



ITF Submission: New Zealand Productivity Commission: New models of tertiary education – Draft report

The Industry Training Federation (ITF) appreciates the opportunity to provide feedback on the Commission’s Draft Report. This submission makes general theme-based comments and provides feedback on specific recommendations of interest to the ITF’s members.

We congratulate the Commission on a thoughtful and thought-provoking report: one that should provide a catalyst for discussion for a long time to come. New Zealand’s tertiary education system is complex, has multiple purposes, and its stakeholders differ in terms of how they define its success. The report recognises this complexity and makes some interesting and wide-ranging recommendations.

We were immediately pleased to note that the draft report gives better visibility and consideration to work-based learning as part of the tertiary education landscape, particularly as compared with the Issues Paper, and very pleased with its recommendations to seek to resolve current funding inequities between the work-based and provider based parts of the system.

Industry Training and Apprenticeships is formal, post-school, tertiary provision. It is by no means a new model, but it represents innovation insofar as it simultaneously develops and deploys skills in the productive economy. That makes it efficient and cost effective – critical drivers of productivity. It is also noteworthy that, alongside the rise of digital learning, the concept of “work integrated learning” is a space where providers are seeking to move, in the name of innovation.

The ITF supports better linkages between the world of education and the world of work. As the OECD has previously noted, when it comes to *vocational* education, successful systems are marked by the extent of the integration between the world of education and the world of work.

We noticed that in Chapter 3 Student characteristics and choices, the report spends some time dedicated to understanding *why* students study at universities, wananga, ITPs, PTEs and community education, but for ITOs the question was solely about *who participates*. This implies that both individuals and employers have only the option to participate, or not participate. This is not the case. Other forms of tertiary education are still available for purchase – presuming those people have the time and opportunity to engage in institutionalized education. Over 138,000 people are engaged in industry training. Student choice is a little more complicated here – a person may have been recruited into a firm that engages in industry training or not, and a training agreement is in the formal sense a tripartite undertaking between a learner, their employer, and an industry training organisation. However, it certainly is the case that increasing numbers of people are seeking out work-based learning options, such as apprenticeships, either

because they wish to secure a future in industries which traditionally use this model, or because it provides a way to up-skill the existing workforce throughout the lifetime of a career without having to leave their job, lose income, spend money, and potentially attract debt.

Overall, our main concern with the report is that it is very supply-side focused. It is almost completely a report about skills development, and the operational annoyances that impede innovation within its current actors. Our contention is that *productivity* is about the relationship between skill development and skill deployment. The discussion on labour market signals and links between tertiary education and the wider economy is relatively light, which is surprising given the overall remit of the Commission, and the problem articulated in the earlier Issues Paper about the lack of discernable impact on economic productivity from a vastly increasing amount of tertiary education over the last 30 years. New models and innovation might well emerge through reducing constraints on education providers in one way or another, but these need to be seated in a vision where such innovations achieve the result of improving the connection between the supply of skills and knowledge, and New Zealand's social and economic wellbeing. We contend that innovation, and indeed a new model is also about thinking more broadly about where and how and for whom post-school learning can and needs to happen. In the final report, we would like to see greater emphasis on the link between education and employment, both as a way for people to enter the labour market, and a system that supports people throughout their working lives.

General comments

Employers as providers

In our submission on the Issues Paper, we described how the industry training model links to the industry demand-side of tertiary education through the relationship with employers, describing how employers are 'intimately involved in both the creation of the content for the training, and the training itself.' While the draft report does acknowledge the importance of employer input, both financially and into development of content, we believe that there is still insufficient acknowledgement given to employers as *providers* of tertiary education through this model.

Qualification mismatch

While it is certainly noteworthy that New Zealanders self-report the greatest mismatch between qualifications and roles, we caution against the temptation to focus too heavily on qualification and labour market mismatch, particularly in terms of how it relates to productivity. It is neither possible nor desirable to create an exact match between the skills recognised in a qualification and current job roles; and evaluating the tertiary education system in these terms can be unhelpful.

On the other hand, qualification mismatch information can help evaluate the extent of qualification inflation within the system. New Zealand has been on a quite deliberate project to increase the numbers and levels of people with higher qualifications in the workforce. However, there is no direct lever between this and the actual roles available in the labour market. This has resulted in increasing costs of entry, particularly for new entrants into the labour market, and a devaluation of the value of higher qualifications.

