The Changing Role of Industry Training Organisations in New Zealand

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Abstract:

Recent developments in the provision and funding of industry training in New Zealand have provided substantial challenges for Industry Training Organisations. This article focuses upon the role that they are expected to play in supporting the Labour-led Coalition's Economic Transformation (ET) agenda, and explores some of the challenges created. A major aim of the ET agenda is to produce globally competitive firms by better directing the government investment in education and training and in research, science and technology. In this context, Industry Training Organisations are expected to play an increasingly active role in driving the government's investment in industry training. This article considers some of the barriers and challenges they face in meeting these new government expectations.

The purpose of this review is to describe the changing role envisioned for Industry Training Organisations (ITOs) by the Labour-led Coalition, and to identify challenges faced by policy makers in realising this vision. To date, there has been very little research into the role of ITOs in helping shape New Zealand's tertiary education system. This omission deserves to be rectified. Like other players in New Zealand's tertiary education sector, ITOs are now required to be more strategic and more visionary than they have been in the past. For example, ITOs are now being asked to predict skill shortages and to develop ways to utilise skills in the workplace more effectively.

The first clear statement of the new approach that ITOs are required to adopt was made in the report *Growing an Innovative New Zealand*

(Office of the Prime Minister, 2002), which was published to establish the Labour-led Coalition's vision for the New Zealand economy.

Growing an Innovative New Zealand was Labour's response to perceived failings in the previous "neoliberal", or market-led tertiary education sector. Labour argued that the outcomes of the market-led system were unsatisfactory in terms of the quality of training delivered and the appropriateness of the skills produced. These and other problems had contributed to falling incomes (Office of the Prime Minister, 2002). Indeed, it was argued that the previous administration's voluntary or neoliberal approach to training had put the country at risk because employers were not investing sufficiently in education and training (New Zealand Labour Party, 1999). To rectify these failings, the government established the Growth and Innovation Framework (GIF), a broadly-based strategy designed to enhance innovation across the economy. This framework was later incorporated into the Economic Transformation (ET) agenda (Cullen, 2007).

A major aim of the ET Agenda is to grow more talent through reforming the previously competitively funded model of tertiary education (Cullen, 2007). The government aims to achieve this through increasing its role in tertiary-level education and training, including industry training. For example, government sees its role as one of "leader, partner, facilitator, and broker working with other sectors to get results." This reflects the government's determination to "open up tertiary education to a closer relationship with our economy and society" (Maharey, 2002, p. 1). The government envisioned ITOs taking a leadership role to facilitate the formation of this relationship.

The next section of this review provides a brief summary of industry training over the period 1992-2006.

The Evolution of Industry Training in New Zealand 1992-2006

When the Labour-led Coalition took up office in 1999, it inherited the Industry Training Strategy (ITS), which was established in 1993, and the National Qualifications Framework (NQF). At the time of its implementation, the government agencies responsible for implementing and managing the ITS were Skill New Zealand (later incorporated into the Tertiary Education Commission) and the New Zealand Qualifications Authority (NZQA). Skill New Zealand funded a network of over 40 Industry ITOs that "purchased" training outcomes from providers and oversaw structured workplace learning. The role of an ITO under the Industry Training Act (1992) was defined as:

- setting national industry standards;
- purchasing training; and
- quality assurance of training providers and workplace learning. (Industry Training Federation, 2003, p. 4)

Bumps in the road

The expectation of the government of the day was that the market-led industry training strategy would increase participation and achievement, increase the involvement of industry in determining skill development, and increase the financial contribution made by industry to skill development. The growth of industry training, however, was minimal from 1993-1999, the involvement by many employers in the ITS was low, and the expectation from government that industry would support it financially, proved optimistic. In terms of participation in structured workplace learning, the number of workers in training only increased from an average 25,000 persons in the 1980s, prior to the introduction of the ITS, to just 63,000 in December 2000. In 1999, when the number of trainees stood at approximately 53,500 they represented less than 3 percent of the total number of employees in New Zealand. (Office of the Associate Minister of Education – Tertiary Education, 2001).

