Submission to Ministry of Education

Reform of Vocational Education

Date: 5 April 2019
1. Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the Ministry of Education’s Consultation discussion document ‘Reform of Vocational Education’.

2. This submission represents the views of TIA as a collective whole and may not necessarily represent the views of individual members.

3. This submission is filed without prejudice to TIA’s future position. Our ability to prepare a comprehensive submission responding to the consultation document relied on the provision by the Ministry of Education of information relevant to the connection between the consultation document and the benefits that would accrue. If any information is provided at a later date, TIA reserves the right to comment further.

INTRODUCTION

4. TIA is the peak body for the tourism industry in New Zealand. With around 1,600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.

5. TIA’s main purpose is to shape tourism for the ongoing benefit of Aotearoa and our people. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.

6. Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, TIA Advocacy Manager at steve.hanrahan@tia.org.nz or by phone on 027 912 2624.

EXECUTIVE SUMMARY

7. These proposals, which are significant and have far-reaching consequences, provide both an opportunity and a threat for vocational training in the tourism and hospitality industry. TIA agrees with some principles within the proposals, in particular that employers need confidence the vocational education system will respond to their needs. We do not believe, however, that the discussion document provides a compelling case that the proposals will better meet New Zealand’s skills needs.

8. We agree there is a need to consolidate and stabilise the Institutes of Technology and Polytechnics (ITPs) and this should be the main focus of the reform in the sector. Cost management, however, should not be the sole driver for this consolidation and it is important that regional provision meets regional demand for training.

9. TIA supports the proposal to establish Industry Skills Bodies (ISBs). There has long been a vacuum in skills leadership within the tourism industry. We agree that ISBs should undertake the proposed roles including providing advice to the government on industry skill needs, setting industry standards and approving vocational education programmes. We also want ISBs to take on a wider mandate should industry wish, including the development and implementation of national workforce strategies, and to lead industry talent strategies for attracting people to the industry.

10. TIA strongly disagrees with the proposal that providers become responsible for all vocational education provision including supporting workplace training. This is a significant backwards step in workplace training models in New Zealand and does not recognise the important role Industry Training Organisations (ITOs) play in arranging
training for employers. We believe that shifting the responsibility for workplace training to providers such as the proposed NZ Institute of Skills and Technology (NZIST) will result in a significant number of employers disengaging from formal workplace training arrangements. Our position is that ISBs should be mandated to arrange industry training, in a similar model to that which ITOs currently do.

11. While we support the proposed principle of a consolidated set of funding rates for both on-job and off-job provision, until that rate is advised we are unable to comment on whether it is sufficient or otherwise.

STAKEHOLDER CONSULTATION

12. This submission has been compiled following a period of research and stakeholder engagement by TIA including engaging with tourism operators, industry associations, peak bodies including Business NZ and the Industry Training Federation, and tertiary education organisations including ITOs and Private Training Establishments (PTEs).

THE NEW ZEALAND TOURISM SYSTEM

13. Tourism is a $39.1 billion industry in New Zealand (YE March 2018), made up of travel activity of international visitors ($16.2 billion) and domestic travellers within New Zealand ($23.0 billion). Tourism directly contributes 6.1% of New Zealand’s GDP and a further 4.3% indirectly. A total of 365,316 people are employed in tourism comprising 13.5% of total employment in New Zealand (8.0% directly and 5.5% indirectly)\(^1\).

14. While able to be measured by these overarching statistics, the tourism industry is best defined as a ‘system’ that sits as part of the New Zealand economy and society. Within this system, there are a large number of touchpoints of visitors with commercial, government and local government services or amenities. For instance, visitors may stay a night in a hotel and use hospitality services, and the next day may travel in a rental car on state highways or local roads, use community amenities or public conservation lands before perhaps paying for an activity or doing some shopping. All of these touchpoints form part of the tourism system and it is important that all are working cohesively together to enable a quality and high value experience. A skilled and qualified workforce is a key contributor to a great visitor experience.

PEOPLE AND SKILLS IN THE TOURISM INDUSTRY

15. Skills and training provision within an industry as large and complex as tourism has many participants, consisting of employers, learners, and training providers including universities, polytechnics/institutes of technology (ITPs), private training establishments (PTEs), wananga and industry training organisations (ITOs). It is not often recognised that the most significant trainer is employers. Every day across the tourism and hospitality industry, employers are training and upskilling their staff to support both the visitor experience and productivity improvements within their organisations.

