



## Supplementary Plan Guidance for industry training organisations

This Supplementary Plan Guidance provides specific guidelines for industry training organisations (ITOs) submitting Plans for 2018 up to 2020. It should be read alongside our [Plan Guidance for 2017 and 2018](#). Although our Plan Guidance for 2017 and 2018 was written for providers, our expectations of ITOs are that their investment plans align with the rest of the tertiary education sector.

### The current challenges are to increase workforce productivity and prevent skills shortages

New Zealand's productivity is low by comparison to other OECD nations. There are a number of possible reasons for this including our small size and remoteness. However, the type and level of skills, qualifications and experience of our workforce may also be important factors.

Research undertaken for the Productivity Commission found that, although we have more people in employment, the average quality of the New Zealand workforce declined slightly between 2001 and 2012.<sup>1</sup> While skills increased as workers gained greater experience and more gained qualifications, a large number of new workers came into the labour market with lower skills than existing workers (on average). This more than offset the improvement in qualifications and experience, leading to an overall reduction in workforce quality. Mismatch between demand for and supply of certain types and levels of skills may also lead to skills shortages in particular industries.

We value the contribution that ITOs, along with the wider tertiary education and training sector, can make in responding to these challenges.

#### The first challenge: raising basic skill levels

Getting low-skilled workers into jobs is an important first step to improving wellbeing and meeting a wide range of social objectives. However, lifting the volume of low-skilled workers will not help address New Zealand's weak productivity growth. *There is an opportunity for ITOs to work with industry to upskill lower skilled workers, particularly in raising literacy and numeracy levels.*

<sup>1</sup> The measure of worker quality – which is derived from earnings data – reflects the bundle of skills, qualifications and experience of individual workers. As such, it picks up a broader range of worker attributes beyond qualifications. See <http://motu.nz/assets/Documents/our-work/productivity-and-innovation/firm-productivity-and-performance/CTTC-on-firm-productivity.pdf>.

Supporting young people into sustainable employment is similarly important. *ITOs can encourage industry strategies aimed at bridging the 'attitude gap', to make young people more attractive to employers. This will help young people to find sustainable employment and careers.*

### **The second challenge: facilitating continuing vocational education and training**

Skills need to be continuously updated to keep pace with the changing world of work, including shifts in technology and the emergence of new tasks and occupations. *ITOs need to be skill brokers and facilitators, working closely with industry and enterprises. This should encourage employers to make the best use of existing skills, and prevent skill waste and attrition due to mismatch or lack of use. ITOs should also help businesses identify and train for new skills that meet emerging needs.*

### **The third challenge: fostering enterprise-level innovation**

Business innovation is an effective way to increase productivity through the development of new or improved goods, services, processes, or methods. These open up new areas of competitive advantage, and increase output and exports.

Innovation requires a certain mix of skills, some of which may be in short supply. Skills which support innovation include basic academic skills such as reading, numeracy and digital literacy. 'Soft' social skills including motivation, communication, and teamwork are also required. Finally, higher-level technical skills specific to an individual industry or firm may also be required.

Supplying more of these skills is only part of the solution. Raising demand for these skills is also important. Employers in low productivity industries are less likely to recognise, demand, or use the innovation-boosting skills that could enable them to transition to a higher productivity business model.

*ITOs can help businesses develop strategies to recognise, and recruit and train for skills that support productivity and innovation. In addition, we encourage ITOs to expand their network of employers and foster new and innovative partnerships with stakeholders.*

## **Workplaces as key components of the education and training system**

High performing workplaces view workforce education and training as an investment rather than a cost. This leads them to encourage employees to continually acquire, refine, and use new skills to best effect. There is a significant body of evidence confirming the link between better skills use in business, and business profitability and productivity.

We expect ITOs to work proactively to foster employer engagement in, and ownership of, the skills system. We also need employers to support ITOs by:

- › forecasting future skill needs (levels, types of skill and numbers of workers needed)
- › specifying the skills, attitudes, attributes and behaviours that education and training should help provide
- › helping design qualifications
- › involving them in the assessment of vocational skills, and
- › providing workplace learning opportunities, placements, and internships for learners at all levels of education.

ITOs need to work with industry to invest time, money, and expertise in skills development to ensure learners gain both transferable skills and specific qualifications that industry needs. This should lead to better career outcomes for learners, improved skills use by businesses and greater productivity.

## **We have high expectations of ITOs**

High performing ITOs achieve the economic and social outcomes the Government is seeking in ways that fulfil the needs of employers and employees. ITOs can do this by:

- › demonstrating that they understand their customers, businesses and industries by identifying and responding to skill needs
- › providing advice to business on how to translate skills into productive activity
- › arranging training in flexible and responsive ways
- › developing standards, programmes and qualifications that industry value
- › maintaining effective quality assurance processes and practices, and
- › having effective governance and management.

We will seek assurance through our engagement with you and through your Plan that your organisation has developed the strategies and has the capability to deliver on our expectations.

## **We will engage with you on our investment approach**

We will engage with you on our investment approach as it develops. We will work with you on:

- › the use of labour market data: how can we use information on skill growth and shortages to inform industry investment in skill development?
- › educational efficiencies: how can learners gain the skills they need as expeditiously as possible?
- › a capability framework: what are the key capabilities of your organisation and how can we measure them?
- › information for smarter investment: where can we (and you) get the best value for our investment in vocational education and training?

