

# *Investing in Skills & Productivity*

*The contribution of Industry Training Organisations*

*Briefing for the incoming  
New Zealand Government 2008*





# Briefing for the incoming New Zealand Government 2008

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This briefing for the incoming New Zealand Government highlights the skills and productivity challenges facing the country, and the contribution that Industry Training Organisations (ITOs) can make to tackling those challenges. Industry skill development is an essential tool for upskilling New Zealanders and raising economic productivity. This document identifies the key changes required to get the most out of the work of ITOs on behalf of industry, employers, employees, and the nation.

## Summary of key briefing points

### *New Zealand's skills and productivity challenges*

- Immediate economic challenges
- Longer term economic and productivity challenges
- Historic and future skills challenges

### *The work of Industry Training Organisations*

- Industry Training Organisations (ITOs) are industry owned and led
- ITOs work with their industries to identify current and future skill needs
- ITOs develop industry relevant skill standards and qualifications
- ITOs arrange education and training that meets the needs of firms, employees, and industries
- ITOs provide a key link between skills and productivity

### *The contribution Industry Training Organisations make*

- Leadership on skills and productivity issues
- Providing value for money
- Providing benchmarks of quality and relevance
- Addressing business capability
- Addressing literacy and numeracy
- Developing career structures in industry
- Working with schools

### *Getting the most out of the work of Industry Training Organisations*

- More investment closer to the action
- Simpler, more flexible industry training system
- More say for industry on tertiary spending
- Clearer roles in the tertiary system
- More flexible standards and qualifications
- Directly linking skills and productivity investments
- Investment in skills leadership

# New Zealand's skills and productivity challenges

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## Immediate economic challenges

New Zealand faces a period of economic downturn, which may negatively impact on businesses' ability to invest in skill development. This has the potential to undermine our longer term economic prospects.

The government's fiscal situation is also likely to tighten, which will require an even greater focus on getting value for money from taxpayers' investments.

## Longer term economic and productivity challenges

In the longer term, New Zealand faces a major skills and productivity challenge. Labour productivity remains a key concern, as does our pay and wage gap with our major trading partners, including Australia.

Even in a period of economic downturn, New Zealand businesses will continue to face challenges in obtaining and retaining the skills they require. In the longer term, demographic shifts will only increase the difficulty of this challenge.

The commercial sector is the key part of the economy that can contribute to increased productivity and growth.

New Zealand has to focus on lifting the productivity of its workforce and its firms across the board if it is to lift its living standards, and thus retain and regain its best and brightest. New Zealand faces the particular challenge of not having significant numbers of large firms in many of its industry

sectors, which in other economies play a key role in developing and retaining skills.

## Historic and future skills challenges

New Zealand's workforce still reflects, to a significant extent, our history of a lower skilled economy, and will continue to do so for some time unless action is taken to address the skills of those already in work.

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**The majority of the workforce of the next 25 years is already in work. We must focus more on their skill development, and make sure their skills are used effectively.**

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Changes in technology, international markets, products and consumer demand will continue to drive the need for higher and different skills, including literacy and numeracy, technical skills, and managerial and leadership skills.

Current approaches to investment in skill development are input focussed and do not ensure a good connection between the development of skills and the needs of industry, or a focus on putting the skills developed to use.

Individual businesses and industries have good knowledge about their current and future skill needs. ITOs have a mandated role to produce strategic training plans for their industries. Government needs to tap into that knowledge more effectively to make the best use of tertiary education funding. At present, less than 5% of government tertiary education investment is directed by industry for industry.

# The work of Industry Training Organisations

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## **Industry Training Organisations are industry owned and led**

Industry Training Organisations (ITOs) are a key means by which industry has a role in directing skill development for the needs of industry, employers, employees and the nation. Because ITOs are industry owned and led, they are able to leverage both government and industry investment and commitment, and ensure that industry skill development is relevant, timely and focussed on the connection with productivity.

The broad scope of industry skill development in New Zealand is a key strength of the system. New Zealand's 39 ITOs encompass both the traditional trades and many other important areas of the New Zealand economy and workforce.

If skill development is to lead to genuine improvements in productivity, then it cannot be 'done to' industry – industry needs to be a strong partner in the process. A unique feature of the New Zealand model is that the way ITOs are organised and carry out their role is determined by industry, rather than being centrally driven. This is critical to obtaining effective input and participation by industry.