16. The tertiary sector also plays an important role, educating New Zealanders and migrants, equipping them with the skills employers need. BERL in their 2017 Report ‘Tourism Labour and Skills – Understanding Flows’ estimates that of 279,400 people who had studied a tourism-related tertiary qualification and entered the workforce since

\(^1\) Stats NZ Tourism Satellite Account 2018
2010, 64,400 (23%) went into the tourism industry, while 148,400 (53%) went into other industries. Conversely 343,500 (11%) of students who studied non-tourism related qualifications entered the tourism industry.

17. The pipeline of people entering the tourism industry includes those directly from school, those from tertiary institutes, those returning to work or changing industries, and migrants when no suitable New Zealanders can be found. Immigration plays an important role in the supply of skilled people for the tourism industry. For example, in the YE January 2019, 4,378 migrant chefs had visas approved to work in New Zealand, along with 1,769 café/restaurant managers, 1,087 cooks, and 2,342 retail supervisors.

18. Challenges in attracting and retaining people to the tourism industry is not a new phenomenon. TIA commissioned work in 2013 to address the issues. The report ‘Educating and Informing about Careers in Tourism’ identified a series of initiatives to attract more people to the industry. In 2015, TIA initiated a report to identify the people and skills priorities for tourism through to 2025. A set of 24 priority actions was identified including investigating what a high-performing education sector might look like in terms of benefits to the industry.

19. Employers continue to advise they cannot find sufficient skilled New Zealanders for their businesses. In TIA’s 2018 State of the Industry Survey, 51% of respondents (n=431) could not find skilled New Zealanders to work in their business. Supporting that, in a draft report on a package of initiatives to attract more New Zealanders to tourism 52% of employers indicated their business was either very or quite reliant on staff on work visas.

PROPOSAL ONE - REDEFINING THE ROLES OF EDUCATION PROVIDERS AND ITOS

TIA supports the proposal to establish ISBs

20. The consultation paper proposes to redefine roles for industry bodies and education providers. We support this direction, having advocated previously for increased leadership in determining the investment into tertiary education for the tourism industry. In 2016, TIA responded to the Productivity Commission’s paper on New Models of Tertiary Education, noting ‘A significant gap exists in the bigger picture of employers influencing the tertiary environment, particularly in the supply of training places. For example, there have been shortages of chefs for many years. The role has become a permanent fixture on the government’s Long-term Skill Shortage List. While there is insight into how many extra chefs are required (NZIER’s report for TIA in May 2015 identifies an extra 6213 chefs will be required by 2025), there is no strategy or process that drives how this will be achieved. Employers need confidence that the tertiary sector is taking a coordinated approach to addressing labour and skill deficits, and the employer voice needs to be central to this’.

21. The move to ISBs to provide people and skills leadership on behalf of the industry is welcomed. Currently there is a void in this leadership, with ad-hoc pieces of work being undertaken by various organisations such as industry associations and ITOs. A single

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2 Immigration NZ Tourism & Hospitality Data and Insights January 2019
4 Final report to be released May 2019
co-ordinated and well-funded body such as the ISB to provide and co-ordinate skills leadership is welcomed and long overdue.

**TIA believes the current ITOs should transition to becoming the ISB for tourism and hospitality**

22. The proposals note that industry groups would apply to the Ministry of Education for recognition as an ISB.

23. Our view has consistently been that ITOs are best placed to provide the wider people and skills leadership role on behalf of the industry. Again, in our 2016 submission to the Productivity Commission we noted ‘TIA believes there needs to be stronger leadership coming from the tourism industry and tertiary sector in how they will work together to provide sufficient places of the right training for the future. We believe the organisation best placed to lead this is the Industry Training Organisation (ITO). An ITO already has a strong mandate to work with employers, are governed by employers, and employers are their end user’.

24. We are concerned that in the transition to the ISB model we may lose the industry capability and IP built up over many years by our ITOs who service the tourism and hospitality industry. Our principal ITO is ServiceIQ but others servicing aspects of our industry include Skills Active and Competenz (maritime training).

25. We believe that our principal ITO should transition to becoming the ISB for tourism and hospitality. When ITOs were first initiated in the early 1990’s there were more than 50 ITOs serving a variety of sectors and industries. Over time that has been refined down to 11 ITOs. The learnings over these 25 years should not be lost. A return to multiple ISBs for the tourism and hospitality industry would be a backward step.