These work streams will inform our engagement with you and help develop investment methodologies and different ways of measuring performance. We expect progress to be evolutionary rather than revolutionary, starting with the Plan you develop this year. We are already working on labour market data and information to promote smarter investment for ITOs.

## **The content of your Plan must meet certain requirements**

All ITOs need to submit a Plan this year. The requirements for ITOs' Plans are set out in the Education Act 1989 and also in the Industry Training and Apprenticeships Act 1992.

Section 159P of the Education Act 1989 states that your Plan must set out:

- › your mission and role
- › how you will address the needs of your stakeholders
- › how you will give effect to the Tertiary Education Strategy
- › a description of your programmes, activities and outcomes
- › the amount of funding sought in relation to the programmes and activities
- › a description of your proposed outcomes and the performance indicators that you will use to measure whether those outcomes have been achieved, and
- › a description of all the tertiary education programmes run by your organisation other than those in relation to which funding is sought.

In addition, section 13D of the Industry Training and Apprenticeships Act 1992 requires that apprenticeship training activities must be included in your Plan, including:

- › promoting apprenticeship training generally
- › identifying prospective apprentices and potential employers
- › arranging training or employment that may lead to apprenticeships
- › helping prospective apprentices enter apprenticeships
- › implementing individual training plans consistent with apprenticeship training agreements
- › monitoring apprentices to ensure achievement and completion within reasonable timeframes
- › ensuring consistency with the Code of Good Practice for New Zealand Apprenticeships, and
- › providing appropriate pastoral care and support for apprentices.

We do not necessarily expect you to create brand new content for all of your Plan. If this information already exists (for example in your strategic plan or workforce plans) then you can simply reference them or copy the relevant information into your Plan.

## **The Tertiary Education Strategy priorities for industry training**

In responding to the challenges set out above, ITOs will also advance the Tertiary Education Strategy 2014-2019. Below are some expectations we have in relation to specific priorities that ITOs should address in their Plans.

### **Delivering skills for industry**

ITOs have a direct impact on this priority by upskilling people in the workforce. In the next few years, it is critical that ITOs build on their impact by:

- › encouraging the uptake of apprenticeships to reach 50,000 apprentices by 2020
- › developing new and innovative approaches to support industry skill needs
- › ensuring qualifications, programmes and skill standards meet industry needs, and
- › forecasting skill needs over longer terms.

### **Getting at-risk young people into a career**

We expect you to collaborate across the tertiary education sector to strengthen education and employment initiatives for at-risk young people. There are a number of regional and community-based projects that ITOs already support and we expect this involvement to continue and deepen.

Examples of these initiatives include activities to support Regional Economic Development Plans, Māori and Pasifika Trades Training, Sector Workforce Engagement Programmes, and 3 + 2 education and employment pilots. We want to see ITOs more involved in brokering employment and training outcomes for these kinds of initiatives.

### **Boosting achievement of Māori and Pasifika learners**

We have set out expectations of performance for Māori and Pasifika learners. Currently across all types of tertiary education Māori and Pasifika learners do not achieve at the same rates as others. In industry training at lower levels on the New Zealand Qualifications Framework, Māori and Pasifika learners generally achieve similarly to others. However at higher levels (level 4 and above) the credit achievement and completion rates for Māori and Pasifika are significantly lower.

As Māori and Pasifika will be an increasing proportion of the workforce, we need to ensure an increasing number of Māori and Pasifika achieve at higher levels. We will have a stronger focus on parity for these learners at higher levels. To enable this system-level shift, we will look to link over time education performance indicators, and outcome indicators, with future funding allocations, incentives and consequences. We will work with you in 2017 to determine reasonable and achievable targets to reach parity. However we expect you will have your own organisational strategies and action plans to address these priorities, and that these are referenced in your Plan.

### **Improving adult literacy and numeracy**

Strong adult literacy and numeracy skills deliver significant economic and social benefits for individuals, businesses and, ultimately, New Zealand. There has been some progress with adult literacy skills, which have slowly but steadily increased over the past two decades. However we continue to have a relatively large proportion of adults with poor literacy, numeracy and problem-solving skills. Differences in skill levels remain stark for Māori, Pasifika and youth. Low literacy and numeracy skills have a significant impact on labour force participation and wages.<sup>2</sup>

We expect ITOs to champion the benefits of addressing these needs, help employers identify them, and broker access to specialist support. To do this effectively, we recommend ITOs refer to our information about [best practice](#). This includes ensuring the Assessment Tool is used to inform support for trainees, learning materials and organisational decision making. In turn we will continue to work with you to make the Assessment Tool more accessible and employer-friendly.

### **Our decision-making criteria is published in a Gazette notice**

As required by the Education Act 1989, we will publish shortly a Gazette notice outlining the requirements and assessment criteria for Plans. Included in this notice will be the detailed timeline for submitting Plans and the date by which we will notify you of our funding decisions.

We will engage with you over the appropriate length of your Plan, which could be one, two or three years. This will depend on:

- › the nature of the industries you cover
- › the forecast demand for skills, and
- › our confidence in your organisation's performance.

We intend to reserve a percentage of the Industry Training Fund (standard training measures) to support:

- › innovative approaches to growing industry trainee numbers
- › Regional Economic Development Plans
- › businesses and employers that are new to industry training, and
- › getting at-risk young people into sustainable employment and training.

### **The deadline for your Plan submission is 31 July 2017**

You need to ensure your Plan, mix of provision and performance commitments are submitted through Workspace2 by 31 July 2017.

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<sup>2</sup> PIAAC, Survey of Adult Skills, 2014.