

Submission to: | **Reform of Vocational Education**
From: | Universities New Zealand

3 April 2019

Introduction

This feedback represents the views of Universities New Zealand (New Zealand Vice-Chancellors' Committee), a statutory body comprising the Vice-Chancellors of all eight universities.

To discuss any matter raised in this submission, or for further information, please contact Chris Whelan, Chief Executive, Universities New Zealand at 04-381-8500 or chris.whelan@universitiesnz.ac.nz

Submission

1. Overview

- a. In general, we think that the Reform of Vocational Education (RoVE) signals a number of sensible improvements for vocational education in New Zealand but with some risks. Our comments are focussed on five areas;
 - i. **NZIST Proposal** – We think that the risks and costs involved in creating one national New Zealand Institute of Skills and Technology out of 16 ITPs and the training functions of 15 ITOs is probably being underestimated. Though centralisation will allow for economies of scale it is likely to be at the expense of more nuanced and localised training solutions.
 - ii. **Funding System Proposals** – We support the concept of allowing different funding rates for (a) on-job and off-job provision and (b) strategic delivery but strongly recommend it be extended to degree level education. Not only will this improve the potential for degree level provision to better meet student, employer, and regional needs, we think it will remove potential for the VET sector to game the system.
 - iii. **Industry Skills Bodies** – We support the concept of Industry Skills Bodies, and believe universities should be closely involved where these bodies represent sectors that employ significant numbers of degree-qualified graduates.
 - iv. **Differentiation between ITP and University education.** We believe there should be clear differentiation between ITP and university education. In particular, we believe postgraduate qualifications should remain the preserve of universities.
 - v. **Centres of Vocational Excellence** - Where Centres of Vocational Excellence are established in areas that overlap with Centres of Research Excellence (CoREs) or National Science Challenges (NSCs) we recommend research activity be done with or through the CoREs and NSCs to avoid duplication or fragmentation of effort.
- b. Each is considered in more detail in the next five sections.

- c. We note the points raised in the supplementary document *'What the Government's proposals would mean for universities'*.
 - i. We agree that it would be desirable to see the relationships grow between universities and industry skills bodies. We provide more analysis and advice on this later in this submission.
 - ii. The universities would be keen to retain local arrangements if a new national NZ Institute of Skills and Technology is created. We would also, of course, foster additional national arrangements.
 - iii. We welcome assurances that the Committee for University Academic Programmes will continue to approve university qualifications and programmes at all levels.
 - iv. We welcome assurances that there will be no legislative changes regarding institutional autonomy and academic freedom.

2. New Zealand Institute of Skills and Training (NZIST) Proposal

- a. We think that the risks and costs involved in creating one national New Zealand Institute of Skills and Technology out of 16 ITPs and the training functions of 15 ITOs are probably being underestimated.
- b. When Teachers Colleges were merged into universities there were typically significant initial financial costs aligning business processes, rationalising support and management staffing roles, migrating teachers colleges onto centralised IT and communications systems, rationalising campuses and facilities, and maintaining or migrating historic financial and student records.
- c. None of these amalgamations were ever formally evaluated and so exact costs and benefits are not known. However, interviews with CFOs and Vice-Chancellors who oversaw a number of these mergers indicate that capital and operating costs rose significantly in the first 3-5 years, generally only went financially positive after 5-7 years, and typically only generated a net positive economic return after around 10-15 years.
- d. These mergers involved bringing just two organisations together, but all were extremely time-consuming and complicated by the need to appropriately managed the impact of change and new business processes on a large number of staff.
- e. Following the Christchurch earthquakes, an exercise was done to assess likely financial benefits in some sort of alliance or merger between the city's two universities and its polytechnic. The best estimates at the time were that organisations that transferred provision of support services to another organisation would see a reduction in operating costs of around 15% on average.
- f. On a total ITP sector operating budget (2017) of \$1.1bn, a merged ITP sector might therefore expect to see net annual savings of around \$165m after 7-10 years.
- g. Whether this level of savings is sufficient to ensure the long-term viability of the ITP sector is unclear.
- h. Whether these savings and the other non-financial benefits of RoVE can be achieved will also be greatly affected by the ability to drive change across geographically dispersed entities with different business models and different regional operating imperatives, strong change discipline to drive through efficiencies (and to standardise systems and processes), and governance and management arrangements that will facilitate the necessary changes.

