

Submission by



GROWING PROSPERITY AND POTENTIAL

to the

**Education and Workforce Select Committee**

on the

**Education and Training Bill**

**13 February 2020**

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# **SUBMISSION BY BUSINESS NEW ZEALAND ON THE EDUCATION AND TRAINING BILL**

## **1.0 INTRODUCTION**

1.0 BusinessNZ welcomes the opportunity to make a submission on the Bill. It wishes to appear before the select committee to present its submission.

### **COMMENT**

1.1 Business NZ broadly supports simplification of education legislation, and containing the relevant legislation within a single Act. BusinessNZ has previously submitted on the vocational education component of the legislation (attached as Appendix One).

1.2 Following the Select Committee report back on the vocational education and training component of the Bill, BusinessNZ supports the inclusion of employer representatives within the governance model, and the inclusion of further clarification of definitions and parameters of academic freedom.

1.3 However, channels for resolution between industry and education standards still do not have a clear path for resolution. BusinessNZ is still concerned about progressing significant structural change prior to the system changes related to funding mechanisms have been progressed. BusinessNZ also remains concerned about how employers will be serviced to provide high quality education and training under the new model.

1.4 In regards to the compulsory education aspects of the Bill, BusinessNZ suggests that consideration is given to whether the ban on awarding NCEA offshore may limit New Zealand's export education sector. Currently the second largest services export earner, New Zealand's international education sector is exposed to reliance on student attraction to New Zealand, and lags behind other countries in developing relationships to deliver New Zealand education services and products off-shore. Banning NCEA from delivery off-shore, rather than ensuring a robust quality assurance framework that can mitigate risks of off-shore delivery, risks New Zealand increasing its exposure to student attraction as the main channel for international education.

1.5 BusinessNZ supports the Ministry of Education redesign and establishment of the Education Service Agency. Greater support is needed to ensure that schools can access the skills and knowledge to operate effectively and efficiently. BusinessNZ considers that any Ministry of Education redesign will need to significantly simplify the education system, and provide detailed information on the shift in functions from the current regional Ministry of Education model to ensure that silos are broken down, there is meaningful change and a new approach to driving educational success for all New Zealanders. BusinessNZ considers that all education agency functions need to be reviewed for being fit for purpose to support the suite of education reforms captured by the Bill.

**Appendix One: BusinessNZ submission to the Education and Workforce Select Committee on the Education (Vocational Education and Training Reform) Amendment Bill, 13 October 2019**

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to the

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**Education (Vocational Education and Training Reform)  
Amendment Bill**

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# **SUBMISSION BY BUSINESS NEW ZEALAND ON THE EDUCATION (VOCATIONAL EDUCATION AND TRAINING REFORM) AMENDMENT BILL (“THE BILL”)**

## **2.0 INTRODUCTION**

2.0 BusinessNZ<sup>1</sup> welcomes the opportunity to make a submission on the Bill. It wishes to appear before the select committee to present its submission.

### **Recommendations**

2.1 Business NZ supports vocational education and skill system reform that will meet business needs for a skilled workforce, drive better training and employment outcomes, and a more sustainable and responsive vocational education system. Further amendments are required to the legislation to establish the appropriate system settings to achieve these objectives.

## **3.0 OVERVIEW**

3.0 The Bill establishes a single New Zealand Institute of Skills and Technology (NZIST) that will replace the existing 16 Institutes of Technology and Polytechnics (ITPs); establishes Workforce Development Councils (WDC’s) to replace the existing Industry Training Organisations (ITOs) and establishes new functions across the system intended to provide a “strong, unified, and sustainable vocational education system”.

3.1 BusinessNZ does not consider that the legislation in its current form will achieve a strong, unified and sustainable vocational system that puts businesses and learners at the heart of the skills system.

3.2 The legislation does not include strong enough mechanisms to ensure that industry and employers are able to effectively influence the training system. Businesses have no direct feedback loop into the central system, or measurable outcomes linked to a vocational education providers performance, such as regular monitoring of employment outcomes that could be given the same imperative as learning outcomes like retention and qualification attainment.