## **ITOs work with their industries to identify current and future skill needs**

ITOs are specialised industry-owned bodies that work with industry to identify longer term skill and training needs, and help firms and industry obtain the kind of services they need. Many New Zealand industries are made up of only a small number of larger firms and many smaller or micro-firms. Most businesses and employers are focussed on the day to day running of their business. This makes the role of industry bodies all the more important.

## **ITOs develop industry relevant skill standards and qualifications**

ITOs have a statutory role, under the Industry Training Act 1992, to set skill standards and develop qualifications that are relevant to the current and future needs of industry.

These standards and qualifications provide industry-wide benchmarks for skill requirements, and ensure a measure of consistency (nationally and internationally), while providing flexibility in how and where skills are gained and used in different workplaces.

Industry standards ensure that while industry skill development benefits individual firms and employees, it also has wider benefits for the industry and the nation. This provides the rationale for shared government and industry investment in industry training.

## **ITOs arrange education and training that meets the needs of firms, employees and industries**

A particular feature of the New Zealand industry skills system is that industry and government co-invest in the development of the skills of those in work. ITOs make use of around \$200 million dollars from the taxpayer and over \$65 million from industry to broker services for 37,000 businesses and over 185,000 employees each year.

## **ITOs provide a key link between skills and productivity**

ITOs work directly with businesses and those already in work. This ensures that industry skill development is much more closely linked to labour productivity than other forms of education and training investment. Research in New Zealand and internationally has highlighted that much investment in skill is wasted because there is insufficient focus on how skills are used once they have been developed.

ITOs have direct working relationships not only with over 185,000 employees, but also with the 37,000 enterprises in which they work. This enables ITOs to not only develop standards and qualifications that are relevant to industry, employers and workers, but increasingly to work directly with firms to ensure they get the most out of taxpayers' and their own investment in skills.

## The contribution Industry Training Organisations make

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### **Leadership on skills and productivity issues**

ITOs help the firms and employees in their industries to identify and plan for the future skills and productivity challenges they are facing. They provide employers, employees and people considering working in their industries, with industry-wide information about labour market trends, the make up of the industry's workforce, the changing needs of workplaces, the likely impact of changes in technology, and resulting skill gaps and challenges.

This information is principally aimed at industry itself, but increasingly other parties, such as schools, tertiary education providers and government agencies (including the immigration system) are making use of this information.

### **Providing value for money**

ITOs are able to work with employers and employees to assist them to develop and make better use of their skills with a relatively small investment from taxpayers. They are also able to use this resource to leverage and support investment by firms and employers in ways that maximise returns to all parties.

ITOs provide services with around \$800-900 of taxpayer funds per trainee, and leverage a further \$200-300 per trainee from industry. This compares to the \$3,000-\$4,000 of taxpayer funds expended when similar services are offered directly by tertiary education providers.

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**ITOs are able to provide similar outcomes as tertiary education providers in a more cost effective manner, because they leverage the resources, time and commitment of industry, employers and employees.**

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ITOs' services and activities are also closely linked to the needs of industry, and thus more likely to result in real productivity gains.

Industry skill development does not draw on the student loans and allowances system, and allows employees to 'earn while they learn', gaining skills without incurring debt. This is an important saving for learners and taxpayers.

### **Providing benchmarks of quality and relevance**

The industry standards and qualifications that ITOs develop with the input of industry, employers and employees provide essential industry-wide benchmarks of skill. They establish standards of consistency across industries, allowing employers from Bluff to Kaitaia to have confidence that employees with a particular qualification have broadly comparable skills.

The standards and qualifications that ITOs develop can provide a means of benchmarking education and training in a range of settings, so that the different learning needs and styles of learners, industries, and firms can be met.

ITOs have an important role in ensuring that there is consistency in assessment against industry standards across the country. ITOs run systems of workplace assessors across the country, and undertake moderation of training in the workplace, in tertiary education, and secondary schools.

### **Addressing business capability**

Increasingly, ITOs work not only with individual employees, but with whole firms and organisations to assist them to develop their capability. This can range from assisting firms to understand their complete set of skill needs and assisting them to

## The contribution Industry Training Organisations make

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find the right solutions to tackle those needs, to helping them to anticipate future skill needs as their business, services, or industry changes and grows.

