



HAIR AND BEAUTY INDUSTRY TRAINING ORGANISATION

**Select Committee Submission on the Education
Amendment Bill (Vocational Education and
Training Reform), October 2019**

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INTRODUCTION

This submission is made on behalf of New Zealand Hair and Beauty Industry Training Organisation (HITO), its approximately 1900 employer members and apprentices/trainees.

We would appreciate the opportunity to appear before the Education and Workforce Committee to discuss our submission.

About us

HITO represents the qualification and on-job training needs of the wider Hairdressing, Barbering and Beauty Therapy industries. We also offer Gateway programmes for the schooling sector.

HITO is a charitable member organisation supporting a total of 782 employers actively engaged in training and 1,099 engaged apprentices and trainees.

HITO is different from many other ITOs as it represents industries (Barbering, Beauty Therapy, and Hairdressing) that are made up of many small businesses in every single community of New Zealand. The majority of our learners are apprentices.

The New Zealand Hairdressing Qualification is very well respected, and our graduates are sought after in many countries.

About our industries

Our industries are not regulated so there is no need for qualifications, and there are no large employers that can take on a training role on behalf of the industry.

Our Hairdressing industry celebrated 50 years of apprenticeships in New Zealand in 2018. We have a long history of successful on-job training and apprenticeships.

In 2017 the Hairdressing industry contributed \$579 million and the Beauty industry contributed \$433 million in GDP to the economy.

Approximately 11,500 people are employed in Hairdressing/Barbering and 7,500 employed in Beauty. Almost twice as many people, compared to other sectors, are self-employed.

Our employers in the current system contribute greatly to the system and the training of their apprentices - they manage the employment contract, pay them a wage while they are training, use their time and skills to train them individually, and they provide them with the tools and equipment they need to learn.

Our hairdressing industry has signalled that employers are likely to withdraw from training if they lose the level of industry-relevant support they receive from HITO.

OUR POSITION ON THE REFORM

Our position on the reform

While we support the overall objectives of the reform and understand the desire for some system change, we do not support the level of risk we anticipate for our apprentices and our industries from the substantive changes outlined in the bill.

The current system has a low cost to taxpayers and high value to learners. The costs of the changes and ongoing running costs for the system are not fully understood. The changes are likely to be very disruptive to what is currently working well for our industries and our apprentices.

What we support:

- We support the principle of a stronger standard setting role across the sector.
- We support expanding the skills leadership role and related advice to TEC.
- We support an expanded qualification oversight role to ensure decreased competition and meeting of supply and demand needs of industry.
- We support some rationalisation the polytechnic sector to ensure regional coverage and input from local industry and community to meet regional and national needs.
- We support a simpler and more equitable funding system with more standardised rates for both on-job and off-job training that more accurately reflects their actual costs.

What we do not support:

- **We do not support the disestablishment of current ITOs** who are well embedded into their industries and owned by those industries. The role of SSBs in Australia have not been very effective and we need to make sure the effective and efficient role of ITOs is not lost amongst the other system changes.
- **We do not support a single NZIST** as one institution could create a single point of failure. While consolidated institutions have the possibility of fewer costs for back office functions, the history of amalgamations has shown cost savings are often not realised. For example, four years ago the 10 publicly funded TAFEs in New South Wales were similarly merged into one and last year they lost \$240 million.
- **We do not support splitting standard setting from arranging training** or the 'feedback loop' between what happens in industry and the qualifications required is lost. The standard setting bodies risk being seen as out of touch as is the case with the skills councils in Canada, Australia and the UK. In addition, the cost is likely to increase as the current funding for arranging of training subsidises the qualifications and standard setting body role.
- **We do not support moving the responsibility for arranging training to providers** as there is a high risk that employers will exit the system – and everyone will lose out
 - In New South Wales a similar change as proposed resulted in a halving of the number of apprentices in training in the following years (from 55,000 to 25,000).

