are required. But, overall, we consider the proposals contained in this discussion document are not the ideal solution. The new model would be a one-size-fits all solution hinging on the creation of a single monopoly ITP provider. Such a large transformation of the sector introduces its own execution risks, particularly within such a small timeframe before 1 January 2020.
6. Our greatest concern is that employers lose confidence in the apprenticeship system because of this uncertainty and pull-back, even temporarily, from investing in employee training. Such a

disruption to New Zealand's skills pipeline could have a macro-economic impact at a time when we are already suffering from skills shortages.

7. The stated benefits of the new model, namely greater employer voice, financial sustainability, industry choice and greater agility, are not thoroughly explained. In our view, there are key risks as to why each of these benefits will not be fully realised. The dilution of the employer's voice by making Industry Skills Bodies just one of many advisory agencies to TEC and the new NZIST is a major weakness.
8. The proposals have been put forward with no phasing, no costings, and no transition plan – with just nine months to go.
9. We recommend the Government and its officials take the time to undertake a comprehensive review of the vocational education system. Apprenticeships are too important to get wrong.

Problem definition

10. The essential element for any policy development process is a clear definition of the problem to be solved. Thinking about the vocational education system and its supply and demand elements, first consider the supply side. The financial management and sustainability of specific organisations within the ITP sector are well known and require addressing. In fact, this was the specific intention of the 'Institutes of Technology and Polytechnic (ITP) Roadmap 2020' project.
11. However, the current 'Reform of Vocational Education' discussion document goes well beyond this and encompasses the entire vocational sector without first establishing the case for fundamental reform.
12. Solutions focused on uplifting the governance and management capability of the ITP sector, together with funding reform to re-establish them on a more sustainable financial footing, would be welcomed.
13. Turning to the demand side, a figure of only 10 percent of employers engaging in workplace training is bandied about as evidence that employers are doing little to solve ongoing skills shortages. Yet, this figure is completely unproven.
14. It counts only employers who engage in TEC-funded programmes, despite vast amounts of professional development occurring outside of government funding. It counts only employers without taking into account the number of employees they have – large corporates employing enormous workforces are more likely to engage in the government education system than SMEs with very few employees.
15. In summary, criticising employers for not providing government-funded training for their employees without asking 'why' this is the case, provides no insights into defining a problem which can then be solved.

From optimising to transformation

16. The proposals contained within the discussion document outline a transformation of New Zealand's vocational education system. The breadth of this transformation is openly stated up front. However, as we describe in the 'Problem definition' section above, the evidence

presented in the document does not support replacing the Government's previous optimisation strategy with a transformation one.

17. It appears the breadth of reform is based on ambition for a desired future state, rather than fixing the identified problems with the current state. Any transformation should focus on orientating the system towards students and employers; instead, this document describes a government-orientated system.
18. The genesis of the idea for broad transformation is unclear. Previous work by officials and the Government has focused solely on the ITP sector. This is illustrated by the ITP 2020 Roadmap and the fact that the other options considered in the discussion document (page 30) also focus solely on ITPs with no consideration of ITOs. It is only the final, preferred option, that introduces the concept of swallowing ITOs.
19. Previous examinations of the sector, principally the Productivity Commission's 2017 report 'New models of tertiary education', did not come anywhere near close to recommending a model as contained in this discussion document.
20. The Government's mandate for transformation is weak. Labour's pre-election education manifesto, a very comprehensive 21 pages, contained no mention of fundamental reforms to vocational education. The document states, "Labour will improve the way that ITPs and ITOs work together including through joint curriculum development, clearer qualifications and more flexible learning pathways." No hint is given that "working together" will become "merging together".
21. Essentially, the proposal in the discussion document is a nationalisation of on-job, ITO sector and employer-centred apprenticeships.

Scale of transformation introduces new risks

22. The proposed model of vocation education requires fundamental transformation of multiple sectors. Such large-scale reform introduces new risks based on the scope and complexity of the task. Previous mergers of ITOs and ITPs provides recent specific evidence of what a merger of the entire sector into a single New Zealand Institute of Skills & Technology may look like. It will be a resource-intensive and time-consuming project. It requires skilful political management and astute operational leadership.
23. The stated start date of 1 January 2020 is less than nine months away. It is incredibly ambitious and introduces its own execution risk, in addition to the complexity risk cited above. It means there is a severe lack of time for engagement with employers and other associated stakeholders.
24. Therefore, a project of this complexity and associated uncertainty risks employers losing confidence that their investment in apprenticeships will be protected. As a result, employers may place their training plans on hold until the new system is bedded in. This has the potential to disrupt New Zealand's skills pipeline at an especially critical time, with many sectors already suffering from shortages of skilled staff, for example construction and trades.
25. The macro-economic impacts of exacerbating skills shortages are obvious. It comes at a time when employers are already having to cope with Government-imposed changes to employment law, immigration settings, minimum wage levels, and regulatory settings, as well as delays to key infrastructure projects and potential higher taxes.

