

Tertiary Education Report: Introductory meeting with the Building and Construction Industry Training Organisation (BCITO)

| | | | |
|------------------------|-----------------|------------------------------|------------|
| Date: | 7 February 2018 | TEC priority: | Medium |
| Security level: | In Confidence | Report no: | B/18/00023 |
| | | Minister's office No: | |

| ACTION SOUGHT | | |
|---|---|------------------|
| | Action sought | Deadline |
| Hon Chris Hipkins Minister of Education Hon Jenny Salesa Associate Minister of Education | <p>note the contents of this briefing prior to your introductory meeting with BCITO on 19 February 2018; and</p> <p>proactively release this briefing after the meeting, with some information withheld at this time.</p> | 19 February 2018 |
| Enclosure: No | Round Robin: No | |

| CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED) | | | | |
|--|------------------------------------|-----------------|-----------------|-------------|
| Name | Position | Telephone | | 1st contact |
| Mike Blanchard | Deputy Chief Executive, Operations | Section 9(2)(a) | Section 9(2)(a) | |
| Jane Duncan | Acting Manager, ITO Investment | Section 9(2)(a) | Section 9(2)(a) | ✓ |

| THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT | | | | | | |
|--|------------------------------|--|-------------------------------|---|---|-----------------------------------|
| <input type="checkbox"/> DPMC | <input type="checkbox"/> MPI | <input type="checkbox"/> ENZ | <input type="checkbox"/> ERO | <input type="checkbox"/> MBIE | <input checked="" type="checkbox"/> MoE | <input type="checkbox"/> MFAT |
| <input type="checkbox"/> MPP | <input type="checkbox"/> MSD | <input checked="" type="checkbox"/> NZQA | <input type="checkbox"/> NZTE | <input checked="" type="checkbox"/> TEC | <input type="checkbox"/> TPK | <input type="checkbox"/> Treasury |

| | | |
|---------------------------------------|---|--|
| Minister's Office to Complete: | <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| | <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| | <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

Recommendations

Hon Chris Hipkins, Minister of Education and **Hon Jenny Salesa**, Associate Minister of Education

It is recommended that you:

1. **note** the contents of this briefing prior to your meeting with BCITO on 19 February 2018; and
2. **proactively release** this briefing after the 19 February meeting, with some information (pages 7 and 8) withheld while these matters are under consideration and also because BCITO are yet to publicise its proposals.



Mike Blanchard

Deputy Chief Executive, Operations
Tertiary Education Commission

7 February 2018

Hon Chris Hipkins

Minister of Education

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Hon Jenny Salesa

Associate Minister of Education

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This briefing is for your meeting with BCITO

1. This briefing provides you with background information to support your introductory meeting with BCITO on 19 February 2018.
2. You will both be meeting with Mike King (chair), Warwick Quinn (chief executive) and Greg Durkin (group manager of stakeholder engagement) of BCITO. Their biographies are included in Appendix A.

Background information on BCITO

Industry coverage

3. BCITO is the industry training organisation (ITO) for the building, construction, flooring, masonry, glass and glazing, joinery, interior systems, and painting and decorating industries.
4. Mergers with Joinery ITO and DecorateNZ/FloorNZ at the end of 2013 have expanded the size and scope of the ITO.

Funding has increased following demand for training

5. BCITO has experienced considerable growth in recent years. It is now the second highest funded ITO with funding of \$32 million allocated in 2018. This growth has been fuelled initially by the Canterbury rebuild and now the construction boom in Auckland.
6. 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 | \$23.9m | \$27.8m | \$28.9m | \$31.4* |
| Total trainees and apprentices | 12,519 | 12,757 | 13,651 | 14,831** |

*2017 allocated funding. Funded delivery is not finalised until 1 April 2018.

**2017 trainee numbers as at 24 January 2018.

7. Table 1 shows significant increases in learner numbers from 2014. This reflects growth in the construction industry.
8. Further learner demographic and performance information is in Appendix B.

BCITO's carpentry apprenticeship is the single largest funded programme

9. The level 4 carpentry apprenticeship accounted for 13 percent of all industry training funded delivery in 2016 (almost \$23.0 million). BCITO has the largest group of apprentices across all ITOs.
10. BCITO's other large programmes by funding in 2016 include level 4 painting and decorating (\$1.7 million) and level 4 flooring (\$1.0 million).

