



In March 2001, the Government released a discussion document entitled *Skills for a Knowledge Economy: A Review of Industry Training in New Zealand*. This document invited public submissions relating to the industry training system and its future shape, funding, focus and priorities. In essence, the Government was inviting submissions on how to improve the existing industry training system, and to build a robust and dynamic industry training strategy.

The Review offered a chance to consider how well our current system is performing and to explore ways to improve its responsiveness and effectiveness.

While significant progress has been made in terms of increased training numbers and investment in industry training since 1992, there are still areas that must be addressed for the sake of our future prosperity. A knowledge economy requires high quality training provision right across the economy and investment in training that yields the best possible results. It requires a high level of training activity relevant to the economy's present and anticipated skill needs, and it requires training that results in recognised and portable skills and qualifications.

The discussion document identified possible options for reform and asked for comment on these. Sixty-five submissions were received from a wide range of stakeholders, including Industry Training Organisations (ITOs), training providers (including polytechnics and private training providers), employers and employer groups, and trade union.

I would like to thank all those who took the time to prepare a submission. Your ideas and insights have helped to shape the Government's decision-making in this critically important area.

The general tenor of feedback indicated a need to maintain momentum and build on what has been achieved to date. A number of suggestions were made about how this could be achieved and the Government has carefully considered these ideas.

Taken together with manifesto commitments from the 1999 election, the result is a package of reforms that will enhance the quality and responsiveness of the system. The reforms should also be seen in the context of wider changes taking place at present in the tertiary sector.

There was an overwhelming call in submissions for industry training to take its place alongside other learning pathways in a much more cohesive and forward-looking tertiary sector. The Government agrees and is establishing a Tertiary Education Commission to provide an overarching strategy for all of the tertiary sector, including industry training. The new Commission will have responsibility for Skill New Zealand's present policy and operational responsibilities, and will incorporate some of the existing functions of the Ministry of Education. This will help to ensure that industry training receives the recognition and attention it deserves as a quality tertiary education pathway.

Industry training is an integral part of the Government's vision to transform New Zealand into a knowledge society. A highly-skilled workforce, capable of continuous learning and able to adapt to change, will be an essential foundation for the economic and social well-being of our people and their communities.

Catching the knowledge wave requires us to provide accessible education and training opportunities for all New Zealanders. For many, learning in the workplace will be the most appropriate and suitable pathway. Our decision to increase the Industry Training Fund by \$8 million in this financial year and \$16 million for 2002/2003 will enable more New Zealanders to participate in formal, structured workplace training. This takes the Government's total investment through the Industry Training Fund to \$78 million in 2001/2002 increasing to \$87 million per annum in following years.

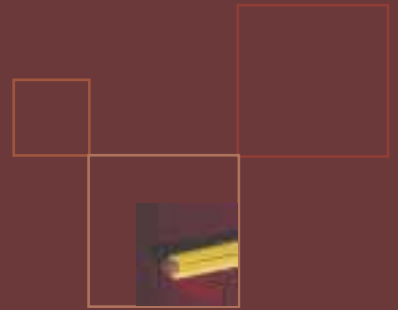
The nations which are prospering today are those which have the capacity to create new knowledge and to apply it to new and existing industries.

This means more emphasis than ever before being placed on the calibre of our education and skills training.

New Zealand needs an effective industry training strategy that can respond to emerging skill needs and keep pace with rapid global and technological change. The reforms outlined in this document will help to ensure that our industry training strategy is equal to the challenge.

**Hon Steve Maharey**  
Associate Minister of Education (Tertiary Education)





# » MOVING FORWARD

## 1

### improving access to and responsiveness in training

#### SUBMISSION FEEDBACK

The current industry training system is designed to be flexible and industry-led. While these characteristics have been important in the development of industry training to date, the Government feels the current system could be made more responsive to the communities of interests it was established to serve.

#### ***Strengthen the management of the current system***

The industry training system is designed for the achievement of qualifications and most submissions were strongly in favour of retaining this focus. However, a number of suggestions were received, relating to the way the system is currently managed, that could result in improved outcomes. These included:

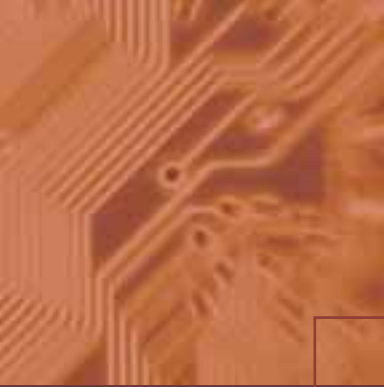
- Helping ITOs extend their coverage to firms and industries where a training culture does not currently exist. This would give more employees the chance to participate in training.
- Encouraging a more strategic focus. There has been a tendency for ITOs to focus on current training needs. However, our industry training system needs to take a more strategic approach to identifying and meeting future industry skills needs.
- Ensuring ITOs continue to deliver good service and quality training in their industry, and that Skill New Zealand assists, where necessary, with ITO performance.
- Strengthening partnership arrangements between ITOs.