**ISBs should have the ability to take on a wider mandate than the proposed roles**

26. We support the functions that are proposed for the ISB leadership role, namely to:
   
a. Provide advice to the Tertiary Education Commission (TEC) on industry needs (and TEC purchasing training based on this advice)
   
b. Approve all vocational education programmes in conjunction with NZQA
   
c. Setting standards across all vocational education
   
d. Moderating end of study assessments
   
e. Contributing to curriculum development

27. TIA would also want to see the ISB develop a wider strategic view beyond those mandated areas above. This wider scope would include activities such as the development and implementation of a national workforce strategy, and to lead and co-ordinate industry talent strategies for attracting people to work in the industry. There is currently a gap in the provision of these services for the tourism and hospitality industries and the ISB should have the ability to provide these and other services should the industry require them to.

**The function of arranging workplace training should be with ISBs and not NZIST.**

28. ITOs were established in 1992. Up until that time the Government subsidised workplace-based training mainly through the apprenticeship system, with apprentice numbers averaging 25,000 p.a. Apprenticeships were in mainly male-dominated industries such as building, plumbing, motor and chefs. Training occurred primarily at
polytechnics and universities – approx. 30% of school leavers at that time went into these institutions.

29. A key reason why ITOs were introduced at that time, and it remains valid today, is to arrange training towards national qualifications for the 70% of young people who went direct from school into the workplace. These people were gaining valuable skills and knowledge but were unqualified. It can be argued that ITOs have contributed significantly to the overall upskilling of New Zealanders over the past twenty years, with 46% of the population having a post-school qualification in 2013.5

30. Having one organisation to arrange workplace training for businesses is important and does have a number of benefits over regional provision models. A key benefit is the management of national multi-site organisations. Many tourism organisations have operating sites across the country e.g. international hotel chains, restaurant chains. This national franchise model is common in the tourism and hospitality industry and these employers have significant workforces, employing thousands of New Zealanders. Many of these chains engage in workplace-based training leading to national qualifications. Management and arrangement of training between the ITO and employer occurs at the head office/national office level. It is unclear how this would occur under the proposed NZIST model of regional provision. We are concerned that this aspect of engagement and training management may be lost or severely impacted.

31. Another benefit of the current ITO model is the personalised relationship between the ITO and employers. The primary customer for ITOs is the employer as opposed to other VET institutions who have the learner as the main customer. A consistent message from our members is they highly value the relationship with the ITO. Employers have a single point of contact whom they can contact and engage with to enable training towards national qualifications to be implemented in the workplace.

32. Employers also value the ability ITOs have to enable and tailor learning programmes for their organisation. Processes such as ‘Qualink’ where in-house training programmes are bench-marked to national qualifications enables employers to provide a training programme specific to their organisation and systems while simultaneously also resulting in the awarding of a national qualification.

33. We do not believe the proposed NZIST is well-placed to deliver this level of personalised and tailored product. The current ITPs that will be replaced by NZIST have learners as their primary customer, and over many years their systems and people have been built around this. Asking these institutions to now arrange all industry training, integrate 138,000 workplace learners into an ITP system that currently has 65,000 students and adopt a new primary customer i.e. employers, has only one likely outcome – failure.

34. The majority of ITPs are in deficit positions6 and some are under statutory management. We are very concerned about the consequences of transitioning ITO learners into a failing ITP system. While it may balance the books it is a short-term solution that we predict will ultimately and quickly lead to employers disengaging from industry training models and continuing with in-house training only. Employers will adapt and move on quickly but in the medium to long-term the divide between

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employers and tertiary education organisations will be greater and New Zealand will go back to having a greater number of the workforce unqualified.

35. We believe that ISBs should be accredited to arrange workplace training. The transition of the ITO into the ISB will facilitate a smooth transition of the current arranging-training model and for all intents and purposes there should be little impact of the transition on employers or trainees/apprentices.

36. We acknowledge the potential conflict of interest between ISBs providing advice to TEC on purchasing decisions for vocational education and also being one of the recipients of those decisions, as they will receive funding to arrange training for workplaces. Other VET providers including NZIST and PTEs will be concerned. We believe, however, this is a low-level of risk and any conflicts can be managed through effective governance and planning arrangements within the ISB model. Additionally, ISBs are not the sole provider of advice to TEC on funding. The proposals include the establishment of Regional Leadership Groups (RLGs) to advise NZIST national office and TEC on local skill needs.

PROPOSAL TWO – CREATE A NEW ZEALAND INSTITUTE OF SKILLS AND TECHNOLOGY WITH A ROBUST REGIONAL NETWORK OF PROVISION

TIA supports consolidation and rationalisation of the ITP sector

37. TIA acknowledges that changes are required within the ITP sector. The current model of 16 regional ITPs is not financially sustainable. Consolidation of governance, budgets and operating systems should lead to a more efficient model of provision.

