

TR18.9880



Briefing Note: meeting with the Industry Training Federation (ITF) on 18 December 2018

To:	Hon Chris Hipkins, Minister of Education		
Date:	12 December 2018	Priority:	Medium
Security Level:	In Confidence	METIS No:	1169338
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Messaging seen by Communications team:	Yes	Round robin:	No

Purpose

The purpose of this paper is for you to:

Note the background information and talking points for your meeting with the Industry Training Federation (ITF) on 18 December, from 9.15 to 9.45am.

Note the briefing will be proactively released, subject to redactions consistent with the Official Information Act 1982.

Summary

- The ITF has briefed you in preparation for the meeting, indicating it wishes to discuss:
 - progress with the ITP and vocational education and training reviews;
 - Budget 2019: the volume and rate of the industry training fund; and
 - improving perceptions of vocational education and training options.
- Suggested talking points on these and other topics that might be raised are attached (see Annex 1).

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Graduate Achievement, Vocations and Careers

12/12/2018

Notes - Hon Hipkins
17/12/18 [Signature]

Background

1. You are meeting the ITF on 18 December, from 9.15 to 9.45am. The meeting will be held in your office.
2. ITF attendees will be Chair Pat Walsh, Chief Executive Josh Williams, and Principal Advisor Michael Ross.
3. You last met with the ITF on 26 July 2018. At that meeting, you discussed the following points:
 - a. micro-credentials
 - b. progress on the Fees-Free policy
 - c. challenges regarding skills shortages and Industry Training Organisation (ITO) funding
 - d. opportunities in the review of vocational education and training
 - e. opportunities in ITOs working with schools and promoting trades careers
 - f. restoring ITOs' skills leadership role
4. At this current meeting the ITF has expressed an interest in discussing the following:
 - a. progress with the ITP and vocational education and training reviews
 - b. Budget 2019: the volume and rate of the industry training fund
 - c. improving perceptions of vocational education and training options
5. Ministry officials are planning to meet ITF Chief Executives to discuss the next steps for publication of employment outcomes data on industry training.

Potential topics for discussion

Reform of vocational education and training (RoVE)

6. You have recently combined the VET Review and ITP Roadmap 2020 together as the RoVE.
7. An update letter to the sector has been sent to key stakeholders on 12 December 2018. This informed the sector that you have brought together the two work streams, and you intend to share your intended direction of change with the sector early in 2019.
8. The ITF has been supportive of your decision to review the VET system, and has engaged constructively in the ITP Roadmap as part of the working groups and co-design workshops. The ITF is aware that you have received officials' advice on the broad direction of the reviews, and has requested as much detail as possible.
9. The ITF would like the review to improve provider responsiveness to industry need in programme development. It proposes that providers base their programmes on unit standards developed with industry by ITOs, rather than developing their own programmes and curricula. This concern links to two key issues the reviews have identified: poor skills matching, and counter-productive, system-driven competition.

Restoring ITOs' legislated skills leadership role

10. A press release in September 2018 notified stakeholders of your decision to defer introducing legislation to reintroduce skills leadership as a statutory function of ITOs. No details on the timing or vehicle for reintroducing the skills leadership role have been announced, but you have indicated to officials that you intend to include the change in the RoVE package.

Funding industry training: Budget 2019

11. The ITF has discussed with you its view that ITOs need more funding for current functions, and to expand their contributions to skills leadership and learner pathways. The ITF also considers that ITOs should receive higher funding rates to match the 1.6% increase announced in June to all Student Achievement Component (SAC) tuition subsidy rates (for delivery at Level 3 and above) from 2019.
12. The ITF is preparing Budget proposals for you, as it has done in previous years. We have summarised these below, with our comments on each proposal.