#### ***Increase employer and employee choice of ITOs.***

It is not uncommon for employers to be covered by more than one ITO. This is because they might employ staff in a range of occupations or their products and services might span several industries. While a number of submissions argued for increased employer choice in terms of which ITO they purchase training from, there was also recognition that it is important for ITOs to have an exclusive ability to set standards in the industries they cover.

#### ***Strengthen employee involvement in training***

At present, employee involvement in training varies from ITO to ITO. In some, employees and their representatives take an active role, while in others, employees have little opportunity to participate in decision-making. There was general agreement in submissions that having employees involved in training was desirable. However, it was also felt that ITOs should be able to determine for themselves the most effective structure for involving employees in ITO governance.



# 1

## improving access to and responsiveness in training

### MOVING FORWARD

#### Government Decisions

The criteria for recognition and re-recognition of an ITO will be amended to require that ITOs:

- provide leadership in skill and training matters for their industry, plan for the industry's future human resource development needs and promote training to meet those needs.

Skill New Zealand has also been given a mandate to:

- promote co-operation and strategic alliances between, or amalgamation of, ITOs where this will result in improved service;
- work actively with firms and trade unions, in industries without ITO coverage, to help the formation of new ITOs or the inclusion of these industries within the coverage of an existing ITO.

Firms will also be able to apply to Skill New Zealand to have their training managed by a different ITO, where an ITO does not have the capacity to provide satisfactory service to the firm, or where the firm faces significant costs, because its training needs are covered by more than one ITO.

In recognition of the fact that industry training is a partnership between employers, employees, and their representatives, ITOs will be required to demonstrate, at the time of recognition or re-recognition, that they can satisfactorily provide for the collective representation of employees in the governance of the ITO.

A number of other amendments to the Industry Training Act will ensure that ITOs continue to give excellent service to industry over time:

- Criteria for re-recognition will require ITOs to include evidence of satisfactory performance over the period since previous recognition was granted.
- Skill New Zealand will be required to work with ITOs who are not adequately fulfilling the requirements of Section 6 of the Industry Training Act, (which sets out the responsibilities of ITOs), to help them improve their performance. Where this process is unsuccessful, Skill New Zealand may cancel or suspend the ITO's recognition.
- Skill New Zealand will take into account the need to avoid fragmentation, and facilitate joint arrangements when considering recognition or re-recognition of an ITO.

# 2

## funding industry training in New Zealand

### SUBMISSION FEEDBACK

The costs of industry training are currently shared between employees, employers and the Government. A number of submissions questioned whether the relative proportions paid by each of the parties were balanced, compared to the funding system that operates in the rest of the tertiary sector.

#### **Government contribution to funding industry training**

The discussion document asked whether industry training should continue to be a capped fund, or whether a more demand-led system, based on trainee numbers, should be adopted. This system would be more like the EFTS system that applies to institutional providers. In general, submissions argued for funding equity across the tertiary sector. There was less support for 'demand-driven' training however, than there was for 'needs-driven' training. While there was support to fund an increased number of training places, it was indicated that this needed to be linked to priority areas of identified industry need. Submissions also argued for increased equity of funding within the industry training system.

#### **Industry's contribution to funding industry training**

Support for industry training from employers is voluntary, as are contributions – they may or may not choose to purchase training from an ITO. However, ITOs also incur significant costs in developing and setting standards for an industry. Employers benefit from these standards whether or not they purchase training from the ITO. Therefore the Government considered whether a levy system should be put in place to reduce 'free-riding'. A levy system was seen by some submissions to have a number of advantages, although there was little support for a compulsory levy.

#### **Funding advanced industry training**

Currently, the Industry Training Fund can only be used to fund training up to Level 4 on the National Qualifications Framework. However, some employers and ITOs have suggested that there is a need to fund training at a higher level, to promote industry training as a comprehensive educational pathway to higher qualifications. A clear majority of submissions supported the removal of the restriction, to allow the industry training system to respond to the higher-level skill needs of employers. However, some submissions also cautioned against shifting training investment to higher-skilled workers at the expense of those with low qualifications.

#### **Funding targeted at specific groups**

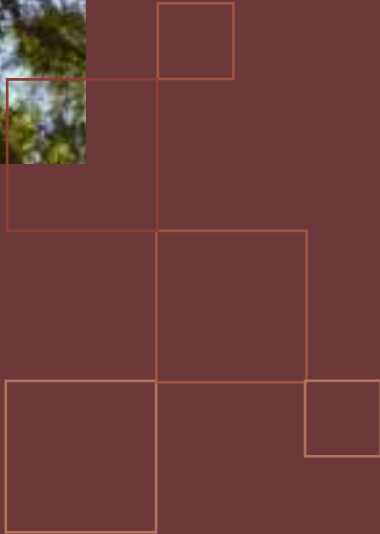
The discussion document also asked whether funding should be targeted in some way to increase access to training for small firms and groups of employees with lower levels of education. This recognised that some people and firms may need more assistance than others and that industry

training provides an alternative route into higher level education. However, refinements are needed in the way funding is allocated so that it really reaches those most in need, and is not just allocated on the basis of very broad criteria, such as gender or ethnicity.

