

## Further Submission on the Productivity Commission Investigation into *Technological Change and the Future of Work*

February 2020

### About Us

The Industry Training Federation (ITF) is the national body for New Zealand's eleven Industry Training Organisations (ITOs). We are the collective voice for the industry training and apprenticeships sector. In 2018, 138,000 trainees and apprentices achieved 45,000 industry-recognised qualifications on the New Zealand Qualifications Framework.

At present, the ITOs' legislative role is to develop and maintain skills standards for industries, and to make arrangements for people working in those industries to achieve industry standards and qualifications. Technological changes occurring in workplaces across New Zealand are one of the key drivers of these activities.

If you have any questions, or would like to discuss elements of this submission further, please contact Michael Ross, Principal Advocacy Advisor, on 04 894 3190 or at [michael@itf.org.nz](mailto:michael@itf.org.nz).

### Our Initial Submission on *Technological Change and the Future of Work*

In our June 2019 submission on the issues paper, *Technological Change and the Future of Work*, we made a number of initial observations in response to that paper's discussion of education and skills supply. Specifically, we noted:

- The importance of an efficient and responsive workplace training system in any future of work scenario.
- The need to better capitalise on New Zealanders' desire to learn.
- The need to bridge the gaps between education and employment, by:
  - Making the education system more responsive to employer/industry demand;
  - Supporting employer engagement in the formal training system; and
  - Making lifelong learning a guiding principle of our post-school education and training system.
- The importance of on-job training for meeting the needs of the low-skilled.
- The need for better, timelier careers advice.

We also noted the substantial systemic change, and resultant uncertainty, resulting from anticipated changes to the New Zealand VET system as a result of Government proposals for the Reform of Vocational Education (RoVE). Those proposals have now been confirmed by the Government, with legislation likely to be passed in April 2020, which will significantly restructure the VET system in general, and the industry training sector in particular.

We believe that the RoVE process will ultimately be judged on the extent to which it delivers a fit-for-purpose VET system for employers and learners alike, and that issues such as those being canvassed by the Productivity Commission in this investigation must remain front and centre in the thinking of policy-makers as decisions are made about the reformed system.

## The Role of Education and Training in Addressing Technological Change in the Workplace

It is evident that education, and particularly workplace training, will be a vital component of the sort of economic transformation the Productivity Commission is mooted through its recommendations around 'flexicurity' and associated shifts to meet the challenges of technological change in the workplace. Specifically, New Zealand will need a truly 'lifelong learning' approach to education and training, of which work-based training is a vital component.

To this end, we are pleased to note that the Commission has undertaken a comprehensive assessment of both the role workplace training and education can play in the future, and the impediments that must be overcome for it to do so. Our comments are focussed on Draft Report #3: *Training New Zealand's Workforce*, and Draft Report #4: *Educating New Zealand's Future Workforce*.

### Draft Report #3: *Training New Zealand's Workforce*

The ITF agrees with the underlying premise of this report. At the highest level, a responsive education and training system is vital for addressing not just the challenges of technological change in the workplace, but all aspects of dynamism in a modern economy.

As noted in the report, it is our belief that lifelong learning must be a guiding principal for New Zealand's education and training system. The lifelong learning opportunities offered by workplace training in particular will be vital in helping both employers and employees respond to the challenges of technological change, shifts in global markets, demographic changes in the workplace, evolving consumer preferences for sustainable production methods, and so forth.

To this end, we share the Commission's concern regarding a systemic over-emphasis on classroom-based education at the expense of workplace training. This emphasis has been driven by a wide range of factors, from funding rigidity to unfavourable perceptions about merits of VET compared to academic learning. This has resulted in a system that places more emphasis on the mode of education and training than on the timeliness and relevance of that education and training.

To address this, we support the notion that funding systems should be flexible enough to respond to demand for VET wherever it arises. As noted in the report, the last decade has seen a significant shift away from provider-based VET, but the current funding system has incentivised competition for funding amongst providers and between providers and ITOs, limiting incentives to collaborate, and undermining the ability of the system as a whole to effectively respond to industry demand or meet the needs of learners. As a result, the VET system as a whole has not pivoted towards workplace learning to the extent the market may have otherwise enabled.

We note that changes to VET funding are a key stream of the Government's RoVE proposals about which there has been limited public discussion to date. We support the shift to a unified funding model in principle, but agree with the Commission's point that the principles proposed open up the risk of a missed opportunity. Any new funding system must be developed with a view to being flexible, enabling, and not simply a unifying of funding rates.

We are also supportive of proposals to improve access to work-based education and training through the removal of a number of the constraints that have been placed on the current industry training system. In fact, we would argue that improving access to, and increasing participation in meaningful, industry-driven workplace training will be a key measure of the success of the changes the Government is implementing through RoVE.

However, it is important that any 'opening up' of the workplace training system, be done with care. To ensure the value of the Government's investment, access to workplace training must not come at the expense of rigour, or the quality of outcomes for both workers and employers. To that end there are a number of points we would like to make about the Commission's access-based proposals.

Firstly, we firmly support the proposal to provide greater opportunity for the use of micro-credentials. Micro-credentials provide a valuable opportunity to credentialise new learning, or reflected the limited scope of work undertaken in work settings where training towards a full qualification is impractical. The recognition of micro-credentials by NZQA in 2018 was welcome, but we support the Commission's call to enable wider delivery of such credentials.