3.3 The bill also does not address the more fundamental changes required to the role and functions of the Government agencies involved in vocational skills training (the Ministry of Education, the New Zealand Qualifications Authority or the Tertiary Education Commission) to make the system more responsive to changing skill needs as things like automation and the changing nature of work affect the labour market. While most stakeholders agree that funding mechanisms and incentives do not encourage the right system responses currently, the legislation determining the structural elements of the vocational education system are being put in place before the work has been undertaken on the funding review, and specific, long term strategic objectives of the system have been clearly articulated. Ideally, form would follow function.

3.4 The bill retains, and exacerbates, many of the existing challenges in the vocational education system. For example, terms like ‘brokerage and advisory services’ for which WDC’s are responsible for are not defined within the legislation. Further, when taken in to account with the settings for the NZIST to be the primary provider of vocational education and training, the role of WDC’s in advising on the best training solution for business is likely to result in advisory services of NZIST offerings, and not training solutions that will meet

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<sup>11</sup> Background information on BusinessNZ is attached as Appendix 1.

the need of individual businesses, or encourage innovative training solutions to enter the market.

- 3.5 The legislation departs from some long-standing conventions that have intended to maintain the integrity of the tertiary and qualifications system. For example, removing institutional autonomy from the NZIST; making the Minister the arbitrator on disputes from industry on the level of investment in vocational education which cuts across the Tertiary Education Commission's role and processes as an independent Crown entity, and creating exclusions from industry standards and capstone assessment methods with a Wananga opt-in option.
- 3.6 At its first reading, the intent of the legislation was articulated as addressing four big challenges in the vocational education system - addressing the serious skill shortages that we face across a number of industries; a disjointed vocational education and training system that does not always meet the needs of learners, employers, or our regions; the financial and organisational challenges faced by many ITPs, and the lack of employer input in to off-job training, and the subsequent effect of not delivering the skills needed by industry.
- 3.7 On addressing skill shortages, the legislation fails to acknowledge the broad range of actors and the wider system shifts that are required to meet skill shortages. For example, structural settings that encourage a lack of parity between Universities and vocational education providers and the preference for academic pathways to University from the compulsory schooling sector; the lack of exposure to different industries and occupations; the lack of a systematic approach to employment transitions from any part of the education sector, and the lack of visibility of the many industry attraction initiatives that are currently underway and New Zealand's demographic profile of an aging workforce with fewer school leavers are all contributing to skill shortage issues in a number of industries. Many school leavers are not interested in pursuing academic pathways and the apprenticeship pathway that allows for effective employment and skill development needs to be valued and encouraged, particularly in specialist, innovative niche industries involved in the high-tech sector. The legislative response is to include making connections to schools and other tertiary education organisations a function of NZIST without broader explanation in the consultation process of how this function will be enacted and measured, or what success looks like.
- 3.8 On a disjointed vocational education and training system, the legislation intends to enable students and employers to transition seamlessly between delivery sites and educational modes via the NZIST charter. However, this ignores that the motivation for those undertaking on-job training like Apprenticeships is often the income of paid work. For those in the workforce that may lose their job, it is more likely that paid employment without training will be a more attractive option than foregoing income to be a full-time student. While a seamless transition between employment and ongoing training should be a given for the system, legislative settings that place an emphasis on employment outcomes or successful transitions to employment quickly with the view towards ongoing training and development, and requiring high service levels to business to make it easier for organisations to build a training culture, would be a useful inclusion in the NZIST charter.
- 3.9 On the challenges faced by the ITPs, there is significant risk that financial and organisational efficiencies will not be realised through the creation of NZIST given the high level of fixed costs associated to the wage and asset maintenance attached to operating a polytechnic. Another significant risk is that responsiveness to industry needs will be superceded by the academic freedom provisions, with little view on how these would be resolved. For example, a course being delivered in a manner that best promotes learning is subjective, and without having explicit requirements for accountability through direct industry and employer feedback loops, there is little recourse for industry if skills are being delivered in a way that

does not result in people with relevant skills, a work ready attitude and a strong foundation for lifelong learning.

