



NZ Productivity Commission New Models of Tertiary Education - draft report response

An industry training organisation's perspective – November 2016

Introduction

We would like to thank the Productivity Commission for giving us the opportunity to give our feedback on behalf of the industries we represent, on the New Zealand Productivity Commission: New models of tertiary education – draft report.

As an Industry Training Organisation (ITO) that has a gazetted coverage of 37 industries, we've endeavored to ensure the voices of our industries are well represented in our response.

We understand how multi-faceted and complex our tertiary education system is, and we appreciate the Commission's work in opening the conversation around how we can better innovate to improve the system to meet the needs of our learners and industry.

As an ITO, we have focused our response on the key link between tertiary providers and industry, and the systems and processes that support this.

We are pleased to see the Commission's recommendations highlight the current funding inequities between New Zealand Apprenticeships and Managed Apprenticeships, as well as the lack of funding for Level 5 and above training.

The Commission's emphasis on innovation in the education system has highlighted many concerns for us in the industry training space and what this means for our employers, particularly on the Student Education Account (SEA) model.

We believe the report's focus on supply over industry demand hinders innovation around how we can fuel economic productivity and meet industry needs. We also believe innovation plays a role in how we can better support school leavers into the labour market and continue to champion lifelong learning throughout their career.

Background

The government has asked the Productivity Commission to carry out an inquiry into “new models of tertiary education”. The inquiry takes a whole-of-system perspective, considering how trends – especially in technology, tuition costs, skill demand, demography and internationalisation – may drive changes in business and delivery models in the tertiary sector.

This inquiry considers how well-placed tertiary providers are to continue to deliver successfully for New Zealand, given the risks and opportunities presented from ongoing changes.

The draft report outlines a number of recommendations that the Productivity Commission believes would improve the tertiary education system’s ability to respond flexibly to future pressures or opportunities, including giving providers greater freedom, autonomy and responsibility.

Gathering feedback – our methodology

Competenz has consulted widely with our key stakeholders to ensure that we provide a true industry view on the Commission's draft report. We are committed to ensuring that the voices of the 37 industries we represent are reflected in our response to the recommendations.

We have commissioned an independent research organisation to support us in gathering industry-wide feedback in a timely manner. This included interviewing key stakeholders across all the industry associations and sector advisory groups that Competenz currently consults.

The report reflects the view of 70 industry representatives, plus the Competenz Board and Senior Leadership team.

Where appropriate, we have taken comments verbatim from our stakeholders to support the collective points of view. These have been highlighted in orange.

We have focused on two sections in the report in particular – **Chapter 4: Employers, industry training and the labour market**, and **Chapter 12: A system that supports new models**, as we felt these chapters are the most pertinent in addressing industry and on-the-job training.

Representatives from the following sector advisory groups participated in our feedback process on the report:

- Furniture
- Pulp & Paper
- Solid Wood
- Wood Panels
- General Manufacturing
- Mechanical Engineering
- Refrigeration and Air Conditioning & Mechanical Building Services
- Cellar Operations
- Fire Protection

- Plastics Processing

Members from industry associations and other key industry stakeholders from the following industries also took part:

- Maritime
- Journalism
- Butchery
- Baking
- Dairy
- Food & Beverage Manufacturing
- Forestry

Competenz – an ITO context

Competenz is the industry training organisation that supports New Zealand's engineering, manufacturing, forestry, printing, signmaking, journalism, and transport industries. We develop qualifications that are recognised around New Zealand, and help people gain skills on-the-job across 37 industries.

Getting behind apprenticeships

We believe in the value of apprenticeships to help people gain skills in the workplace. In 2015 we had over 6,500 learners studying towards an apprenticeship in our industries. This number included over 350 learners, seconded to nearly 200 companies through our contract with Apprentice Training New Zealand Trust (ATNZ).

Our industries

Our industries are important contributors to the national economy. They employ and train thousands of learners across a wide range of skillsets and vocational goals. Our role is to support the learner, the employer and the industry.

We take pride in supporting over 3,500 organisations and 20,000 learners (apprentices and industry trainees) nationwide. Our industries include:

Engineering and related trades

Fabrication, mechanical engineering, general engineering, machining, maintenance engineering, dairy systems, toolmaking, metal casting, fire protection, gunsmithing, heating, ventilation and air conditioning, lifts and escalators, locksmithing, refrigeration & air conditioning

Food and beverage

Bakery, butchery, food and beverage manufacturing

Forestry

Harvesting, silviculture

Manufacturing

General manufacturing, steel manufacturing, wood manufacturing, furniture, pulp and paper, solid wood, wood panels

Plastics and materials manufacturing

Glass manufacturing, laundry and drycleaning, paint and coatings, pharmaceutical and allied products manufacturing, plastics processing, textiles manufacturing

