

Event backgrounder: Meeting with The Skills Organisation 14 March 2019

To:	Hon Chris Hipkins, Minister of Education
From:	s9(2)(a), Manager Delivery and Projects, Delivery Directorate
Date:	12 March 2019
Reference:	E-19-00396

You are meeting with The Skills Organisation on Thursday 14 March 2019

1. This backgrounder provides you with information to support your meeting with The Skills Organisation.
2. You are scheduled to meet with The Skills Organisation on Thursday 14 March 2019 at 5.15pm. The biographies of the chair and chief executive are included in the Appendix.
3. We recommend this event backgrounder is proactively released following your meeting.

Background information on The Skills Organisation

The Skills Organisation has responsibility for a wide range of industries

4. The Skills Organisation is an industry training organisation (ITO) with coverage over: plumbing, gasfitting, drainlaying, roofing, electrotechnology, real estate, financial services, local government, public sector (with some exclusions), security, contact centre, offender management, cranes and scaffolding, ambulance, emergency management, and fire services.
5. It is now the largest ITO, in terms of funding and enrolments. The broad suite of industries is the result of multiple mergers with previous ITOs.

Funding and learner participation has increased significantly in apprenticeships since 2015

6. In 2018, The Skills Organisation was allocated \$37.6 million in funding. For 2019, funding was also set at \$37.6 million.
7. Between 2015 and 2019, funding for The Skills Organisation increased 33 percent. This increase is almost exclusively for apprenticeships. Funding for the last five years is set out in table 1.

Table 1: The Skills Organisation funding by learner type 2015-2019

Learner type	2015 actual	2016 actual	2017 actual	2018 allocation	2019 allocation
Apprentices	15,404,570	18,034,136	20,571,760	24,600,000	24,600,000
Trainees	12,826,263	12,783,160	13,026,218	13,000,000	13,000,000
Grand Total	28,230,833	30,817,296	33,597,978	37,600,000	37,600,000

The Skills Organisation has experienced a large increase in electrical and plumbing, gasfitting and drainlaying apprenticeships

8. Between 2015 and 2018, The Skills Organisation has experienced an increase of 16 percent in overall enrolments. For apprentices alone, this was 45 percent, most notably in plumbing and electrical apprenticeships.
9. Table 2 sets out the number of learners in funded training with The Skills Organisation over the last five years. (Note: numbers have been rounded to the nearest 10.)

Table 2: The Skills Organisation participation by learner type 2015-18

Learner type	2015	2016	2017	2018*
Apprentices	6,930	7,900	8,610	10,020
Trainees	12,370	12,460	12,620	12,640
Grand Total	19,280	20,340	20,830	22,440

*2018 data will be finalised on 1 April 2019

The Skills Organisation's educational performance is acceptable

10. Skills Organisation's educational performance has been reasonable over the last few years. Credit achievement is some way below the subsector average but programme completions rates are good. The rates for 2015 to 2018 are shown in table 3 below.

Table 3: The Skills Organisation educational performance indicators 2015-18

	Credit achievement				Cohort-based programme completion			
	2015	2016	2017	2018*	2015	2016	2017	2018*
The Skills Org	81%	67%	70%	70%	-	53%	70%	74%
ITO subsector	80%	80%	78%	75%	-	62%	69%	68%

*2018 data will be finalised on 1 April 2019

Skills Organisation will want to discuss the RoVE proposals with you

11. At this point, we don't know what The Skills Organisation's industries think about the proposed reforms. Some themes already heard in consultation with ITOs are concerns about:
 - the limited consultation period;
 - a risk that industry will disengage from training due to uncertainty, and apprenticeship numbers will drop;
 - polytechnics (and other providers) not being well-placed to managed in-work training;
 - future apprenticeship arrangements not fitting with the realities of work;
 - the new industry skills bodies (ISBs) being disconnected from the industries they serve because ISBs will not be arranging workplace-based training, and

- ITO training is cost-effective and valued by the employers that use it.

Talking points about RoVE

12. You may wish to focus your discussion with The Skills Organisation on the following talking points:

- The proposals aim to increase industry influence on vocational education as a whole:
 - all programmes would be based on standards set by ISBs
 - ISBs would have a genuine influence on TEC investment decisions
 - providers would better understand employer needs through their role in arranging workplace-based training.
- How could we ensure that the system responds to both regional and industry priorities (while gaining economies of scale from the consolidation of ITPs)?
- Given the proposed role changes, how could ISBs best maintain their connections to industry and employers? At this stage, we envisage:
 - governance of ISBs by industry;
 - moderating on-job assessment (and perhaps accrediting the assessors);
 - advising employers on training needs and options; and
 - formal engagement activities such as advisory boards.

Possible responses to concerns that may be raised

The consultation timeframe is too short

13. While a six-week consultation period is intensive, a prolonged period of uncertainty is also not helpful. Learners, employers and tertiary education organisations need certainty on the overall framework and direction of travel as soon as possible. There will be further engagement on the detailed implementation of any proposals adopted.

Industry may disengage from formal training

14. The clear message from Government is business as usual. The need for quality, qualified workers will remain. Therefore businesses should continue to invest in training and development, and can be assured employers and learners will be supported to achieve formal qualifications.

15. The Government expects that, if the proposals are adopted, the transition to ISBs and provider-arranged work-based training would be on a longer time frame. This would allow agencies to work with ITOs, employers and learners to ensure a smooth transition.

16. Learners will be seeking employment that enables good career paths such as apprenticeships. Those businesses that don't offer them may find it harder to attract talent.

Providers are not well-placed to manage work-based training

17. At the moment, providers are not generally funded to act like ITOs. Not surprisingly then, industry may not see the potential providers could offer. However some are funded to support work-based training and do a very good job. While the capability will need to be built across the provider sector, current managed apprenticeship arrangements show this arrangement can work.
18. The Government expects providers will reorient their services and support to ensure fit-for-purpose training that meets industry and learner need. This, alongside the greater consistency in programmes envisaged by the proposals, will give employers and learners:
 - greater choice in who manages and provides the training;
 - increased support to address educational barriers such as literacy and numeracy;
 - the ability to change TEOs due to relocation, or loss of employment;
 - access to wider learner support systems and structures; and
 - access to management and higher level training for business development.

Concerns that apprenticeship arrangements won't fit with the realities of work

19. Providers would need to adapt to industry needs to secure employer support and TEC funding. It is also expected that this would be an aspect of NZQA assurance of provider quality.
20. It is likely that providers would recruit from ITOs when developing their capabilities in arranging work-based training. Delivery would be informed by the requirements and expectations of each industry.

The new industry skills bodies will be disconnected from industry


21. The ISBs will have key industry contacts for designing qualifications, standards, moderating assessments, and consulting on the performance of programmes. ISBs would be expected to have a very close relationship with other industry bodies.

ITO training is cost-effective and valued by employers that use it

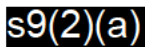
22. The cost-effectiveness of industry training reflects the current funding system. In particular it reflects the lack of a similar rate for providers, who are not generally funded to deliver work-based training.
23. Employers that value the industry training system may do so because:
 - it suits their needs, and/or
 - there are limited government-funded alternatives.

24. However, many employers do not engage in formal training and upskilling. This may be because the industry training model does not suit their needs and capabilities, or those of their employees. The aim of the reforms is to create a system that can deliver a range of models that better match the needs and capabilities of employers and their employees.

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Manager Delivery and Projects, Delivery Directorate
Tertiary Education Commission

12 March 2019

Hon Chris Hipkins

Minister of Education

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