Co-creation

The report advocates both for greater employer involvement in the system and for a more learner-centred system. However this is still largely presented from the perspective of learners and employers as ‘purchasers’ – either of the education provision, or the graduate supply. The ITF contends that our tertiary education system should be evaluated in terms of the degree and quality of the connections between the world of education and the world of work. It is not just important for employers to co-create the content of education supply; they should also take an active role in its provision. Likewise learners and employees should be actively engaged in system design and evaluation.

Education as a system, not a market

Overall the Commission found that the tertiary education system is not well-placed to respond to uncertain future trends and the demands of more diverse learners, is not good at trying and adopting new ways of delivering education, and is not student-centred. The Commission contends that this is largely due to the high degree of central control that stifles the ability of providers to innovate. The ITF does not share the Commission’s view that a more market-focused approach and deregulation would lead to significant gains for learners, or significant innovation. New Zealand’s evaluative approach to quality assurance is one of the strengths of the system, and enables us to have confidence in the quality of the teaching and learning in New Zealand. We would like to see more tangible rewards for organisations that have proved themselves through the evaluative process, (for example fast-tracking or ‘lighter-touch’ quality assurance of qualification and programme approval) but we do not want the rigour of the quality assurance system to be lessened through deregulation.

SEA

The Commission recommends putting students more powerfully in the driving seat by re-allocating Government subsidies directly to the students via a Student Education Account (SEA). We do not support the claim that 18 year olds’ study choices are a more reliable way of filling skills shortages than information from employers or government. We also consider that the SEA as proposed would do little to encourage lifelong learning. For many mid- and late-career workers, it is highly likely that they would opt to use any residual funds left in the SEA to increase their Kiwisaver, rather than invest in tertiary education. The SEA might also provide a disincentive for employers to invest in training their staff, as they will expect individuals to cover the costs.

Re-thinking the EFT

The report makes a number of findings around the current processes and parameters for equivalent full-time students (EFTS), including that the processes “are not sensitive to important drivers of costs such as economies of scale, differences in student characteristics, and differences in location and mode of delivery”, and that the quota system means that supply is unable to readily adjust to demand, creating less efficient matching of students to tertiary education.

The ITF supports the recommendation that the Government should alter the definition of an equivalent full-time student (EFTS) to allow alternatives to the input-based “learning hour” as a basis of calculation. Our outcomes-based qualifications system relies on a common currency (credits) to support portability and transfer. However ‘nominal’ the notion of the learning hour, it carries an underpinning assumption about the way that learning can happen, which has never been right and is increasingly wrong. There might be potential in a more programmatic and prorated approach to funding learning programmes based on their mode(s) of delivery – though care would need to be taken to avoid perverse incentives where delivery is driven to higher cost models. Another potential area for exploration is to separate funding for teaching and learning activity from funding for assessment and credentialisation, which might be better able to account for multi-mode and flexible delivery, account better for self-directed learning options, and for workplace training.

Career development

We fully support the finding that the arrangement and delivery of careers services including in schools, and government provision of information to prospective tertiary students, is fragmented and operating poorly. We would like to see increased involvement of industry and industry training organisations in providing information about the labour market and career choices to secondary schools and their students. We are also disappointed in the ongoing imbalance in information provision for students about industry training, as offered by TEC.

Tertiary education and employment

As noted in the draft report, students and their families are very concerned with the future income and employment prospects offered as a result of their investment in tertiary education. We are pleased to see the link between education and employment being acknowledged, and it is our view that all parts of the tertiary education system should take an active role in preparing learners for their working lives, including an increase in work experience opportunities, and active employment brokering.

Examples of innovative models

There are some models within the tertiary system that we believe are innovative, improve employment prospects for graduates, increase productivity, and deliver social and community benefits. Examples of these models include the Maori and Pacific Trades Training scheme, the programmes funded under the workplace literacy fund (particularly the employer-led portion) SWEP-linked projects like Auckland Airport, and a number of collaborative education to employment programmes in Northland, currently supported by JVAP funding from TEC.

The programmes have the following design factors in common:

- Identification of a cohort of learners and their education and economic aspirations including their achievement to date.
- Development of partnership/consortia that includes TEIs, ITOs, employers, student representatives, community groups, Iwi, government agencies etc.
- Development of an education programme for the cohort that would address the needs and aspirations of the cohort, evaluate/factor in existing

provision/activities, and design pathways to meet real labour market opportunities.

- Inclusion of employer recruitment processes for selection of learners into the programme and placement into workplace experience/employment.
- Supported transition into further education and sustainable employment with ongoing pastoral care.

In addition to the above, some or all of the funding for these programmes is negotiated off-plan through a funding letter from TEC, enabling greater flexibility in terms of setting outcomes and outcomes measures. We would like to see more like this.

