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Reform of Vocational Education

Local Government New Zealand's submission to the Ministry of Education

5 April 2019

We are. LGNZ.

Local Government New Zealand (LGNZ) is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's vision: "Local democracy powering community and national success." This submission was endorsed by LGNZ President, Dave Cull.

Introduction

LGNZ welcomes the opportunity to make a submission in response to the Government's proposed changes to the institutes of technology and polytechnic subsector, and broader vocational education system.

At the onset, LGNZ acknowledges that local government does not have a formal role in the provision of vocational training in New Zealand. However, as stewards of community wellbeing, be it cultural, economic, environmental, or social, councils know the importance that good educational and vocational outputs have in influencing these outcomes for the better.

In simpler language, institutes of technology and polytechnic (ITP) play a key role in producing the unique packages of skills that our highly diverse regional economies need to thrive. Equally, communities recognise that many skills are better taught and learned in a real life work environment than in the classroom, and they value the role that Industry Training Organisations (ITO) play in delivering this outcome.

It is for that reason that many local elected officials spend so much time acting as conduits between communities, businesses and education and training institutions. To this end, LGNZ will limit its comments to high level observations on the reform package.

LGNZ is highly critical of the way in which the Government has tabled these reforms, and note that it fails many of the key tenets of good policymaking. In particular, it does not present options, remains uncosted, and the consultation period is overly brief for the scale of reform being proposed. Collectively this suggests that Government has made up its mind, and is consulting with stakeholders as a nicety.

LGNZ supports some of the tenets objectives of the review, such as consistent standards, but we are very concerned that the very successful models that are already operating will be penalised and won't be able to be replicated under the Government's new model.

Critique of the proposed model

In critiquing the proposal, LGNZ acknowledges the challenges faced by the sector, particularly around the financial viability of some ITPs, and we would support incremental reforms that remedy this situation.

However, in conceding this, LGNZ does not accept that the Government has sufficiently made the case for the wholesale reform of the ITP and ITO sector, particularly the merger of 16 polytechnics and 11 ITOs into one organisation. Indeed, we see it as unnecessarily risky reform of New Zealand's vocational system.

This is because some polytechnics, such as the Southern Institute of Technology, the Otago Polytechnic, the Waikato Institute of Technology (Wintec) and others, are excelling in the current environment. This is due in no small part to good management, a close alignment between vocational education services and employer needs, and supportive policies that have made the regions in which these ITPs are based attractive places to live while studying.

LGNZ notes that the Chief Executive of the Otago Polytechnic has put a business case to the Minister of Education for an alternative funding model and that this alternative has been publicly acknowledged by the Minister.

The Government's proposed amalgamation will effectively wipe out areas of excellence in an attempt to fix those ITPs that are struggling, while also introducing a significant amount of organisational disruption to the part of the sector that does seem to be working, namely ITOs.

LGNZ notes the Government's own financial analysis concedes that nine ITPs are not at risk of failing under the current circumstances (56 per cent), where five are considered a high risk (31 per cent), and two considered to be of lesser risk (13 per cent).

To some degree the variety of performance across the system could be seen as a sign of resilience, rather than weakness. This is because the majority of ITPs continue to perform well despite a competitive funding system and the strong economy, which is drawing potential students into the workforce as opposed to entering into formal vocational training. By creating a single organisation to manage all ITP and ITO activities, it creates a single point of failure.

The "Consulting on Proposals for Vocational Education System Reform" cabinet paper acknowledges these risks, stating that it requires significant system change, namely "legislative change, significant organisational change for ITPs, other vocational education training providers and ITOs, and a redesign of the funding system". What is unmentioned and grossly under considered is the change to other organisations that are linked in with the system, such as the 335 schools that currently participate in the ITP-led trade academies, and the ITO-led Gateway programme, which oversees 13,500 school-leaver placements among 350 schools each year.

Of further concern from a localist perspective is the risk of reducing the voice of employer groups and businesses in the discussion around what skills should be taught and how by dissolving the ITO sector.