Communications and media

Journalism, packaging, printing, signmaking

Transport

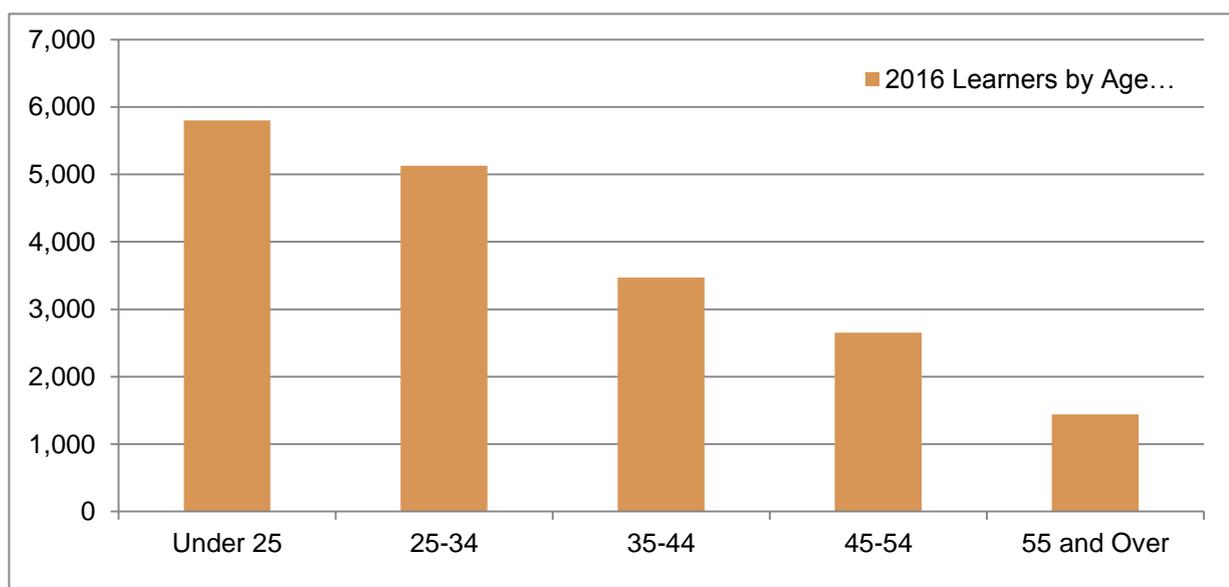
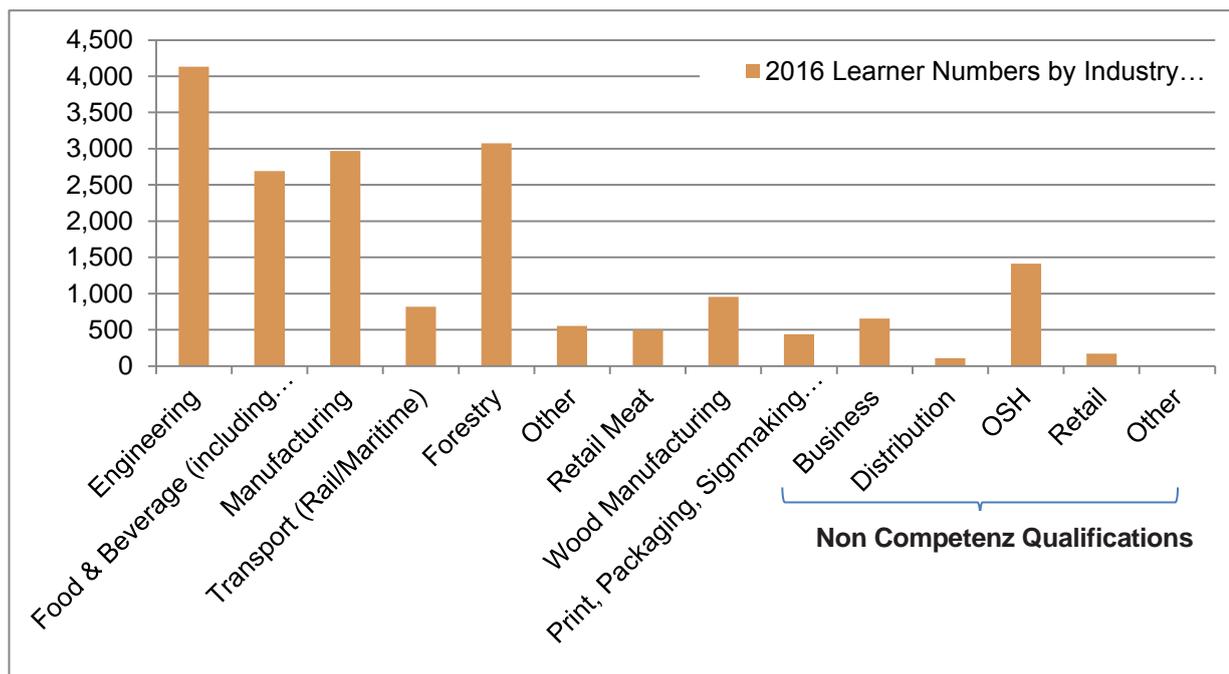
Maritime and rail

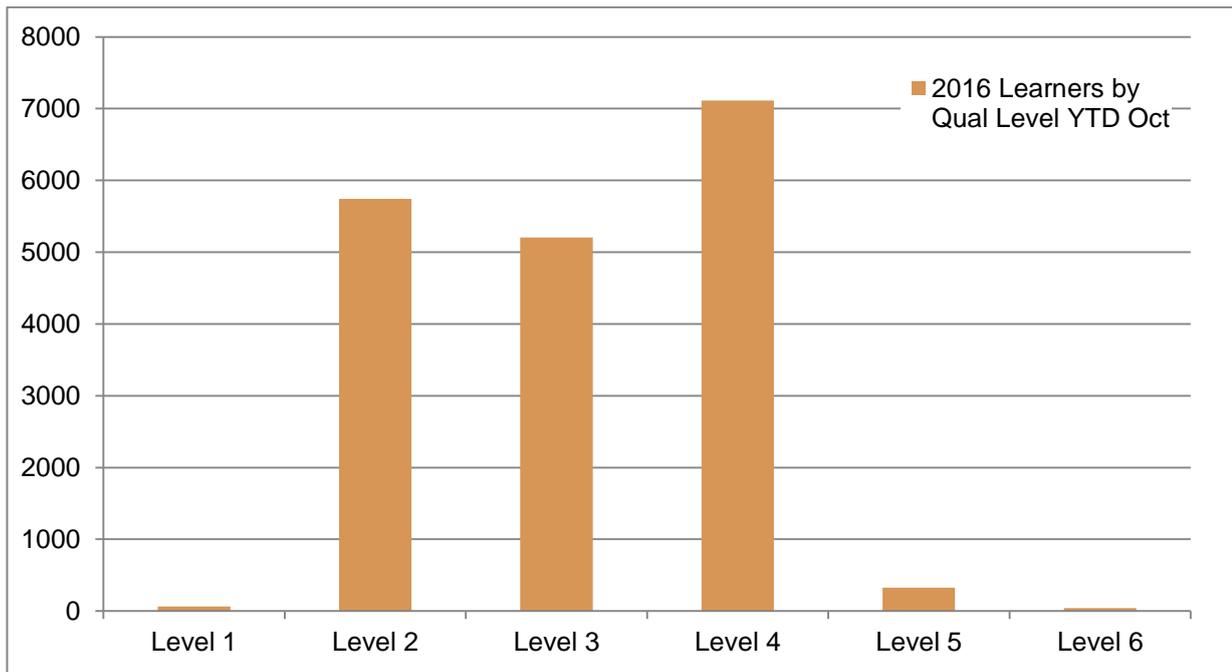
Training programmes

Competenz supports industry in enabling learners to develop transferrable, lifelong skills in a practical and applied workplace setting. Theoretical components to course work can be delivered via Competenz e-Learning or by third party providers in the form of block courses and night classes.

Our current funding is split between industry training and apprenticeships at a ratio of 55:45. We take considerable pride in ensuring that we focus on the workforce development needs of our employers in building a more productive and skilled New Zealand.

The demography of our learners





Response to Productivity Commission's Recommendations

The Productivity Commission's report has made some clear recommendations into “new models of tertiary education”. This report introduces new thinking into how well-placed tertiary providers are to continue to deliver successfully for New Zealand, given the risks and opportunities presented from ongoing changes in technology, demography, costs, internationalisation, and student and employer demand.

In prefacing Competenz's response to the report, we remain focused on the long term goals of ensuring that industry is well placed to have its workforce development needs met in the future. Disruptive technologies will mean that the fabric of the workforce as we currently see it will shift away from repetitive low skill roles. The factories and workshops of our future will evolve to highly digitised, mechanised, robotics focused environments.