BCITO is responding to the needs of its industries

The ITO will trial different approaches to training in 2018

11. BCITO is being supported by the TEC and the New Zealand Qualifications Authority (NZQA) to explore different training approaches for businesses that specialise in particular construction elements. NZQA have recently approved unit standards in kitchen installation and pre-fabricated wall frames that could be converted into micro-credentials, if a new micro-credential system is approved in the future. The approach aims to engage employers and employees in training who would not take up multi-year, broader apprenticeships.
12. In areas such as Auckland the economies of scale make specialisation profitable for construction companies. However, specialisation can limit training options for them to upskill their employees, improve quality and increase profitability. BCITO will pilot the approach this year on a select basis to determine its effectiveness. It is likely to only be attractive to a limited number of companies as the industry as a whole values full apprenticeships.
13. TEC and NZQA will help BCITO to evaluate the effectiveness and success of this approach before any decisions are made to expand.

Continued growth in construction has increased demand for trainees

14. MBIE's most recent *Future Demand For Construction Workers* report (published July 2017) highlights that demand for construction-related occupations is projected to increase by 11 percent between 2016 and 2022 to a total of 571,300.¹
15. Auckland has the largest construction workforce requirements in New Zealand, requiring just over 190,000 construction-related employees by 2022. The overall increase in construction-related occupations in the Auckland region is approximately 28,000 between 2016 and 2022.
16. Other regions that will experience growth in construction-related employment demand by 2022 are Waikato and Bay of Plenty, and Wellington (15 and nine percent growth respectively).
17. Each year, BCITO signs on approximately 3,000-4,000 new apprentices. However, combined with an ageing population in the construction industry, there are concerns that this will not meet the number of skilled people needed by 2021.
18. BCITO has a range of initiatives to expand the pool of both potential apprentices and employers to meet demand for skilled workers in the construction industry. This includes:
 - running promotional events to generate interest;
 - targeting non-traditional employees;
 - supporting school to work transitions;
 - supporting initiatives such as Māori and Pasifika Trades Training; and
 - supporting a research project to increase participation and success of women in construction in collaboration with Ako Aotearoa, the Ministry of Women and other partner organisations.

¹ MBIE Future Demand For Construction Workers 2017 <http://www.mbie.govt.nz/publications-research/research/construction-sector-productivity/future-demand-for-construction-workers-2017.pdf/view>

BCITO's performance has been consistently good

BCITO's educational performance compares favourably to the sector average

19. BCITO's educational performance has been good over the last few years. It has consistently exceeded the ITO subsector average in both credit achievement and programme completion.²
20. In 2016 we introduced a cohort-based programme completion rate and a first year retention rate for those trainees in apprenticeship programmes. BCITO's low cohort-based programme completion in 2016 is due to a large number of older trainees being withdrawn and re-enrolled as apprentices in 2014, when New Zealand Apprenticeships were introduced. This has artificially lowered its reported completion rate for now, but has had no substantive effect on actual achievement. This is expected to improve going forward. These rates are shown in table 2 below.

Table 2: Educational performance indicators 2012-16

| | Credit Achievement ³ | | | Programme Completion | | | Cohort-Based Programme Completion ⁴ |
|---------------|---------------------------------|------|------|----------------------|------|------|--|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 | 2016 |
| BCITO | 104% | 101% | 105% | 75% | 79% | 86% | 34% |
| ITO Subsector | 76% | 80% | 80% | 72% | 75% | 77% | 62% |

BCITO's External Evaluation and Review (EER) and recognition status

21. NZQA published BCITO's EER in March 2017. BCITO was assessed as highly confident in ITO performance and confident in capability in self-assessment. This EER result means BCITO is a Category 1 ITO.
22. At the end of last year you approved BCITO's recognition as an ITO for its specified industries for a period of five years from 5 January 2018.⁵

² Credit achievement represents the number of credits that were achieved by trainees in a given year, as a proportion of the credits which trainees were expected to achieve in that year.

Programme completion represents the nominal credit value of programmes that were completed in a given year as a proportion of the credits trainees were expected to achieve in a that year.

³ Credit achievement rates may exceed 100 percent where there are changing enrolment patterns or learners have had previous achievement cross-credited from other qualifications.

⁴ Cohort-based programme completions are shown for 2016 only as we do not have historical figures for this new measure. The previous programme completions measure for 2016 has been included for context.

⁵ B/17/00804 – *Recognition of the Building and Construction Industry Training Organisation*, 17 November 2017.

Section 9(2)(f)(iv)

Section 9(2)(f)(iv)

Topic you may wish to raise with BCITO that isn't in their *Briefing to the Incoming Minister of Education*

Group training schemes for the construction industry

25. The plumbing and electrical industries have group training schemes. Currently there are no significant group training schemes in the construction industry. Group training schemes employ apprentices and trainees and place them with host employers. They undertake employer responsibilities, which include: selecting and recruiting apprentices and trainees. Group training schemes can help reduce employer liability for taking on longer term apprentices.