A growing area of focus for many ITOs is working with the supervisory, managerial and leadership capabilities of New Zealand firms. Unless firms have good capabilities in these areas, then the benefits of investment by taxpayers and the firms themselves in other skill sets are unlikely to be fully realised.

### **Addressing literacy and numeracy**

Alongside addressing managerial capability, ITOs are increasingly tackling the literacy, numeracy and language challenges faced by New Zealand industries. Consistent internationally benchmarked research has indicated that at least 20% of the New Zealand workforce do not have the basic skills capabilities to really make the contribution required to lift productivity.

ITOs are focussing on 'building in' literacy and numeracy capability development alongside other skill development activities, rather than treating it as a 'tack-on'. This reduces the stigma associated with these issues, and further improves the linkage between skill development and raising productivity.

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**Research strongly suggests that for many with low literacy and numeracy skills, context-based learning in the workplace is the most effective way to tackle literacy and numeracy issues.**

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While ITOs and industry are willing to play their part in addressing literacy and numeracy issues, it is vital that the flow of young people leaving school without the basic skills required in a modern economy is addressed. ITOs already work with schools to assist them to provide context-relevant learning materials and opportunities, and can do more in this area.

### **Developing career structures in industry**

ITOs are increasingly working with industry to identify and develop career structures in their industries. ITOs are uniquely placed to identify, map and draw the connections between various jobs and skill sets within and between industries.

This work is critical to the ongoing flexibility, adaptability and resilience of the New Zealand workforce and to the ability of our industries to attract, retain and develop their people.

### **Working with schools**

ITOs carry out a wide range of activities with secondary schools, to assist the senior secondary system to provide a wide range of learning opportunities and pathways for young people. This activity is largely currently resourced exclusively by industry. As the outcomes sought by government in this area increase in scope and scale, the partnership model of funding that operates for other ITO activities needs to be extended to this area.

## Getting the most out of the work of Industry Training Organisations

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### **More investment closer to the action**

A present, less than 5% of the total taxpayer investment in tertiary education and/or skill development is directed through the work of Industry Training Organisations.

If government wishes to tackle ongoing skill shortages, and ensure a better linkage between taxpayer's investment in skill development, then it makes sense for more of its investment to be closer to the action in the workplace.

The co-investment model of industry skill development means that not only are taxpayer funds leveraged with industry investment, but that investment is aligned more directly to improvements in relevant skills and productivity. The fact that industry has 'skin in the game' means that it has a direct stake in ensuring the value of the spend and the return gained.

### **Simpler, more flexible industry skills system**

The potential for ITOs to tackle New Zealand's skills and productivity challenges is currently hindered by a set of rules and regulations that have not been reviewed to meet current and future challenges. Over the last six years, the focus has been on 'fixing' the tertiary institutional sector, and little focus has been placed on proactively driving the engine room of the economy – the New Zealand workplace.

Restrictions on how ITOs can use both taxpayer and industry funds – such as limits on investment at Level 5 or above on the National Qualifications Framework, or prohibitions on training for the self-employed – no longer make sense given current and future skills challenges facing New Zealand and the maturity of the industry skills system.

ITOs are tasked by industry and government to be leaders, brokers and facilitators of skill development and utilisation for industry, but the funding system for industry skill development is still tied to very specific training activities. If ITOs are to respond to the diverse needs of their industries, employers and employees, they need to be able to demonstrate value in a wider variety of ways and be held accountable for those outcomes as well.

### **More say for industry on tertiary spending**

It is important that industry has a strong say not only on funds invested through Industry Training Organisations, but in how the wider investment by taxpayers in tertiary education is made.

Industry has a strong and useful role to play in ensuring that investment in tertiary education providers is relevant to industry, employer and employee needs. This can be achieved through linking funding to industry-developed qualifications and standards, as well as industry (through ITOs), providing advice on priority areas for investment, and identifying areas of under and over-investment.

ITOs play a key role in the quality assurance of industry-developed qualifications and standards. This expertise of ITOs could be extended to include a greater role in ensuring the quality and consistency of the delivery of vocational education and training across the tertiary sector.

