



OFFICE OF THE ASSOCIATE
MINISTER OF EDUCATION
(TERTIARY EDUCATION)

SKILLS FOR A KNOWLEDGE ECONOMY

NGĀ MŌHIOTANGA MŌ TE KŌHANGA WHAI MĀTAURANGA

A REVIEW OF INDUSTRY TRAINING IN NEW ZEALAND





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A Review of Industry Training in New Zealand

MARCH 2001

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Foreword

A skilled workforce is vital to New Zealand's economic growth, standard of living and international competitiveness. While the passage of the Industry Training Act in 1992 has resulted in a number of positive developments, New Zealand still does not have the kind of integrated skills and employment strategy that is required.

New Zealand requires an industry training system that is closely aligned with industry development, employment and wider education policies, and can quickly respond to the challenges emerging in the labour market. In short, we need an integrated skills strategy, not just an industry training system.

Following the 1992 legislation, the number of traditional apprenticeships declined. In its first year in office the Government introduced Modern Apprenticeships to boost the numbers of young people able to access this type of high quality training. It also saw the need to provide further pathways from school to work and, through its Gateway programme, is strengthening partnerships between schools and business.

While training volumes have increased – the number of workers receiving industry training now stands at more than 63,000 people – there are still areas that need addressing. To date, insufficient attention has been paid to the quality of training, the extent to which training by individuals and firms have anticipated emerging skill needs, or the fact that investments in training need to be reflected in successful outcomes.

While the presence of Industry Training Organisations – in particular, the fact that industry now drives the purchase of off-job training – has been welcomed, it is also true that not all sectors of the economy are covered by ITOs and that ITOs have developed in a somewhat haphazard fashion. We now have pockets of excellence, when we need quality provision right across the economy. We need ITOs that are responsive to their industries, viable and appropriately resourced.

The Industry Training Review will help further these important objectives. Its purpose is to identify issues and approaches that will enhance the current industry training system.

The Review is a chance to consider how well the current system is working and to explore changes that might improve its responsiveness and effectiveness. It forms part of the Government's interlinked economic and social development strategies, encompassing industry and regional development initiatives, skills development policies and the work of the Tertiary Education Advisory Commission.

This discussion paper invites your feedback on issues relating to the system and its future shape, funding, focus and priorities. Many of these issues have come to light as a result of consultation with stakeholders to date. As part of the Review, a series of meetings, hui and interviews were held last year with ITOs, employers, unions and Māori to ensure this document accurately reflected their ideas and concerns. As the Review proceeds, officials will continue to exchange information and discuss ideas with stakeholders.

The Review is being conducted jointly by the Department of Labour and the Ministry of Education in conjunction with Skill New Zealand. It complements the work of the Tertiary Education Advisory Commission on the strategic direction for tertiary education and other Government policy initiatives relating to industry development.

You are invited to respond to all or any of the questions that this paper raises about industry training in New Zealand. Please feel free to comment on any other issue you think is relevant. Your submissions are important to the Government and will be given careful consideration.



Hon Steve Maharey
Associate Minister of Education
(Tertiary Education)

Call for submissions

SUBMISSIONS CAN BE SENT TO:

Industry Training Review
PO Box 3705
Wellington

or you can e-mail them to:

itr@dol.govt.nz

E-mailed submissions are encouraged.

An electronic copy of this document can
be downloaded from:

www.dol.govt.nz/itr.htm

SUBMISSIONS CLOSE ON: 11 April 2001

Please note that any submission you make may be the subject of a request under the Official Information Act 1982. The withholding of particular submissions on the grounds of privacy, or for any other reason, will be determined in accordance with that Act.

THE NEED FOR AN EFFECTIVE INDUSTRY TRAINING SYSTEM

An effective industry training system is critical to New Zealand's economic prosperity. Having a highly-skilled workforce, capable of continuous learning and able to respond to changing skill needs, is the essential foundation for our economic growth and social well-being.

Industry training complements the formal education system by preparing people for the workforce and enabling the skills of the existing workforce to be regularly updated. Today's economic environment is characterised by rapid technological change and the need to compete in global trade and labour markets.

An effective industry training system is one capable of responding to these global pressures and the skill needs of a wide range of local employers and businesses. In today's world, an effective skills strategy for the whole workforce is a key determinant of the

country's standard of living. The availability of skilled staff is critical for new investment and industry development.

Overall, New Zealanders already invest substantially in workplace training. According to OECD figures covering the 94/95 period, 47% of New Zealanders in employment participate in job-related training, well above the OECD average of 34%. In comparison to the 10 other countries surveyed, this places the level of training in New Zealand second highest, above Australia (36%), the United States (42%), and the United Kingdom (45%).

The OECD estimates that New Zealand employees receive the equivalent of more than two years' schooling via job-related training. Most of this training happens without any government assistance, which demonstrates how critically important skills development is in the eyes of employers. There is a

FACTS ABOUT NEW ZEALAND'S INDUSTRY TRAINING SYSTEM

Prior to 1992, participation in structured industry training was confined to a small group of trades and largely managed by government through the Department of Labour.

In 1992 the Industry Training Act was introduced to increase the quality, quantity and relevance of structured industry training. The lynchpins of the new strategy were the development of a new National Qualifications Framework and the formation of Industry Training Organisations.

The current strategy is a

voluntary one. It is left to firms and industries to decide whether or not they want to participate. Under the strategy, each ITO has the sole right to design industry standards and qualifications, and arranges the delivery of training within a particular industry. (ITOs are not responsible for delivering training themselves.)

This has enabled systematic training to be extended to industries and occupations that did not previously have any formal training.

The distinguishing feature of the current strategy is that it is

industry-driven. Standards, qualifications and training delivery are designed by industry to meet the needs of industry. The National Qualifications Framework enables standards and qualifications to be nationally recognised and therefore portable between industries and workplaces. It allows for learning to be nationally recognised wherever it takes place and ensures training outcomes meet measurable standards.

Industry training is funded jointly by government and industry. The government contributes to

growing awareness among employers that skills development is essential to competitive advantage and also vital for recruiting and retaining staff.