In the case of the Employer-led Workplace Literacy and Numeracy programmes, this means that increasing an organisation's productivity with literacy and numeracy upskilling is at the heart of successful applications. High quality programmes are marked by:

- a clear articulation of the employer's productivity opportunities or problems that literacy and numeracy training can address
- understanding and measurement of employee practices that need to change to improve productivity
- measurement of employees' literacy and numeracy using the Assessment Tool pre- and post-training intervention
- understanding and reporting of personal outcomes for employees that then contribute to a higher performing workplace

This approach has proved very successful and produced some innovating solutions and encouraging results.

Specific feedback on some of the Report's recommendations:

12.3 We do not support the recommendation that *MoE should design a new quality control regime for tertiary education that enforces minimum standards of quality*. As stated above, 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. We would like to see incentives and sanctions applied as a result of this process; in particular we would like there to be a fast-tracking approach to quality assurance for those organisations who have proven themselves through regular external evaluation and review.

12.4 We are wary of the recommendation that *MoE and 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*.

We agree that students, parents and employers should have access to public information about the student outcomes for particular programmes. Care is required in the defining the 'value-add' of tertiary education. It should be broader than the income premiums to individuals, and consider wider wellbeing indicators. For instance, in the health sector having trained staff improves health outcomes for their clients and for New Zealand more broadly in terms of avoidable hospitalisations and reduction of

near-misses. It is also important that any analysis of the 'value-add' of tertiary education programmes does not set institutions and organisations against each other and further disincentivise collaboration.

We also invite the Commission to give further consideration to employers as a critical audience for this information – industry training and apprenticeships fundamentally relies on the commitment of employers to participate and commit to training. Outcomes information is published that presents meaningful information to employers too about the value of their investment in education and training.

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

12.6 We support the recommendation that *students should be able to mix and match courses from different providers, without penalty for the providers.* This should include learning recognition processes for workplace learning.

12.13 We do not support the recommendation that *NZQA should review their programme approval processes with a view to reducing timeframes* – we would like instead like to see fast-tracking or 'lighter-touch' quality assurance of qualification and programme approval. Should NZQA review their programme approval processes, we believe it should be with a view to create the best process possible, not just streamline or speed up the existing process.

12.22 We support the recommendation that *Government should extend funding eligibility to students who do not intend to pursue qualifications.* This will support delivery of short courses and modular learning to enable the credentialing of bite-sized learning as the building blocks of larger programmes and qualifications. We do not support the recommendation that *Government remove specifications that set a lower and upper limit on fundable course duration* – rather we would prefer an approach that does not fund specifically and rigidly based on delivery hours, but enables flexibility of duration depending on cohort.

We fully support the recommendation that *Government remove limits on the use of industry training funding at levels 5 and above on the NZQF.* Industry training is founded on the principle that industry should determine its skills needs and make arrangements to train. There is therefore no reason in principle to have a level-based cap on subsidies, particularly if we believe either that qualification inflation has occurred, or that the skill needs of industries are becoming more sophisticated. We believe both to be true.

12.23 We support the recommendation that *Government should abolish University Entrance, leaving all universities free to set their own entry requirements.*

University Entrance largely drives New Zealand's senior high school in terms of delivery models and organisational structure, and yet the majority of school leavers to not pursue degree level pathways.

The ITF has an interest in this recommendation, because the existence of the “approved subject list” has served to undermine the value of vocational learning and the parity of esteem between various post-school pathways. It also undervalues learning in areas that are important to the future of the economy. For example, Tourism is not university approved, but it is our largest export. This will require universities and schools to have clear and consistent systems for communicating entry requirements – perhaps through Careers New Zealand.

12.31 We strongly support the recommendation that *Government should review the funding rates applicable to New Zealand and Managed Apprenticeships, with a view to equalizing them*. Equalised funding rates will allow for better collaboration between workplace-based and provider-based learning which is currently fragmented and administratively complex due to differential funding rates. The ITF has maintained a consistent position that that Managed Apprenticeships should be funded at the same rate as New Zealand Apprenticeships.

12.33 We support the recommendation that *TEC should set and stick to a reasonable deadline by which they will confirm funding allocations*. Clearly this will rely on a further conversation about reasonableness. Our members note some recent improvement in this regard.

About the Industry Training Federation

The Industry Training Federation (ITF) is a membership-based organisation, representing all of New Zealand’s recognised Industry Training Organisations. The ITF seeks to improve the policy for and delivery of industry skill development and workplace learning. It is the collective voice for the industry training and apprenticeships sector in New Zealand.