- i. Separately, we see that though centralisation may produce the economies of scale necessary to make VET education more financially viable, it may be at the expense of qualifications, training programmes, and training delivery mechanisms that are developed within regions in response to particular regional needs.
- j. Our experience is that teachers that develop the programmes they deliver have a greater sense of ownership and are typically more committed to teaching quality. This is likely to be lost if many ITP teachers end up simply delivering programmes developed elsewhere by others.
- k. We doubt that centralised ITP governance or centralised ITP management will be able to effectively understand or to respond to these regional and local needs and could end up as a brake on sensible local initiatives and practices. Regardless of what model is ultimately adopted for VET education, we would encourage a high degree of autonomy for VET provision at regional level.

3. Funding system proposal

- a. We support the direction signalled by the funding system proposals but recommend that the broad concepts of different funding rates for (a) on-job and off-job provision and (b) strategic delivery be extended to degree level education.
- b. Universities New Zealand has written to successive Ministers and made frequent submissions on how the SAC funding system is constraining the ability of universities to produce more work-ready graduates with the skills and experience sought by employers. In summary;
 - i. Employers value and prefer graduates who have relevant work experience. Those graduates are significantly more likely to be successful in securing meaningful relevant employment after completing their studies.
 - ii. The current SAC funding system was established in 1991 with funding rates based on how education or training was done back then. If programmes of study were done in centralised locations (eg university campuses) to large numbers of students (eg efficiently and cheaply for the university if not necessarily to the student or employer), and without practicums or other forms of work experience, then that is how they were funded. Though funding has increased roughly in-line with CPI across each cost-category since then, the funding model has locked education providers into broadly similar modes of delivery ever since – regardless of whether other more or less expensive modes might deliver better outcomes for students and employers.
- c. We recommend that degree-level provision should have similar flexibility to that proposed for sub-degree VET provision where an industry body or large employer group and one or more education providers can make a business case to the TEC for funding outside of SAC.
- d. We think this would be a good first step towards mainstreaming opportunities for qualification-relevant work-integrated learning across academic qualifications.
- e. Separately, we can see a risk that the proposed NZIST could manipulate the system by creating programmes of study that start with a sub-degree level qualification (for example, a Diploma of Nursing) funded under one arrangement that automatically pathways to a degree level qualification (for example, a Bachelor's of Nursing) funded under another arrangement. This would create a distortion and potentially a competitive advantage for one part of the education system.

4. Industry Skills Bodies

- a. We broadly support the concept of Industry Skills Bodies (ISBs) and would strongly recommend universities be closely involved in their work where an ISB represents an industry that employs relatively large numbers of degree-qualified graduates.
- b. Universities already work closely with industry professional bodies such as Engineering New Zealand and the Teachers' Council. These bodies specify the skills, knowledge, and competence a person needs to be admitted into a profession and their endorsement and/or certification is required before a programme of study and a qualification can be offered that leads to employment within that profession. Where these bodies cover multiple sub-disciplines (for example engineering covers fields such as civil engineer, process engineering, mechanical engineering, etc) then these bodies have more granular requirements around skills and knowledge.
- c. Most importantly, though these bodies may review and endorse the programme of study that leads to a qualification, they do not usually specify curriculum in detail. They recognise that graduates often work across multiple sectors, and in regions or for workplaces and employers with varying needs. They focus on specifying skills, knowledge, and competence fairly broadly and leaving it education providers to determine the curriculum and programme of study required to meet these requirements.
- d. We recommend that the Industry Skills Bodies be constituted with a similar mandate and that the university sector has substantive representation in any process that;
 - i. Attempts to forecast future needs for graduate numbers and/or graduate skills, knowledge, and capabilities.
 - ii. Has the ability to define and mandate skill, knowledge and competency requirements for any qualification offered at degree level.
- e. We see risks around establishing Industry Skills Bodies across fields that produce graduates that end up working in most or all sectors and/or for nearly every possible combination of employer and industry – such as is the case for ICT graduates. The ICT industry itself employs a mix of skills ranging from highly specialised technical roles through to less technical roles in areas such as user support, documentation, and business analysis. It will be challenging and potentially problematic establishing an Industry Skills Body in this area.