The challenge now is to build on this commitment and extend the benefits of industry training to more people in a wider range of industries and occupations. The fact remains that there are still some New Zealand businesses which, for various reasons, under-invest in skills development.

This may be because they are a small or medium-sized business and lack the resources or capacity to support on-job training. Others worry about training staff who may then leave or be poached by other businesses. Others are still ignorant of the benefits which training can bring to a business.


There are also problems with the system itself. While the numbers in industry training have grown from an average of 25,000 during the 1980s to 63,000 last year, this growth has been uneven. Not all sectors of the economy have ITOs or integrated industry skills and training strategies.

Even when there has been strong uptake of structured industry training, firms have limited ability to anticipate economy-wide shortages, resulting in a restricted supply of skilled workers in some sectors.

Furthermore, some firms are finding it hard to recruit people with the right basic skills and attitude to support further training.

Thus, changes to the skill development system must address barriers emerging throughout the education sector, from the work-readiness of school leavers, through pre-employment training to industry training and formal tertiary education. Individuals need clear pathways through these different parts of the education and training system to meet their changing learning needs.

Government has already acted to address aspects of this problem, with the introduction of Modern Apprenticeships and the pilot Gateway programme. These initiatives ease the transition from school to structured workplace learning for both employers and young people.

Industry training is one important part of this overall system. To develop an integrated and effective skills strategy, issues concerning the quality and relevance of training and the effectiveness of learning pathways must be addressed alongside Government's initiatives to improve the performance of other parts of the post-compulsory education sector. 


the cost of industry training through the Industry Training Fund (ITF) and works with ITOs to ensure that qualifications and training initiatives reflect the best in workplace practice. The ITF is a capped fund and the Government's contribution last year was \$69.7 million.

This system was supplemented in 2000 by the introduction of Modern Apprenticeships, designed to combine the best features of traditional apprenticeships and the current training regime. Modern Apprenticeships are

available to young people who receive mentoring and support in attaining level 3 and 4 National Certificate qualifications. Employers also receive support in using the industry training system to reduce the time and effort involved in taking on an apprentice.

To be entitled to ITF funding, there must be a formal commitment by the employer and trainee to a minimum amount of training in a 12-month period. The funding is limited to levels 1 to 4 of the 8-level Qualifications Framework.

Each employee engaged in industry training has a training agreement registered with the relevant ITO that forms part of his or her employment agreement.

Government agencies charged with implementing the strategy are Skill New Zealand, which manages the industry training system, and the New Zealand Qualifications Authority, which maintains the National Qualifications Framework. 

FUTURE CHALLENGES FOR NEW ZEALAND'S INDUSTRY TRAINING SYSTEM

New demands on the industry training system continue to increase in a number of key areas. Technological change, globalisation, changes in the way we work and the demographics of our workforce all have major implications for the future evolution of the skills strategy.

The level of skill and literacy standards demanded of our workforce is rising all the time. Increasingly higher skills are essential for coping with the challenge of the future as well as providing the best route to an improved standard of living.

Providing employees with broader, deeper and more flexible skills and qualifications will require a new level of quality and responsiveness from our training system. It is a challenge New Zealand must face up to with a strong sense of purpose and urgency.

In addition to the pressures faced by all modern trading economies, New Zealand must address its own particular issues. Our workforce is aging so there will be an increasing need to replenish the skill levels of our existing workforce.

The composition of our population is also changing. Māori are predicted to increase as a proportion of the population from 15% in 1996 to 21% in 2051 and Pacific peoples are predicted to rise from 6% to 12% over the same period. Māori and Pacific populations are also relatively youthful (currently one quarter of children are Māori and one-fifth are Pacific peoples). Both groups face particular issues entering the training and labour market and it is therefore


essential to develop strategies which directly address their learning needs and ensure their successful participation in the labour market. Women also face difficulties accessing training and the system must be responsive to their needs.

We also need to be able to integrate new migrants into the workforce, including those from non-English speaking backgrounds.

A further challenge lies in the fact that the New Zealand economy is characterised by a high proportion of small to medium-sized firms. Research shows these firms are relatively less likely to be engaged in structured training because of the costs involved.

There is another aspect to under-investment in training. Some industries do not have any large firms providing a focus for training development, making it difficult to initiate the kind of cooperative efforts required to establish ITO-managed training.

In summary, New Zealand's industry training system of the future must:

- continue to raise the quantity and quality of skills held by the workforce
- respond rapidly to changing skill needs of the economy
- equip more New Zealanders to successfully participate in the New Zealand workforce
- become more accessible and responsive to all groups in the workforce, including Māori, Pacific peoples, women and migrants. 

63,000 industry trainees in structured training linked to national qualifications, compared with an average of 25,000 across the 1980s

There are currently over 500 Modern Apprentices; this number is to increase to 3,000 over the next two years

47 Industry Training Organisations, ranging from forestry with 8,500 trainees down to 10 ITOs with fewer than 300 trainees

19 ITOs operate in industries that previously had no systematic training arrangements

Most ITO-managed training occurs on the job

Off-job training is provided by polytechnics and private training establishments

More than 15,000 standards registered on the National Qualifications Framework

700 National Certificates and National Diplomas registered on the National Qualifications Framework

The Government's Industry Training Fund budget for 2000/2001 is \$69.7 million

Industry Training Strategy is overseen by Skill New Zealand

INDUSTRY TRAINING AT A GLANCE

Māori participation in industry training

There is a high level of Māori participation in industry training relative to the proportion of Māori in the workforce. This contrasts with below average participation rates for Māori in formal tertiary education. Māori comprise 16% of total industry trainees and 10% of the labour force. As at 30 June, 2000 there were 10,222 Māori in industry training. While overall Māori participation is high, it is concentrated in a relatively small number of ITOs such as seafood and forestry.

Pacific peoples' participation in industry training

There is an above average level of participation by Pacific peoples in industry training relative to the proportion of Pacific peoples in the workforce. Pacific peoples comprised 5% of industry trainees as at 30 June 2000 (3,000 trainees), and about 4% of the workforce. However, participation rates vary greatly between ITOs, between a high of 30% of trainees in Building Service Contractors, and between 0 and 2% of trainees in about half of the ITOs.

