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Speech Notes

Address to the ITF Annual Conference: Tertiary Reform Next Steps

Lambton Room, Intercontinental Hotel, Wellington

It is a pleasure for me to address this year's Industry Training Federation annual conference.

While I am sure much of your discussion at this conference will focus on the challenges that lie ahead, this is a good time to acknowledge that Industry Training has been a significant success story in recent years. The latest figures on Industry Training and Modern Apprenticeships show that the system is very much on target, providing learners and industry with increased opportunities for building skill and productivity levels.

As such, Industry Training is becoming a key driver in New Zealand's economic transformation.

We have seen strong year-on-year growth in Industry Training and Modern Apprenticeships. As at 31 March 2006, there were a record 119,866 active Industry Trainees. This is an increase of 11.7 percent on the 31 March 2005 snapshot figure of 107,324.

Meanwhile, as at 31 March 2006, 8,838 Modern Apprentices were in training, an increase of 450 Modern Apprentices on the previous quarter. This is a 13.9 percent increase on the 31 March 2005 figure of 7,760.

What these figures demonstrate is that the workplace is proving to be a popular and successful environment for tertiary education and training for New Zealanders. New Zealand workers want to invest in their skills and knowledge on the job, and New Zealand employers see the immediate and longer term benefits of creating a more skilled workforce.

A focus on formal training for staff is becoming a more central part of what it means to be a good employer in New Zealand.

Of course, Industry Training and Modern Apprenticeships are only partly driven by government decisions. This government has made it an important focus since we came to power in 1999. We have continued to support Industry Training and Modern Apprenticeships, including additional funding in this year's Budget for increased Industry Training participation and for a total of 14,000 Modern Apprenticeships by December 2008.

However, the strong support and involvement of industry is key to the ongoing success of Industry Training and Modern Apprenticeships. It is very much a partnership.

What's more, it is success story that must continue. As you know, the New Zealand economy continues to experience severe skills shortages. These extend well beyond the difficulty householders find in tracking down a plumber or an electrician. For some of the industries that hold the key to our export growth, such as tourism, food and beverages and hi-tech manufacturing, staff shortages are an important constraint on growth.

Training issues remain firmly on the government's radar screen, and that is likely to continue for many years to come.

In that context I want to talk about the broader reforms to tertiary education. This morning I made a further set of announcements following on from the reform agenda I set out in March this year.

The reforms are an attempt to refocus the tertiary education system so that it is more driven by stakeholders, by quality outcomes and by national goals and priorities.

I am not suggesting that these drivers have been absent in the past. However, under the current system there has been a tendency for these concerns to drift onto the periphery. The reason for that is simple: they have not played any significant part in the funding system.

My intention is to bring them to centre stage once more.

Earlier this year I set out three important themes for the reform process and the consultation programme. These were:

- Firstly, the need to build a network of provision in which providers collaborate, rather than compete, and focus on making their distinctive contribution to regional and national skills advancement;
- Secondly, the importance of strengthened quality assurance, which draws upon international benchmarks but also makes use of feedback from students and from employers and other stakeholders; and
- Thirdly, a shift from merely funding places in tertiary education to investing in plans developed by tertiary providers.

In the course of the consultation process, it has become obvious that these themes have very broad support amongst providers and stakeholders. As always, the perception is that the devil is in the detail, and as a result I am moving as quickly as possible towards setting out exactly how I intend the new system to work.

Essentially, I want to change the mindset of the sector, so that it ceases to see dollars attached to current year enrolments, and begins to see them as an investment that the government is making in a tertiary provision plan that extends to the medium-term and beyond.

Those plans will feed into a new quality assurance system that is less focused on ticking boxes regarding the inputs that are going into tertiary education, and more focused on assessing the outcomes for students, for employers and for the community at large.

And those plans will not reflect simply the ambitions of individual tertiary institutions, but will, when set alongside others, describe a network of provision for each region with each institution making a distinctive contribution.