## MOVING FORWARD

### Government Decisions

- Government decisions on funding across the tertiary sector will follow the final report of the Tertiary Education Advisory Commission in September 2001.
- In the interim, \$1M of the Industry Training Fund will be used to reduce the differences in Standard Training Measures (STMs) applying to different ITOs. ITOs with particularly low STM rates will be able to make a business case to Skill New Zealand for a higher STM price. This will be in return for enhanced performance in areas such as expanded geographical reach or higher levels of service leading to greater trainee achievement.
- The Industry Training Act will be amended to provide that, on the voluntary balloted agreement of a majority of employers in an industry or sub-industry, the ITO may impose a levy on firms within that industry. Any levy arrived at through this balloting procedure will be used to fund industry leadership and qualifications design, but will not be used for the purchasing of training.
- From 2002, ITOs will be able to apply to Skill New Zealand for subsidies to fund training at Level 5 and above of the National Qualifications Framework. However, ITOs will be allowed to spend no more than 10% of their Industry Training Fund allocation on training above Level 4. The effect of this on education and training at lower levels of the framework, on tertiary education providers, and on the polytechnic sector in particular, will be evaluated before Government considers lifting the restriction more widely.
- In 2002, \$100,000 of the Industry Training Fund will be reserved to fund industry training initiatives for small and medium-sized enterprises (SMEs) in industries where there is no training culture. These initiatives will also be evaluated after the first year of funding to establish the factors that lead to effective investment in training in SMEs.
- Skill New Zealand will also work with ITOs to extend the geographical coverage of training arrangements.



# 3

## developing generic transferable skills

### SUBMISSION FEEDBACK

The knowledge economy requires employees to have a range of generic skills in areas such as communication, teamwork, customer service and the ability to work with new technology. However, at present, standards for generic skills are set separately by different ITOs.

This limits the portability of qualifications between different industries. Most submissions supported the need to encourage the development of generic transferable skills. However, there was less agreement on what these skills might be or how well they are being developed through unit standards.

## MOVING FORWARD

### Government Decisions

- **The New Zealand Qualifications Authority is working closely with ITOs to place stronger emphasis on the development of multi-industry generic skills. The New Zealand Qualifications Authority will report to the Government before the end of 2001 on initiatives to improve consistency in generic standards.**

# 4

## raising the level of foundation skills

### SUBMISSION FEEDBACK

The need for improved standards of adult literacy and numeracy has been identified as a priority by the Government. The discussion document asked how this could best be achieved in the context of the wider industry training strategy, without diverting resources away from training for other skills. The submissions received agreed that these skills were essential for industry, but also recognised that teaching literacy and numeracy is a specialist skill in itself.

## MOVING FORWARD

### Government Decisions

- The Government launched an Adult Literacy Strategy in May 2001 to comprehensively address New Zealand's literacy needs. An additional \$18 million over the next four years has been made available for the provision of adult literacy programmes, developing the capability of adult literacy providers and improving the quality of adult literacy programmes.
- As part of the Adult Literacy Strategy, \$500,000 per year has been set aside for Skill New Zealand to purchase workplace literacy programmes. The fund will be available to ITOs and employers that are arranging training with a significant literacy component.

# 5

## providing better information for decision-makers and planners

### SUBMISSION FEEDBACK

It is vital that Government decision-making about the funding of industry training is informed by high calibre planning, research and evaluation. This will enable it to make decisions that represent good value for money for the taxpayer. At the moment, the amount of information collected about current and future skill needs is limited, although some ITOs do undertake detailed skills needs analyses. The majority of submissions saw analysis of future skill needs as essential for strategic industry planning.

## MOVING FORWARD

### Government Decisions

- The Government is currently exploring skill shortage issues and the role of information in the demand and supply of skills. This work aims at improving both:
  - matching currently available skills to demand, and
  - people's education and training decisions to reduce the potential for future mismatches.

# 6

## implications for Government agencies

### SUBMISSION FEEDBACK

The discussion document asked how the various Government agencies involved in industry training can be better co-ordinated to improve effectiveness of the industry training system. Overwhelmingly, submissions wanted to see greater co-ordination between Government agencies to facilitate industry training.

## MOVING FORWARD

### Government Decisions

- In May, the Government agreed to adopt the recommendation of the Tertiary Education Advisory Commission to establish a new body, the Tertiary Education Commission (TEC), which will oversee the whole of the tertiary education and training sector. The TEC will also work closely with government departments such as the Ministry of Economic Development, Ministry of Education, Department of Work and Income and the Department of Labour.
- The Government has also agreed to the establishment of a Transition TEC whose primary role will be to set up the necessary structures and systems for the TEC so that it is ready to operate as soon as empowering legislation is passed early in 2002.



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