Age of industry training participants

Ratio between industry training trainees per thousand employees, 99/00.

Age	16-19	20-24	25-29	30-39	40+	Total
Number of Trainees	5,191	12,646	8,270	13,410	13,984	53,501
Ratio (Trainees per thousand employees)	43.0	75.3	42.0	30.2	16.8	30.4

ISSUES FOR CONSIDERATION

The industry training strategy has clearly matured over time. Industry has become more involved in structured education and training. Understandably the emphasis has been on the development of the system and its infrastructure.

Now the system is well established there's a need to focus on addressing the problems that have emerged and on enhancing its performance and effectiveness.

As a result of canvassing stakeholders throughout the sector, a number of issues have been identified, relating to the system's structure, focus, funding and quality. For example, the voluntary regime has resulted in uneven participation across industries and, while there is no intention to take a compulsory approach, a more managed strategy could well lead to a system better adapted to meet the wide variety of industry and trainee needs.

In particular, there is a need to extend ITO services to the widest possible range of firms while continuing to encourage ITOs to focus on high achievement rates and quality learning. For this to happen it is imperative to reduce barriers between different parts of the training system in the interests of learners.

Overall there is a need for clarification of roles and responsibilities within the system so that industry training can make the most effective contribution possible to the country's economic prosperity.

In recent times the Government has launched a number of other initiatives to improve the effectiveness of tertiary training and enhance regional economic development. Any refinements to the industry training strategy need to complement efforts in these related areas.

As part of its review of industry training, the Government seeks your feedback on the issues in the following sections. These issues have been identified by stakeholders as key areas requiring attention. Your feedback however is not limited to these areas and we welcome your ideas on other issues which you wish to raise. ☰

1

IMPROVING ACCESS TO AND RESPONSIVENESS IN TRAINING

There is considerable flexibility in the current system. Employers can choose whether or not to participate in structured training that leads to recognised industry qualifications. They can arrange their training through ITOs or work with other institutions. ITOs are free to structure their services in whatever way suits their industry.

ITOs must demonstrate they have industry support and that their systems can ensure robust qualifications and training arrangements. In return, ITOs are recognised by Skill New Zealand, acting as the government's agent, to be the sole ITO for a particular industry. Once recognised, they have two key functions: developing and registering qualifications on the National Qualifications Framework and organising training delivery.

ITOs' guaranteed coverage of a specified industry has resulted in a number of practical issues. In those cases where a firm's training needs cross the boundaries of an ITO's coverage, firms must deal with multiple ITOs. This increases the time and cost required to arrange training, for both the firm and ITOs concerned.

Some ITOs have obtained accreditation from

NZQA to arrange training for occupations within its industry sector which are normally covered by another ITO. The Seafood ITO, for example, arranges training for seafood retailing and does not require the involvement of the Retail ITO as well.

However, this type of practice is far from universal. An example is Sky City which works with at least four ITOs to arrange its training – the Aviation Tourism and Travel ITO, the Building Service Contractors ITO, the Hospitality Standards Institute and the Retail ITO.

Another issue is that some ITOs may not offer training arrangements in a form that employers prefer. This may be because the ITO does not have the capacity to offer a range of training options. If businesses are not able to secure change through the ITO board, at present their only option is to seek training outside the ITO sector.

Under the current arrangements employees may have little say in ITO decision-making. This reduces the opportunity for employee concerns to be heard and undoubtedly has significant impact on the responsiveness of the system.

Some ITOs are also finding it difficult to extend coverage evenly across their industry. This means small firms and firms outside main centres are less



INDUSTRY SECTOR CASE STUDIES

These case studies highlight the diverse training arrangements that exist in various industry sectors and illustrate some of the issues arising from the way the system currently operates.

FINANCE INDUSTRY

The finance industry is an example of an industry which has chosen not to make use of the ITO structure. Significant work was conducted to establish ITOs for the banking and insurance industries in 1993 and 1994, but at a late stage the major employers in each industry withdrew their support. The employers' decision appeared to be based on a concern that their competitive position was closely linked to the quality of their staff training, and to standardise training would remove that advantage.

The effect of this absence of common qualifications for the banking industry (at below professional level) is hard to assess. Overall training levels appear relatively high in the finance industry – in the Education and Training Survey conducted in 1996, 52% of employees in the finance and insurance industry had received some form of training in the past year, compared with an economy-wide average of 48%. However, enterprise-based training that is not linked to the National Qualifications Framework may not be subject to any external quality checks. The training is only transferable to another firm to the extent that the training firm has a strong reputation for quality training within the industry. In particular, those skills that are not traditionally assessed within professional qualifications, such as customer management, health and safety, and sales skills, receive no formal recognition. ■■■

likely to participate in structured industry training. This is particularly true of ITOs that are covering areas that are new to structured training and those representing industries where small firms predominate. For example, the Hospitality Standards Institute, which operates in an industry with a large number of employers, has needed to focus on larger firms first.

With 47 ITOs in operation, the limited scope of some ITOs can work against them taking a broader industry focus. This can reduce ITO effectiveness, potentially lessen the transferability of their qualifications and may also compromise their ability to provide nationwide coverage.

A further issue to consider is that some important sectors of the economy have no structured training system or ITO. These include the information technology sector, finance and insurance. While there may be reasons why these industries have not sought ITO coverage, it is important to ensure that their alternative training strategies are meeting the needs of the economy and of the firms and employees in those industries.

Taken as a whole these issues mean that the current industry training system is not as responsive as it could be to the communities of interest it serves.

While employers may tend to look at the skill needs of their own business rather than take a broad industry view, ITOs need to take a more strategic, long-term view. The 1992 reforms required ITOs to develop industry-wide qualifications to base training on; it may now be time for ITOs to take a stronger lead in developing future-oriented skill development plans for their industries.

The task overall is to develop and manage a training system that is responsive to the current and future needs of the industry as a whole. This must be done however, without compromising the sense of ownership felt by employers and trainees who are already engaged in the system and focused on meeting their immediate training needs.