The foundation requirements in this future will include high numeracy and literacy, strong fundamentals in maths and science, problem solving and communication capabilities. The number of roles requiring learning to Level 2 will diminish, while demand for jobs requiring training at Level 5 and 6 will soar.

Our tertiary education sector will need to enable learners to achieve a strong foundation qualification, which they can then supplement throughout their lifetime with micro-skilling. The demands for industry training will be higher as our population seeks to upskill and reskill in the workforce, to keep themselves relevant to employers. Education needs to be increasingly applied, affordable and achievable in bite size chunks.

The dialogue needs to change from rhetoric around Providers vs ITOs, to a focus on tertiary education provision with agile learning and training being delivered through a combination of practical and theoretical mediums – in the workplace and classroom.

We have provided a response to the questions and recommendations as set out through the Productivity Commission draft report, but our focus is to ensure that the policy environment around tertiary education supports Competenz's ability to adapt to this evolving future.

Our approach to responding to the report has been to focus on chapters 4 and 12. These sections in particular have the greatest perceived impact on our ability to operate as an ITO and the industries in our coverage.

Our response focusses on these key themes:

- How effective will the SEA be for our industries and their learners? Does it meet our industries' needs?
- How can ITOs better inform learners to make decisions in on-the-job training?
- Is the qualification system that supports our industries flexible enough to meet their needs?
- Do the recommendations in the report provide sufficient opportunities for greater engagement between training providers and employers? What more can be done to better facilitate this engagement?
- Do the recommendations reflect the future needs of employers?

Does the Student Education Account (SEA) Model work for industry?

F12.11: Student Education Account (SEA)

Either the student or the provider can be the direct recipient of a subsidy. The two mechanisms have different implications. A funding arrangement that subsidises students directly to purchase education from licensed providers offers potential advantages over the current arrangement. Student choices, more so than those of government and providers, would drive system behaviour. This would encourage providers to innovate. One such arrangement is a Student Education Account (SEA). An SEA model would remove the highly regressive nature of the current system. It is likely to encourage participation in tertiary education, and therefore offers wider access to the benefits that education brings. An SEA model could be revenue-neutral for government.

Q12.6 - What do you think of the Student Education Account proposal as outlined in this draft report? What would you do to improve it?

Our feedback concludes that an SEA, though a positive initiative for students attending tertiary institutions, will not meet the needs of industry.

Many students are not equipped to make informed decisions

More often than not, industry sees and employs students that are poorly equipped to make decisions about their future direction.

After leaving secondary school, students are often influenced by the direction and decision of peers and key influencers (parents/guardians, their wider whānau, and teachers/school staff) to inform their own decisions on what they pursue post-secondary school.

Universities/polytechnics are perceived to be the obvious first choice in the next step of a student's learning pathway. Often they have left school and have no meaningful real world experience to inform their interests and passion to find the appropriate career.

Moreover, learners could commit their SEA to training that they later identify as not being in a pathway that they want to continue to pursue. The consensus amongst industry is that 16 is too young to be responsible for a significant amount of money that represents a lifelong subsidy for learning.

“One of the key concerns with the model is the reality from a number of observations - young people are often struggling to make intelligent choices, and that is exacerbated as career options are a lot less clear than they used to be. Young people are confronted that if they pick a job it might be redundant in five years, so asking them to make intelligent choices, and invest financially in it, is way over taxing to young people.”

“For some industries where the employees are perhaps not as forward thinking, they could spend their allowance on things without considering the long term impact, or spend through the allowance on skills that are not required and not be able to retrain once they've spent through the account. The underlying assumption I have is that once the money is used up, there will no longer be subsidies available for the student, and once it's used it's gone and that's a lifelong consequence to live with. Following on from that, a lack of flexibility to retrain over the longer term if you have used up your allowance.”

Resources need to be applied to enable learners and their supporting influencers to make decisions

If an SEA is implemented, it will be increasingly important to ensure that a student's key influencers (being parents, guardians, whanau, teachers, and advisors) are well equipped to assist learners in their decision-making. Currently there is low awareness amongst this group on apprenticeship options and industry training. Moreover, there is even less understanding on how to get a young learner into on-the job training. This inhibits the ability of learners to make informed choices on their future.

"I suppose for a student in particular, what they are going to spend that money on they have to commit to a tertiary stream. Being 16 and having a dollop of money and being able to spend that on training - most kids that age will still be at high school. So it's important to have a support network in place to make sure they are making the right decision, and that the money is spent wisely."

Q12.7 – What are the implications of the Student Education Account proposal for students? For providers? For industry training?

There are a number of implications in the SEA model from an ITO and employer perspective.

Universities/polytechnics are far better at marketing to students

The marketing funding for tertiary providers far exceeds the funding available in industry training. In order to market ITO career pathways, an increase of funding is needed to stay at the forefront of training options. Otherwise students are likely to exclude industry training as favoured choice in their career progression, due to the lack of visibility and awareness in a competitive education market.

The familiarity of the enrolment process for tertiary education mirrors the decisions set within the secondary school environment. There is a common institution, they can be in an environment with their peers, days are structured in a similar way to a school environment, and courses provide clear pathways to qualification outcomes.

The process with apprenticeships and industry training is far more convoluted. The learner would need to find a motivated, training-oriented employer in an appropriate interest area. They may need to prove themselves as a trustworthy and diligent employee in the first instance. They may then have a conversation around whether an apprenticeship is an option they would consider with off-job training balanced amongst their daily work and home commitments.

This learning pathway can be difficult to communicate to students in a succinct and relatable way, especially if the learner has little meaningful real world experience. This adds to the difficulty in raising the awareness and appeal of industry training, compared to other tertiary providers.

"It's [the report's] excessive emphasis on the students' knowledge of the system to select suitable training. The employer should encourage the appropriate training to meet the employer and the students' needs. The follow-on from the SEA model is that there is a great deal of selection in tertiary providers, but that's an issue, it's trying to make it market driven but the market doesn't have the knowledge to drive."

“Their [ITOs] marketing budget would have to increase. I think of parallels with universities and their different offerings and the university you go to, because you do have your student loan, you've got the funds, you make your choices not necessarily on education outcome but on the social outcome.”

Advice on career pathways and tertiary options are not equal amongst tertiary providers

The ability for secondary school career advisors to currently provide adequate information to students on industry training options is still a work in progress. The lack of marketing resources for ITOs means articulating the benefits of apprenticeships to students is still something that needs to be embedded into the secondary school system at the same level as universities/polytechnics.

In order for students to make informed choices and robust decisions around long term career options, it is important to ensure all training options are understood. This will become increasingly competitive as universities, polytechnics, private training enterprises and ITOs compete for the same learner and SEA.

Without appropriate information, students may make poor tertiary choices that could result in little return on investment in their training.