### **The NZIST establishment and charter**

- 3.10 The opportunity arising from the establishment of NZIST is to create closer links between providers and industry. Broadly, BusinessNZ agrees that the current system settings encourage significant sunk investment in courses, plant and facilities that struggle to maintain relevance and currency, does not maximise opportunities for customisation to employer and regional needs to strengthen employment transitions, creates duplication in the system, and is not fit-for-purpose for the Future of Work and the anticipated acceleration of skill development and adaptation that the workforce will need.
- 3.11 Delivering vocational education, particularly to the regions, needs to be mindful of New Zealand's labour market settings. New Zealand has a labour intensive economy, and while 70% of the workforce are employed in large companies, 97% of businesses are small enterprises. A one size fits all approach to delivering skills doesn't work when considering the differing capabilities and capacity for businesses to train, and the subsequent customisation of content, service and education products necessary to meet a diverse range of business and industry needs.
- 3.12 The establishment of NZIST is a move towards centralisation when education systems across the OECD have been moving towards decentralisation and models of collaboration over the last twenty years. Greater collaboration in education across all levels is needed, and to this end, BusinessNZ suggests that section 222B includes more explicit references to collaboration with businesses, other education providers and community groups that are able to deliver up-skilling opportunities.
- 3.13 As a whole, the proposed provisions for NZIST fail to recognise the importance of employment as a key outcome of vocational education, whether for entrants to the labour market, or to enable existing workers to progress and navigate through a changing labour market. BusinessNZ suggests that Schedule 22 (the NZIST charter), explicitly requires NZIST to have responsibilities for successful transitions to employment, or some kind of long-term reporting requirement on graduate destinations. It would be anticipated that a stronger focus on employment outcomes would drive greater collaboration with businesses and other regional players to ensure that vocational education results in a job that people have invested in their training for, and help to address the skills mismatch in New Zealand that results in skill shortages in some industries, and oversupply in other industries. It would also assist in mitigating current incentives to keep people in the classroom for as long as possible to maximise funding revenue. BusinessNZ anticipates that the volume and duration incentives in the system will be addressed through the concurrent funding review.
- 3.14 There is emerging evidence of the factors that assist with transition to employment, in an environment when most active labour market policies do not achieve sustainable employment outcomes for the majority of people that undertake them. Ensuring that people have a good learning foundation is critical, and it is estimated that approximately 40% of those in the workforce, and 40% of NCEA level 2 qualification holders, do not have sufficient literacy and numeracy skills to support lifelong learning. For young people, learning enterprise skills and paid work experience accelerate the transition in to sustainable employment. To this end, it is suggested that Schedule 22 includes requirements for literacy, numeracy, enterprise and digital skills to be given consideration in all course design of NZIST, and in standard setting for the WDC's, and that these organisations will be

expected to work broadly across industry and the tertiary system to identify and incorporate best practice.

- 3.15 It is also suggested that NZIST is required to facilitate relevant and meaningful work experience as key components of all of its courses. While this is likely to create debate in terms of the academic freedom provisions of 222E, there is sufficient evidence to support that work experience is a key factor in driving successful employment outcomes, and this could resolve some of the current tensions around how adequately existing polytechnic courses prepare people for the realities of the world of work.
- 3.16 BusinessNZ suggests a skills based governance model (rather than representative) is needed for NZIST to achieve large scale transformation, and that the existing provisions of governance appointments (of the Minister appointing the Chair, Deputy Chair and half of the Board, that then co-opt on the other members) is sufficient to achieve a balance between Ministerial input, and maintaining a level of institutional autonomy which has been removed from the legislation.
- 3.17 If the representative governance model proposed is to proceed, it is suggested that the NZIST include employer and industry representation explicitly on the governance board, and that this is included in section 222G of the Bill that ensures representation of staff, students and the Maori advisory committee. Provision for the Minister to give regard to industry and employer needs should also be included in section 222H when making appointments to the Council.
- 3.18 BusinessNZ is concerned that Schedule 23 relating to dissolution of NZIST subsidiaries cuts across the Employment Relations Act 2000, and the implications for those staff that would be affected. Given the need to drive greater efficiencies in the system and reduce duplication, it could be envisaged that workforce rationalisation will be worked through during the establishment phase. It is recommended that once the establishment phase is complete, the protections accorded by Schedule 23 cease and the Employment Relations Act 2000 is the ruling legislation. It is recommended that the establishment phase of NZIST take in to account the broader Government work programme on Just Transitions that seeks to provide an orderly transition for displaced workers.
- 3.19 The provisions to address poor performance by the NZIST are largely similar to the existing mechanisms to address poor performance by any funded tertiary institution. Given the lack of sustainability of the existing ITPs, and the closure of a number of institutions, BusinessNZ questions whether the existing monitoring and intervention approaches are sufficient to respond quickly to poor performing institutions.