A particular challenge is to find the right balance between 'voluntary' and 'compulsory', one which

motivates employers and employees to be involved without making training an externally-imposed burden.

Here are three approaches to addressing these issues.

Strengthen the management of the current system

This approach would involve increasing the incentives for ITOs to be more responsive to the training needs of employers and employees, and increasing their focus on a future-oriented, managed approach to training.

Adjustments could include:

- requiring ITOs to develop a skills development plan addressing current and future training needs for the industries they represent
- changing the definition of industry to include a wider range of stakeholders
- changing the ITO recognition process to include stronger tests of the ITO's ability to meet industry needs (including a stronger focus on performance to date rather than predicted performance) and its ability to provide adequate coverage
- managing ITO contracts to achieve better performance (by continuing the shift towards outcome-based contracts), including a stronger focus on disadvantaged groups or communities
- fostering best practice among ITOs through better research, reporting and information-sharing.

DISCUSSION

These moves would strengthen the requirement on ITOs to be responsive to firms and to plan strategically for the skill needs of their industries, without disrupting the current arrangements. They represent an evolution of current arrangements in terms of the services provided by ITOs. Changes to the way Skill New Zealand recognises ITOs and manages contracts could be used to encourage ITOs to join forces to achieve economies of scale and greater effectiveness.

There is also scope to achieve ongoing improvements

INDUSTRY SECTOR CASE STUDIES continued

ELECTRO- TECHNOLOGY ITO

The Electrotechnology ITO works with the electrical, electronics, telecommunications, security, and offender management sectors to develop national qualifications, arrange training, and promote careers in these industries to young people.

As at December 2000, Electrotechnology managed training for 3,300 trainees, around 1,500 of whom are electrical apprentices. The other trainees are in sectors that previously had no structured training. For example, security firms have become strongly involved in training, as a way of providing evidence to their clients of their staff quality. Call centres also are becoming increasingly interested in making use of structured training, both as a service quality strategy, and as a staff recruitment and retention strategy.

The Electrotechnology ITO also provides an example of the way in which ITOs can work with industry to develop highly-responsive qualifications and delivery arrangements. The ITO has an advisory group structure for each of its industry sectors, which is representative of the views of the industry using the qualification. The members of the advisory group are typically employers in the industry and leaders of industry associations. Because the advisory group members are familiar with the day-to-day business of the industry and the use of the qualifications, they are able to quickly identify any changes within the industry that require adjustments to qualifications, and act accordingly. ■■■

**INDUSTRY
SECTOR CASE
STUDIES** continued

**FORESTRY
INDUSTRIES ITO**

The Forestry Industries ITO develops qualifications and arranges training across: forest growing and harvesting, solid wood processing, wood panel manufacturing, pulp and paper making, forest health and biosecurity. They have taken a 'whole of industry' approach to arranging training, which in some areas requires the ITO to receive accreditation to arrange training for qualifications developed by other ITOs. This is to allow firms with training needs across several ITOs the choice to work solely with the Forestry Industries ITO. (e.g. in wood panel manufacturing, many of the workers are qualified trades people who could also receive training from the Engineering, Food and Manufacturing ITO).

In 2000, the Forestry Industries ITO provided learning and qualification opportunities to about 8,500 people (a steep growth from 1,600 trainees in 1994). Of these, about 30% were Māori, and almost all (97%) were male. The relatively high uptake of managed training in forestry reflects a number of factors, including the need for higher safety standards and increased skill demands due to the introduction of new technologies.

This change in technology is also reflected in workers' level of study. As time goes on, an increasing proportion of trainees are completing level four qualification (in 1999, 30% of trainees were studying at level four on the National Qualifications Framework). Training above level 4 does not attract a government subsidy. Trainees and employers can either fund the training

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by strengthening the performance management of ITOs. This includes initiatives such as research recently commissioned by Skill New Zealand on improving ITO governance and introducing a new performance monitoring system for ITOs.

However these enhancements alone may not be sufficient to resolve all the issues identified in the review.

Increase employer and employee choice of ITOs

A more substantial change to the system would be to change ITO recognition rules so that employers would be able to choose which ITO / ITOs arrange their training. Currently, ITOs have two core functions in relation to the industries they are recognised for – setting training standards to be registered on the National Qualifications Framework, and arranging for training supported by the industry training fund. They cannot carry out these functions for any other industry, except they may arrange training where some part of the firm's activities are within the ITO's scope of recognition and where the ITO is accredited to do so by another ITO.

Retaining the industry-based standard setting function is important to avoid a proliferation of conflicting training standards and qualifications. However, allowing ITOs to arrange training in any industry sector would give firms more choice and could potentially improve responsiveness to their needs. Such a change could be achieved in a number of ways. For example, any ITO could arrange training in any industry area as long as it satisfied NZQA accreditation arrangements to ensure acceptable quality. Alternatively, employers who were dissatisfied with an ITO's service could approach another ITO, which in turn would seek permission from Skill New Zealand to arrange training. Again this would be subject to NZQA's quality assurance procedures.

DISCUSSION

Access to a range of ITOs would allow an employer to work with the ITO that best meets their needs or to access structured training in regions not covered by current ITO arrangements. It would also make things easier for firms whose skill needs cross ITO coverage boundaries, and who are

currently required to develop relationships with several ITOs.

The ability of firms to choose between ITOs would also be a strong incentive for ITOs to arrange training in ways that are more responsive to the requirements of employers and employees. Some employers have indicated that they do not always feel ITOs are meeting their or their trainees' needs in terms of how training is delivered or the level of support they receive throughout the training process. At present, however, their only alternative is to try to arrange training outside the industry training system.

The disadvantage of this approach is that moving away from an industry basis for ITOs has the potential to dilute the focus on the needs of a particular industry and may make it harder for ITOs to work with an industry to design training and qualifications.

Strengthen employee involvement in training

In some cases, employees may have different views about training than their employers. They may also want to initiate training for themselves when their employer has not done so. There are a number of ways through which employees might be enabled to take a more active role in initiating training and we are interested in your ideas on how this could best be done.