“I think [ITOs] will need to be much more proactive in getting to students before they make decisions. ITOs are more focused on their own industry training, so will not be talking to students going to universities, but they need to communicate with secondary schools and provide good information about where good career prospects are. There is too much competition between tertiary providers. They are all out to make money and compete with each other, and then the material is more likely to be a sales pitch rather than anything factual.”

“They will need to focus a lot more on the under 16's. Promotion will become a marketing game - who is the coolest place to train with. Young teenagers, as soon as they hit 16, have this fund available to them. It is going to take away what the ITOs need to be focused on, such as the qualifications. It opens up a whole lot of competition obviously.”

“How would a student determine the comparative quality between two training providers? The ITO would have a role to play there. There may need to be better vocational guidance available in order for a student not to squander their entitlement on inappropriate training provision. ITOs will still need to keep students on track with achievement and completion.”

Industry will not be able to attract learners in a saturated marketplace

Increased competition for the learner dollar will drive a different type of behaviour for learners. Marketing activity to learners will increase considerably, which may include incentivising and rebating learners for course participation.

There is potential for universities, polytechnics, and other tertiary providers to push courses that are seen as being “trendy” to attract learners. They can also redirect revenue from offshore enrolment fees to enable sufficient market cut-through for their campaigns.

The education system will be driven around the desires of students and “fad” qualifications, not the needs of employers or requirement of a productive workforce.

“... the student is encouraged to pursue what they love, so we've seen a prolific choice of training. An anecdotal example is we now have more qualified diving instructors than anywhere in the world, more people in television production because young people like watching TV. But industry is looking for people who can run machines in industry. Not everyone is passionate about that, so if you give the power to the students, how many are going to choose what industry really is needing?”

“The biggest challenge for industry is if you are not perceived as being a "sexy" industry, like IT is sexy, plastics manufacturing is not. If it's left entirely up to students and they don't have to take out a loan, people will go to the more perceived attractive industries. Our technicians get paid way more than teachers, etc even if it's perceived as basic factory work, the pay is much higher, but everyone wants to do IT. If you're working with someone like Competenz I can see it working but if not, I don't know how non sexy industries would attract people.”

Employers' needs are being overlooked

With the funding for education being at the discretion of the learner, employers' skill and workforce development needs will be overlooked. Students will focus on what interests and excites them, not on the needs of industry or business in an increasingly globalised economy. There will be a resultant widening of the gap between the skilled workforce requirements of industry, and the capabilities of our future employees.

Industries that are seen as “hard to navigate” or an “undesirable” environment, such as engineering, manufacturing, or forestry will be less appealing to young people, regardless of their labour force requirements or contributions to the New Zealand economy.

“I think the emphasis is incorrect. The idea is to make it student-centered, but it should be employer and country centered because that's where the funding is coming from.”

“Our fundamental criticism is that it does not address the biggest problem in tertiary education. The system does not deliver the right number of people with the right skills to industry. That is the constant feedback we get from our members and from other industries, so to change the tertiary education model, it needs more intervention and guidance not less.”

Industry traineeships, as we know them, will be threatened

At present, businesses decide on their workforce development requirements and work collaboratively with ITOs to develop appropriate programmes to support in workplace learning and assessment.

Under an SEA approach, the employers would need to:

- identify their workplace skill requirements
- lobby their workforce to participate in training
- identify those employees that are prepared to use their SEA to contribute to training
- negotiate their participation and contribution level.

This cumbersome and inefficient process would increase bureaucracy and compliance costs for businesses. It may also drive undesirable behaviours on the part of learners and employers:

- Employee’s refusal to participate in workplace training, unless this is fully funded by the employer – especially where qualifications are needed as a license to operate.
- Employees not being prepared to participate in workplace training, with the view to using their SEA as a kick-starter to their KiwiSaver retirement funding as outlined in the Productivity Commission report (page 328 of the draft report).
- Employers only taking on employees that have large SEA balances.
- Employers mandating SEA contributions as part of their employment contracts.
- Employers dis-incentivised to offer workplace training, further contributing to the skills crisis.

Competenz sees that **an introduction of SEA as a significant threat to industry’s ability and desire to participate in workplace training and development.** As the ITO that represents the General Manufacturing industry and the Food and Beverage Manufacturing industry, which often upskill large cohorts of learners (100+ at a time), we believe that this system will significantly impact the ability, desire and frequency of these industries to support industry training.

“There has to be a lot more consultation between the employee and employer on what training potentially [the employee may do]. If the student is spending their money on their future, they may not want to spend it on their training on their current employment, which then, I could guess, lead to increased costs for the employer.”

Balance of power shifts to what learners want to study, not what industry needs to get the job done

With the learners being in control of their SEA’s, they will have far more influence over directing the type of material that they participate in learning. Courses will be increasingly curated around what learners would like to have in their course content. Failure to account for these demands would result in reduced enrolments and reduced funding.

Again, this will lead to industry having less ability to influence the course curriculum based on industry requirements, and greater disparity between the skilled workforce requirements of industry and the capabilities of our future employees. Under the current student loan scheme, students do not currently pay interest and would be averse to participating in industry training if they were to take on interest bearing debt.

“Obviously as an employer, how will it affect our training programmes? We want skills that will be useful to us on-the-job, and I’m not sure how that sits with the Student Education Account model. If they said ‘no, I’m not going to do that’, we lose those high level skills that align with our business needs. Employees might see that as their money, and if we want them to do a trade level qualification where does it sit? What can of worms does it open up if they do not want to use their money? How is that skill development going to happen? It then risks their role and value to the organisation.”

There is no incentive for learners to complete their qualifications

The SEA model gives students the means to purchase their own training services from the age of 16-years-old. With the SEA being interest-bearing, learners are unlikely to have the same level of accountability towards their learning outcomes than under the student loan scheme. The penalties of having to repay an interest incurring debt, is a far greater motivator to complete qualifications.

“They have no real drive to succeed; it’s not their money they’re wasting.”

Forecasting and planning for student enrolment levels with no set funding will be difficult

Under the SEA model, ITOs and other tertiary institutions will be at the whim of effective marketing campaigns to determine enrolments for the following year. Forecasting for learner numbers, budgeting and planning would be far less accurate as it is reliant on the decision of students to participate in training, not on the businesses that employ them.

At present, forecasting from the ground up is enabled through estimating which employers are prepared to commit to training, and the numbers of learners that they are prepared to train. This will be vastly inaccurate if the decision to participate is being made by the learner and their control of their individual SEA funding. This will have consequences in the operational management of ITO’s.

Q12.8 - What are the implications of the Student Education Account proposal for innovation and the emergence of new models of tertiary education?

The SEA model proposal will have effects on industry training’s ability to be more innovative in meeting industry needs.