Concurrently, we also support the position that the current distinction between firm-specific and general skills can be limiting. However, there is a risk that both a shift to more firm-specific formal training and wider uptake of micro-credentials will create both real and perceptual problems regarding the value of VET learning in the workplace – increasing perceptions it is a public subsidy for private gain, while limiting access to the sort of comprehensive qualifications that may best serve learners and the industries they work in, not just their immediate employer.

Opening up opportunities to stack micro-credentials into larger qualifications would help ameliorate the risk of access to smaller packages of learning closing off opportunities for learners in the workplace to receive full qualifications. However, we would encourage the Commission to think carefully about how to further mitigate these risks.

We are also supportive of workplace training being made accessible to more learners, be they migrants, or contractors. If we consider New Zealand's workforce to be an asset, then failure to invest in parts of that asset simply because of their current contractual arrangements is short-sighted, and will be increasingly problematic in a future work force.

However, while we firmly support the opening up of workplace training to all workers, we have concerns about the wording used in relation to apprenticeships. Apprenticeships are fundamentally a relationship between employer and employee and we see considerable risk that opening up access in the way suggested may dilute this to extent that apprenticeships become simply another provider-led education, diluting an historic and vital part of New Zealand employers' training culture. It should be possible to enable training to reach a wider group without undermining the specific legal meaning that underpins training that occurs through an employment relationship, such as an apprenticeship.

While supporting accessibility of education and training for those who may face barriers to entry, we question whether opening access to student loan support to learners undertaking smaller packages of learning is the best option for achieving this. As noted, the current limit is most likely to affect those on lower incomes, who may not have the savings available to self-fund, but this is the same group that will be most negatively impacted by debt, and who may yield only small financial returns from such relatively small packages of learning. Noting the cost to government of every dollar loaned, and the potential impacts of debt on low-income workers, we would recommend changes to subsidy settings to address affordability issues with smaller packages of VET learning.

Finally, we would like to comment on the returns of education and training in New Zealand as detailed in Box 2.1, and specifically the comment that "Lower-level education and training (i.e., New Zealand Qualifications Framework levels 1–4) in New Zealand tends not to boost people's incomes but can improve their employment outcomes compared to similar people who do not undertake training.

In the first instance, the lumping together of level 1-4 qualifications in this manner is effectively drawing a conclusion about the value of everything from the most basic foundation education programmes through to complex four-year apprenticeships, many of which are arguably 'under-levelled' as a result of current funding restrictions on higher-level industry training qualifications.

In the second-instance, this analysis speaks about short-term earnings impacts, but does not, for example, consider the lifelong financial position of learners who have undertaken workplace, vs provider-based training.

We encourage the Commission to undertake a more in-depth analysis of the potential outcomes of VET learning in developing its final recommendations, particularly noting the increase in prior attainment of industry trainees. In short, graduate earnings cannot necessarily be ascribed to the highest qualification an individual holds, particularly if the next step of their tertiary journey involved formal workplace training.

#### *Draft Report #4: Educating New Zealand's Future Workforce*

We support the identified opportunities for reform in the New Zealand education system and wholeheartedly agree with the notion that provider-based education must be informed by a future of work perspective. Policy-makers regularly articulate the desire that New Zealand's education system be as learner-centric as possible. However, to be truly learner-centric, an education system must prepare learners to succeed upon their entry to the workforce.

At the highest level, the New Zealand education system remains too focussed on pathways into university, with students poorly supported to navigate the breadth of opportunities that are available to them. Too often, those who 'make the grade' for further academic study are advised to do so to the exclusion of other opportunities that may better suit them, or better meet the needs of the New Zealand economy. Meanwhile those that do not show the aptitude for that particular branch of learning are neither as encouraged or supported as either deserve to be and the industries in which they will ultimately work need them to be.

To this end, we agree that University Entrance can be problematic. It creates demands on timetabling, course selection, and modes of education delivery that serve one outcome at the expense of others. It is also a contributor to the perception that vocational pathways are a 'second-class' option, and, no longer serves as a guarantee of entry to many university programmes. The introduction of Vocational Entrance awards is a potentially valuable step in this regard, but will not on its own change the mind sets of schools.

Flowing from this, we would further argue that core curriculum design in senior secondary needs to be informed by more than just academic preparation. In a country where 70% of learners do not progress to university, it is unsustainable to continue letting university outcomes so completely guide such a core element of our education system.

We also concur with the Commission's findings regarding careers advice. The enormous variability and narrow-minded university focus of much careers advice is hugely detrimental for students seeking to progress into VET and the workplace. As noted in our previous submission the shift of responsibility for the careers system from Careers New Zealand to the Tertiary Education Commission has yet to manifest in terms of any practical changes to the way careers advice is provided at a national level. We believe more leadership is required in this regard.

However, while we support many of the findings of this report, and the opportunities for reform identified, we note that the Commission has not chosen to make any recommendations with regard to its findings in this report. We feel this is a missed opportunity. Many of the issues

identified in this report have been engrained in our education culture for decades, and fundamental change is needed if we are to prepare our young people sufficiently for the fast moving, complex world of work they will be entering.

To this end, we would encourage the Commission to consider firmer recommendations around the need for equitable pathways into post-school education and training and the importance of strengthening New Zealand's outmoded approach to careers advice.