- Disruption to the system is likely to lead to a significant drop in employer confidence. The relationship between ITOs and employers has taken many years to establish.
- Learners are at risk of not qualifying if employers cannot see a direct benefit to their business and are not supported appropriately to take on trainees. The employer will stop the training when they have the skills they need, rather than when the learner has a recognised qualification.
- Arranging training requires close liaison with employers and employer organisations. Unless training fits in with our employers' needs, they will exit the system – and have told us this will be the case.
- Employers are busy people focussed on running their business. They are not satisfied with the current output of polytechnics and do not have trusted relationships with them. We need to keep employers wanting to take on trainees as it is an efficient and very effective way of delivering vocational education – a win-win for learners, taxpayers and employers.

What we recommended in our submission:

To reduce the level of risk and disruption while achieving desired objectives, we recommended enhancing the current system, rather than introducing a new system. This included:

- Adding skills leadership and expanded roles for standard setting across the sector to ITOs current standard setting and arrangement of training roles. This would ensure greater consistency of qualifications and programmes across the sector.
- Rationalising the polytechnic sector. – establishing 5-8 hub and spoke organisations enabling the concept of Centres of Excellence to flourish and ensuring strong regional representation.
- Ensuring qualifications incorporate aspects of pre-trade training and compulsory 'future- proofing' transferable skills that are offered at ITPs. This would ensure employers gets the skills they need for the workplace through on-job training and learners and taxpayers get qualified people with transferable skills for the future demands of the economy.
- Raising the level of apprenticeship qualifications to Level 5 or Level 6 to achieve more parity with university-based qualifications in the eyes of parents and careers advisors. This would increase the demand for qualifications in skill shortage areas.
- Reducing funding and offerings from PTEs in the system to reduce competition with ITPS and making it more viable for them to keep simulated environments up to date.
- Providing additional Government funding to ITOs to cover the costs of skills leadership, industry promotion for areas of skills shortage, and expansion of standard setting role.
- Introducing more standardised rates for both on-job and off-job training, that more accurately reflects their actual costs. There may be a tiered system depending on the capital investment required for off-job training.
- Increasing funding for on-job training allows purchase of off-job training at rates that contribute to full rather than just marginal costs for ITPs.

FEEDBACK ON THE BILL

We maintain our position that the standard setting body role and the arrangement of training should not be split. Our concern is that introducing this bill is likely to lose the part of the vocational system that was fit-for-purpose, financially sustainable and working well.

The current training and apprenticeship system qualifies more VET learners more cost-effectively than any other part of the tertiary system.

It is not clear that the new system structure will be better in terms of training numbers, taxpayer costs, employer participation, or in addressing skills shortages.

We note that the redrafting of the Bill from existing clauses in the Education Act 1989 and the Industry Training Act 1992 makes it difficult to see a unified and co-ordinated VET system.

We believe the scope and scale of change is too big and too fast to be workable in the short-term creating unnecessary risk to the system, our current learners and employers – and ultimately the health of our industries and the economy.

Our goal in providing feedback is to ensure:

- Employers and industry have a strong voice in the VET system
- Learners, trainees, apprentices, trainers and employers are well supported in the learning process
- The system successfully delivers the current and future needs of industry, learners, and taxpayers
- The system maintains the trust and confidence of employers and provides effective workforce development for the benefit of industries and the economy.

The focus for our feedback on the bill relates to the following areas:

1. The impact on industry-led qualifications and the role of WDCs
2. The impact on learners and the transition process from ITOs to WDCs
3. The impact on the ongoing success of the system
4. The impact on private industry-led organisations, its owners and employees

THE IMPACT ON INDUSTRY-LED QUALIFICATIONS AND THE ROLE OF WDCS

Industry ownership of WDCs

The reform discussions indicated that industry is to have a strong voice in setting qualifications through the WDC. We were told that strengthening the industry voice was one of the reasons behind the reform.

We support a stronger standard-setting role where all VET providers would be required to deliver to WDC standards and qualifications. This would ensure industry would get what was required and there would be consistency of qualifications for learners across the country.

We also support the WDC to have the skills leadership role and provision of advice to TEC on the VET provision to be purchased by government.

However, for WDCs to effectively execute these roles and ensure that the system is meeting the needs of industry and learners, they must be industry owned and led, as the current ITOs are.

The draft Bill takes away this independent industry ownership. As per Clause 479(2) the Minister has ultimate responsibility for the establishment, coverage and governance arrangements of WDCs, including the appointment, composition and removal of Council members. This in essence creates an entity that is an arm of government, rather than a voice of industry.