The SEA could lead to a proliferation of low quality training providers

The SEA model could have a positive effect on industry training providers (ITPs) being more innovative in their product proposition in order to attract students, but it could also lead to a proliferation of profit-oriented, low quality training providers entering the market to secure the learner dollar.

We envisage that undesirable behaviour could result from the implementation of such a scheme that would be counter-productive to its intent including:

- misleading tertiary institutions/training providers being setup to help students “unlock” their SEA accounts for a nominal brokerage or “tuition fee” – i.e. enrol in a qualification in order to access funding and then withdrawing from the qualification in order to take the fund for non-education related purposes.
- providers setting up courses that are “fun” and “inclusive” but offer little, or no benefits for employability at the end of the qualification.
- providers taking fees with little or no accountability for the outcome of the learners - the same could also be potentially applied to employers of apprenticeships. SEA funding could be seen as a revenue opportunity with little pastoral or learning support provided to learners.

“.... it’s just a way of generating funds for a training provider because they could show an outcome. It might dumb down the standard of the qualification you achieve.”

SEA will increase administration for all participants in the ITO environment

Making the learner the decision-maker is also likely to add considerably to the costs of administration and compliance for businesses and ITOs alike. Funding would need to pass from learner, with their permission, to both the employer and ITO.

For organisations with large cohorts of learners, the process of negotiation with individual learners, and the associated paperwork, could prove fraught with difficulty and complexity, thus stifling innovation in

the process. Several of Competenz's current employers have cohorts of hundreds of industry trainees.

The model implies the administration to execute this model is very complex - managing the expectations and requirements of all involved parties (students, ITOs, tertiary providers, and employers). A proposal of being more student-centric also needs to balance with being employer centric to ensure the industry's needs are met, and the student is well-informed.

Industry need commitment and drive from students

We asked our key stakeholders what they thought were the top trends in the types of graduates or young people industry are looking for.

Their response focused on key themes such as:

- a learner who is motivated and committed to their career pathway
- a learner who is work-ready and has some life skills
- a learner who is flexible, adaptable, and can multitask
- a learner who is reliable and has the right attitude
- a learner who is IT literate
- a learner who is educated.

"A mix of being educated but somehow grounded in work ethics."

Responding to student demands also needs to be coupled with the employer demands – a balance between both is required. Innovation lies within how industry training better equips our current and future workforce to not only meet the employer needs, but also be flexible in their skillset to continue to meet those needs.

In summary

We surmise that though there may be perceived benefits in having a student-centric model to drive innovation amongst tertiary providers, an SEA will not take into account the needs of industry or employers. An SEA may in fact be detrimental to supporting the needs of business in building relevant skills for their current and future workforce requirements.

**Alternative thinking on the Student Education Account:
Only providing an SEA for High Learning Beyond Level 4**

A more palatable alternative for industry, employers and ITOs would be to keep the existing funding model for all foundation courses, and **provide an SEA for higher learning beyond Level 4.**

This would ensure that:

- industry would have a foundation qualification that met their workforce development needs
- employers could continue with upskilling employees based on industry requirements
- the opportunities for further education and personal development are made available to learners without the constraints of cost
- we have a more skilled New Zealand workforce, and a greater percentage of the population undertaking higher learning beyond Level 4.

An SEA for High Learning Beyond Level 4, also implies that apprentices would have several years of work experience and training, to better gauge what their future career direction would be and to build maturity, before they were issued with a SEA.

This would mean that the arguments against the SEA around students not being equipped to make an informed decision; more resources being applied to increase awareness of trades by learners and influencers; parity in careers advice provided to Secondary School students, and the industry competition to attract learners would not be relevant. The eligible SEA students would already be trade-qualified, work-ready employees, that have had three to four years to ascertain their career path and their future goals and ambitions.

An SEA Beyond Level 4 would also not compromise the needs of employers who would still be able to offer Industry Training under the current system.

Quality assurance should drive us to operate competitively internationally

R12.3: The Ministry of Education should design a new quality control regime for tertiary education that encourages innovation, takes a risk-based approach, and enforces minimum standards of quality.

Whilst we agree that our tertiary education regime should support innovation, and enable tertiary education organisations to take a risk-based approach, we do not support the enforcement of minimum quality standards.

Our industries are expected to produce products that have global appeal. Quality standards need to be set according to what employers need to operate competitively across OECD countries, not just a minimum quality standard enforced with a domestic view.

Tertiary Education Organisations should be incentivised to apply regular reviews to ensure that qualifications and their delivery enable our industries to compete globally. We consider the current evaluative approach to quality assurance to be a strength of our tertiary education system, and would not like to see its rigour lessened.

How can we better define the ‘value-add’ of tertiary education?

R12.4: The Ministry of Education and the Tertiary Education Commission should prioritise analysis of the value-add of tertiary education, including at provider level and by ITO. It should identify what kinds of study, at what providers, result in the best outcomes for different groups of students – including comparisons between provider-based and ITO-arranged training. It should publish this information for use by students, parents, providers, ITOs and purchasing agencies.

Competenz does not support the analysis and publishing of performance results across ITOs and other providers. ITOs and providers do not currently operate across a level playing field. ITOs also do not have remit in the provision of training. We utilise a combination of workplace learning, eLearning, and referring learners to training providers.

ITO off-job learning outcomes are inextricably linked to delivery by third-party providers - the comparison of ITO performance with providers is actually measuring a provider’s performance against themselves.

The on-job learning components are extremely diverse, with some organisations having a high skill-investment culture, and other organisations delivering the bare minimum of support to learners.

Performance outcomes are an aggregate of thousands of unique relationships across the New Zealand employer landscape. This can’t be compared to the classroom outcomes of large cohorts of learners, delivered by providers. Direct comparison between ITOs and providers would be comparing apples with oranges, and will not drive collaboration or innovation.

Allowing more flexibility around completions

R12.5: The Tertiary Education Commission (TEC) should change the way it measures completions so that provider performance is not penalised if a student transfers to continue learning at a different provider or moves into work.

We support the recommendation that TEC should change the way it measures completions so that provider performance is not penalised if a student transfers to a different provider or into workplace training.

Would a mix and match approach for courses from different providers work in industry training?

R12.6: Students should be able to mix and match courses from different providers. The funding and regulatory system should not penalise providers for participating in such arrangements.

The industry consensus is to support the ability to mix and match courses from different providers. This is especially beneficial after the completion of the initial formal qualification. The current arrangements penalise providers from participating in such arrangements, which renders providing the optimal solution for learners inflexible.

The appeal of the mix and match scenario is in supporting training combinations that allow for the flexibility in work and personal circumstances, as well as allowing learners to upskill according to the needs of the business and the learner. Being able to mix and match courses also encourages upskilling throughout the career of the learner and minimises course duplication, enabling maximum customisation at the most efficient rate of learning.

