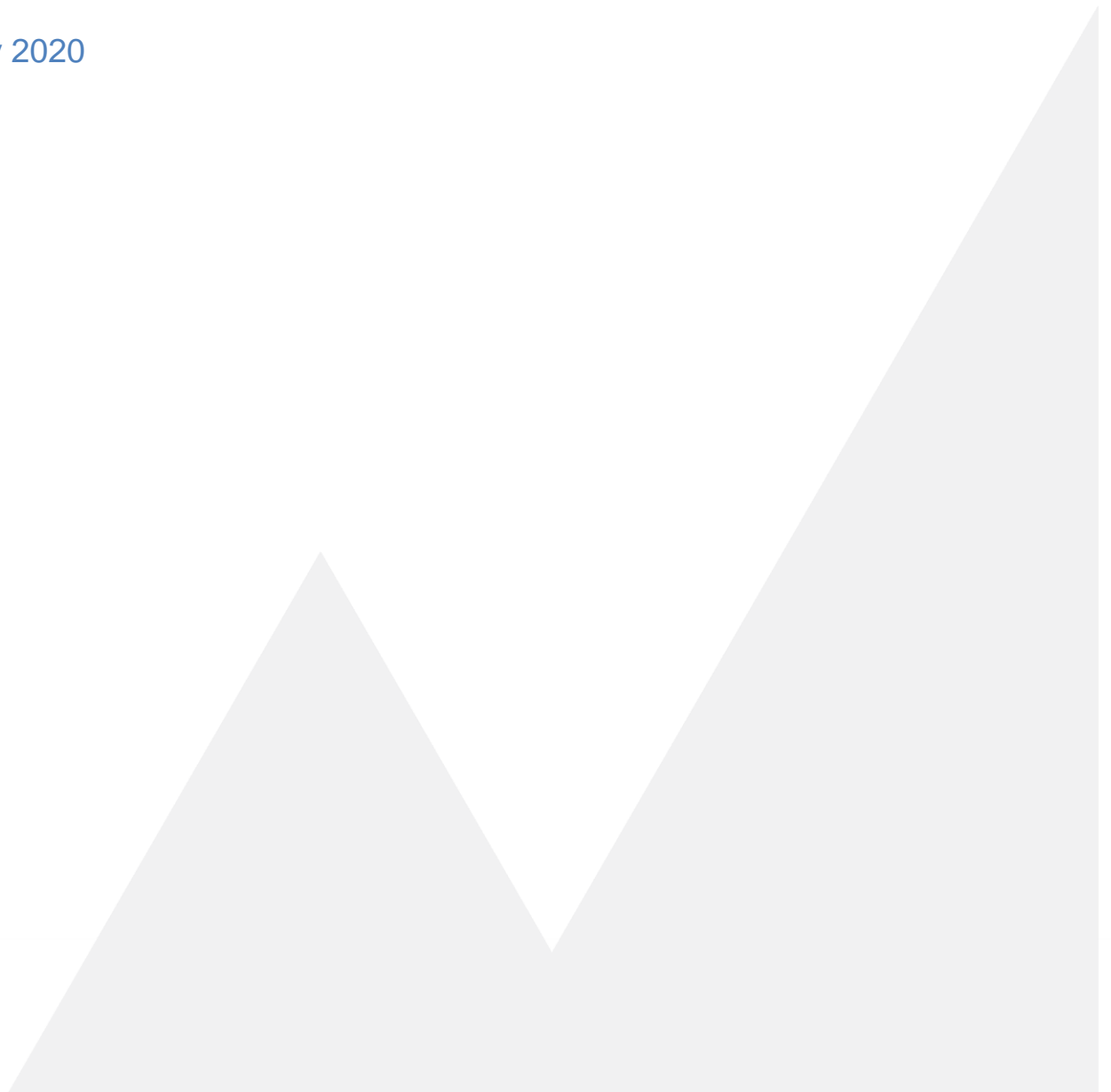




Submission from the Ministry of Education on the New Zealand Productivity Commission's draft report 3:

Training New Zealand's workforce

February 2020



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Introduction

1. The Ministry of Education is the New Zealand Government's lead advisor on the education system. Its purpose is to shape an education system that delivers equitable and excellent outcomes.
2. The Ministry welcomes the opportunity to contribute to the New Zealand Productivity Commission's (NZPC's) inquiry into technological change and the future of work (the inquiry), and to benefit from the NZPC's analysis of and insights into how well the current education and training system supports the working-age population to acquire new skills.
3. This submission is on draft report 3: *Training New Zealand's future workforce* ('the draft Report'). The issues covered in the draft Report are of direct relevance to the Ministry and the current Education Work Programme (EWP). The Ministry provided a submission on the NZPC's issues paper: *Technological change and the future of work* in July 2019; and is also providing a submission on draft report 4, *Educating New Zealand's future workforce*.
4. The draft Report's recommendations highlight important issues that warrant further consideration as we move towards implementation of significant reforms of vocational education and training. There are concerns regarding access to training needed to enable the adoption of new technology, and to enable workers to adapt to changing needs. Participation statistics suggest considerable room to increase participation in work-based training by workers who are not already high-skilled. Qualifications appear to have a relatively weak relationship to incomes, especially at lower levels on the qualifications framework, suggesting an ongoing need to improve their quality and relevance.
5. There is also an equity dimension to be considered, in the qualification levels at which different groups of workers participate in vocational education and training. We need vocational education and training (and education generally) to better meet the needs of under-served groups of learners, if industry is to have a workforce that can adapt to technological innovation.
6. We agree with the NZPC there is a need to reconsider longstanding policy assumptions and rules regarding: learners' eligibility to participate in different forms of vocational education and training; the eligibility of providers for tuition subsidies for this education and training; and learners' eligibility for other kinds of support (such as student loans) to enable them to participate in this education and training. There are a number of opportunities to make progress on these matters within the current work programme.

Our approach to this submission

7. This submission outlines the Ministry's preliminary views on the draft Report's key recommendations relating to identifying and removing undue barriers to access to vocational education and training. We also briefly consider the draft Report's proposals for improving access to Recognition of Prior Learning (RPL), and the overall operation of the system.
8. As noted in the draft Report, the ongoing major reforms of vocational education are intended to make headway on these challenges. We comment on how these and other reforms will, or could, address issues raised by the Commission. We also suggest some areas for further consideration by the Commission as it prepares its final report for the inquiry.
9. For a more fulsome understanding of the Ministry's views on the issues raised in the inquiry, this submission should be read alongside our July 2019 submission on the issues paper, and our February 2020 submission on *Educating New Zealand's future workforce*.

Is the system too strongly biased in favour of full qualifications?