Another possibility for strengthening employee representation in ITOs is for ITOs to be required by legislation to involve employees in the way they are governed, similar to the way they are required to represent employers. ITOs could either be required to demonstrate how employees are involved in ITO decision-making or there could be a specific requirement to include some form of union representation on their board.

DISCUSSION

At present, employee participation in ITO decision-making varies greatly and is not determined by regulation. Since employers provide most of the direct funding ITOs receive, they are much more likely to have a voice in training decisions than employees.

While in many industries ITOs and employers have involved union representatives in decision-making to ensure their commitment to training, this is not the case

INDUSTRY

SECTOR CASE

STUDIES continued

themselves (using the ITO or other private provider), or they can go direct to tertiary institutions for higher level training. At present, such higher level training is limited in New Zealand, and some trainees are attending courses in Canada instead. The Forestry Industries ITO believes that funding above level 4 would accelerate the acquisition of higher level skills, to the benefit of the employees, the industry, and the wider New Zealand economy.

Currently, Māori make up 30% of trainees in the forestry sector. Funding above level 4 would benefit those Māori seeking more advanced training. At the same time, however, any resulting restriction on funding could reduce access for Māori to training at lower levels of the Qualifications Framework.

Rising skill demands have also meant that the basic skills that support learning, such as literacy and numeracy, are increasingly important. There are several initiatives under way in different forestry firms to address this. One example has been the Te Whare Ako – The House of Learning initiative at Tasman Pulp and Paper which is available to all of their workforce. Its aim is to provide workers with the basic skills to achieve qualifications and deal with the changing workplace arrangements at Tasman.

The overall thrust in Forestry Industries ITO has been one of responding to global challenges by upskilling the entire workforce. The concept of a 'knowledge economy' does not simply have implications for the researchers and engineers working in forestry – it represents a fundamental and ongoing challenge for the entire workforce. ■■■

throughout the sector. The consequence of this is that major employee concerns, such as the acquisition of generic, transferable skills, may fail to get the attention they deserve.

The issue is to find the best way of gaining the benefits of wider union involvement in ITO governance to complement employer input.

QUESTIONS

Improving access to and responsiveness in training

Does the Industry Training Act's current definition of industry (two or more firms using similar inputs or methods to produce similar goods or services) need amendment? If so, in what ways?


Should the ITO recognition process and Skill New Zealand's management of ITO contracts include stronger tests of an ITO's ability to meet industry needs, its training programme's consistency with its industry's development objectives, and its ability to provide adequate coverage?

How can amalgamation of ITOs best be encouraged?

How can co-operation between ITOs and between ITOs and providers best be encouraged?

Should ITO recognition rules be changed so that employers can choose which ITO manages their training?

Should legislation require ITOs to demonstrate greater employee involvement in decision-making than is currently required? Should ITO Boards be required to include union representation?

How can employees have a greater role in initiating training? 

2

FUNDING INDUSTRY TRAINING IN NEW ZEALAND

To increase the quality and quantity of industry training in New Zealand, the investment in training needs to continue to increase and the money spent must be used as effectively as possible.

Under the current system, the costs of industry training are shared by industry, trainees, and government, but there is no direct correlation between government's investment and that of industry.

Government invests substantially in industry training, investing \$69.7 million in the 2000/2001 year. The amount invested is usually determined on the basis of previous expenditure, the growth in demand for industry training, and the overall fiscal position. This money:

- subsidises training costs so that more industry training can occur
- provides for the development of standards and qualifications under the National Qualifications Framework
- improves access to structured training for disadvantaged groups.

Each year the government establishes a capped

fund on the basis of a rate per quantity of training. Government leaves it up to industry to determine the extent of its own contribution. This approach has led to a number of concerns.

In industries where there are a small number of well-resourced firms operating in areas of high skill, it is easier to gain employer support and implement effective structured training programmes. But in other industries it is harder to achieve a coordinated approach to training, which leads to the risk that employers are investing less in training than is beneficial for their industry or the economy as a whole.

It is also difficult to ensure fair access to training for educationally-disadvantaged groups, as there is no financial incentive for employers to cater for people with lower levels of education and more intensive need.

This issue also has an ethnic dimension. Given the relative educational disadvantage of Māori and Pacific peoples and the fact that in the future they are going to comprise an increasing percentage of New Zealand's workforce, it is imperative that the funding



regime encourages their full participation in structured training.

A judgement must also be made about government's role in encouraging the participation of women in industry training, although as a group they are less likely to be educationally disadvantaged. Women currently comprise only 20% of industry trainees, compared with 45% of the workforce. In large part, this is because few women work in industries that use ITO-managed training. However, it is important that quality, structured training is available equally to women.

The government also funds industry training on a completely different basis to funding for secondary and other tertiary education and training. ITO funding is based on the number of full-time equivalent trainees that have signed-up training agreements. If ITOs exceed the number of trainees for which they are funded, they receive no additional funding.

In comparison, secondary schools and tertiary institutions are funded on a demand-driven basis and there is no limit to the places they can offer. The different approach allows for the fact that, whereas the

formal tertiary sector operates around the needs of the government and the student, a third party – employers – is central to industry training. The benefits that employers achieve from training, both through productivity improvements and also because of the control industry as a whole has over qualifications design and training arrangements, must be taken into account in government's funding decisions.

However, the significant difference in subsidies paid has created some tensions between the two parts of the tertiary sector, and has been highlighted as a key concern by ITOs.

One resulting anomaly is that firms are able to access a higher degree of government subsidy through dealing direct with tertiary institutions than they can through ITO-managed training. This creates an unintended competitive dynamic between ITOs and tertiary institutions.

Furthermore, where only small numbers of particular skills are needed (such as in emerging industries), the relatively flexible approach of ITO-managed training may prove the best route for staff training, compared to the formal tertiary sector.

HOW GOVERNMENT FUNDS INDUSTRY TRAINING

At present, government provides a part-subsidy for training organised through ITOs. Employers and employees contribute both directly and indirectly to the costs of industry training. Skill New Zealand negotiates an annual purchase contract with each ITO and provides an agreed amount of funding in exchange for the ITO organising an agreed volume of training.