Increasing the rate and volume of industry training funding

13. Additional funding to increase the volume of industry training was not provided in Budget 2018, as funding committed in prior Budgets was already on an upward track, as shown by table 1 below:

Table 1: Funding for Industry Training (2016-2022)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears
Baseline at 13 Sept 2018 (from MoE Finance) (\$m)	179.95	181.25	185.55	187.35	188.25	186.25
Increase in Budget 2016	0.90	2.70	4.50	6.30	6.30	6.30
Budget 2017 initiative		1.00	2.00	2.00	2.00	

14. At this stage we do not expect a shortfall in the Industry Training Fund, although underspends have progressively reduced in recent years and the risk of a shortfall has increased. Recent Tertiary Education Commission (TEC) data does not indicate an immediate shortfall. s 9(2)(f)(iv)

15. The TEC has not capped funding for individual ITOs. The annual allocation to an ITO can be amended during the year based on demand and the quality of the delivery. Five ITOs have had plan amendments to increase their funding this year.

16. s 9(2)(f)(iv)

Seeking support to pilot an employer incentive scheme to encourage more employers to engage with the formal training and apprenticeship system

17. We suggest that any new employer incentive scheme should be considered once broader changes to the system have been finalised.
18. International experience suggests financial incentives should be used with caution and carefully designed and evaluated. The effectiveness of such incentives is variable. The Apprenticeships Reboot, which provided grants for both employers and learners, does not appear to have affected long-term participation rates. Mana in Mahi offers a higher level of support and will enable us to examine what it takes to achieve greater employer participation in industry training.

19. Our modelling predicts that, not taking into account the impacts of Mana in Mahi and Fees-Free (which we expect to be limited), participation in industry training will increase by around 0.8% in 2019, due to relatively low unemployment.

s 9(2)(f)(iv)

Improving perceptions of vocational options

22. The ITF seeks your support for a Trainee and Apprentice Convention in August 2019. This would potentially be part of the ITF's 'Got A Trade!' Campaign, and link to the NCEA review and careers developments.
23. The aim is to attach prestige and visibility to New Zealand's young work-based trainees and apprentices and their employers, through a celebratory and inspiring event centred on the apprentices and involving their employers and business and political leaders.
24. This is a good initiative, but we consider it would primarily benefit industries that have a participating ITO. We therefore recommend you support it, but for the industry to meet much of the cost.
25. The Ministry is working to address perceptions of vocational options in schools. These include:
- a. Exploring options to enhance the value (actual and perceived) of vocational options within NCEA, including reviewing implementation of the Vocational Pathways.
 - b. Developing a School Leavers' Toolkit to provide information, tools, and support to schools and young people; expanding access to key workplace competencies and the knowledge and skills needed to transition successfully.
 - c. s 9(2)(f)(iv)

26. s 9(2)(f)(iv)

Careers Strategy

27. The TEC will begin trialling the changes to the careers system as part of the new Careers Strategy in February 2019.
28. The Strategy addresses information, advice, support, and cohesion across the education to employment pipeline for learners aged 7 to 74. It considers all users – parents, learners, educators, employers, the unemployed, and broader government.
29. Stakeholder feedback suggests a lack of coherence between curriculum teaching, careers support and information, and connections to the community and employer in the current system. The Ministry's Careers Action Plan, aligned with the Strategy, aims to address these concerns by: putting learners at the centre of careers education; schools

providing managed pathways for every child and young person; and informing pathways with good information.

30. s 9(2)(f)(iv)

Progress on Fees-Free Tertiary Education and Training policy

31. We estimate that, by the end of 2018, approximately 4,600 industry trainees will have benefitted from fees-free support for industry training (compared to 45,600 provider-based students). As indicated in previous advice [METIS 1158144 refers], our year-end estimates and forecast for industry training have greater uncertainty than those for provider enrolments. The proportion of potentially eligible trainees taking up fees-free support could increase by year end, with more awareness of the opportunity.
32. The ITF supports the changes to the Fees-Free policy from 2019, including:
- a. No longer counting credits reported as achieved since 1 January 2018 for industry training programmes shorter than 120 credits against learners' future eligibility for fees-free support.
 - b. Replacing the requirement for learners to supply a statutory declaration to confirm their fees-free eligibility with a new, simpler declaration process. As 2019 enrolments are already underway, the TEC will continue the current process, using statutory declarations, until early next year.
33. However, the ITF considers that eligibility for fees-free in industry training will remain unduly prohibitive.
34. The number of industry trainees taking up fees-free support is relatively low, even though apprentices have been increasing in 2018. This is likely due to the 60-credit level 3 and above prior study limit on fees-free eligibility. In 2017, nearly half of all industry trainees were over the age of 30. Industry trainees are more likely than full-time students to have undertaken prior study at level 3 or above and therefore be ineligible for fees-free support. We will provide further advice on fees-free uptake once full-year data is available in early 2019.