38. Cost management, however, should not be the driver for this consolidation and a balanced approach needs to be taken. The adventure tourism sector is an example of where training requires a higher teacher to student ratio, technical equipment, often involves travel to various activity sites, and requires significant supervision and direction for training undertaken in the workplace environment. The sector involves a relatively low volume of students per year compared to other disciplines, resulting in lower economies of scale. Salary levels for instructors and guides are not particularly highly paid meaning high course fees are often not feasible. Additionally employment is less regionally focused - instructors and guides work throughout the country and often on a seasonal basis.

39. We would encourage officials to consider whether the proposed Centres of Vocational Excellence (CoVE) could be an appropriate response to providing training to a sector such as adventure tourism. It’s a sector where the nature of the work and its training needs, combined with low economies of scale may not fit a single funding system nor multi-region delivery model and therefore may be more suited to provision via a small number of CoVE’s spread throughout the country.

40. ITPs provide an important regional function in promoting tourism as a career to school leavers and other potential learners e.g. return-to-workers, as part of their systems in attracting people to courses and this role should not be lost.

41. We do have questions over the proposal to introduce RLGs to advise NZIST national office and TEC on local skill needs. There is no information in the proposals on the relationship between the industry leadership role of ISBs and the RLGs. Both will inform TEC on purchasing decisions.
42. The proposed establishment of ISBs and RLGs comes at a time when government is also proposing the establishment of Regional Skills Bodies as part of the immigration review ‘A new approach to employer-assisted work visas and regional workforce planning’. Of concern is the potential for RLGs to over-lap or operate as silos. Government needs to ensure that all these groups take a holistic approach to addressing both labour supply and skill issues at a regional level, particularly where a tightening of government regulations and policy could impact negatively on employer access to a skilled labour market.

PROPOSAL 3 - A UNIFIED VOCATIONAL EDUCATION FUNDING SYSTEM

Sufficient funding is required to enable the new environment to succeed

43. There is no visibility on the cost implications of the proposals. While we support the proposed principle of a consolidated set of funding rates for both on-job and off-job provision, until that rate is advised we are unable to comment on whether it is sufficient or otherwise.

44. Historically ITOs have been funded at a lower rate per learner than other training providers leading to a reluctance by employers to take up off-job training opportunities due to the fees they (or their employee) would have to pay for that training.

45. ITOs have been very successful in arranging access to national qualifications in a very cost effective way through on-job training, resulting in many employees being provided the opportunity to upskill and become qualified on-job that would not be available to them through an off-job training model. If these cost efficiencies are lost then employers will disengage from training leading to national qualifications.

46. In our preferred model of ISBs arranging training for workplaces there is a risk that employers are required to meet more costs, as employers would contribute towards training costs but also be required to contribute to the leadership costs of ISBs. We are neutral as to whether there should be separate funding streams or a bulk funding arrangement for the dual roles of arranging training and providing skills leadership that we want the ISB to perform. However, we are firmly of the view that the ISB needs to be adequately funded by government to fulfil these functions.
FOLLOW UP PROCESS

47. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on the tourism industry are adequately represented.

ABOUT TOURISM

48. Tourism for New Zealand is big business as the country’s largest export sector. It is a major contributor to the New Zealand economy that will always be here and won’t easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for “Brand New Zealand”. Indeed, the clean and pure offering that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.

49. Tourism 2025, an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching $41 billion in annual tourism revenues by 2025. The industry’s focus is on growing value faster than volume.

50. The Tourism 2025 Growth Framework is based around five key themes of Insight, Connectivity, Productivity, Visitor Experience and Target for Value. This growth framework was recently reset in 2019, with a shift to integrating sustainable tourism, in particular the Tourism Sustainability Commitment; articulating a longer-term view of tourism in alignment with Central Government; and identifying new priority actions to be addressed over the next 1-3 years.

Tourism industry key facts:

KEY FACTS

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<tr>
<th>Tourism in New Zealand is a $107 million per day industry. Tourism delivers around $44 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another $63 million in economic activity every day.</th>
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<tr>
<td>Tourism is New Zealand’s biggest export earner, contributing $16.2 billion or 20.6% of New Zealand’s foreign exchange earnings (year ended March 2018).</td>
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<tr>
<td>13.5% of the total number of people employed in New Zealand work directly or indirectly in tourism. That means 365,316 people are working in the visitor economy.</td>
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<td>The Tourism 2025 growth framework has a goal of growing total tourism revenue to $41 billion a year by 2025.</td>
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