Claimed benefits of new model

Greater employer voice

26. Our analysis of the proposals in the discussion document and feedback from our members leads us to believe the new model significantly dilutes the employer voice. The current model allows employers to negotiate directly with providers to secure a pipeline of skills. Under the proposed model, employers' requirements will have to pass through multiple sign-off levels from Industry Skills Bodies, TEC, and provider/NZIST governance.
27. This adds complexity to the system by changing the role of employers from customer and training partner to being just one advisory group among many. This provides no assurance that requests for skills will make it through the various decision-making processes and be adopted by the NZIST.
28. The document states:

“Industry Skills Bodies would largely act as “bookends” to the vocational education system by setting expectations at the outset about what learners need to achieve, and then ensuring learners have acquired the skills and competencies employers need.”

29. But a 'bookend' function helps employers only if their requirements have been taken up by the relevant Industry Skills Body. And only then if the Industry Skills Body has successfully convinced the TEC and providers – principally NZIST – to fund and teach the desired course of study.

Financial sustainability

30. There is wide stakeholder agreement that ITPs require governance and funding reform in order to ensure financial sustainability. However, the proposed reforms consolidate much of the sector into the highest cost type of provision – ITPs. This would appear contrary to the Government's costs of increasing efficiency and reducing costs in order to achieve better fiscal outcomes.
31. In addition, the need for ongoing regional provision by ITPs means the savings expected from merging the sixteen ITP organisations into one will be limited. While further back office savings may be achievable – after considerable transition costs – the option of closing regional campuses to save money is presumably not available to NZIST. Overall, it is impossible to judge the worth of establishing NZIST because no cost-benefit analysis has been published to review.
32. The proposals explicitly assume ongoing financial contributions from employers, despite no longer having control over an ITO. Employers want to invest in upskilling their employees and there is no question about paying a contribution. The point is that the proposals expect the same contribution for less say.

Improving diversity

33. There is nothing substantive in the proposals to demonstrate how more underrepresented or underachieving groups would excel in apprenticeships; including women, Maori, Pacific, and disabled people.

Industry choice

34. The proposals put provision of off-job vocational training into a single 'mega' monopoly institution as well as likely consolidating much of the on-job provision into that institution. This takes away a diversity of provision and, therefore, a diversity of innovation. This limits employers' ability to find willing partners able to work together to develop new and innovative programmes.

35. The document states:

"Employers would have a choice of education providers to work with, rather than having to arrange on-job training via their ITO."

36. There is industry concern that without ITOs, and with TEC directing purchasing decisions, further on-job provision will be consolidated within the Government's new NZIST. We would welcome any reassurances the Government is able to make that this is not their intention. We recommend building safeguards into the proposed model to protect against government-owned institutions taking excessive control of provision.

37. The discussion document notes the proposals are to:

"...provide industry with a purchase role across all vocational education, through advice to the Tertiary Education Commission (TEC), which TEC must give regard to."

38. However, this is very clearly "advice" only, and there is no obligation on TEC to follow any advice they receive from employers through Industry Skills Bodies.

More agile

39. Any agility inserted into the proposed new system will likely be compromised by the multiple voices NZIST is obliged to listen to. It will have its own governance board combined with incoming advice from the multitude of Industry Skills Bodies, the various Regional Leadership Groups, and TEC as the funder. These organisations could total into the hundreds. The simple task of assessing all this advice could be enormous.

40. The discussion document does not address the relationship between Regional Leadership Groups and Industry Skills Bodies. Inevitably, there will be differing views and conflicting advice being put forward to the TEC and NZIST. How will these differences be reconciled and how will resources ultimately be allocated? This decision-making process is an important feature to design as soon as possible and seek feedback on.

NZIST is a single point of failure

41. The formation of a monopoly NZIST introduces a very large single point of failure into the system. This covers everything from enrolment processes to subject-matter expertise. By being the only institutional provider, it means if NZIST experiences a failure or does not deliver appropriate training in a particular area, it has nationwide and economic implications. This single point of failure risk is compounded by the additional complications that will arise from merging all existing ITPs.

42. Of specific concern to our members is the fact that with no redundancy in the system there is nowhere for employers to turn if they are unsatisfied with NZIST's performance. They have no other choice.
43. The experience of TAFE in New South Wales demonstrates what can go wrong when a single organisation is given overarching responsibility and experiences key failings. TAFE NSW's poor performance currently is leading to falling enrolments and negative financial results.

Stakeholder alignment

44. There is an increasing proliferation of advisory bodies and government agencies seeking to improve economic development. There is benefit in better linking industry representatives, regional economic development plans, skills hubs, local councils, careers advisors, immigration officials, front-line welfare workers, and iwi and community leaders. This is particularly relevant at a time when many different elements are undergoing review, for example, temporary work visas and fair pay agreements.
45. Without alignment of stakeholders, New Zealand will inadvertently end up with different parts of the economic engine pulling in different directions. Within this crowded system, it is unclear how brokerage and advisory services for employers would operate.
46. Thank you for the opportunity to submit to this consultation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Milford', with a stylized flourish at the end.

John Milford
Chief Executive
Wellington Chamber of Commerce, Business Central