

## ServiceIQ Submission to the New Zealand Productivity Commission New models of tertiary education Draft Report (September 2016)

### Executive Summary

ServiceIQ welcomes the opportunity to respond to the New Zealand Productivity Commission (NZPC)'s *New models of tertiary education-Draft Report (September 2016)*. ServiceIQ considers that as a leading Industry Training Organisation (ITO), in a sector that employs 27 percent of New Zealand's workforce and contributes \$38bn to the Country's GDP, it is appropriate to make a submission on the Draft Report. ServiceIQ also fully supports the Industry Training Federation (ITF) submission. ServiceIQ particularly supports the concern expressed in the ITF submission that the Draft Report is very supply-side focused and needs to address more fully the demand side of the equation where all students and trainees end up in employment in some form. Does tertiary education in New Zealand adequately prepare learners for the needs of employers?

For this report ServiceIQ consulted with the ServiceIQ Board, ServiceIQ's Industry Advisory Groups, and the chief executives of our top 40 employers which are the service sector industry voice for the industries ServiceIQ represents. The ServiceIQ Board considers that there is a very important role for ITOs to be the nexus between the tertiary education system and the businesses and employers that comprise the service sector in New Zealand. ServiceIQ believes that employers as the end user of the product of education and training should have a major role in the tertiary education system. ServiceIQ considers that there is real benefit in on-job training that can be assessed by peers with proven work history in that vocation, using up to date technology and tools for that role. The learning is current and the trainee is experiencing real life and real time situations.

ServiceIQ considers that the NZPC review of tertiary education is very important for industry training and has the potential to frame the policy agenda. This submission will focus on the recommendations of the NZPC that are most relevant to industry training and the ServiceIQ industries. The issues paper that was released earlier this year reflected a provider-centric view of tertiary education, and had little commentary related to industry training. The ServiceIQ Board is pleased to note that the Draft Report has given much more prominence to the role of ITOs and supports the general thrust of the report, as a considerable amount of work has gone into this report. ServiceIQ is hopeful that the Government will take all of the recommendations seriously and give them full consideration.

### The key findings of the draft report of relevance to industry

The draft report includes more information on the industry training sector, including a full chapter about employers, industry training and the labour market. ServiceIQ supports this greater prominence to work-

based training and considers that part of the solution to a more innovative training and education sector is closer integration between education and industry-based training.

ServiceIQ agrees with the contention in the Draft Report that workers in New Zealand are poorly matched to the needs of the workplace, and that this mismatch correlates with lower labour productivity, and that New Zealand workers are perceived to be over-qualified relative to other countries.

Career guidance, information for learners, transferable skills development, opportunities to retrain, and a system responsive to employers are all important in improving matching between school leavers and employment. ServiceIQ agrees that much more prominence needs to be given to school career counselling as a stand-alone profession.

ServiceIQ supports the view that the incentive for employers to engage with tertiary providers may be muted by the ease of access to skilled migrants; and tertiary providers lack incentives to respond to employers as their funding is not directly linked to labour market outcomes. ServiceIQ believes that industry training can more comprehensively address this disincentive through responding more closely to employer needs.

ServiceIQ supports the findings that funding for industry training is mainly limited to Levels 1 to 4 of the qualifications framework, limiting the ability of the sector to respond to higher-Level training and inhibiting the adoption of new models such as degree apprenticeships (ITOs may spend up to 10% of their funding at Level 5 and above). The NZPC Draft Report notes that 32 per cent of industry trainees in 2014 already held a qualification at Level 4 or higher, therefore it concludes that there are no compelling reasons why provision of funding should be limited to Level 4. ServiceIQ agrees with this rationale.

ServiceIQ supports the finding in the Draft Report that the funding rates for NZ apprenticeships (through ITOs) and managed apprenticeships (through ITPs) differ markedly in favour of ITPs, with no clear rationale for this difference, particularly as research shows that five-year qualification completion rates are higher for ITOs (44 per cent) versus ITPs (38 per cent). ServiceIQ agrees that funding rates should be equalised between ITP provision and ITO provision for apprentices.

ServiceIQ also supports the finding that current funding and regulatory settings present barriers to mid-career retraining.

## The recommendations that directly affect industry

The recommendations of most relevance to industry training, with ServiceIQ comment are noted below:

**Recommendation 12.3:** The Ministry of Education (MoE) should design a new quality control regime for tertiary education that enforces minimum standards of quality. ServiceIQ questions the need for such an overhaul and does not support this recommendation. The quality assurance systems need to be maintained and enhanced. ServiceIQ believes that some of the processes used by NZQA could be reviewed to ensure fitness for purpose, and that timelines could be reduced particularly for providers with a good track record and demonstrated robust systems.

**Recommendation 12.4:** MoE and the Tertiary Education Commission (TEC) 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. This information should be published. ServiceIQ supports this recommendation.

**Recommendation 12.5:** 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. ServiceIQ supports this recommendation.

**Recommendation 12.6:** Students should be able to mix and match courses from different providers, without penalty for the providers. ServiceIQ supports this recommendation.

