

Event backgrounder: Primary ITO cocktail function on 22 May 2018

To:	Hon Chris Hipkins, Minister of Education
From:	Section 9(2)(a) Acting Manager, ITO Investment, Operations Directorate
Date:	16 May 2018
Reference:	E/18/00267

You are speaking at Primary ITO's pre-AGM cocktail function

1. This paper provides you with background information ahead of your speech at the Primary ITO cocktail function on 22 May 2018 at the Wharewaka Function Centre, Wellington.
2. The event will be held the evening before Primary ITO's AGM. You will be speaking for 5 to 10 minutes, following speeches from Dr Linda Sissons (Chief Executive), Mark Darrow (Chair), and Siobhan O'Malley (2017 Share Farmer of the Year award recipient). Biographies of the Primary ITO Chair and Chief Executive are included in Appendix A. Speech notes have been provided to your office.
3. There will also be panel discussion after your speech, should you be available to participate.
4. We recommend that you proactively release this event backgrounder, with minor withholds (paragraph 15 and table 2), once it has been considered by you.

Background information on Primary ITO

5. Primary ITO is the industry training organisation (ITO) with coverage for the agriculture, horticulture, sports turf, dairy manufacturing, meat processing, seafood, petrochemical, energy and chemical plant industries.
6. Primary ITO has been experiencing declining training volumes in recent years. The ITO has sought funding reductions for 2016 and 2017 due to lower than anticipated demand for training. The ITO's allocation has reduced from \$30.2 million in 2016 to \$24.8 million in 2018. Primary ITO advises that declining training volumes reflect both where demand has trended over time and the removal of products from the market which were no longer aligned to stakeholder expectations.
7. We are engaging with Primary ITO on its approach to managing within a significantly reduced budget, and strategies to stimulate demand in the primary sector. Primary ITO had previously advised that the decrease would begin to be reversed towards the end of last year. The last four years of funding are summarised in table 1 below.

Table 1: Funding and learner numbers 2014-17

	2014	2015	2016	2017
Funded delivery	\$29.0m	\$28.0m	\$24.7m	\$24.5m
Total trainees and apprentices	27,500	27,100	25,400	23,600

8. As with other ITOs, we have capacity to support growth in training demand. If Primary ITO is over-delivering and maintaining or improving performance by mid-year it will be able to request a growth facility of \$1.0 million on top of its 2018 funding.

Primary ITO's educational performance indicators (EPIs) have been mixed

9. Primary ITO has consistently exceeded the ITO subsector average in programme completions (in both the new cohort-based programme rate and the previous programme completion measure). However, the ITO's credit achievement rate still trails behind the ITO subsector average. These rates are shown in table 2 below.

Table 2: EPIs 2014-17

	Credit Achievement				Programme Completion			Cohort-Based Programme Completion ¹	
	2014	2015	2016	Section 9(2)(b)(ii)	2014	2015	2016	2016	Section 9(2)(b)(ii)
Primary ITO	73%	74%	73%		78%	80%	83%	64%	
ITO subsector	76%	80%	80%		72%	75%	77%	62%	

**2017 rates are yet to be published.*

Primary ITO's External Evaluation and Review (EER) and recognition status

10. NZQA published Primary ITO's EER in December 2016. Primary ITO was assessed as confident in ITO performance and confident in capability in self-assessment. This EER result means Primary ITO is a category two ITO.
11. Primary ITO's recognition as an ITO for its specified industries will be due for renewal in June 2019.

Primary ITO is contributing to the education work programme

12. We expect the Primary ITO's leadership to be aware of the education portfolio work programme. The programme has been publicly available on the Ministry of Education's website for some weeks.
13. Primary ITO has been involved in the process of early engagement in the review of vocational education and training (VET review). The ITO has also made a submission on the proposal to restore ITOs' statutory skills leadership role.
14. Like other ITOs, Primary ITO supported the skills leadership proposal and asked for consideration of funding to support this role. Primary ITO's submission noted that the role would evolve as industry needs change, but saw it as involving:
- communicating industry, employer and employee views to government;
 - influencing the practices of other industry bodies and employers;
 - influencing other TEOs and the behaviours of businesses; and
 - considering the interests of learners and potential employees of industry.

¹ Cohort-based programme completion rate was introduced from 2016. The previous programme completion measure has been included for context.