An important aim of the ITS was to lift the level and the quality of training young people received. However, the evidence suggested that older people were more likely than young people to be receiving training under the ITS. During the year 2000, for example, more than 81,000 people received training. Less than 10 percent of these, however, were aged 15-19 years, whereas 35 percent were aged over 50 years.

Trainees were also unevenly distributed across the various industries. In consequence, some industries had very few workers learning under the ITS. For example, approximately 30 percent of all trainees were covered by the Building Services and Contractors ITO, while about one-half of all ITOs served less than 2 percent of all trainees. Some industries completely refused to adopt the ITS (Office of the Associate Minister of Education – Tertiary Education, 2001).

As can be noted elsewhere (Strathdee, 2004), it is also possible that much of the growth in trainee numbers reflects no more than the credentialing of learning that was already occurring despite the ITS. When the ITS was in its infancy and very few training courses were available, 47 percent of New Zealand employees already participated in some form of job-related training (O'Connell, 1999). This suggests that

many workers received training in New Zealand firms but little was conducted under the ITS. Indeed, related research (Long et al., 2000) suggested that employers were ambivalent about the Government's industry training strategy in general, and ITOs in particular. Moreover, if employers were in fact demanding higher levels of skill and qualification on the part of their new employees, and there was actually a skills shortage, one might reasonably expect them to be investing in training themselves.

Evidence suggests, however, that volatility of production cycles and intense competition made it increasingly difficult for employers to offer formal training-based employment to young workers in New Zealand (Dwyer, 2000). Reasons cited in a related report for the reluctance of some employers to adopt the ITS included a belief that the ITO model did not meet their needs. Qualifications and necessary entry requirements, they argued, had been established through other means (via the university system, for example). Similarly, they displayed a reluctance to be involved in training that may have led employees to demand increased remuneration (New Zealand Department of Labour, 2000).

Towards the New Beginning

Following the election of the Labour-led Coalition to office in 1999, and the increase in funding for ITOs, the number of trainees registered on the National Qualifications Framework grew rapidly. Based on NQF figures, the Industry Training Federation reported this growth in the numbers of registered trainees (from 81,343 in 2001 to 161,676 in 2005) as confirmation of industry training achievements. In other evidence, the Industry Training Federation reports that industry training has grown from around 16,000 trainees in 1992 to around 180,000 in 2008. This figure accounts for about one-quarter of all trainees involved in tertiary education. Around 35,000 businesses and organisations of all sizes are involved in industry training, working with 39 industry training organisations and a large number of education and training providers, including polytechnics and private training establishments (Industry Training Federation, 2008). In part, this increase reflected the impact of new interventions, such as the Modern Apprenticeship Scheme. It is also possible that it took longer than expected for the market-led industry training system to yield its full effect.

In the more recent past, growth in training linked to the National Qualifications Framework has been rapid. However, it is clear that much

of this has been in areas not deemed to contribute greatly to the Labour-led Coalition's strategic priorities. Similarly, it appears that the "achievement" may have been driven by the needs of the Tertiary Education Organisations, rather than those of employers. For example, up until the effective creation of markets in education, the government invested about one percent of the total expenditure in tertiary education on courses registered on the National Qualifications Framework in the Adult and Community Education funding category. Following the creation of markets in education, some tertiary education institutions adopted a strategy of offering adult and community education courses as a way to increase their revenues. These institutions found that parity of funding, a cornerstone principle of market-led training systems, enabled them to offer low-cost courses that were free to those who enrolled, and collect as much revenue per equivalent full-time student as they could for their mainstream courses (Mallard, 2005).

One strategy used by providers to increase enrolments was to enter into agreements with organisations that were already offering training. By converting these courses into adult and community education courses and gaining the increased funding, both the delivering organisation and the providers of tertiary education increased the level of state funding they received. Another strategy was to offer students inducements to enrol. For example, some providers of computer education offered free computers to all those who enrolled in their programmes ("Te Wananga O Aotearoa under heavy fire", 2005).