Appendix A – Biographies



Mike King

Chair

Mike King is an active member of the New Zealand Institute of Building and is responsible for managing nationwide projects with Summerset Management Group. He has extensive knowledge of the construction industry and has 30 years of project management experience in the UK and New Zealand.

Mike's commitment to the industry has been acknowledged in his roles as honorary treasurer and past president of the central chapter of the New Zealand Institute of Building, as well as chair of the National Advisory Group recently reviewing qualifications for BCITO and Connexis.



Warwick Quinn

BCITO, Chief Executive

Warwick Quinn commenced as chief executive at BCITO in June 2016.

Warwick is the former chief executive of the Motor Trades Association. Prior to that, Warwick was the chief executive of the Registered Master Builders Association for seven years. He is well known and well respected in the building and construction industry.

Warwick's previous management experience includes work with Land Information New Zealand (general manager regulatory and chief Crown property officer), Auckland City Council (valuations manager), and Landcorp Property Limited (regional manager).



Greg Durkin

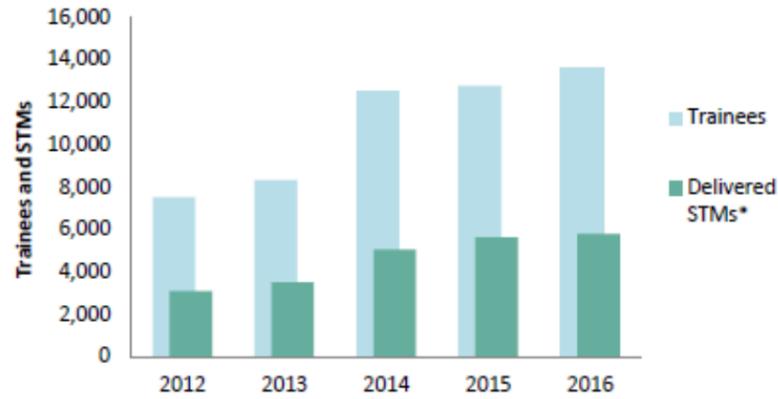
BCITO, Group Manager, Stakeholder Engagement

Greg Durkin is originally from the construction industry, and is the former chief executive of FloorNZ. He has served on a number of boards or advisory panels of educational bodies including the Industry Training Federation, NZQA, TEC and the Ministry of Education. His educational qualifications include a Diploma of Primary Teaching and Bachelor/Masters Degrees in Education. Greg's main research interests are in respect to cognitive psychology and experiential/workplace learning.

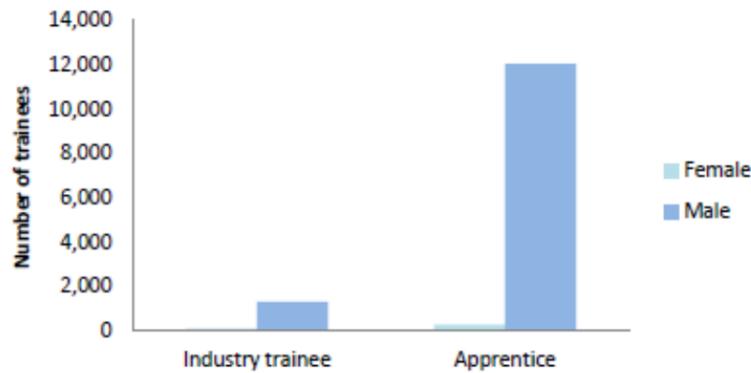
Greg's professional experience is based on a range of past and present roles including: business owner/employer; university academic; board member of several not-for-profit organisations; advocate for research into tertiary educational improvement; and member of the Ako Aotearoa Tertiary Teaching Awards Panel since 2008.