10. The draft Report argues for removing financial and regulatory barriers to smaller “bites” of training. The NZPC identifies the following barriers:
 - a. the minimum course load for student loans for course fees (**recommendation 3.3**)
 - b. the requirement for most students to be enrolled in full qualifications (**recommendation 3.4**)
 - c. the additional criteria for funding short courses and micro-credentials (**recommendation 3.5**)
 - d. the discouragement of “stackable” micro-credentials in current quality regulations (**finding 3.5**).
11. As noted on page six of the draft Report, “public funding should be designed to avoid “crowding out” private investment. Government should not fund delivery that would occur regardless of that investment. Furthermore, the overall benefits of publicly funded delivery should exceed the costs.
12. Due to problems of complexity and asymmetric information it is seldom possible to know with certainty when these criteria will be met. Funding for tertiary education, as with other social services, must rely on imperfect indicators of likely net benefit. Key indicators in the current system include NZQA approval or accreditation of proposed training, evidence of industry need, and employer and learner willingness to make some contribution to the training. For example, while learners and employers may be unable to finance the full cost of a programme, their willingness to make a contribution to the cost is one signal that the programme is likely to provide some real value.
13. Our submission on the 2019 issues paper noted some of the benefits of formal tertiary qualifications and credentials, both in terms of the consistency and completeness of the resulting skillsets and the signal they provide to potential employers, enabling better skills matching. However, funding is primarily focused on the gains in human capital as a result of training. Well-informed learners should have the choice of acquiring skills in meaningful bundles other than full qualifications.
14. Changes to quality regulations and funding rules in recent years have expanded access to micro-credentials. Tuition subsidies cover micro-credentials as small as five credits (around 50 hours) approved by NZQA, subject to some extra requirements set by the Tertiary Education Commission (TEC), given the higher risk that the delivery would occur without a public subsidy. The establishment of workforce development councils (WDCs) that specialise in developing and endorsing education products that industry values may provide one opportunity to simplify the criteria for funding micro-credentials. There may be further opportunities in a unified funding system that takes account of learner characteristics and strategic priorities.
15. Informal Adult and Community Education (ACE) shows how the use of funding levers can vary. ACE offers the smallest units of funded learning, at a lower funding rate than formal programmes but with lower compliance costs for the provider. As noted in our submission on the inquiry’s issues paper, public funding for ACE currently has an emphasis on literacy, numeracy, English for speakers of other languages and te reo, but there may be a case for extending its support to a wider range of transferable, work-related skills.
16. The size and coherence of formal programmes are useful indicators of value and need. Skilled employees in part-time study do not need the same level of support as young people in full-time study at the start of a career. However, we would welcome suggestions for better indicators that proposed training is likely to produce a net public benefit.
17. NZQA has begun discussions with key stakeholders regarding the future design of education products in the context of the vocational education reforms. The unified funding system, work commissioned by the Future of Work Tripartite Forum, and changes to the quality assurance framework could all provide opportunities for removing undue barriers to smaller ‘bites’ of learning.

18. Finally, we note that funding policy is not necessarily the only reason why more people do not undertake work-related short courses. For example, another possible cause is coordination failure among firms (who may need to collaborate to, for example, achieve a viable class size). WDCs have a potential role in helping industries to address this issue.

Do people in some types of employment have too little access to work-related training?

19. As observed by the Commission, the definition of “trainee” in the draft legislation to implement the reform of vocational education is restricted to “employees”. This continues the current legal position under the Industry Training and Apprenticeships Act 1989. The draft report argues that employees, volunteers, self-employed contractors, and employers should have equal access to work-based training, subject (where necessary) to being a long-term, ongoing relationship between trainees and their work-based supervisors (Recommendation 3.1).
20. The definition of “trainee” does not prevent the Crown funding work-integrated learning for other workers. Indeed, the reform of vocational education will provide for learners with different needs to undertake appropriate blends of different modes of learning depending on their needs and their on-job learning opportunities. One use of the term in legislation is in the incorporation of training agreements into employment agreements. This may or may not be relevant to volunteers and contractors.
21. The term “trainee” is used in legislation for both trainees and apprentices. The term and the policies around it were designed for traditional employment relationships. For example, industry training is funded at a lower rate than provider-based delivery. This is because much of the learning occurs on-job in the natural course of productive activity, reducing its net cost relative to provider-based delivery, and the employer is expected to obtain a lasting benefit from the training and so can be expected to contribute to it (both financially and “in-kind”).
22. In light of the ongoing development of a unified funding system, it would be useful to further test the assumptions behind current policy. The NZPC may wish to further examine the nature of mutual obligations in both ‘traditional’ and ‘non-traditional’ working relationships, the kinds of delivery and support that should be available to workers of different types, and the appropriate role of government when training will occur in the normal course of business and its cost will be offset by benefits to the ‘employer’.

Should anyone legally entitled to work in New Zealand be eligible for work-based and provider-based education and training related to their work?