However, even before these problems arose in relation to providers' use of the market-led system, the government introduced reforms to the tertiary education system through the Tertiary Education Strategy of 2002. The 2002 reforms aimed to better align the tertiary education system with government's economic and social development goals. To meet these goals, ITOs were given the opportunity to take a broader strategic approach to tertiary education and training across their industries. Under the Industry Training Amendment Act of 2002, ITOs were charged with providing leadership within industry on matters relating to skills and training needs by:

- identifying current and future skill needs;

- developing strategic training plans to assist the industry to meet those needs;

- Promoting training that will meet those needs to employers and employees. (Industry Training Federation, 2006)

The purpose of the new ITO leadership role was to encourage industries to take a long-term view of their skill needs, to increase learning pathways, and to better control the size and direction of the State's investment in education and training. Despite the passing of the legislation in 2002, however, detailed information about how ITOs would fulfil their new strategic leadership roles was not available. At the time, the TEC was struggling to manage a whole series of changes occurring throughout the tertiary sector. In its first two years, it was subjected to three significant reviews, covering structure, governance and its role in the broader education sector.

Other problems also emerged to limit the Labour-led Coalition's ability to set the direction of education and training. For example, the government discovered that, under existing legislation, it could not refuse to fund providers once students had enrolled, nor could it recover funds when courses were not actually offered or completed. Another issue was that administrative control of the sector was split between the TEC (which approved courses for payment) and the New Zealand Qualifications Authority (which was responsible for approving courses for quality). Neither organisation was in complete control. Indeed, the New Zealand Qualifications Authority had delegated quality assurance to some providers (for example, the Wananga and the New Zealand Vice-Chancellors' Committee).

To help clarify the issues as they related to industry training, the Industry Training Federation facilitated discussion between TEC and ITOs to gain clarity of changes and input into the policy development. The key areas identified through this policy development extended the role of ITOs to increase:

- the identification of skill needs through strategic training plans
- the quality of industry training
- the focus from trainee numbers enrolled to achievement rates
- the numbers of enrolments to higher level certificates
- the numbers of Maori, Pacific and women trainees
- industry contribution
- Standard Training Measures achieved.
  (Industry Training Federation, 2006)

Further clarification of the new role for ITOs came from the then Minister of Tertiary Education, Dr Michael Cullen, who restated the need for tertiary providers to collaborate in streamlining and consolidating education programmes. He identified an oversupply of

providers and programmes in the New Zealand training market, and sought a refocusing of government funded programmes towards those demonstrating high quality and those based on identified skill needs (Cullen, 2007).

In 2006, the government backed the Minister's push for improved quality by announcing its new evidence-based funding model (Ministry of Education, 2006). Focusing on regional tertiary education, the investment strategy required all Tertiary Education Organisations to concentrate on their distinctive contributions by projecting outputs and outcomes in tertiary education for a three-year period 2007-2010. This strategy replaced the previous funding model based on numbers of student enrolments.

A New Approach to Funding

Announcing the new funding model to Tertiary Education Organisations, Cullen (2007, p. 6) stated that the intention of the model was to "create a direct link between needs, planning and delivery, encouraging collaboration between decision makers." He proposed that the new system would be based on collaboration between key stakeholders, creating pathways to higher learning institutions. As part of creating these links, the Labour-led government issued a statement of tertiary education priorities. This *Statement of Tertiary Education Priorities* sets out current government policy expectations and priorities for New Zealand's tertiary education sector (Tertiary Education Commission, 2007).