Industry training subsidies are based on a quantum of learning called a Standard Training Measure (STM). One STM is

equivalent to 120 National Qualifications Framework credits, which is notionally equal to a year's full-time study. Because of the demands of work, few if any trainees would complete 120 credits in one year.

The subsidy paid per STM varies from one ITO to another. This variation reflects historical factors and originally related to levels paid under the pre-1992 system and to the relative costs of training in different industries, taking into account factors such as the mix of on and off-job

training. These variations have become outdated and do not now accurately reflect differences in training costs.

The average subsidy is now \$2,800 per STM. The range is from \$1,736 to \$3,965.

Other parts of the post-compulsory education system are funded by government by different mechanisms and at different rates. For example, tertiary institutions and senior secondary school are funded on a demand-driven basis with no limit on the number of places offered. Places

However the lack of subsidies at higher levels reduces the ability of ITOs to arrange for the delivery of more advanced training.

Discussions about the funding of industry training will also need to take into account the TEAC report on the shape of the tertiary sector which has just been released, as well as the two further reports it will be releasing later this year. The findings of the Commission will have implications for the shape and funding of industry training.

There are several approaches for the future funding of industry training in New Zealand.

a. Government's contribution to funding industry training

Refine the current capped industry training fund

One option would be to retain a capped fund with the government continuing to allocate a set amount each year for industry training.

The benefit of this approach is that it enables

government to budget for its investment in industry training with certainty. A disadvantage is that it may encourage industry to view government subsidies as a substitute for its own funding.

Within this approach it would still be possible to adjust the rates paid to ITOs to remove current anomalies. The extent of growth in training numbers would depend in part on the level at which the cap on funds was set.

Adopt a demand-led funding system

Alternatively, the government could adopt the approach used for most other areas of the tertiary sector and provide a specified amount per full-time trainee (STM), irrespective of the number of trainees. The rate paid under this system would not necessarily be the same as under the EFTS system.

Although this approach would cost the Crown more and would create some fiscal uncertainty for government, it would allow government's contribution to rise proportionately with the demand for training. It would also probably result in increased participation


in tertiary institutions are part-funded by government and supplemented by student fees. While state schooling is intended to be fully funded, community support contributes an element of funding for school activities. The Training Opportunities and Youth Training programmes are purchased on a similar basis to industry training, but are fully-funded because they cater for disadvantaged groups.

Subsidy rates for tertiary institutions are based on the Equivalent Full Time Student

(EFTS) measure, which is also intended to represent a full year's quantum of learning. The average EFTS subsidy is \$7,500 (range: \$5,045 – \$32,849 depending on course costs). Average secondary school funding is \$4,700 per pupil per year (range \$3,963 – \$9,745). The Training Opportunities and Youth Training Programmes are both funded at an average of approximately \$7,000 per place per year.

The relative funding rates must be interpreted with caution, in that government is buying

different things in each case.

A central issue for the future of industry training is how best to manage the interface between the STM and EFTS funding systems. The line between the two is not always clear. For example, in some cases a firm may be able to obtain the same training for its staff directly from a provider (and subsidised at the higher EFTS rate), as it can get through its ITO with subsidies at a lower STM rate. 

in ITO-managed training and greater parity with the remainder of the sector.

The disadvantage of this option is that government's share of training costs would not be related to the actual costs of different types of training. This could be addressed by the use of pro rata subsidies, with the government's contribution set as a fixed proportion of the total costs of training. The effect of such an approach would be that government funding of industry training would be determined as a fixed proportion of the industry contribution. Within this approach different pro rata rates could be used to assist particular groups, regions or industries.

b. Industry's contribution to funding industry training

Introduce a system of industry training levies

One option for ensuring that all firms are making their contribution to industry training is to introduce a system of industry training levies. This could be achieved by giving ITOs the power to ballot firms in their industry and to recommend a levy if the majority is in favour. Such a levy could be for ITO administration costs only or for part of the training costs as well.

Other types of levy schemes operate overseas in France, Spain, Belgium, Greece and previously Australia, and require that firms dedicate a percentage of their payroll (typically between 0.2% and 1.5%) to training.

Variants to these schemes include payment of required amounts into a central industry training

fund, the use of levies to train potential as well as current employees and exemptions for small firms.

DISCUSSION

At present, industry's investment in training is entirely voluntary. Firms choose what training and how much of it to purchase and, subject to funding availability, they receive government assistance with training.

A weakness of this voluntary approach is that it does not encourage the spread of a strong, industry-focused training culture across all firms in an industry.

Levies reduce the opportunity for free-riding by firms that do not have a training culture. They also have the potential to extend the benefits of structured training to unskilled workers on low wages. Overseas experience has shown that levies do increase the overall volume of training. In Australia for example, the introduction of levies resulted in increased levels of training and a 60% increase in the average training expenditure per trainee. There is, however, evidence that some of the increase may be due to an increase in the measurement of training, rather than a change in the amount of actual training occurring.

Prior to 1992, The Industry Training Levies Act (1978) permitted industries to agree on a levy by ballot and some industries did use levies successfully.

On the negative side, there could be problems defining industry levies in those industries that are difficult to draw clear boundaries around. Firms wanting to avoid levies could seek to re-define themselves as part of an industry that did not have a levy system. Levies are a relatively blunt tool for increasing training levels – since different types of

firms require different levels of training, it may be inequitable to require firms with little demand for training to spend more.

c. Funding advanced industry training

In order to meet industry's increasing need for more highly skilled and qualified workers, the government could fund learning at levels 5 to 8 on the National Qualifications Framework. Alternatively, it could establish a separate fund for the development and maintenance of qualifications at level 5 and above to encourage more advanced training.

DISCUSSION

In determining its priorities for training expenditure, government must balance the needs of those with low skill levels or those who have difficulty accessing training at all with the need of industry to develop more advanced skills.

Under the current system government funding is restricted to training at levels 4 or below on the 8-level National Qualifications Framework. This excludes learning related to National Diplomas and Degrees.