As I announced earlier today, this new investment system will operate in a 3-yearly cycle, and will start with an expression of priorities from government and from a range of other stakeholders such as employers and local communities. These will be incorporated into an investment strategy that includes both national and regional priorities.

That strategy will take account of the overall level of funding available for tertiary education. Anyone who has been observing the sector will know that the current demand-led approach has caused spending to be volatile. That is not just the government's problem. Funding blowouts make long term planning difficult, and the losers tend to be investments in building up institutional capability and developing new and possibly experimental areas of teaching or research.

Getting greater stability in overall tertiary expenditure is essential if we are to develop a stable set of institutions.

So in future a three year funding path will be set. This will be based on inflation pressures, expected demographic change, student demand and

competing priorities within and outside the education sector. This path will not be breached simply because institutions have under-estimated demand.

I want to stress that this aspect of the new policy is not about limiting access to tertiary education. Instead, it is about ensuring that tertiary education resources are focused towards courses that meet social and economic priorities. Managing unpredictable surges and falls in demand for individual courses is something that ought to be within the capability of most institutions; and investment plans will of course accommodate planned growth in enrolments around priority courses.

Planning is the key concept here. The demand-led system placed trust in Adam Smith's 'invisible hand' to build a quality tertiary education system. That has given us higher participation, but along with that a measure of wastage, a lack of overall focus and question marks around quality in some areas.

In future the hands that guide the sector will be very visible:

- It will be the hand of government, investing taxpayers' money in priority areas, and shifting resources to education and training that better matches skill and learning needs;
- It will be the hand of industry and employers, playing a greater role in defining the competencies that graduates need to have;
- It will be the hand of students themselves, determining what and how they want to learn; and
- It will be the hand of tertiary institutions, determining what their distinctive contribution will be, and investing in capabilities and staffing around those goals.

Once the overall tertiary funding path has been set, how much each part of the tertiary sector gets will be guided by education priorities laid out in the annual Statement of Tertiary Education Priorities and analysis of skill and learning needs.

Tertiary Education Organisations will be asked to respond to the priorities in their region, plus the national priorities, in a plan that they propose to the TEC. The TEC will assess (and if necessary, renegotiate) this plan based on how well it addresses priorities, but also based on provider performance, quality, and distinctive contribution.

The new funding mechanism will replace the current Student Component funding with two new components:

- A student achievement component covering the government contribution to the costs of teaching and learning; and
- A tertiary education organisation component covering the government's contribution to costs associated with the organisation carrying out its distinctive role.

The agreed plans will last three years and determine the funding to be allocated and the outcomes that are to be achieved, both in terms of student achievement and in terms of development of the organisation itself.

Out of this will fall the key result areas for monitoring. It is important that external stakeholders are a part of this monitoring process, and can access the relevant information about how tertiary organisations are meeting, or not meeting, their expectations. For this reason, information on the performance of tertiary organisations will eventually be publicly available.

I say 'eventually' because there are some areas in which quality and outcome measures are under-developed. We need a balanced and reliable set of

indicators if we are to encourage genuine dialogue around what tertiary providers are doing and how well.

After three years, the investment plan system begins again with the next investment strategy, taking into account any changes in priorities as well as gaps identified through monitoring activity.

The new system is designed to provide stakeholders much better and more frequent opportunities to have an influence on the education and training that is provided. Tertiary education organisations will not be funded unless they can demonstrate that they have analysed and are consistently meeting specific stakeholder needs, and are achieving the outcomes sought.

In that sense, the success of industry training has provided a useful model. The last five years have proved that industry, given time and improved information streams, can be a very focused partner in building a skilled workforce.

It is true that in the wider tertiary system there is a broader set of interests, including the need to teach critical thinking ability that is not attached to any particular vocational setting. Nevertheless, the quality of engagement between stakeholders and providers that has been the salient feature of industry training is something that I believe we can replicate elsewhere in the system. That is something that has potential to enrich the learning experience and also to make tertiary education a powerful driver of innovation and improved productivity.

It is that vision that we are pursuing with the changes announced today.

Thank you.

Investment system diagram

How it will work