5. Differentiation between ITP and university education

- a. We believe postgraduate research qualifications should remain the preserve of the university sector.
- b. At present 34% of ITP sector EFTS are for qualifications at level 7 or above – with 3.5% of overall enrolments at level 8 (honours) or above.
- c. 50% of all enrolments in ITPs at level 7 or above are in eight narrow fields of study – business and management (12%), nursing (12%), studies in human society (5%), information systems (5%), computer science (5%) and accountancy (4%), human welfare studies and services (4%) and education (3%).
- d. Universities also offer qualifications in all these areas. In fact, universities offer qualifications in all but two of the areas that ITPs are offering degree level qualifications – automotive engineering, and employment skills programmes. These two areas represent less than half of 1% of ITP sector degree-level enrolments.
- e. On the face of it, there is therefore currently a high level of overlap at degree and postgraduate level between what universities offer and what ITPs offer.

- f. We believe that differentiation would be valuable so there is more clarity as to the distinct and particular roles of academic education from vocational education.
- g. A degree has increasingly become the minimum mandatory qualification for entry into a wide range of professional jobs across the New Zealand economy. A Universities New Zealand analysis concluded that around 51% of the jobs in the 2013 Census, if advertised now in 2019, would probably require applicants to hold a degree-level qualification in the absence of extensive practical experience.
- h. A significant proportion of these degrees cannot and should not be classified as being better generated through either a purely vocational or a purely academic educational pathway. There are employers and workplaces that benefit from a spectrum of skills, knowledge, and competencies across their nurses, ICT professionals, and business and commerce graduates.
- i. As such, we see the benefit and necessity of continuing to offer training and education for these professions across both the VET and university sectors.
- j. However, to provide a clearer value proposition to employers, we suggest one key change to current arrangements. At present S253B(3)(a) requires NZQA to only approve ITP degree-level qualifications where they are *'taught mainly by people engaged in research'*.
 - i. In 2016, the ITP sector collectively generated \$8.6m of revenue from research - \$7.7m of which was via PBRF (2.5% of PBRF funding). With 3,915 staff across the ITP sector that is approximately \$2,200 per staff member.
 - ii. By contrast the university sector generated \$866.4m of revenue from research - \$291.4m via PBRF (95% of PBRF funding). With 7,056 equivalent full-time academic staff, that equates to nearly \$123,000 per academic staff member.
- k. In reality, few ITP teaching staff are active in generating new knowledge or in delivering the research-led teaching expected of university teaching staff. By contrast ITP teaching staff are more likely to have practical industry experience than university teaching staff.
- l. Universities have extensive infrastructure around supporting and quality-assuring research carried out by staff and students. They have research offices to assist in the commercialisation and transfer of knowledge. They have graduate studies offices to provide pastoral care and support to students carrying out postgraduate studies and to academic staff supervising them. They have ethics committees, research quality offices, and library research infrastructure designed to support the production of quality research.
- m. Little if any of this exists at any scale in the ITP sector.

6. Centres of Vocational Excellence

- a. We note the proposal to encourage collaboration through the creation of Centres of Vocational Excellence. We note that it is suggested these might possibly get involved in applied research. We note some of the areas suggested for Centres of Vocational Excellence include agriculture and or kaupapa Māori.
- b. New Zealand already has ten Centres of Research Excellence (CoREs) and National Science Challenges (NSCs) that bring together many of New Zealand's best researchers across all of these areas.
- c. We strongly suggest that where a Centre of Vocational Excellence is established, it not duplicate the work of existing CoREs or NSCs but work with and through them. The mandate and funding of relevant CoREs and NSCs can be amended to support this role. To do otherwise creates the risk of fragmentation of research across these areas.