Government funding for more advanced industry training would allow assistance for higher level managerial and technical training and provide workers with better learning pathways. The restriction on funding has also inhibited the development of pathways to upper level qualifications. Assistance for higher level training may also have an economic benefit by fostering work-based innovations. However, under the current capped funding regime, removing the restriction would mean relatively less funding available for lower level training where, arguably, the need for government assistance is greater.

This is an important question of balance, especially for some groups. For example, the feedback from some Māori stakeholders was that for many Māori the highest priority was for access to foundation and lower level training. At the same time, others at the hui emphasised the need for higher level training.

d. Funding targeted at specific groups

Funding arrangements are also one means government has to support other groups who have difficulty accessing structured training. These include small businesses and those who live in regions which are geographically isolated.

The overall level of training in small businesses tends to be lower because it costs more for small firms to invest in training and it costs more for ITOs to service small firms.

Similarly, it costs more for ITOs to deliver services in areas where there are relatively few firms and yet the need for upskilling is often a key requirement for effective regional development.

New initiatives could be developed to encourage the inclusion of literacy and generic skills into training programmes and to assist those who are most disadvantaged in the labour market. Research also shows that people with a lower level of education are less likely to receive industry training and employment. The widespread lack of literacy and generic skills is also a barrier to ongoing learning required of today's workforce. This issue is discussed in depth on page 23.

New initiatives targeting funding at specific groups could mean less funds available for other training arrangements within the sector.

QUESTIONS

Funding industry training in New Zealand


In the longer term, how should government set its contribution to industry training funding?

Should legislation make provision for training levies?

If so, should this be done by permitting ITOs to conduct a ballot of their industry? And what costs should levies be able to be used for?

Should the restriction on using government funding for arranging training above level 4 be removed?

What should be the balance between government's assistance for lower levels of training and for training above level 4?

Should government vary funding rates to increase training levels in particular areas, such as in certain regions or among small firms, or for women working in non-traditional areas? 

3

DEVELOPING THE GENERIC, TRANSFERABLE SKILLS OF NEW ZEALAND'S WORKFORCE

Generic skills are common to many industries and enable people to enter the workforce and transfer between different roles and jobs.

They range from skills such as teamwork and communication skills to multi-industry skills such as customer service and information technology.

These types of skills are comprising a greater proportion of the jobs in our economy than ever before. It is therefore vital to New Zealand's future economic prospects that it continues to develop a workforce with a high level of transferable, generic skills. Generic skills increase the flexibility and adaptability of a workforce and have a huge bearing on its ability to change.

The increasing importance of these skills is one of the key reasons why the industry training system was introduced. Government wanted to establish industry partnerships that would encourage much greater investment in generic skills development and address the issue of firms under-investing in generic skills for fear of poaching from rival firms who did not train.

The concern about lifting the level of generic skills

remains. A key question is whether our qualifications system could be made more flexible to improve the transferability of skills and training between one industry and another. This requires the development of generic unit standards as well as ensuring that transferability of those standards is readily visible to learners.

Another factor hindering the transferability of skills is the number of ITOs. The relatively large number of ITOs narrows their focus and doesn't encourage the transferability of skills and standards from one industry to another.

NZQA has recently made changes to the way it manages qualifications development. It has placed the funding and administration of generic skills development on a more stable footing, establishing an Advisory Committee and increasing the focus on co-ordinating qualifications development across ITOs. This means in future the same skill will be measured by the same unit standard, regardless of the industry it is being learnt in.



However, more could be done. There may be some benefit from ITOs, NZQA, and Skill New Zealand working better together to:

- Identify whether new unit standards being developed, or old ones being revised, are generic or contain generic components
- Make better use of existing generic standards across firms and across industries
- Encourage a higher proportion of generic standards to be included in training.


DISCUSSION

Increasing the development and use of generic standards should increase the value of the qualifications for trainees, and reduce waste through unnecessary repetition of assessment or training. However, industry training's success has been based on delivering industry-specific skills, and relying on the compulsory and formal tertiary sectors for more generic skills development. Any refinement of the current system must not adversely affect industry ownership of qualifications.

QUESTIONS

Developing the generic, transferable skills of New Zealand's workforce

Should government policy encourage greater emphasis on ensuring industry training is used for generic, transferable skills training?

Is there a need to develop more generic, multi-industry unit standards and, if so, how is this best achieved? 

4

RAISING THE LEVEL OF FOUNDATION SKILLS

Foundation skills such as literacy, numeracy and communication, are the skills that enable people to learn and keep learning. They are an essential aspect of virtually all jobs. The need for New Zealand to raise the level of foundation skills, particularly in the areas of literacy and numeracy, is well-known.

According to the International Adult Literacy Survey 1996 in New Zealand, where level 1 denoted the lowest level of ability (on a scale of 1 to 5):

- 20% of adults function at level 1;
- 60% of Māori function below level 3;
- over 40% of all Pacific peoples are at level 1;
- 70% of unemployed people are below level 3.

The survey highlighted the dimensions of the challenge facing New Zealand. People functioning at level 1 could be expected to experience considerable difficulty in using many of the printed materials encountered in daily life, such as understanding a bus timetable.

Some firms have already recognised that improving literacy and numeracy among their workforce is central to their future growth and have instituted specific programmes in conjunction with their ITO or adult literacy organisations, such as Workbase. However, other firms maintain that literacy training is the responsibility of government.

There is a pressing need to achieve a better partnership between industry and government to raise literacy and numeracy levels in the workforce.

Addressing literacy and numeracy skill needs in the workplace differs from other industry training. Often with industry training the employer or other staff member is effectively the trainer. However, literacy and numeracy skills require specialised trainers to ensure the quality of the learning. Assessing learning outcomes also requires more specialised personnel.

The Ministry of Education is currently developing a national literacy and numeracy strategy, which



provides for the development of foundation skills from early childhood to adult literacy. Over time, this should result in fewer people entering the workforce with inadequate foundation skills. The strategy includes policies to address adult literacy. It also includes a number of initiatives that provide on-job literacy learning.

It is important that any recommendations made as part of the review of industry training complement this wider national strategy.