This brings risks of reducing the influence of industry over decisions of the WDCs. If industry is not invested in their WDC (as they are now with their ITO), they are likely to step away from the system. This has been a major concern of the RoVE submissions that has not been allayed by the draft Bill.

We recommend that the draft Bill is changed to ensure the WDCs have industry ownership and independence to articulate the views of their industries, not the government of the day.

Clarification of the role and focus of WDCs and ensuring adequate funding

There are still some aspects of the role of the WDC that are ambiguous and require specific definition to avoid confusion and conflict. We would like to ensure the following perspectives are included when more specifically defining the role of the WDC.

The role of WDC needs to be built around skills rather than existing jobs. We want to ensure that the skills for the future workforce and economy are built into the focus for the system. The system needs to be working on a 20 year horizon fixing not only the current skills shortages but those we are yet to confront. Defining WDCs narrowly around current jobs and industries rather than broad skills will not futureproof the system.

We agree that capstone assessment should stay with the WDC to ensure strong moderation and control over qualifications. We would want to ensure that the funding for this oversight and arrangement of assessments is included in the set up and ongoing funding arrangements for the new WDCs.

The WDC role of brokerage also needs some clarification as it is open to different interpretations. Our current understanding of brokerage is that it includes advice to employers on training options as well as promotion of careers within the industries represented by the WDCs.

Brokerage is a really important concept and in order for industry to stay future focussed, should not be narrowly defined. It needs to cover a wide range of possibilities over the next 15 years but should not give rise to paving the way for inappropriate new businesses to be in charge of arranging training without the approval of the WDC. Industries are already being approached by hawkers looking to replace the ITOs and due to the uncertainty created by this Bill, industry are confused and opting out of training altogether.

As we are setting up a system for the next 20 years, we want to make sure that there is a broad interpretation of what brokerage entails as the needs of future employers and industries are likely to be different to those of today. As small businesses, our industries require a lot of support for developing their training solutions, both on-job and off-job. Larger businesses may have training departments that can support advice and solutions for training, but there are none within our industries. If WDCs are to provide this advice and support, they will need to be funded for it. We would recommend that full support for arrangement of training, as done currently by ITOs be included as part of this role.

In the current system ITOs have very limited resources to promote the individual industries they represent, as the funding is limited to what is received for arrangement of training. If WDCs are to provide quality and timely promotion of their industries to ever more difficult to reach young people, appropriate levels of funding will be required for promotional activities. Time and resources for coordination of activities with CareersNZ will also be required. Exactly what the deliverables are for the WDC in this area will need to be confirmed along with the necessary funding. We do not think this has been adequately considered to date.

We recommend that more work is done on defining the role and deliverables of WDCs and ensuring adequate funding for set up and ongoing operation, prior to proceeding with this Bill. We would like to see the arrangement of training continue through WDCs, particularly for industries primarily represented by SMEs.

Clarification of roles within the system and how they interact with each other

Discussions to date have highlighted uncertainty regarding the delineation of roles between WDCs, NZIST and other providers. While the role distinctions should be clear, the Bill lacks specificity at the margins of each type of organisations role and uses

imprecise terminology around training schemes, training packages, and programmes that is open to different interpretations across the system (Clauses 482 (1) (d-f). This has led to confusion about where the role of WDCs in setting standards and developing qualifications stops and the providers role of delivery of qualifications, assessments and course content will start.

In addition, the Bill does not explain the role of Regional Skills Leadership Groups and Centres of Vocational Excellence and how they relate to the WDC. This makes it unclear which of these three organisations has the stronger voice and how they relate to each other regarding the decisions that would be made about skills required.

Clarification is required to ensure collaboration between system players and to ensure the funding goes where it is required.

We recommend the draft Bill is amended to provide clarification about the roles of these various new entities within the system and how they will interact.

Separation of standard-setting and arrangement of training

The value of WDCs skills leadership role is in being able to direct TEC in terms of the investment in vital qualifications. The draft Bill only provides an advisory role under a number of TEC imposed constraints (Clause 482 (1) (j,k). This means the direction to TEC is similar to the current situation where ITOs present investment plans to TEC for consideration.