A mix and match approach allows learners to upskill in accordance with the requirements of their career pathway

Competenz are strong advocates for ensuring completion of a formal qualification to Level 4 and above. We acknowledge that far more flexibility needs to be built into supporting learners in adopting transferrable skills post the initial formal qualification.

The current system is inflexible for:

- learners who want to increase their employability by learning soft skills
- providing a level of learning customisation commensurate to a learner's unique position description or organisation
- transferring overlapping course provisions to a new qualification should learners wish to change their career.

Enabling funding to flow fluidly between providers will assist in supporting a learner centric, lifelong learning approach, which still accounts for the needs of industry.

"In our industry we do need expertise in quite technical fields, and one provider will not have access to all that expertise so we need to bring in trainers from equipment suppliers, other countries, and technical institutions to build the qualifications to suit. There needs to be a method to accept the relevant complexity required in those people of learning – a bit like Lego set building for the organisation and industry specific skills .There are a lot of businesses in our industry where the standard approach doesn't work."

A mix and match approach will remove duplication and enable relevant courses to be completed with great expedience

With the complexity of industry needs, it is increasingly difficult to build a foundation course that provides all the basics that a learner may need to be fully productive in their workplace. Often their foundation course requires further support that may be delivered by an alternate provider, but funding mechanisms do not allow learners to participate in multiple programmes of learning at the same time.

Enabling mix and match approaches would enable recognition of prior learning in previous foundation courses that could also attribute to new qualifications, should a learner choose to complete an additional qualification. Employers would then be able to access a learner's record of prior learning to understand what they may have studied in the past.

"Some of the pluses with multiple providers developing similar courses are that some skills are the same across similar industries so it would save duplicity of those courses being created. Where industry starts to blend or crossover it, we would be supportive of that. I think flexibility would be good for the students and industry."

A mix and match approach will support a fit-for-purpose short bursts of learning

Enabling a mix and match approach aligns with industry's desire for flexibility of learning to adapt according to technological changes and innovations adopted within the workplace. Shorter specialised learning modules and micro-skilling are increasingly demanded to address specific skillsets emerging with new technological advances.

Shorter bursts of learning can also suit learners and employers better, as they arrest the consistent demands on learners to complete off-job training, and enable them to manage their time on their terms.

"With technology moving so fast these days, we have to move rapidly. It's no good starting a four year course, when a new piece of technology arrives that an educational institute may need to purchase in order for students to learn on-the-job, therefore flexibility of blended learning [is required]."

"It's important they get the correct skills to upskill themselves. A lot of the qualifications are great but they are long and complicated so if they were in more bite sized pieces that would make it a lot easier."

Flexibility is needed in qualifications, but shouldn't overshadow foundation courses

Although fluidity is needed in the qualification framework, industry are concerned that a mix and match approach will lead to a break down in skill requirements by learners. There still needs to be direction towards a well-rounded and balanced approach to the foundation qualification so that basic skillsets and theories are understood.

The current qualification process through the sector advisory and technical advisory groups ensures that a balanced qualification is developed to meet the needs of the wider industry. While we support a mix and match approach to learning, industry believe that the foundation qualification still needs to be applied so that the basic principles and industry fundamentals are delivered to the learner.

"I can see that providing a greater ability to upskill [is good], but it should be based on essential basic qualifications such as level 3-4 qualifications. I see the mix and match as being add-on to the basic programme rather than the makeup of a basic programme."

It is important that ITOs continue to work closely with employers to ensure their industry's qualification offerings have the breadth to meet their needs, as well as the ability to keep pace with the rapid technology changes that are occurring.

There also needs to be recognition that not all credits are necessarily created equal. Credits achieved in a workplace setting are not the same as those achieved in a simulated workshop environment, such as that delivered by a provider. Within the foundation qualification environment, it is important to recognise the role practical and theoretical learning play in developing the capabilities of a learner. Somebody who has achieved all their credits in theoretical workshop environment is unlikely to have all the skills to immediately apply their learning to real-world clients in a real-world environment. A framework to deliver parity across units of learning below Level 4 is fraught with complexity.

In expressing our desire to ensure a strong grounding is achieved, we do offer a caveat, being there are unique industries, where modules of learning do not currently enable a full foundation qualification (i.e. apprenticeships) model to be applied.

Forestry, as an industry, has a strong commitment to upskilling, and enforcement of training in line with health and safety, and compliance requirements. It is an industry that operates within a high risk environment, in remote locations, with a substantial demand for one to one training and supervision. Training and workforce development is intrinsic to enabling a productive workforce and license to operate, yet their qualification framework does not lend itself towards a traditional apprenticeship model. We believe that in such instances, ITOs should be able to apply for dispensation to enable industry to have a relevant foundation qualification (at levels 3 & 4) that is fit-for-purpose. This also means funding at a higher level than traditional apprenticeship funding in order to ensure appropriate coaching, mentoring, and ongoing training still occurs.

In summary

Competenz and its industries support a mix and match approach to learning, once a foundation qualification to Level 4 has been achieved. This will ensure that higher learning is in line with the aspirations of the learner and the requirements of the employer.

Our caveat is that not all industries are the same, and high risk industries such as forestry, should be given consideration such that an alternate funding and support structure is recognized and applied.

More needs to be done to support at-risk learners

R12.7: Government should discontinue Performance-Linked Funding.

We believe the Performance-Linked Funding needs to be re-evaluated in light of performance measures being inadequate. The current funding regime focusses the ITOs on learners with a high chance of completing their qualifications. More needs to be done to support at-risk learners who require more pastoral care to reach completion.

ITOs are not incentivised to look at improving participation and completion rates of Māori and Pasifika, and NEETs as they are likely to lower an ITO's overall Educational Performance Indicators (EPIs). This steers ITOs towards learners who are more likely to succeed in their training in order to maximise their EPI.

There needs to be more investment in at-risk learners who require wraparound support, and high risk industries, as well as an incentive for employers to take on at-risk learners in the knowledge that they will need to provide the necessary support structure for those learners.

Self-Accrediting Status

R12.11: All providers should be able to apply to NZQA for self-accrediting status. Self-accreditation would cover processes such as programme approval and accreditation, qualification monitoring, and evaluation and review.

R12.13: NZQA should review their programme approval processes, with a view to reducing timeframes and removing any unnecessary requirements. It should set a target for the median timeframe for approvals.

We support the view that **ITOs only** should be able to apply for NZQA self-accrediting status, as we are the standard setting bodies for our industries.

We believe that if providers were self-accrediting, we would go back to seeing a proliferation of qualifications, a reduction in the quality of qualifications, and a lack of national consistency.

If ITOs were able to apply for self-accrediting status, we would likely see a reduction in timeframes, and removal of unnecessary requirements as this would imply a natural streamlining of internal processes.