23. Recommendation 3.2 is that anyone legally entitled to work in New Zealand should be eligible for both work-based and provider-based vocational education and training that is connected to their work, regardless of their visa status or length of residency.
24. Foreign workers may undertake industry training, supported by the same subsidy as domestic workers. Those in provider-based training pay international fees. Industry training, reliant on employment, employer contributions, and training advisor visits to the workplace, is inherently work-related. The TEC asks industry training organisations not to enrol visa holders in programmes they do not have time to complete given their visa conditions. Provider-based delivery is higher cost and its link to current employment more difficult to verify.
25. In our view this provides a case, at least, for the different treatment of the different types of delivery for temporary migrant workers. However, the move to a more blended approach to vocational education and training means this distinction will need to be reviewed, certainly by the time the unified funding system comes into effect.
26. Visa characteristics may provide useful indicators, such as likely period of employment in New Zealand, of the likelihood of a tuition subsidy providing a net public benefit in a given case. Risks of gaming (such as the creation of ‘training-related work’ to secure domestic tuition subsidies for people on study visas) would need to be considered.

Should recognition of prior learning be funded and, if so, how?

27. Draft report 3 proposes that, to encourage providers to offer recognition of prior learning (RPL), the Tertiary Education Commission should remove reference to learning hours in its definition of an equivalent full-time student (EFTS) (recommendation 3.6). This raises questions of whether recognition of prior learning should be funded and, if so, how it should be funded.
28. RPL signals skills and so may at times improve skills matching, but its direct impact on human capital is limited. From a funding perspective, tertiary education organisations are expected to offer RPL rather than knowingly enrol learners in unnecessary courses. Policies and fees for RPL leading to the award of credit vary. Universities tend to be more restrictive than industry training organisations or polytechnics. RPL fees are significantly less than the relevant (EFTS-based) domestic tuition subsidy, some charging as little as \$100 per course and others charging variable fees aimed at covering their costs.
29. As noted in our first submission to this inquiry, we consider that it would be useful to explore more fully the circumstances where subsidising RPL would provide the greatest public benefit. We see no case for subsidising RPL at more than its cost. We agree with the TEC's submission that there are sound reasons (such as ensuring that additional learning is occurring) to take account of learning hours when funding tuition.

Improving the operation of the tertiary education system

30. Finding 3.7 is that there has been insufficient reallocation of TEC funding over time, and too much inertia and conservatism by tertiary education organisations. Recommendation 3.7 is to clarify the roles and responsibilities of agencies and organisations in the new, reformed vocational education and training system to reduce duplication and improve accountability.
31. There are tensions between allowing providers to adapt and innovate in response to changing demand, maintaining a stable network of provider capability, and the careful management of public funds. We agree with the Commission that these will need to be addressed as the reform of vocational education is operationalised.
32. There have been significant shifts in funding in the last 20 years, including withdrawing funding from under-performing providers and failing programmes and shifting the focus of industry training to New Zealand Apprenticeships. The TEC has more freedom to reallocate funding during an investment period. The reform of vocational education can be seen as the next step in the journey to a more dynamic system, with industry and regions gaining a new level of influence over tertiary education investment. Reallocation within the NZIST will be key.
33. The reforms give industry and providers complementary roles: industry identifying skills needs and advising on vocational education funding, and providers responsible for delivery. The goal is for providers and industry to move from competition to mutual reliance and collaboration. Recent amendments to the draft legislation clarify some details of organisational roles. Roles will be further clarified in detailed NZQA and funding rules.¹ The unified funding system is being designed to achieve a more flexible, work-integrated vocational education system.

¹ Information about the reforms can be found on the TEC's website: <https://www.tec.govt.nz/rove/reform-of-vocational-education/>.



We **shape** an **education** system that delivers
equitable and **excellent outcomes**

He mea **tārai** e mātou te **mātauranga**
kia **rangatira** ai, kia **mana taurite** ai ōna **huanga**