### **Workforce Development Councils**

- 3.20 The business and employer feedback loop is structured through the proposed Workforce Development Councils, which are established through an Order in Council by the Governor General, on recommendation by the Minister. Requiring industry recognition to be approved by the Minister is very similar to the existing settings enabling recognition of industry coverage via approval by the Minister and a Gazette notice. As demonstrated by the current system settings, this creates a barrier between education agencies and business, weakens industry feedback when the system lacks accountability and transparency measures that monitor how well skill needs of industry are being served, and can make it difficult for small, niche industries to credentialise the skills needed in their industries.



- 3.21 BusinessNZ welcomes the inclusion of capstone assessments within the responsibilities of WDC's, and considers that over time, capstone assessments have the potential to be implemented and integrated in to registration processes for regulated industries.
- 3.22 The proposed functions of the WDC's are unlikely to result in a coherent and joined up system.
- 3.23 On the leadership function, which includes advocacy, this role is already undertaken by a number of industry associations. As membership organisations, industry associations rely on value to members as a barometer of performance. Industry associations also have a much broader view of workforce issues, such as regulatory barriers and the anticipated impacts on industry of broader policy changes. Industry associations do not necessarily have the capabilities to undertake qualification and standard setting design within the existing qualifications framework, and this is where the value of ITO's (and in the future WDC's) add value to industry – by translating skill needs in to coherent learning packages that meet educational and learning requirements.
- 3.24 If the functions are to proceed, BusinessNZ suggests that the leadership statement be extended to include regulatory and registration bodies as interested stakeholders, and that this function is to provide *globally leading* skills leadership to ensure there is a strong signal that New Zealand's vocational education is expected to be world leading and globally connected.
- 3.25 The qualification, standard setting, moderation and assessment design is supported by BusinessNZ as a function of the WDC, however the legislation misses an opportunity to more closely link curriculum and course design to the qualification development and will not support a responsive system that can quickly adapt to changing skill needs. By having WDC's create the qualification and standards and NZIST designing courses, the system will reinforce a linear design process that can currently take years to get new qualifications and credentials to market, and also reinforces separation rather than collaboration in ensuring coherence from skill articulation through to delivery and employment outcomes.
- 3.26 The advisory and representative role of WDC's lack sufficient mechanisms to direct investment to those providers that are delivering the most effective training, with the proposed provisions enabling WDC's to provide input into the volume of training needed. It is easily conceivable that regional nuances will be lost within a total funding envelope request if WDC's are not empowered within the legislative settings to direct the TEC as to which providers are delivering the best service and training, including where local providers may be more effectively delivering training than NZIST.
- 3.27 The legislation is silent on either WDC or NZIST's role in working with business to develop capability for firms to train. Currently, businesses make significant investment in training their workforce, both formally and informally, and in many instances, are ahead of the providers in delivering innovative workplace training solutions that are not just training employees for the jobs that people currently hold, but also building a skill base that will strengthen their prospects for future jobs. It is suggested that a partnership approach between NZIST, WDC's, businesses and learners would create visibility of best practice models across the tertiary system as a whole, support more firms to undertake training on the job, and build confidence within industry in the ability of NZIST and WDC's to deliver high quality training solutions.
- 3.28 Recognising that some industries are already delivering most of the training available in some sectors, it is suggested that provision is made to enable this to continue, under a