Funding should be extended to higher level learning

R12.22 Government should:

- extend funding eligibility to students who do not intend to pursue qualifications;
- remove specifications that set a lower and upper limit on fundable course duration; and
- remove limits on the use of industry training funding on training at levels 5 and above on the NZQF.

We support the recommendation to extend funding for training without the intention to pursue qualification, only if a foundation qualification to Level 4 has already been achieved. In terms of the technological changes within industry, it is imperative learners are able to continue to adopt new skills to meet industry demands to maintain an agile and adaptable workforce. However, fundamentals of industry training should not be overlooked as this provides a commonly understood core skill-set that employers expect when taking on-board a skilled and qualified employee.

We also support the removal of funding limits on industry training at Levels 5 and above. The most critical skills shortages in our industries, particularly the manufacturing sectors, are intermediate level management. High quality supervisors, foremen and technical leaders are hard to attract. Our industries are struggling to find employees with Level 5 (advanced trade) and Level 6 (technicians) training, as the current system does not support these levels to the same extent as Level 4 and below.

An appropriate level of funding is not provided to these higher levels, yet these levels of training are often costly to the employer, and require a mix of on-job learning and off-job study. We believe ITOs are not sufficiently funded to support higher level learning.

At present, upskilling the existing workforce and developing future leaders is our industries' biggest challenge. Industry can only absorb so many entry-level staff, yet the funding for upskilling staff on-the-job at higher levels is less than it is for new recruits.

More focus needs to be placed upon extending the current funding system to above Level 4 for on-the-job training, as well as recognising the greater credit burn rate for higher level programmes – i.e. removing the 70 credit limit for funding. Our industries are struggling to find qualified middle management. Providing funding towards higher learning will bridge this gap, and support lifelong learning.

Equalising funding for New Zealand Apprenticeships and Managed Apprenticeships

R12.31: The Ministry of Education should review the funding rates applicable to New Zealand and Managed Apprenticeships, with a view to equalising them.

Competenz is fully supportive of any initiative aimed at providing a level playing field between ITOs and polytechnics. The report points to the MITO findings that in spite of almost double the funding of Managed Apprentices versus New Zealand Apprenticeships (NZAs), Managed Apprentices are achieving poorer outcomes than NZAs, although this industry training model is supposed to receive far more pastoral support.

The delivery mechanisms between ITOs and ITPs would need to be reviewed

Should parity exist between ITOs and Institutes of Technology and Polytechnics (ITPs), the playing field would need to be levelled in order that both providers were able to operate and support the learner with the similar service delivery mechanisms.

ITOs have the remit to engage with the employer and the learner, but are unable to support by delivering training, whereas ITPs have remit to perform all these services with additional funding and arguably poorer outcomes. This uneven playing field, and the objectives by ITPs to drive for enrolments, has seen substantial duplication and reduced efficiencies in the roles that both ITOs and ITPs play.

In order to achieve a level playing field, ITOs should have the same remit as ITPs to coordinate learners and employers in on-job training at every point across their learning journey, including the provision of training. This would provide for a far more seamless experience for the learner, with a clear primary point of contact. Technology has changed the definition of provision of training where the line between delivery and arranging is increasingly blurred

Parity could drive collaboration between ITOs and ITPs

Providing an even playing field between ITOs and ITPs will allow organisations to focus on their relative strengths instead of actively competing for the same employer pool. Providers could see the advantages of enabling ITOs to engage with industry and employers, run sector advisory groups, and consult widely over course content. Meanwhile ITPs may be comfortable focusing on delivery of the training itself.

Parity shouldn't mean lowest cost

There is a role that Managed Apprenticeships play in supporting at-risk learners who would require a higher degree of pastoral care.

Parity between Managed Apprenticeships and New Zealand Apprenticeships can be achieved, but it needs to account for the additional resources required in supporting an at-risk learner. These additional costs need to be reflected in the new funding model.

Lifting at-risk learner outcomes may also be achieved if there was greater flexibility in applying increased funding to specific schemes that have much higher pastoral care elements targeted at supporting at-risk learners. These may include group employment schemes such as ATNZ

(Apprenticeship Training New Zealand).

In our experience, there is also a disparity between the service requirements across different industries. Currently there is parity for all industries in the rate at which industry training and apprenticeships are funded. However, in the instance of the Forestry industry for example, the cost to support a learner in a high-compliance, high-risk, geographically isolated, highly managed environment is far greater than the cost to serve an apprentice in an urban manufacturing environment.

We believe that dispensation should be granted to ITO's applying for higher industry training and apprenticeship funding rates across a common system, where the needs of the industry dictate a more involved support model.

In summary

Competenz and its industries support parity in funding between NZAs and Managed Apprenticeships. We are cognisant however that mechanisms need to be put in place to provide additional funding support for at-risk learners that Managed Apprentice programmes target.

Competenz also believes that funding parity should also imply parity across service provisions for ITOs and ITPs so that the outcomes for learners can also be maximised through the most streamlined customer experience.

Finally, Competenz believes that higher funding rates should be made available for high cost-to-serve industries, where the dynamics of the market make learner engagement a far more costly exercise.

More explanation is needed on a reasonable deadline for funding allocations

R12.33: The Tertiary Education Commission (TEC) should, in consultation with providers, set – and stick to – a reasonable deadline by which they will confirm funding allocations.

We support the recommendation that TEC should set and stick to a reasonable deadline by which they will confirm funding allocations. A common understanding needs to be reached on what is considered “reasonable”.

Competenz's Response in Summary

The Productivity Commission inquiry has presented some interesting new approaches to tertiary education. At the foundation of the report, the Student Education Account puts the learner firmly in the driving seat with respect to decisions on their future.

As well as responding to a number of the recommendations, we would also like to highlight in our feedback some of the key themes which we feel are crucial to industry engagement.

Industry needs have not been addressed

The report's recommendations have focused heavily on innovative ways to improve the "system" for learners and students. The needs of business and industry have not been considered in the report.

If the ultimate goal is to maintain wealth and prosperity of New Zealanders, and improve our competitiveness globally, our education system needs to address the disconnect between what the qualification that learners are achieving in tertiary institutions, and what industry needs today and in the future.

The singular focus on the learner has meant that innovation around connecting learning outcomes with industry has been overlooked.

"I would say there is nothing in the report that talks about identifying industry needs to provide the people New Zealand needs to be innovative and exporters. We are talking about increasing value add and the right skills. It doesn't mention industry in any of those. It should be looking at how tertiary education can educate the people that New Zealand needs to be innovative and exporting."