The strategy directs the sector to focus on quality and relevant education and research, and to maximise the contribution of tertiary education to the Government's priorities. Under the new model, priority outcomes for tertiary education are to:

- increase education success for young New Zealanders, with more achieving qualifications at level four and above by age 25;
- increase literacy and numeracy levels for the workforce;
- increase the level of advanced trade, technical and professional qualifications to meet regional and national standards; and
- improve research connections and linkages to create economic opportunities.
(Tertiary Education Commission, 2007)

This document (2007, p. 16) outlines the roles of ITOs within the strategy as follows: "Industry Training is at the interface between industry and the tertiary education sector, to ensure that industries' skills requirements drive the provision of education and training for industries." Thus, the document outlines the changing roles and responsibilities of ITOs within the tertiary sector as requiring increased understanding of, and responsiveness to, the current and future needs of employers. A report from the Industry Training Federation (2006) states, similarly, that this leadership role requires ITOs to provide accessible descriptions of the skills and education requirements of their industries, and to work with Tertiary Education Organisations to analyse the education needs of their industry. This requires ITOs to extend their business to provide research and collaboration with Tertiary Education Organisations to meet identified needs.

In this new system, clearly defined roles have been established for Tertiary Education Organisations to contribute to skills planning to meet the needs of the wider New Zealand economy. In this context, the role of ITOs is to research and identify future skills, and use this knowledge to help determine the training needs within their industry, nationally and regionally. To articulate the training needs, ITOs are required to produce strategic training plans that are relevant to the needs of the industries they serve.

To oversee and help determine the government's investment in tertiary education, "Investment Managers" have been appointed in each region to oversee the process. Investment managers are required to identify tertiary education needs through research and consultation with providers, communities, employers and ITOs. This information is expected to form the basis for Regional Plans which will guide the investment planning of the TEC. From these plans, each Tertiary Education Organisation is required to develop an individual investment plan, guided by TEC key performance indicators, for its funding.

As part of the process, each Tertiary Education Organisation must establish relevance. To achieve this, each must have an approved Charter and Profile. Although there are important differences between the two documents, Charters and Profiles are negotiated between the TEC and individual providers of tertiary education, and ITOs where relevant. Charters and Profiles are intended to provide the State with a way to monitor the quality and direction of the tertiary sector.

Finally, the TEC now assesses the activities of providers against four areas of strategic priority:

- excellence (raising the quality of teaching, learning and research to equip learners with the skill and competencies they require)
- relevance (ensuring a Tertiary Education Organisations's activities contribute to the key national economic and social goals as set out in the TES and the *Statement of Tertiary Education Priorities*)
- access (ensuring equity of access and opportunity for students, particularly for Māori and Pacific people), and
- capability (raising organisation and system capability). (State Services Commission, 2005, p. 63)

Identified Challenges for ITOs

The new leadership role that ITOs are required to undertake brings significant challenges. The following are considered to be of most immediate concern.

Timeframe

TEC established a short timeframe for the ITOs to develop their strategic training plans. Most ITOs embarked on the task by reviewing the industries they served, to identify current and future skill needs (required to inform regional planning). To identify the skill needs in their areas, many ITOs used secondary research methodology, gathering existing statistical data, and analysing sector information with limited time to facilitate meaningful discussion with industry.

A key challenge was the gathering of valid and reliable data that was fit for purpose. It transpired that there were differences in the kind and quality of the data ITOs could access. For example, the Sport Fitness and Recreation ITO report through the Industry Training Federation (2006, p. 17) stated "data collected by Statistics New Zealand through census and the Household Labour Force Survey and the Department of Labour on industry, occupations and skill shortages is a useful starting point but it is too broad to inform decision making." For some ITOs serving businesses that were medium to large in size, access to human resource departments yielded useful data. For other ITOs, particularly those that served small businesses, gathering such data was problematic. For example, smaller firms were much less likely to have human resource departments to collect the kind of information ITOs needed to develop their plans.

ITOs and Tertiary Education Organisations gather data about trainees/students for the TEC, and these have normally been used to

develop training plans. However, in different areas, it emerged that the data were not gathered in the same way, nor reported to TEC in the same way. The mismatch between regional and national data, the definition of regions, plus the lack of alignment in the interpretation of data by local and central government, all ensure that the gathering of valid and reliable data remains a challenge. At the same time, as Sport Fitness and Recreation (Industry Training Federation, 2006) has identified, limitations in current data processes, including timeframes which are too short, have meant data provided to TEC by the Tertiary Education Organisations do not give a complete view of the tertiary education provision and needs of each region.