Given we have a very large number of small and medium sized enterprises we need a specific focus on these and policies that support them to develop skills when enterprises do not have the infrastructure to do it on their own.

## Getting the most out of the work of Industry Training Organisations

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Recent moves towards 'regionalisation' in tertiary education delivery do not reflect the reality of New Zealand industries and their highly-mobile workforces. With a workforce of only slightly more than 2 million, New Zealand has very few region-specific skill needs, and would benefit from the establishment of well-resourced national centres of delivery that would work with ITOs. At present resources in key areas are being spread too thinly, and the needs of many industries are not being met.

### **Clearer roles in the tertiary system**

Recent tertiary education 'reforms' have, in many areas, created confusion about the roles of different organisations in the tertiary education system. In particular, the roles of ITOs and tertiary education providers in the vocational education and training area (particularly polytechnics) have become confused. Government and taxpayers are investing wildly different amounts, under varying regulatory arrangements for similar qualifications and programmes. This is creating confusion within industry and amongst workers, and is reducing the efficiency and effectiveness of the system. In many cases, taxpayers are paying a great deal more for training than they need to, and the overall numbers in training for particular industries is reduced as a result.

An effective and efficient tertiary education system requires clarity of roles. Each part of the system needs to focus on what it does well, and not try to be all things to all people. In particular, public tertiary institutions should not use higher subsidy rates to drive out investment by industry.

### **More flexible standards and qualifications**

ITOs develop industry skill standards and qualifications within the rules established by the New Zealand Qualifications Authority (NZQA).

ITOs are keen to see greater flexibility in the ways in which they can describe and define skills and capabilities, to more closely meet the needs of industry, employers, employees, and the nation. There has not been substantial change to the way skill standards can be described since the early 1990s. We need to be able to describe skills and capabilities in plain language, and have the ability to capture abilities, aptitudes, and learning contexts. We also need to be able to describe skills in ways that assist, rather than hinder, putting them to use.

Currently the significant number of certificates and diplomas makes it difficult for employers and employees to make clear links between qualifications and skills. The NZ Skills Strategy has signalled a targeted review of the qualifications system, focusing on diploma and certificate levels. This is an important first step to increasing the clarity and utility of the range of qualifications available.

The current focus on qualifications over skill sets also needs to be re-examined. While qualifications are an important proxy measure of skill, they are only one such measure. A combination of standards, qualifications, and skill sets is not only a more flexible and responsive means of ensuring quality and relevance, but also enables adaptability and ongoing skill development. Industry and employers have made it clear that in many areas, smaller chunks of learning and skill development are key to lifting productivity.

### **Directly linking skills and productivity investments**

The on-the-ground relationships ITOs have with 37,000 business and over 185,000 employees is very important for skill development, but is also potentially a huge opportunity for directly tackling New Zealand's greatest challenge: productivity.

## Getting the most out of the work of Industry Training Organisations

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The relationship between ITOs, industry, employers and employees has strengthened, grown and developed over the last 15 years. Increasingly ITO field staff are having conversations with employers and firms that go beyond skill development to focus more broadly on developing the capability of the whole firm or workplace.

There are significant opportunities to leverage the investment already being made by taxpayers and industry in this area. ITOs already broker skill development services, but they could equally effectively broker business capability development services. This is a real, tangible, and cost-effective opportunity for connecting government's skill and productivity investments and goals.

### **Investment in skills leadership**

ITOs are increasingly being called upon by industry and government to address a wider range of skills-related issues, including understanding and communicating current and future skill needs, building better connections between industry, the school system and tertiary education, and driving improvements in workplace productivity.

Investment in skills leadership is important in assisting industries to tackle the current economic downturn, and build a more sustainable and resilient future.

At present, resourcing in this area is minimal and project based, or tied to training delivery. For ITOs to be successful leaders and facilitators in this area, government (and industry) will need to make longer term, strategic, investments in ITO capability that clearly match the expectations they have of ITOs.

ITOs, as industry owned and led bodies, have the information, connections, and capability to provide rigorous and credible advice to government that cannot be effectively obtained elsewhere.