The Tertiary Education Commission's report on vocational training limited its recommendations to ITPs, stopping well-short of reform of the ITO sector. In this light, the Government's proposal as it stands looks like a significant overreach given the current problem definition and the information provided to support it.

LGNZ acknowledges that the Government has proposed establishing "Regional Leadership Committees" to reflect local preference and differentiations, but it is too ill-defined in the paper to meaningfully comment on.

LGNZ also suggests that the Government would produce better outcomes by focusing on the underperformers in the ITP sector, and then engage on a programme of wider reform to better align the various parts of the education sector. In doing so, LGNZ would urge central government to look more widely than Anglo Saxon countries, and emulate the example of the Swiss and German models of vocational training.

These systems are regarded as the international gold standard by the Centre on International Benchmarking, which undertook an international comparative study of vocational education systems. The Swiss system, in particular, was noted for its "dual" vocational education and training system.

One of the hallmarks of this system is a very clear division of responsibilities between three partners, namely the federal government, employer organisations and local government. This is to enable greater variety of educational outputs, such that different parts of the country develop the bespoke package of skills that their particular economy needs. When consulting the Swiss model, we would note that the focus is on cantons, which in New Zealand terms would be equivalent to district councils in terms of size.

Critique of the consultation model

In addition to the critique of the proposal as discussed above, LGNZ is also dissatisfied with the way the Government is undertaking the reform process.

In the first instance, there is only one option being put forward for the public and industry to consult on, with the three proposals being put forward in the cabinet paper operating in such an interlinked manner that it is difficult to regard them as separate proposals. There appears to be no consideration about what other alternatives may achieve a better outcome than what the Government has developed in its own thinking for system-wide reform.

As developed as the Government's thinking is on this proposal, this has not extended to the costs of the proposal being put forward. As already noted above, this further limits the ability to compare the costs of the status quo with what is being proposed.

Lastly, LGNZ is highly critical of the consultation window of six weeks, especially given the complexity and scope of the reforms being proposed. This might lead some to conclude that the Government has already made its mind up, and is not open to considering alternative ideas.

Further, with regard to timeframes, we are concerned that thousands of students will potentially be disrupted because of the fast pace of implementation proposed by the Government.

Conclusion

This Government has expressed its desire for a stronger partnership - with local government and hence with communities. However this desire, as the Government undertakes reform of different sectors, is failing to translate in practice, in both policy design and operational terms.

Localism is one of LGNZ's flagship projects, and advocates for greater community decision-making in key policy debates as they relate to their everyday lives. Vocational education is one of these key policy debates, and in our view the inclusion of community say in how policy is developed is critical to producing better outcomes for everyday New Zealanders. After all, it is local people and businesses who know their local needs best, and their input will speak to the factors that most enable their economic success. Indeed, international data bears this out, with OECD country comparisons showing a strong correlation between decentralised decision-making and per capita measures of productivity, a measure on which New Zealand ranks at the back of the developed world pack.

It is through this localist lens than LGNZ has reviewed the Government's proposed vocational reforms, and strongly opposes the model being put forward. In LGNZ's view it will overly centralise vocational decision-making power in Wellington, and as a corollary decouple training from employers, and reduce the ability of communities to have a meaningful say in the skills the vocational system delivers. Indeed, we would note that the proposed direction of travel ignores international best practice in its embrace of central planning.

We are very concerned that local control is being blamed for some of the failures in delivery, when in fact the issue is the current funding model which needs focus.

LGNZ is of the view that the Government needs to consider change to the vocational education system slowly and deliberately, ensuring that it works in partnership with stakeholders. LGNZ is not arguing against change, but rather that the Government needs to get the problem definition right, and focus on the outcome, with a sufficiently open mind so that the most appropriate models can emerge, and evolved through consultative local input. Any reform needs to build on the success of the models that are thriving and not risk a loss of innovation, growth and regional identity.