15. Section 9(2)(f)(iv)



There is a need for more highly skilled people in the primary industries

16. The report *Future capability needs for the primary industries in New Zealand* (2014), published by the Ministry for Primary Industries (MPI), highlighted the need for a larger, more highly skilled workforce. As the primary industries dominate New Zealand's tradeable sector, a major determinant of our per capita income and living standards, there is much to gain from improved productivity.
17. New Zealand's primary industries are, and will continue to be, major users and innovators of technology and knowledge. As farming and processing systems get increasingly sophisticated, the primary sector requires a greater range of skills to implement these systems and take full advantage of increased market opportunities. Specialist skills will also be needed in the areas of food safety, biosecurity, sustainability and animal welfare.
18. Skills demand and supply are not well matched and therefore constrain industry productivity growth. In 2012, it was estimated that only 44 percent of workers had a formal post-school qualification. It is expected that by 2025 this will need to increase to 62 percent, or an additional 93,000 more workers with a tertiary qualification².

Partner organisations provide support for capability development

19. A well-functioning training system is important to meet future capability needs and Primary ITO has a key role to play, especially in working with industry partners to encourage and incentivise the current workforce to up-skill.
20. The ITO, along with MPI, is a member of the Primary Industries Capability Alliance (PICA), a key contributor to building capability in the primary industries. PICA has a strong focus on working with schools to help attract more people into the primary industries.
21. Primary ITO uses 14 Industry Partnership Groups (IPGs) to provide feedback and advice on training requirements in each industry. The IPGs comprise industry representatives that volunteer their expertise. In particular, the IPGs are used to inform qualification development and provide insight into future demand in the primary industries.
22. Additionally, the TEC and industry co-chair an Agribusiness Management Working group (focusing largely on innovative approaches to building management capability in the dairy, post-harvest horticulture and progressively the sheep and beef sector). This includes considering the potential role of micro-credentials and recognising of prior learning in the dairy and post-harvest horticultural sectors.

² These forecasts may be overestimates, as they do not reflect the competing demand for the same workers from other growing industries, such as construction.

Primary industries are a focus for investment

23. The primary sector is a priority focus area for this year's Investment Plan round. We are actively working to promote better learner information and careers services to encourage learners into the primary sector, and to lift skills of those already in the sector.
24. This focus area also supports increased TEC investment in level 4 to 10 primary sector provision, better information on career opportunities, and innovation in how primary sector provision is delivered.
25. We will be working actively with Primary ITO, industry and MPI to promote to potential learners the career opportunities in the primary sector, and pathways to them.
26. Later this year, we will launch a *Primary Sector Skills, Education and Investment* programme. This will:
 - identify areas of high industry demand;
 - identify where learners get good post-study outcomes (noting learner starting points, regional labour market variance, etc); and
 - develop and market quality learner information and careers services to stimulate increased learner enrolments/completions in priority areas.

Possible Q&As

27. The following Q&As are intended to support any queries you may receive following your speech.
28. **When will ITOs have an opportunity to contribute to the VET review?**

The Ministry of Education is already engaging with ITOs and other TEOs around the country, including Primary ITO. There will be more opportunities to get involved as the review proceeds.
29. **What kinds of change are you hoping to come out of the VET review?**

It has been a while since we looked across the system of vocational education and training in this way. This is a real opportunity to come up with a system that supports, and is supported by, industry. The review has a particular focus on work-based learning that adapts to different needs – from broad, first qualifications up to flexible, just-in-time training. I want the review to show us how we can have a strong network of provision in the regions. Primary ITO is an important part of how we meet some of those regional needs and provide opportunities for some of our more remote learners. And we need to address the needs of a diverse range of learners, so that touches on issues of access, achievement and outcomes for different learner groups.
30. **Should additional funding be tagged to the skills leadership function?**

ITO funding issues are part of the broader review of vocational education, and that's where this question will be fully worked through. But I note that industry benefits greatly from effective skills leadership, so it's not unreasonable to expect industry to contribute to the cost. I would also point out that the TEC can allocate up to \$3.5m annually for industry training-related projects, and up to \$1.0m annually for qualifications development activities.

31. **ITOs often find it challenging working with schools, who often seem more concerned with delivering NCEA results than establishing real pathways to real jobs.**

I'm expecting the review of NCEA to lead to changes that will remove some of the barriers to collaboration. There's a need to look at overassessment and ways of creating personalised learning experiences that bring out the best in every learner.

Section 9(2)(a)

Section 9(2)(a)

Acting Manager, ITO Investment Team,
Operations Directorate
Tertiary Education Commission

16 May 2018

Hon Chris Hipkins

Minister of Education

___ / ___ / ___

Appendix A – Primary ITO biographies



Mark Darrow - Chair

Mark is an experienced businessman and director. For the past 10 years he has been involved in governance roles across a broad range of industries including automotive, agriculture, manufacturing and education. Mark has held a variety of directorship roles including Balle Bros Group, Dekra New Zealand, Motor Trade Association, Charlie's Group Limited, and MITO New Zealand Incorporated along with a range of private investment companies. Mark is also a trustee for Macular Degeneration New Zealand.