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**With appropriate resourcing, ITOs can provide a cost effective and timely mechanism that ensures government and industry have the information they need to tackle New Zealand's skills and productivity challenges.**

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## Appendix 1 – Industry Training Federation

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The Industry Training Federation (ITF) is a membership-based organisation, representing Industry Training Organisations (ITOs) to government and working with agencies and sector groups to improve the policy for and delivery of industry skill development and workplace learning.

Currently all 39 ITOs are members of the ITF.

The ITF's vision is "a skilled and productive New Zealand". We aim to achieve our vision through:

- Championing a skilled and productive workforce for New Zealand – including promoting industry ownership of skill development, and telling the 'value-add' story of workplace learning.
- Creating the environment for ITOs to transform New Zealand's workforce – including revitalising the National Qualifications Framework and ensuring sufficient and appropriate resourcing for ITOs.
- Building the capability of ITOs to transform New Zealand's workforce – including developing ITOs capacity to support skill utilisation, lifting the quality of workplace learning, and building ITO clusters to support these strategies.

The ITF is research led and informed. Our current research programme includes projects on workplace productivity, embedding literacy and numeracy into workplace learning and the pedagogy of learning in the workplace.

The ITF co-ordinates ITO input into relevant government and industry skills policy. We actively promote policies to enhance workforce development and the quality of workplace learning and have been a key partner in the development of the New Zealand Skills Strategy Action Plan alongside Business NZ and the New Zealand Council of Trade Unions.

Contact information:

**Industry Training Federation**  
**Level 2, 276 Cuba Street, Wellington**  
**Phone: +64 4 894 3190**  
**Fax: +64 4 894 3191**  
**[www.itf.org.nz](http://www.itf.org.nz)**

## Appendix 2 – Industry Training key statistics

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- Over 185,000 people participate in industry training over the course of each year.
- 10,850 Modern Apprentices were in training at 31 December 2007.
- Around 37,000 businesses and organisations of all sizes are involved.
- At 31 December 2007:
  - 18% of industry trainees were Māori, and 7% were of Pacific ethnicity.
  - 28% of industry trainees were women.
  - 11% of industry trainees were aged 15-19, and 14% aged 50+. Most (55%) were aged 20-39.
- In 2007:
  - 29,389 national certificates were completed.
  - over 3.6 million NQF credits were achieved by learners.
  - 67% of all participants were involved in learning at NQF Level 3 or above.
  - 64% of completed qualifications were at NQF Level 3 or above.
  - 33,276 individuals completed an industry skill development programme.

## Appendix 3 – Our Members

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The Industry Training Federation (ITF) is a membership-based organisation, representing Industry Training Organisations (ITOs) to government and working with agencies and sector groups to improve the policy for and delivery of industry skill development and workplace learning. There are currently 39 ITOs, all of which are represented by the ITF.

**Agriculture ITO**  
[www.agricultureito.ac.nz](http://www.agricultureito.ac.nz)

**Apparel & Textile ITO**  
[www.atito.org.nz](http://www.atito.org.nz)

**Aviation, Tourism & Travel ITO**  
[www.attto.org.nz](http://www.attto.org.nz)

**Boating ITO**  
[www.nzmarine.com](http://www.nzmarine.com)

**Building & Construction ITO**  
[www.bcito.org.nz](http://www.bcito.org.nz)

**Building Service Contractors ITO**  
[www.bsc.org.nz](http://www.bsc.org.nz)

**Careerforce**  
(Community Support Services ITO)  
[www.careerforce.org.nz](http://www.careerforce.org.nz)

**Competenz**  
[www.competenz.org.nz](http://www.competenz.org.nz)

**Communications & Media ITO**  
incorporating  
[www.printnz.co.nz](http://www.printnz.co.nz)  
[www.journalismtraining.co.nz](http://www.journalismtraining.co.nz)

**Creative Trades ITO**  
(Painting, signmaking, bricklaying & masonry)  
[www.paintingito.co.nz](http://www.paintingito.co.nz)

**Electricity Supply ITO**  
[www.esito.org.nz](http://www.esito.org.nz)

**ETITO**  
(ITO for ambulance, contact centres, electrotechnology, financial services, offender management, security, and telecommunications industries)  
[www.etito.co.nz](http://www.etito.co.nz)

