



ITF National Office
Level 2, Stewart Dawson Building
PO Box 24 194
Wellington

Phone: (04) 499 8158
Fax: (04) 499 8156

Email: darel@itf.org.nz
Web: www.itf.org.nz

Overlapping Provision between STM funded tertiary education and EFTS (Student Component) funded tertiary education.

Background

Two brief questionnaires were sent to the 42 ITF members on Thursday 24 April 2003. The first survey (n=16) sought feedback on issues that may prevent or enhance ITOs engaging trainees in workplace based training and reaching the targets of 150,000 trainees by 2005 and 250,000 in 2007. The second survey (n=15) focused on the overlapping provision issue, primarily non-degree trade training through the classification 22.

The questionnaires were part of continual efforts by the ITF to remain well informed of member opinion on key issues and convey those opinions to officials, and in some cases politicians, in order to:

- work towards placing the issues on work agendas;
- seek clearer description of the issues by agencies that have the capacity and responsibility for deeper research; and
- work towards solutions.

Since the commencement of this survey and the final collation of results the Government has:

“directed the Ministry of Education, in consultation with TEC, to report to the Minister Responsible for the TEC/Associate Minister of Education (tertiary education) by November 2003 on the STM Working Group’s recommendation to undertake further work about overlapping provision and the wider policy context”.

The ITF has met separately with Colleen Slagter from the Ministry, and Dean Carroll from TEC for an initial exchange of views and discussion about process.

EFTS STM Funding Differential

Background

The overlapping provision questionnaire primarily dealt with the issue of Classification 22 funding (EFTS funded training). This issue has proved to be problematic for a number of ITOs, and enigmatic to describe and assess through current data sources. It is clear that classification 22 is a sub-set of the overlapping provision policy debate, but no data has been made available to determine the relative size of the debated components.

Since at least 1995 officials have identified problems created by the differentials between EFTS funding and STM funded training¹. Since 1 January 1998 TEIs have been able to access EFTS funding for non-degree trade training. This capacity was not the intention of the original bulk funding system.

The 2002 Funding Category Review Scoping Report stated there were “approximately 5,000 ‘classification 22’ EFTS in 2001”, at an approximate cost of \$38.5m. At the time, officials spoke of the difficulty of defining the issue adequately.

Information supplied by the Ministry in 2003 shows the 2001 figure for classification 22 to be over 8,000 funded EFTS at a cost of \$63 million. The Ministry calculates the funded classification 22 EFTS to have cost some \$71.7 million in 2002.

The collective understanding of the overlapping provision phenomenon has evolved rapidly to the point where the recitation of classification 22 EFTS and their costs can not be assumed to be the largest factor in the overlapping provision issue. ITOs have been saying this has been a problem for some time, but it is only now we have started to get some hard data to determine the size of the issue and its growth.

A key distinction that needs to be drawn is that, in some cases, EFTS funded programmes are complementary to those programmes that are STM funded. In other cases, EFTS funded programmes can be a direct competitor to STM industry training (at two to three times higher cost to the tax payer). It is this latter situation which is detrimental to the industry training provided by ITOs.

Sixteen ITOs of the 42 member ITF responded to the Growth survey: fifteen said that the classification 22 EFTS and STM funding differential is a problem for their ITO at the moment.

Fifteen ITOs of the 42 members of the ITF responded to the specific classification 22 survey – a third of members.

¹ Office of the Minister of Education to Chair, Cabinet Committee of Education, Training and Employment, “Funding for the Administration and Provision of Industry Training”.

Ten of the respondents said they were aware of providers using EFTS funded training to support the same or like training available through STM funding. A further three said they had problems in the past that had been resolved by negotiation. Large, medium and small ITOs from traditional and new training areas were concerned with the classification 22 issue.