The key rationale for separating the standard-setting and training arrangement roles held by ITOs was that a body with stronger standard setting and greater influence over purchase decisions would be in a conflict of interest situation with arrangement of training. We do not agree with this and find that the biggest concern for all the proposed changes is taking away from industry their ability to work with their ITO closely to arrange training. This is a huge folly and will have long term consequences, perhaps unintended, that will definitely affect industry desire and ability to continue training and qualifying apprentices. Since the Bill does not provide much influence over government funding, we suggest the roles are not separated.

We recommend the draft Bill is changed so that the arrangement of training is left with the ITO organisations, at least until the polytechnic changes have been fully implemented and those organisations are better placed to provide support for workplace-based training and education.

THE IMPACT ON LEARNERS AND THE TRANSITION PROCESS FROM ITOS TO WDCS

Risk to apprentice and trainee numbers

The most important risk for us is that during this time of significant change and transition our employers, for whom training is not their core business, will become less likely to take on apprentices and trainees. This will be detrimental to the skills shortage situation and the long-term health of our industries.

The primary focus for employers is the viability of their business, particularly in the short term as these are small businesses. Additional focus on investing in the future skills development of the overall industry is a 'nice to do' and not something that contributes to their bottom line.

As our industries are unregulated, a qualification is not required to provide services. It is in the best interest of the learner to get the qualification, not necessarily the best interests of the employer. Particularly when a qualified person is more likely to have the motivation to set up in competition with their employer than an unqualified person. With disruption in the education system, employers have indicated that they are more likely to do their own minimal training to do the job, rather than engage in the additional work of delivering full qualifications to their employees. This is a serious risk to be considered. We are unsure that the full significance of this risk across the various industries covered by current ITOs has been adequately considered.

We recommend the Committee consider the risks to the affected industries in terms of the drop off in apprentice and trainee numbers that may result because of this change in legislation.

Provider inexperience with workplace training

This Bill places the responsibility for arranging workplace training with the same organisations that are responsible for classroom-based provision (NZIST and PTEs). This creates a risk of supply-side capture by providers as they have a history and investment in classroom delivery that they may favour at the expense of workplace training that industry may prefer.

Our hairdressing industry has already expressed concern that provider trained learners do not have the skills, attitudes and speed required for success in the real-world environment.

We are concerned about the implementation issues of doing things too quickly. The NZIST and subsidiary polytechnics have no history of workplace training and are unlikely to be ready to undertake arrangement of workplace training in the proposed timeframes. We do not want the amount or quality of support to be reduced as this is likely to reduce the number of employers willing to engage in the system which will be to the determinant of current and potential learners.

We recommend that the NZIST is set up and smoothly running before the arrangement of workplace training is handed over to them.

Industry to decide where ITO responsibilities are transferred to

Our industries would definitely want a voice in the decisions as to which providers will take on responsibility for a transitional ITOs activities. Clause 51 of the Bill indicates that TEC will specify who takes over these activities.

We recommend that TEC takes advice from the industries in terms of which providers take over activities from transitional ITOs.

THE IMPACT ON THE ONGOING SUCCESS OF SYSTEM

Risk of increased system cost

The ITO cost of provision is the most cost-effective in the sector. By dissolving the ITOs the most cost-effective delivery is eliminated from the system. The ITO funding of arrangement of training subsidises the standard-setting body function. By separating these functions and setting up new WDCs, the cost of operating the system is likely to increase substantially.

The funding of the system is yet to be determined. How the system and the various activities and players are funded will have a great impact on how the system operates. A clearer indication of how the funding will be arranged and what likely behaviours will be driven by the funding would be beneficial before enacting legislation that will be difficult if not impossible to reverse.

Currently ITOs are independent organisations that exist outside the Minister's recognition. While their primary source of income is government funding, they receive over 30% of their income from industry. This funding is related to the training support benefits that employers see. It is unlikely that employers, especially extremely small businesses, will want to contribute to funding a WDC, especially if they only look after the standard setting and not the arrangement of training.

We are concerned that without more information on the costs and system levers that the system will not operate with any more cohesion that it currently does. This would mean a lot of disruption for very little benefit.

We recommend the committee considers carefully the ongoing costs of the changes that this bill will drive.