The overly ambitious timeframe, the lack of useful data, and variations in data treatment meant that many ITOs did not reach the stage required in the development of this research. The Industry Training Federation (2006, p. 18) also observed that "accessing and interpreting data can be time-consuming and expensive for ITOs. Having access to accurate, up-to-date and meaningful data is important for ITOs to determine current and future industry skill needs."

The challenge of establishing meaningful data within workable timeframes remains significant for ITOs and, consequently, for TEC in reporting to government.

Funding problems

The Labour-led Coalition advances a discourse of cooperation and democracy. However, the funding environment in tertiary education remains largely competitive. This means that resistance to the sharing of business information between actors remains a barrier to coherent industry training development (Industry Training Federation, 2006).

Other funding issues limiting the ability of new models to improve the impact of the Industry Training Strategy remain. For example, there are two separate funding systems, the Standard Trainee Measure funding for ITOs, and the Full Time Equivalent funding system for Tertiary Education Organisations. As Lamburn (2002) noted, having two systems creates confusion, because it requires providers to establish separate systems for reporting trainee credit achievements, both to the ITO and NZQA, creating double handling. Despite the fact that ITOs use blended models of delivery using both on- and off-the-job training, the funding system has not yet been adjusted to acknowledge the practice.

Meeting the range of provision and reporting demands generated by successive attempts to optimise funding effectiveness has become counter-productive. A significant challenge for ITOs and for government involves a recognition of this funding dilemma before it can begin to be adequately addressed.

Definitions of completion

Curson (2004, p. 5) defined successful completion rate for the ITO sector as "the successful completion of all the unit standard requirements of a signed training agreement." By contrast, the TEC requires completion of a qualification. To meet industry needs, the ITOs argue, clusters of standards are often used for a defined role within industry. These Limited Credit Programmes are part of a qualification and registered with TEC on a training agreement. However, for a completion to be acknowledged by TEC, trainees must complete the full qualification. This disadvantages many trainees whose employers will only contribute to the Limited Credit Programme.

A fundamental challenge for ITOs is to work in collaboration with TEC to generate a single and agreed definition of completion in alignment with current government policy

Collaboration

For the success of the new approach, TEC deemed development of networks as integral to gathering relevant information to establish tertiary education needs. The new focus on networks and collaboration opened the door for new relationships across industries and tertiary education. This network offered the potential to create communities of practice (Lave & Wenger, 1991) and build social capital, as people assist each other through information sharing and related activities. Wenger, McDormott, and Snyder (2002) consider that communities of practice create collaboration and reduce duplication of effort, while Cudby (2005) suggests that they can add value and enhance business practices. However, as noted above (see Funding Problems), competition for funding through sharing of the same industry clients may remain a barrier, simply confirming the distinction between a network and a community of practice.

An effective response to the challenge of increasing collaboration would seem to lie in a changed funding model. However, the potentially conflicting priorities of ITOs and the TEC may need to be resolved before this challenge can be addressed.

Conclusion

The reform agenda of the Labour-led Coalition has bought about significant changes to the role of ITOs in New Zealand over the past decade. In doing so, it has given them a stronger position from which to provide leadership within the wider tertiary education sector. This recognition, however, has been accompanied with several major challenges. At this point it remains unclear whether all ITOs have either the political will or sufficient access to the information and resources needed to contribute fully to the Labour-led Coalition's "Growth and Innovation Framework". In the meantime, the new leadership role envisioned for ITOs continues to evolve.

Fully realising the potential of the government's new approach to industry training depends upon its willingness to address funding and operational issues that will promote the development of new collaborative relationships between all actors in systems of innovation. With an election due before the close of 2008, a national labour-skills shortage, and a contracting economy, industry training has the potential to become an increasingly political issue in New Zealand.

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