Dr Linda Sissons - Chief Executive

Linda has an extensive background in the education sector. Her previous roles include deputy chief executive of The Open Polytechnic of New Zealand and chief executive of Wellington Institute of Technology for 15 years. Other experience includes serving on a number of Ministerial Advisory Bodies, and she is currently chair of the Commonwealth of Learning. Linda's recent primary industry experience includes her role as chief executive of Taratahi Agricultural Training Centre, and leading a project to develop the agriculture portfolio of Massey University.

Linda was initially the interim chief executive of Primary ITO following the departure of Mark Jeffries in 2016 and was later appointed to the position permanently in October 2016.

Appendix B - Current issues Primary ITO may wish to discuss

32. The following issues were outlined in the briefing for your meeting with Primary ITO in December 2017 (B/17/00912 dated 6 December 2017). They are included here for your reference.

Cost challenges and the recommendation for a single apprenticeship funding rate

33. The concept of a single funding rate for apprenticeship training was proposed in the Productivity Commission's report into *New Models of Tertiary Education*, released in March 2017. This approach would ensure that funding for apprenticeships would be the same, regardless of whether it was undertaken through an ITO or an institute of technology or polytechnic (ITP).
34. The previous government, in response to the Productivity Commission report, had earmarked this recommendation as something that would require further analysis and discussion. This would entail reviewing the evidence on current performance of these programmes, and the rationale for the current funding differential.
35. Overlapping provision has been a concern of many ITOs for many years³. We have recently communicated to ITOs that decisions about overlapping provision will be considered in the VET review.

Owner-operators accessing industry training

36. Currently there are limited opportunities for owner-operators to access funded industry training. The industry training funding mechanism states that an eligible individual must be: "an employee who is employed and working in New Zealand and has a training agreement with his or her employer; or a self-employed contractor working in New Zealand under an arrangement with an organisation in the nature of employment, who has a training agreement with that organisation".
37. In practice, individuals such as dairy farm owner-operators, who supply cooperative companies such as Fonterra, are defined as contractors and therefore able to access funded industry training.

Ongoing funding for Joint Venture and Amalgamation Projects (JVAP)⁴

38. Primary ITO is currently receiving JVAP funding (totalling \$820,000 over two years) for two projects which aim to build management capability in the horticulture and dairy industries. These projects will pilot a new model for industry training that can recognise and credentialise the existing skill sets of business owners and encompass the experiential applied learning and informal training they have accumulated over time. It is too early to review the effectiveness of Primary ITO's projects at this stage.

³ Overlapping provision refers to provider-based provision that is largely similar to industry training with the learner employed, learning on- and off-the-job and enrolled in a qualification directly related to their job. Due to the difference in funding, ITPs are often able to offer employers a more attractive option than would traditionally be offered through an ITO. Consequently, ITOs argue that an even funding rate would 'level the playing field' between ITPs and ITOs.

⁴ The JVAP fund functions as a means to fund innovative projects which would otherwise not be funded due to the restrictive nature of funding mechanisms. JVAP initiatives are required to contribute to the overall efficiency and effectiveness of the vocational educational system.

Removing the cap on industry training provision at levels 5 and above

39. The current industry training funding mechanism specifies that individual ITOs can allocate up to 10 percent of their funding for programmes at level 5 and above on the New Zealand Qualifications Framework (NZQF). Volumes above this cap may be negotiated.
40. Provision at levels 5 and above comprises around 4 percent of total ITO funded delivery. In recent years there has been no indication that ITOs are unfairly restricted or that there is a pressing need to review the 10 percent cap. We do not recommend removing this cap.
41. Additionally, the performance of programmes at levels 5 and above is frequently below that of other industry training programmes in the same industry. This is most likely due to the stronger theoretical component required of qualifications at higher levels on the NZQF. Qualifications at these levels may not always be suitable for workplace-based provision.

Awarding qualifications overseas

42. Currently, funded provision through an ITO must be for training undertaken in workplaces located in New Zealand. Any attempts to allow ITOs to arrange training or award qualifications in overseas territories would entail a significant system change. It is unclear whether the proposed benefits would be sufficient to warrant serious consideration of this approach.
43. Through NZQA, there are means for overseas qualifications to be recognised in New Zealand by mapping them to an appropriate 'equivalent' qualification on the NZQF.