Here are some options for raising the level of foundation skills. These options are not necessarily mutually exclusive and could be implemented in combination:

- Foundation skills could be funded at a higher rate than other training
- A separate funding pool could be set up for literacy and numeracy skill development
- Entry-level qualifications could be redesigned so that they contain a literacy/numeracy component.

DISCUSSION

Current industry funding and regulations do not distinguish between training for foundation skills and other types of learning.

Funding foundation skills at a higher rate and/or establishing a separate funding pool for literacy and numeracy development would send an important signal to employers and ITOs and encourage them to increase their investment in this area.

The downside is that if funds for assisting literacy/numeracy were to come out of the existing industry training fund, this would divert funding away from

other skill development.

The results of Skill New Zealand's current workplace literacy pilot and other workplace literacy initiatives will provide a useful indication of the potential of these approaches.

Designing entry-level qualifications to include a literacy/numeracy component would help to ensure that these essential skills are not overlooked in industry training. It would also help with the early identification of literacy/numeracy deficiencies among learners and workers.


Such an approach, however, would demand higher levels of specialist expertise and knowledge among trainers. It might also discourage employers from taking on people with literacy or numeracy problems, since they could more cheaply train people who already hold those skills.

QUESTIONS

Raising the level of foundation skills

What measures should be taken to achieve minimum literacy and numeracy skills in the workforce and how should these be funded?

Should National Qualifications Framework qualifications explicitly include literacy and numeracy standards to ensure all people gaining qualifications have an adequate level of skill?

What role should industry training play in literacy and numeracy training provision? 

5

PROVIDING BETTER INFORMATION FOR DECISION-MAKERS AND PLANNERS

Another factor in improving the quantity and quality of skills training in New Zealand is the collection and analysis of information which improves the ability of people to make sound training decisions.

With rapid technological change now a feature of the world of work, it is more important than ever to gather comprehensive, accurate information on current and future skill requirements.

A large amount of labour market information is already collected by businesses, ITOs, training providers, career advisers, schools and by government agencies such as Career Services, Skill New Zealand, the Department of Labour, the Department of Work and Income and the Ministry of Education. There is, however, a need to improve the coordination among these disparate sources so the information needs of all the key players are better met. Obtaining relevant labour market information can be an expensive exercise so it is vital that information gathered is useful and that both Government and industry investment in collecting training

information is cost-effective.

Government has the capacity to improve labour market information which is available to industry, trainees and providers. It can do this by:

- better identifying what information is needed to support industry training
- ensuring the effective coordination of existing information sources
- improving the dissemination of information to employers and those involved in skills planning
- increasing the scope of current research into the supply and demand for skills and the effectiveness of education and training delivery.

These improvements could be done in a number of ways, ranging from ensuring current agencies with labour market and training responsibilities carry out more research, to giving one agency overall responsibility for the collation of skill needs and training information.

There is also the possibility of placing stronger requirements on ITOs to provide information on current and future skill needs, sharing this with



government and their industries. This option would need to take into account the varied circumstances which apply in different industries.

DISCUSSION

However it is implemented, the result of providing better information on skill requirements would be improved decision-making and efficiency in New Zealand's training system. It would also lead to a better understanding of skills development issues by all players and an earlier identification of problems.

Greater government commitment to this area, however, would involve expenditure that could otherwise be used to purchase actual training. It is estimated that the investment required would be a minimum of several million dollars.

Employers and ITOs also have a critical role to play in information gathering and dissemination. Effective ITOs that know their industries well and are close to the training decisions of firms are likely to be able to identify potential problems and emerging skill needs earlier than Government agencies.

Many ITOs have already undertaken skill needs analyses as a routine part of working with their industry. However this does not happen universally and the extent to which it is done varies greatly from industry to industry.

One approach could be for government to place stronger

requirements on ITOs to gather, analyse and disseminate information on current and future skill needs. Such requirements could become part of the ITO recognition and contracting arrangements. This measure however, would need to be applied flexibly, taking into account the differing conditions within each industry.


QUESTIONS Providing better information for decision- makers and planners

How useful would industry, firms and trainees find industry-wide and economy-wide skill needs information in making their training decisions?

Given the limitations on funds, would you favour using additional money on providing information or subsidising training directly? Or what should be the balance between the two?

Should one government agency be responsible for overall collation of information on skill needs and training?

Should there be an explicit requirement on ITOs to analyse future, as well as current, skill needs for their industries?

Do you think new industry training research and evaluation is needed? Into what issues? Who should fund such research? 

6

IMPLICATIONS OF THE INDUSTRY TRAINING STRUCTURE FOR GOVERNMENT AGENCIES

The range of activities carried out by government agencies and the way these are coordinated make an important contribution to the overall effectiveness of the industry training system.

Once policy decisions about the industry training system have been made, government will need to consider whether it has the right structures in place to best support those policies. These decisions will also need to be made in light of the TEAC's recommendations, in particular its Shaping the Sector report.

Currently a number of government agencies have responsibilities relating to industry training. Skill New Zealand is responsible for administering the Industry Training Act and for the operational administration of the Industry Training Fund, including contracting with ITOs. NZQA oversees the National Qualifications Framework. Career Services provides clients with information about skill demands, career prospects and training requirements. The Ministry of Education and the Department of Labour provide government with policy advice on education and the labour market.

All five of these agencies have research and evaluation roles in regard to their areas of responsibility.

As part of this review of industry training, it needs to be considered:

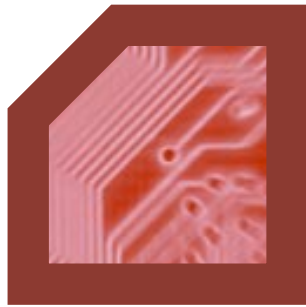
- how best to coordinate – among government agencies and non-government stakeholders – programmes of research and evaluation which build up a knowledge base of best practice in work-based training and help identify gaps in performance
- how to ensure industry training policy development is well integrated with the practical implementation of policy decisions
- how to strengthen relationships between government agencies and industry stakeholders that promote the collection and dissemination of information to support industry and ITO decision-making.

QUESTION

Implications of the industry training structure for government agencies

What enhancements are needed to government agencies' industry training functions, or to the way these are coordinated? 📄





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