**Recommendation 12.13:** NZQA should review their programme approval processes with a view to reducing timeframes. ServiceIQ supports the thrust of this recommendation but agrees with the ITF submission that any review should look more widely than just the timeframe. In particular, ServiceIQ supports a lighter-touch approach for providers with a good track record and robust systems. Such an approach would result in shorter timeframes while maintaining a robust, high trust model.

**Recommendation 12.22:** The Government should: extend funding eligibility to students who do not intend to pursue qualifications (but may engage in other training). ServiceIQ supports this recommendation. The Government should remove limits on the use of industry training funding at Levels 5 and above on the qualifications framework. ServiceIQ supports this recommendation.

**Recommendation 12.31:** The Government should review the funding rates applicable to New Zealand and Managed Apprenticeships, with a view to equalising them. ServiceIQ supports the position that Managed Apprenticeships should be funded at the same rate and New Zealand Apprenticeships.

## Background to ServiceIQ

ServiceIQ is one of New Zealand's leading and largest ITOs. ServiceIQ sets standards and develops the skills for New Zealand's fast growing service industry sectors, representing: Tourism; Accommodation; Cafes, Bars and Restaurants; Clubs; Food Services; Quick Service Restaurants; Museums; Aviation; Travel; Retail and Retail Supply Chain.

These combined sectors account for 27 per cent of the New Zealand workforce, numbering a total of 610,000 people and contributes \$38 billion to the annual economy (18 per cent of GDP). Looking ahead, New Zealand's Tourism industry alone, aims to double tourism revenue to \$41 billion a year by 2025.

ServiceIQ operates in a dynamic environment. Every year, over 18,000 New Zealanders gain skills from ServiceIQ in an on-job training environment where trainees earn as they learn and develop skills and qualifications necessary to drive productivity and profitability in the service sector industries. ServiceIQ sets the qualification standards and provides on-job training programmes for thousands of trainees in our industries. ServiceIQ works with companies such as Air New Zealand, The Warehouse Group, Z Energy, NZ Defence and McDonald's. The range of training available to providers includes flexible short online courses, through to programmes and apprenticeships that lead to New Zealand certificate and diploma qualifications.

The service sector employs approximately 610,000 people (including part-time workers) and they exhibit the following characteristics:

- 22 percent are aged between 15-24 years old, compared to 14 percent of all New Zealanders in that age group
- a significant number of Asian workers in the service sector workforce (16 percent compared with 11 percent of the New Zealand population)
- 53 percent of people in the service sector have no post school qualifications, compared to 43 percent of all New Zealanders
- 55 percent of workers in the service sector are working in jobs where the optimal qualification levels are Level 3 or below on the New Zealand Qualifications Framework, compared to 39 per cent of all New Zealand workers
- a large number of part-time workers (27 per cent compared with 21 per cent of the New Zealand workforce)
- 10 percent of Māori and 5 percent of Pasifika workers work in the service sector
- a significant number of workers in the service sector have issues with Literacy, Language and Numeracy.

ServiceIQ takes its role in skills leadership very seriously, and incorporates business input into this system with a meaningful industry consultation process as businesses need to drive the training system as the end user of the trainee.

ServiceIQ strongly opposed the removal of the *skills leadership* role of ITOs when it presented as part of the ITF submission to the Education and Science Committee on the Industry Training and Apprenticeships Amendment Bill in 2013. The ServiceIQ position was that Clause 15 of the Bill removed the ITOs' legislated skills leadership function in the Industry Training Act 1992 and left it to ITOs to decide whether they continue with skills leadership activity. ITOs were concerned that removal of the skills leadership role did not support the purpose of the Bill in improving industry training. It was noted at the time that ITOs would continue to be skills leaders for their industries because this role is essential to their core business.

## ServiceIQ's Service Sector Workforce Development Plan

ServiceIQ released the Service Sector Workforce Development Plan in 2015 following extensive industry consultation over a two-year period. The Plan has been agreed by industry and is owned by industry, and guides ServiceIQ's skills leadership work programme. The Plan articulates a shared vision for the sector to respond to the challenges and changes it is facing, and a framework for workforce development.

The framework encapsulates the three primary levers a sector can use to develop the skills of the workforce; that is, attraction and retention, skill development, and skill utilisation. This framework has six priority actions and these underpin our workforce development activities. The priority actions are:

- Attract and retain people with the right attitude and aptitude
- Increase the number of able school leavers transitioning into the sector
- Increase access to and engagement with training
- Develop and maintain high quality qualifications and programmes that meet the needs of industry
- Increase productivity by developing core skills
- Improve business and management capability.

These priorities have been chosen because they are the most likely to have a significant impact on increasing business productivity and growth, and closely align to the primary levers that will make this happen. ServiceIQ has been engaging with industry leaders in the regions through our Regional Roadmap workshops in 7 regions during 2016 and this will be extended to 16 regions in 2017. The Roadmaps for each region will be published and disseminated widely to reflect the key actions that will meet the region-specific actions as listed above.