Appendix B – BCITO key learner demographic and performance information

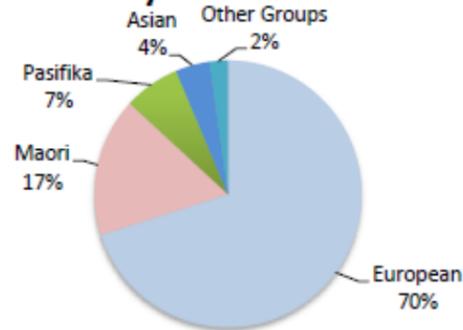
Trend in ITO delivery



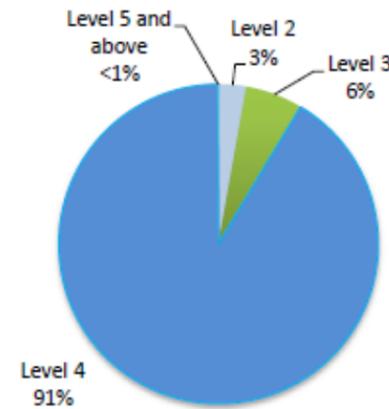
Type and gender of trainees 2016



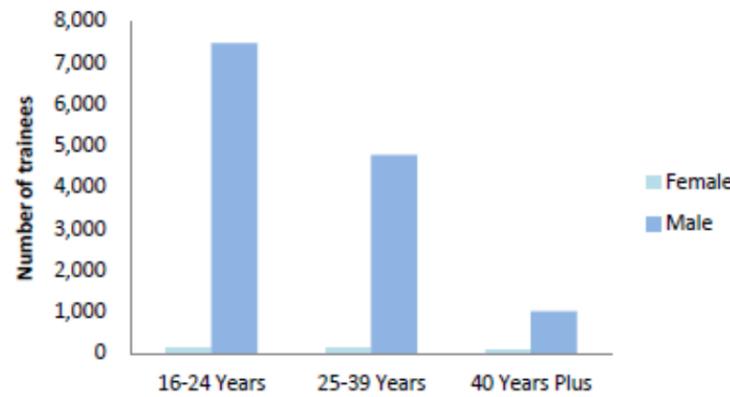
Ethnicity of trainees 2016



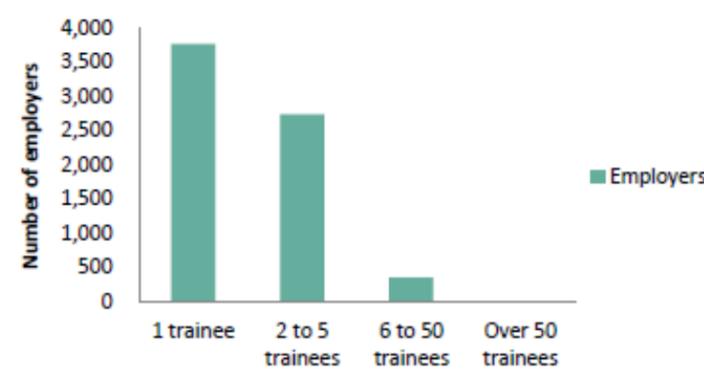
Level trainees are enrolled at 2016



Age and gender of trainees 2016



Trainees per employer 2016



* An STM is a Standard Training Measure and is equivalent to 120 credits.

The industry cash contribution rate shows the amount of income received from employers and trainees as a proportion of all the income received by the ITO. It is a condition of funding that employers make a financial contribution towards training. ITOs are expected to receive minimum industry cash contributions of between 20% (for ITOs with mainly apprentices) and 30% (for ITOs with mainly industry trainees) of their total income.

ITO Overview

Industry coverage: Building, construction, flooring, masonry, glass and glazing, joinery, interior systems, and painting and decorating.

2018 allocated funding: \$32,000,000

Chair: Mike King

Chief Executive: Warwick Quinn

Educational Performance Indicators

| | Participation | | Credit Achievement | | Programme Completion | |
|-----------|---------------|------|--------------------|------|----------------------|------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| All | - | - | 100% | 105% | 79% | 86% |
| Māori | 16% | 17% | 88% | 94% | 56% | 67% |
| Pasifika | 6% | 7% | 87% | 85% | 54% | 52% |
| Under 25s | 57% | 56% | 84% | 88% | 60% | 64% |

Summary of Financial Information

| | (NZ\$000) | |
|---|-----------|----------|
| | 2015 | 2016 |
| Industry Cash Contribution# (calculated by TEC) | \$ 8,006 | \$ 8,835 |
| Rate | 23% | 24% |

Statement of Financial Performance¹

| | 2015 | 2016 |
|--|-----------------|-----------------|
| Revenue | | |
| Total government revenue | \$27,119 | \$28,228 |
| Other revenue | \$ 9,169 | \$10,157 |
| Total revenue | \$36,288 | \$38,385 |
| Expenses | | |
| Personnel | \$17,702 | \$19,685 |
| Other expenses ² | \$15,164 | \$17,427 |
| Total expenses | \$32,866 | \$37,112 |
| Net surplus (after unusual and non-recurring items) | \$ 3,422 | \$ 2,192 |
| Assets | | |
| Property plant equipment and intangibles | \$ 1,807 | \$ 1,533 |
| Other assets | \$25,020 | \$29,501 |
| Total Assets | \$26,827 | \$31,034 |

¹ From 2015 annual report

² Including depreciation & amortisation