

***INDUSTRY-LED  
SKILL DEVELOPMENT***  
*Keeping New Zealand open for business*



***INDUSTRY  
TRAINING  
FEDERATION***  
*LEADING A SKILLED FUTURE*

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**This time around if we are not to repeat the mistakes of the past New Zealand has to remain “open for business”...**

**Now is the time to invest further in skills development and industry training to ensure we are ready for when the rest of the world returns to normal business ”**

BERL Monthly Monitor, November 2008

The Industry Training Federation, through New Zealand's 39 Industry Training Organisations (ITOs), represents the collective voice of industries' vocational education and training needs.

## Immediate actions to maintain training levels

It is critical that businesses maintain training levels so that New Zealand can retain and grow the skills we will need to survive the recession. Some immediate actions to support this are:

- **Develop an 'Industry Skills Recovery Fund' to support industry-led skills initiatives.** ITOs can use their strong relationships with industry to co-ordinate ways to respond to skill needs and lift productivity.
- **Simplify the training system** to make it easier to take part in, to reduce compliance costs, and alleviate duplication. This will save money for government and industry.
- **Give industry more say on vocational education and training spending.** Industry is best placed to determine the most effective use of government's investment in industry-related vocational education and training, and must have a much larger role in directing taxpayer investment in industry-relevant skills.
- **Use ITOs' experience and connections with businesses more effectively,** especially on ways to tackle New Zealand's greatest challenge: productivity.
- **Requiring training in all major government contracted work, government sectors and SOEs.**
- **Increase connections between schools and the workplace.** Identify resources to support the work ITOs and schools do to enable students to develop industry-relevant skills and to have real experiences in workplaces.

## The ongoing importance of skill development

New Zealand faces a period of economic downturn, which may reduce businesses' ability to invest in skill development. If we allow this to happen it will undermine our longer-term economic prospects.

New Zealand faces major skills and productivity challenges including pay and productivity gaps against our major trading partners - including Australia. The majority of the workforce of the next 25 years is already in work. We must focus on developing and retaining their skills and making best use of these capabilities for the benefit of the New Zealand economy.

## ITOs and industry training

New Zealand has built up a strong system of industry-led workplace training over the last 15 years. There are now over 185,000 people and 35,000 businesses engaged in formal workplace training linked to industry-developed qualifications.

There are 39 Industry Training Organisations (ITOs) in New Zealand, covering 80% of the private sector workforce, in areas as broad as construction, infrastructure, primary, manufacturing, and the services sectors.

Industries in New Zealand have a stake in vocational education and training through the industry training system. They invest money, time, and expertise to support their staff to gain qualifications linked to national industry standards. This is a highly cost-effective system of Government and industry co-investment that supports the development of skills that are used directly in businesses and industry.

The economic downturn poses a risk to industries' ability to maintain current levels of investment in workplace training; there is a danger of cost-shifting to more expensive institutional delivery.

A key challenge, therefore, is finding ways of maintaining industry and employer investment in skill development over the next few years.

## Responding to the challenges

### *Industry Skills Recovery Fund*

A key feature of the industry training system is the strong relationship between ITOs and their industries. ITOs, collectively as part of sector clusters, could co-ordinate the development of projects and proposals designed to respond flexibly and dynamically to the short, medium, and longer-term skill needs of industry sectors.

ITOs are uniquely placed to play a key co-ordinating role between industry, government and other key representative organisations, particularly the Skill NZ Forum partners, the Industry Training Federation, Business NZ and the New Zealand Council of Trade Unions (NZCTU).

A cross-portfolio industry and sectoral focus would enable a comprehensive approach to skill development and retention, connecting training with support for the existing workforce, employers, and economic development initiatives.

Industry feedback to date suggests the following specific initiatives:

- Increasing flexibility of current funding to ITOs to enable them to be responsive and innovative in assisting their industries with 'whole of business' approaches to maintain training levels and lift productivity during the recession.
- Support for training outcomes via a cash contribution to employers for successful completion by their employees of training at Level 3/4 and above. This would encourage employers to retain apprentices and sustain industry commitment to training.
- Subsidising wages of employees in Level 1-2 foundation programmes, with a focus on literacy and numeracy programmes. ITOs are well placed to target employers and employees in most need of assistance. Criteria related to employers retaining employees post-training would need to be considered.

### *Simplify the training system*

We need to streamline rules and approaches for supporting training in the workplace; including rationalising the Modern Apprenticeship system, and reducing compliance costs and duplication of activity.

- **The Modern Apprenticeship system must be streamlined** by removing double handling by "Modern Apprenticeship Co-ordinators" so that ITOs can effectively carry out their core skills brokerage role.
- **Allow ITOs to use government subsidies in flexible ways**, including addressing whole of firm or industry productivity issues.
- **Cease funding of wasteful duplication** of high-cost, institution-based, training activities with similar outcomes to industry training.
- **Simplify the qualifications system** to reduce the proliferation of qualifications (particularly at diploma and certificate level) that makes it difficult for employers and employees to understand the value and relevance of qualifications and skills.
- **Recognise the value of 'skill sets'**. In addition to qualifications, it is increasingly clear that skill groupings have a direct connection to productivity, and will be even more important in the current economic climate.

## *More say for industry on vocational education and training spending*

New Zealand spends over \$2 billion on tertiary education and training each year, and a further \$2 billion on student loans and allowances. Now, more than ever, it is vital that we get good value for money from this spending. Approximately one third of tertiary education expenditure (or \$700 million) is industry-related vocational education and training, but only \$200 million of this is directed to industry needs through the industry training system.

Industry is best placed to determine the best use of the remaining \$500 million of industry-related vocational education and training, but at present the allocation of this resource is in the hands of the Tertiary Education Commission and tertiary education organisations.

These allocations must be based on the needs of industry, rather than simply supporting existing providers.

*Industry must have a much larger role in directing taxpayer investment for industry-relevant skills.*

## *Use ITOs' experience and connections with businesses more effectively*

ITOs have ongoing working relationships with over 35,000 businesses each year. Their work with individual employers and employees involves identifying business needs and matching skill development services with those needs. The networks developed by ITOs give them a strong level of knowledge and expertise about the industries in which they work.

There are significant opportunities for ITOs to work with those businesses with which they have on-the-ground relationships, to assist them to tackle New Zealand's greatest challenge: productivity. ITOs can be supported to broker business capability development and related services in real, tangible, and cost-effective ways.

In the context of the current economic downturn ITOs must work with government agencies even more closely, through programmes such as *Straight-to-Work*, to ensure that people losing jobs are rapidly returned to work.

## *Government leading by example*

It will be important that government backs the work of ITOs in promoting the importance of training, **including requiring training in all major government contracted work**, as well as **requiring training in all government sectors and SOEs**.

## *Increasing connections between schools and the workplace*

ITOs have been responding to demand from their industries to engage with the senior secondary school. They have been working with schools to develop teaching and learning programmes that allow students to develop industry-relevant skills and provide opportunities to have real experiences in workplaces.

The current economic situation will mean less full-time work opportunities for senior secondary school students preparing to leave school. ITOs have a key role to play with schools to assist students to engage in workplaces in meaningful ways while still at school, to help them build industry-relevant skills and build connections with the workplace.

*ITOs, schools, and government will need to work closely together to build on these opportunities and identify support and resources.*

## **A strong skills base to secure New Zealand's future**

Over the last 15 years, successive governments have shown their continued support for the development of a strong industry training system. This is now a mature system with ITOs well-placed and ready to take on new roles to meet the challenges of the current economic situation and the development of a strong, stable skills base for the future.

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February 2009