Summary response highlights:

- The approximate number of STMs covered by respondents where providers are using EFTS funding to deliver training is about one seventh of the total STMs funded in 2003.
- The number of trainees lost due to competition is increasing. Respondents estimated some 350 STMs shifted to EFTS funding in 2001, rising to some 3250 in 2004. While the bulk of the loss comes from five larger ITOs, the losses for smaller ITOs are proportionately a significant risk.
- Some of the loss or potential loss from the STM system was planned in arrangement with providers. The survey did not specifically ask respondents to quantify this effect, but comments in the open response section of the survey indicate the effect is significant to understanding the overlapping provision issue.
- Ten of the 15 respondents believe the shift from STM to EFTS funded training is increasing. The other 5 couldn't determine whether the shift was increasing. None believed that shift was decreasing.
- Only one respondent indicated that they had been forced to reduce the quality of training because of competitive pressure. The same respondent is attempting to increase quality as a strategic response. Twelve ITOs have not reduced quality and two framed the issue as having a business model that worked with the funding available.

Commentary based on responses

Some ITOs are severely restrained in their ability to compete against EFTS funded providers because providers are funded at two to three times the ITO rate. This allows EFTS funded providers to approach enterprises and offer training while undercutting ITOs. This has enticed several enterprises away from the ITO system.

This creates several challenges including:

- A value for money problem for Government
- Decreased training that is industry responsive
- A threat to the industry led system
- A threat of decreased training that is designed for the workplace;
- Difficulty maintaining co-operative relationships with providers (especially Polytechnics) that gain more from using EFTS funding to

undercut ITOs than they do by provision to ITOs through the STM system.

In addition, ITOs observed that the current funding system suggests that ITOs should consider directing employers more towards EFTS funded programmes – especially for provision that is more theory focused – rather than STMs.

ITF Position

The ITF has long advocated two principles:

1. That funding should be available on an “equal opportunity” basis where Tertiary Education Organisations access the same funding for the same outcomes.
2. There are multiple valid pathways for learning.

It is clear from the survey and previous member input that EFTS funded programmes across various industry sectors are considered beneficial and provide a valid pathway for learning. Comments from the survey show that ITOs are working in partnership with Polytechnics and other providers. Many ITO newsletters tell stories of good working relationships, for example in pre-employment areas and attracting young people into industry. This extends to the delivery of the on-job assessment component of qualifications to ITO trainees as well as trainees who are not eligible for ITO funding like the self-employed, and for some training above Level 4 of the NQF.

Information Limitations

The ITF’s experience with this survey is that some ITOs have very detailed and complex information. We suggest that for agencies will need face to face discussion to obtain a more complete picture of the overlapping provision issue. There may be several iterations in such a process.

The issues for each industry are sometimes different and often complex. For example, some ITOs had difficulties with providers that have been resolved. However these issues have the ability to rise again if the policy decisions that allowed them to arise in the first place are not settled.

In addition, some ITOs are shifting training into the EFTS funding system in co-operation with providers. The Government must decide what is desirable collaborative behaviour that benefits an industry, and what is perverse behaviour driven by the disparity between EFTS and STM funding.

Moving towards solutions - Concluding Comments

The information derived from the survey data gives sufficient cause for Government agencies to, amongst other issues, further investigate:

- the issue of overlapping provision including classification 22 funding;
- what TEC intends to purchase and for what purpose;
- the effects on industry training; and
- value for money propositions for Government.

Before action is taken a better understanding of the issue is needed by all stakeholders. The ITF would welcome a collaborative process working with other stakeholders.

The ITF also offers to agencies:

- **the role of facilitating the input of ITO knowledge and experience into the investigation into overlapping provision;**
- **the role of ensuring good communication amongst ITOs about the investigation process through its newsletter, forums and other communications.**

A better description of the overlapping provision issue is valuable in its own right. A more level information playing field is highly desirable. Moving towards resolution of the overlapping provision issue, perhaps over some time, will enable ITOs to better engage new industries, enterprises and trainees in workplace based training. This will help ITOs achieve the targets of 150,000 industry training trainees by 2005 and 250,000 trainees by 2007.