35. s 9(2)(f)(iv)

The ITF's research on the cost effectiveness of workplace-based education and training

36. ITF Chief Executive Josh Williams published an analysis of the costs of tertiary education on 30 October 2018, calling for a shift of tertiary education investment towards workplace-based education and learning.
37. The analysis illustrates some advantages of workplace-based training (such as the ability of workers to both earn and learn). However, it does not take account of other differences between industry training and other vocational education and training. In particular:

- a. The qualifications counted are not directly comparable. Industry training qualifications tend to be smaller and at lower levels on the New Zealand Qualifications Framework.
- b. The economic cost of industry training to employers and learners is not taken into account.
- c. Much industry training would occur without a subsidy, although the subsidy encourages formalisation and credentialisation.
- d. Providers offer fields and levels of study that are not available in industry training, and enable those unable to find employment to engage in fulltime study.

38. Ministry analysts have shared their review of the analysis with the ITF.

Industry training employment outcomes project

39. The Ministry and TEC have been working on providing information on tertiary education outcomes to inform learners about what to study, and what to expect from different types of tertiary education. Employment outcomes information is sourced from the Integrated Data Infrastructure, which links administrative datasets from many government agencies.

40. The key findings for destination and earnings are:

- a. Completion of an apprenticeship is associated with increased employment rates, and lower further study rates.
- b. Similar to provider-based tertiary education, earnings and employment rates for apprenticeship graduates vary by field of study.
- c. Destinations and earnings differ for traineeship graduates compared to apprenticeship graduates.
- d. Like provider-based tertiary education graduates, industry training graduates increasingly go overseas after completion.

41. ITOs and the ITF are interested and supportive of this project, seeing it as an opportunity to show employers and employees the value of industry training. They have formed a working group to support the Ministry with this project, which is keen to hear about the proposed methodology and findings. The Ministry plans to meet with ITO CEs on 13 December 2018 to discuss next steps.

Micro-credentials

42. You agreed earlier this year to change funding rules so that the TEC can fund micro-credentials for industry training. The changes, which enable the TEC to fund industry training micro-credentials as small as 5 credits, have not yet been publicly announced. These changes address ITF concerns that earlier proposals effectively excluded ITOs from developing micro-credentials.

43. You may wish to consider advising the ITF of the change to funding rules.

44. The TEC is working with a group of tertiary education organisations to develop its approach to funding micro-credentials in 2019.

Annex one: suggested talking points

Reform of vocational education and training

- I have brought the VET Review and ITP Roadmap together into a reform of vocational education work programme.
- I thank you for your continued engagement and I welcome your feedback.
- Officials have confirmed proposals for potential directions for the RoVE. Cabinet is expecting to make decisions on those proposals early next year.
- Stakeholders, including the ITF, will be informed about the direction of travel of RoVE.
- There will be opportunity to engage on specific proposals through formal consultation in 2019.

Restoring ITOs' legislated skills leadership role

- As you know, the introduction of legislation to reintroduce skills leadership as a statutory function of ITOs has been deferred.
- I have decided that this change should be integrated with reforms arising from the RoVE.

Funding industry training: Budget 2019

Increasing the rate and volume of industry funding

- I acknowledge that ITOs are interested to see an increase in the rate and volume of funding for industry training.
- I would like to indicate that funding for volume is already tracking upwards and that the Industry Training Fund is underspent overall.
- The TEC says it has not capped funding for individual ITOs. The annual allocation to an ITO can be amended during the year based on demand and the quality of the delivery. Five ITOs have had plan amendments to increase their funding this year.
- The RoVE is expected to lead to changes to funding rates which will ensure sustainable and equitable delivery across New Zealand.