**Equine ITO**  
[www.equineito.co.nz](http://www.equineito.co.nz)

**Extractives ITO**  
[www.exito.org.nz](http://www.exito.org.nz)

**Fire & Rescue Services ITO**  
[www.frsito.org.nz](http://www.frsito.org.nz)

**Flooring ITO**  
[www.flooringito.org.nz](http://www.flooringito.org.nz)

**FITEC**  
(ITO for the forestry, wood processing, furniture manufacturing and credit finance industries)  
[www.fitec.org.nz](http://www.fitec.org.nz)

**Funeral Service Training Trust of NZ**  
[www.fstt.org.nz](http://www.fstt.org.nz)

**Hairdressing ITO**  
[www.hito.org.nz](http://www.hito.org.nz)

**Horticulture ITO**  
[www.hortito.org.nz](http://www.hortito.org.nz)

**Hospitality Standards Institute**  
[www.hsi.co.nz](http://www.hsi.co.nz)

**Infratrain**  
[www.infratrain.co.nz](http://www.infratrain.co.nz)

**Joinery ITO**  
(ITO for the joinery, glass and glazing industries)  
[www.jito.org.nz](http://www.jito.org.nz)

**Learning State**  
(Public Sector Training Organisation)  
[www.learningstate.govt.nz](http://www.learningstate.govt.nz)

**Local Government ITO**  
[www.lgito.org.nz](http://www.lgito.org.nz)

**MITO**  
(ITO for the motor and industrial textile fabrication industries)  
[www.mito.org.nz](http://www.mito.org.nz)

**NZITO**  
(ITO for the dairy and meat processing industries)  
[www.nzito.co.nz](http://www.nzito.co.nz)

**Opportunity Training**  
(ITO for cranes, rigging, elevating work platform, and scaffolding industries)  
[www.opportunitytraining.org.nz](http://www.opportunitytraining.org.nz)

**Pharmacy ITO**  
[www.pito.org.nz](http://www.pito.org.nz)

**Plastics & Materials Processing ITO**  
[www.pampito.org.nz](http://www.pampito.org.nz)

**Plumbing, Gasfitting, Drainlaying & Roofing ITO**  
[www.ito.co.nz](http://www.ito.co.nz)

**REINZ ITO**  
(ITO for the real estate industry)  
[www.reinz.org.nz](http://www.reinz.org.nz)

**Retail Institute**  
[www.retailinstitute.org.nz](http://www.retailinstitute.org.nz)

**Retail Meat ITO**  
[www.retailmeat.org.nz](http://www.retailmeat.org.nz)

**Seafood ITO**  
[www.sito.co.nz](http://www.sito.co.nz)

**SFRITO**  
(ITO for sport, fitness & recreation industries)  
[www.sfrito.org.nz](http://www.sfrito.org.nz)

**NZ Sports Turf ITO**  
[www.nzstito.org.nz](http://www.nzstito.org.nz)

**Social Services ITO Te Kaiāwhina Ahumahi**  
[www.tkaito.co.nz](http://www.tkaito.co.nz)

**Tranzqual ITO**  
[www.tranzqual.org.nz](http://www.tranzqual.org.nz)

## Appendix 4 – Recent ITF Publications

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**Investing in Skills and Productivity:** Election Statement 2008 (August 2008)

**Industry Profiles:** a interactive tool to enable analysis of industry workforce characteristics (August 2008)

**NZ Skills Strategy - Action Plan 2008** (July 2008) (with the NZ Government, Business and the NZCTU)

**Skills and Training Survey 2007** (July 2008) (with Business NZ)

**The Skills Productivity-Nexus:** connecting industry training and business performance (April 2008) (with the Department of Labour)

**Key Steps Forward for Workforce Literacy** (June 2007) (with Business NZ, NZCTU and Workbase)

**Learners' Perceptions of Industry Training** (March 2007)

**Industry Skills Leadership:** The Role of Industry Training Organisations in Shaping Skills in the New Zealand Economy (Dec 2006)

**Essential Literacy and Numeracy Standards:** A First Step in Describing Industry Priorities (Dec 2006)

**Māori and Industry Training:** 2006 Update (Dec 2006)

All are available from the ITF's website <http://www.itf.org.nz/publications.html>



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Fax: +64 4 894 3191  
[www.itf.org.nz](http://www.itf.org.nz)