suitable moderation and quality assurance model. In some industries, all training is undertaken through a workplace training model, and this requirement is explicitly built in to the qualification. Apprentices can spend more than 98% of their time undertaking on-job training, and the success of this model is supported by the competitive strength of the industries on a global stage. The legislation should support an environment that builds business capability to train, encourages organisations to adopt a training culture and high quality training.

- 3.29 The legislative settings suggest that the WDC will design a capstone assessment but not necessarily be able to undertake the assessment as per the existing arrangements with industry. The academic freedom provisions attached to NZIST that ensure academics are able to 'teach and assess students in the manner they consider best promotes learning' and the assumed responsibility of the enrolling institution to administer suitable arrangements for assessment (i.e, the NZIST) does not provide a clear view on continuity for firms that have built significant capability to develop contextualised resources that meet industry and academic standards and deliver training and assessment on the job.
- 3.30 BusinessNZ suggests that the definition of work-place training is amended to include systematic training *and assessment*, and other amendments as necessary, to better reflect successful work-place training models that are currently in place and provide clarity that existing arrangements can be preserved through the transition.

#### **4.0 COMMENT**

##### **The legislation does not maximise the opportunity to reframe the skills system around the needs of business and learners.**

- 4.0 Much of what the Bill achieves is adjustments to current settings and transfer of functions without consideration of system inputs that fall outside the existing ITO's and ITP's, or resolving some of the key tensions that have existed between the two sub-sectors, and scope creep of functions, for a number of years. Businesses are making significant investments in capability and training systems, and the legislation fails to recognise this as part of the vocational system. Building in provisions that include partnership between industry, Government and learners in to the legislation as a key principle guiding the operations of both NZIST and WDC's, and articulating the vision for New Zealand's skills system and how the changes will result in improvements, is necessary. To be bold and transform New Zealand's skill base, vocational education needs to operate as a system that recognises the many players and their contributions, and Government investment targeted strategically towards support for the broader system rather than just designated institutions. By focussing the legislation on the institutional structures rather than the system, and building greater discretionary power in to the Minister's role, business and learners are unlikely to see the system re-orientated towards training products and services that meet their needs.

##### **The imperative for business is to be able to attract a work-ready, skilled workforce and for training to be relevant, timely and effective**

- 4.1 The biggest pain point for businesses is the ability to attract the people and skills necessary for prosperity. The significant risk of the legislation and reform programme is the disruption caused to the skills pipeline which is already failing to meet industry attraction and skill needs across a number of sectors that are critical to New Zealand's economy and the well-being of its people. Building employment outcomes in to the legislation as a clear success measure of vocational education is recommended.

## **5.0 CONCLUSION**

5.0 BusinessNZ recommends that amendments are required to the Bill, and that the legislation is clearly contextualised to a vision for New Zealand's skill system.

## APPENDIX 1



BusinessNZ is New Zealand's largest business advocacy body, being able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [BusinessNZ Energy Council](#) is a group of New Zealand organisations taking on a leading role in creating a sustainable energy future for New Zealand
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods



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BusinessNZ undertakes research, analysis and advocacy on behalf of all business in New Zealand. Its analysts work in economic, environmental, employment and skills disciplines and provide submissions on current and proposed legislation affecting the environment for business and New Zealand's growth. BusinessNZ champions policies leading to:

- international competitiveness
- balanced employment, economic and environmental legislation
- compliance and tax levels that foster growth and investment
- innovation and skill development
- an environment fostering the production of high value goods and services

Research activities include producing monthly surveys of the manufacturing and services sector – the BNZ-BusinessNZ Performance of Manufacturing Index (PMI) and BNZ-BusinessNZ Performance of Services (PSI) as well as other surveys on business issues. In addition to

advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).

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