"I'm deeply concerned with what the Productivity Commission is proposing from a students' perspective, and I also don't think that it particularly benefits employers. While I'm keen to see the cutting of red tape for employers to be able to take on apprentices and trainees, particularly on the job, I'm not keen to see the individualisation of the funding model"

Raising the profile of industry training to secondary schools and their students

Employers are crying out for young, motivated people to undertake apprenticeships and industry training. Collectively as ITOs and industry, there is a lot of work to do to raise the level of awareness on trades within the secondary school environment where the conversation is geared to sending students to universities and polytechnics.

Not only will ITOs need to invest heavily to increase marketability in the tertiary education space, but more should be done to look at alternative education-to-work schemes from secondary schools. Gateway is currently funded by government in the secondary space, but alternative work education schemes often do not attract funding.

Looking at innovative ways to improve the pipeline and profile of students to workplace transitions has been overlooked in this report.

“... I'm looking at a somewhat lower level, secondary school leavers, not tertiary. I don't believe there is a big problem with the tertiary support we get. It is more the quality of the people coming in.”

“I would like to reiterate that I am very keen on [this] avenue being set up for school leavers at 16 and over whether they go to university or do workplace training. I think it is a very good idea and provides more support to these companies, and will bring more on board over time, as well as have a positive impact on industry - a cost that will pay itself back.”

Industry traineeships have been overlooked

In viewing the Productivity Commission submissions, and the lens that is applied to on-the-job training, it is apparent that the focus is primarily on universities and ITPs. When ITOs are referenced in the report, the recommendations focus on apprenticeships – yet industry traineeships are not factored into the review at all.

The need for employers to develop programmes to support their compliance and bespoke requirements currently equates to well over 10,000 individual training plans for Competenz and its learners. This is a significant proportion of the working population that are being upskilled to improve productivity.

Innovations to look at how we could better deliver workplace development outcomes more seamlessly and effectively, or incentivise business to drive more advanced qualifications to increase the rate of upskilling, have not been considered within this report. We would like the report to take a more considered approach to the needs of employers and industry traineeships.

Transferability of skills

Our industries have delivered a clear message throughout the engagement process that the attitude towards softer skills is just as important as the specific technical skills that are required to perform in the workplace.

Motivation, commitment to their career, work experience, work readiness, common sense, reliability, enthusiasm, problem solving, critical thinking, using initiative, adaptability, ability to multi-task, dedication, team players, communication and leadership skills - these are all critical transferable skill and attitudinal sets that are imperative to a productive workforce.

How we build and support the development of these skills will become increasingly difficult as technology evolves exponentially, and we are faced with reskilling in much shorter timeframes. Any recommendations on innovative new approaches to tertiary education need to address how we arm learners with these soft, transferrable skillsets.

“I think what I see is the skills tendency is finite learning packages. There is not enough attention being paid to transferable skills required in a modern workplace, and when you look at the structure of current qualifications, they are almost incapable of absorbing those skills in a manner that can be assessed.”

Foundation skills followed by lifelong learning

The pace of change and technological disruption will render technical skillsets redundant with increasing speed. Productive employees will need to maintain a constant cycle of training and retraining to keep pace with new innovations and shifting paradigms of how we do business.

Training will need to be delivered in bite sized chunks to be consumed regularly throughout a career. We can no longer rely on a single base qualification being the only formalised learning that we undertake in our working lifetime.

Any innovations in the tertiary learning framework will need to account for a base level of skills that enable a learner to acquire the appropriate thinking and fundamental practical skills that are required to perform simple tasks in industry. This is a foundation qualification that is widely understood, acknowledged and supported by industry, and designed in conjunction with industry.

Innovative frameworks should then support a learner's ability to build on this foundation qualifications, so that they be able to operate new equipment effectively, apply new principles, or use new frameworks to make decisions.

Industry will not support the fragmentation or watering down of core qualifications at the expense of agile learning.

"For technological change there needs to be a framework explored for retraining upskilling employment. I question why the business model is the primary focus for this. Sustainability is a big issue which should be considered after the assessment of what New Zealand needs from tertiary education."

"I think my biggest concern is the risk of fragmentation. Competenz have done a lot of work to bring our industry into something that is pretty consistent, and it depends on how this proposal is interpreted whether you still have a body like that keeping our industry together and being cognizant between the students' needs and the employers' needs, or whether our industry would turn into an individual bunch of companies competing together. Because in our day to day we are competitors."

At-risk learners

Whilst the report focuses on a learner-centric approach to the tertiary education system, it does little to address the proportion of the population that are at-risk of not completing their qualifications. Little has been referenced to look at the responsibilities that providers and ITOs have to support at-risk learners and groups, such as Māori and Pasifika learners, and those designated as Not in Employment, Education or Training (NEETs).

Recognition that these groups need greater support mechanisms and pastoral care requirements is key to supporting them with gaining tertiary qualifications. The recommendations should acknowledge the work that should go into providing additional support to these risk groups.

"Low quality students also need looking after, and I suspect in a "looking after yourself" model, they will drop off."

A focus towards higher learning

As per recommendation 12.22, we are pleased to see the government focus on enabling tertiary education organisations to deliver training to Level 5 and above. As we have articulated, the most critical skills shortages in our industries, particularly the manufacturing sectors, are intermediate level management. Our feedback from industry is that they are struggling to find employees with Level 5 (advanced trade) and Level 6 (technicians) training. High quality supervisors, foremen and technical leaders are in high demand and short supply, and the current system does not support these levels to the same extent as Level 4 and below.

These qualifications are often more costly to the employer, which combined with low levels of funding support, have been a deterrent to employers. We believe ITOs are currently not sufficiently funded to support higher level learning. Anything that addresses this imbalance would be welcomed.

Recognising the roles of ITOs and ITPs

ITOs have a unique and valuable role within the tertiary education sector. We are a dynamic agent of training in the industry, we enable the provision of the most desired skills for business, we are a vehicle to boost productivity in New Zealand, and we provide a cost effective delivery model by utilising the workplace as a classroom.

ITOs are the standard setting body and arranger of training for the industries we represent. We work closely with industry to ensure that the qualifications continue to be fit-for-purpose in a transient workplace.

We believe that innovative approaches to tertiary education should create a system that fosters collaboration between ITOs and ITPs. At present, funding models between Managed Apprenticeships and New Zealand Apprenticeships pit ITOs and ITPs against each other, on an uneven playing field.

Future recommendations should embrace the roles the ITPs play in delivering training, and the roles ITOs play in organising training in the work place.

In summary

Competenz believes that the Productivity Commission has an important role to play in recommending new models of tertiary education that meets the needs for a productive and innovative New Zealand.

Raising the standard of living for all New Zealanders, enabling businesses to compete on a level footing offshore, and future proofing our industries where technology is changing the way we work, are goals we should all be striving for as we review the way Tertiary Education Organisations deliver learner outcomes.



Competenz is a multi-sector industry training organisation (ITO).
We help Kiwi industry grow skills, careers and businesses.
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