Industry representation on NZIST Council

The draft bill (Clause 222G) does not require industry/employer representation on the NZIST Council. Given the objective of the reform is to make provider provision more workplace oriented, it would seem this is an omission.

We recommend the draft Bill is amended to require industry/employer representation on the NZIST Council.

More robust interventions framework

The interventions framework proposed for NZIST is similar to the current polytechnic sector. Given this framework did not protect numerous polytechnics from financial failure, additional work may need to be done to come up with a better framework.

We recommend in the redrafting of the Bill more consideration is given to including a more robust interventions framework, particularly with one single point of failure.

THE IMPACT ON PRIVATE INDUSTRY-LED ORGANISATIONS, SUCH AS HITO, ITS OWNERS AND EMPLOYEES

Transitional ITOs

The Bill lays out how ITOs will become Transitional ITOs (TITOs) recognised to undertake the role of ITOs until such time as the current roles and responsibilities are transferred to the relevant WDCs and education providers.

This provides the Minister with significant power over organisations that are not publicly owned. This perceived interference by the Minister risks buy in from current owners of the ITO - the very employers and industries that the system is being designed to serve.

It also subjects the current ITOs to significant change activity putting at risk the business as usual workplace training support and standard setting activities. As a small organisation, our capability to cope with major change and continue business as usual activities is limited.

We recommend ITOs are left in their current form with their current recognition until WDCs and providers have demonstrated their ability to operate successfully and are ready to take on the activities of ITOs.

ITO Assets and Liabilities

ITOs are not Crown owned and have different forms of incorporation. As independent organisations, the effective dissolution and transfer of assets must be done by agreement of the affected parties, not by appropriation by the Crown. Many of the assets owned by ITOs came from non-government sources.

Clause 55(2) of part 9 suggests that despite any founding documents to the contrary, assets from a transitional ITO may be allocated WDCs in accordance with the transition plan. This implies the Minister is intending to strip assets from non-public organisations irrespective of the organisation's constitution, society rules, or trust deeds – which surely is not consistent with a first world democracy.

The reference is only to assets and not to liabilities, which is also unfair given the equivalent clauses for polytechnics.

We recommend clauses be added to clarify that any transfer of assets will be done by agreement with the asset holder.

ITO Staff

The changes detailed in the Bill will have the most impact on current ITOs. The intent is that ITOs will move their current standard setting responsibilities to one or more WDC, and responsibility for arranging training to one or more education providers. This will result in ITO staff having the least certainty around their ongoing employment and future opportunities.

The Government has assured staff of ITPs and the communities they work in that little will change. This is not so for ITO staff. The focus appears to be on the current polytechnic roles continuing but not the ITO roles, despite the arranging of training being taken on by the polytechnics.

NZIST will be required to consider current polytechnic subsidiary employees, but not ITO staff. This means that in roles that might transition to NZIST from ITOs, effectively polytechnic employees will have priority over ITO employees. This appears unfair, but also a major risk if the skills of those currently involved in arrangement of training are lost to the system.

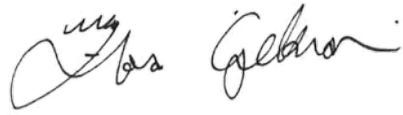
We recommend the addition of stronger clauses in the Bill indicating preferential employment of ITO staff to equivalent roles in NZIST and/or the relevant WDC, as appropriate. (This could be similar to the Schedule 4, clause 5 relating to NZIST employees).

Henry VIII Clause

The Bill includes a Henry VIII clause, whereby the regulations can effectively depart from the provisions of the Act. We feel that this is symptomatic of the number of things that have yet to be considered in implementing this new system. It reflects the size and scope of the change being far too great to take on at one time.

We recommend that this Bill is divided into two parts and is implemented in two stages, without the addition of the Henry VIII Clause. The first part that addresses the establishment of the NZIST to be taken forward at this time and the second part that relates to the changes to the Industry Training Act be left for another time, once the NZIST is running effectively.

Signed by HITO Board Chair, Flora Gilkison:

A handwritten signature in cursive script, appearing to read "Flora Gilkison".

Signed by HITO Chief Executive Officer, Kay Nelson:

A handwritten signature in cursive script, appearing to read "Kay Nelson".