Seeking support to pilot an employer incentive scheme to encourage more employers to engage with the formal training and apprenticeship system

- Our modelling predicts that, not taking account of the impacts of support from Mana in Mahi and Fees-Free (which we expect will be limited), participation in industry training will increase around 0.8% in 2019, due to relatively low unemployment.
- We consider that any new employer incentive scheme should be considered once broader changes to the system have been finalised.

Seeking additional resources for work-based literacy and numeracy

- I agree that literacy and numeracy programmes are important for improving social and economic outcomes for low-skilled adults.
- We would need to consider the best way to strengthen specific literacy and numeracy provision in the context of wider reviews. For example, the NCEA Review is exploring strengthening literacy and numeracy in schooling which should have benefits in terms of learners coming into industry training.

- We are working to get a better understanding of the effectiveness and capacity of our current investment in improving adults' literacy and numeracy. This would inform any proposals for further investment.

Thanking the ITF for their proposals

- Thank you for your ideas.
- The Government is committed to improving the quality and accessibility of core public services. Budget 2018 made some important first steps.
- Budget 2019 is the wellbeing budget. It will build on Budget 2018 and have a specific focus on improving wellbeing, particularly child wellbeing.
- The Government is also committed to responsible fiscal management. The pressure on core public services and focus on wellbeing mean that the Government will need to carefully prioritise investments and there will be difficult decisions to make.
- Additional funding for tertiary education and training is a high priority, but needs to be prioritised within a range of other investments.

Improving perceptions of vocational options

- I give my support for the Trainee and Apprentice Convention in August 2019 and 'Got A Trade' Campaign.
- However, any public funding would need a commensurate additional public benefit (many activities that people undertake of their own volition provide a public benefit, and it would be impossible to subsidise all of them).
- How might the ITF use additional funding to increase the public benefit of 'Got A Trade'?
- The Ministry is working to improve perceptions of vocational education in schools:
 - Reviewing the implementation of Vocational Pathways and exploring other options to enhance vocational options in NCEA.
 - Developing a School Leavers' Toolkit to expand access to and recognition of the competencies young people need to transition successfully.
 - Preparing an initiative for Budget 2019 to implement the Prime Minister's Vocational Excellence Award.
- There may be an opportunity to partner with the ITF on the Trainee and Apprentice Convention concept, depending on the outcomes of the NCEA review and Budget 2019.

Careers strategy

- The TEC is developing a Careers System Strategy that supports businesses, learners, people preparing to work, people in the workforce, and those that have disengaged from education and employment.
- The Ministry is developing a Careers Action Plan, as part of the Strategy, to shift careers education culture and practice in schools.
- The Ministry will consult stakeholders, including the ITF, on a draft of the Action Plan from February to April 2019.

Progress on Fees-Free Tertiary Education and Training policy

- Thank you for your support for the changes to the Fees-Free policy.

- By the end of 2018, approximately 4,600 industry trainees will have benefitted from fees-free support for industry training.
- The proportion of potentially eligible trainees taking up fees-free support could increase by year end with more awareness within industry training.
- We are committed to improving the Fees-Free policy and how it works for industry training.

The ITF's research on the cost effectiveness of workplace-based education and training

- The ITF's analysis illustrates some of the advantages of workplace-based training, and its cost-effectiveness for younger apprentices.
- The relative benefits of industry training and fulltime study can be difficult to compare in a balanced way, and care is needed in how such information is presented.

Industry training employment outcomes project

- I understand you have seen the first set of results from the IDI analysis of industry training employment outcomes.
- It is good to see that completion of an apprenticeship is associated with increased employment rates.
- I thank you for your support and for working with officials to inform the methodology and policy on the use of the information.

Micro-credentials

- I look forward to seeing ITOs applying to NZQA to approve industry training micro-credentials.