

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



# Cabinet Business Committee

CBC Min (13) 1/5

Copy No: 21

## Minute of Decision

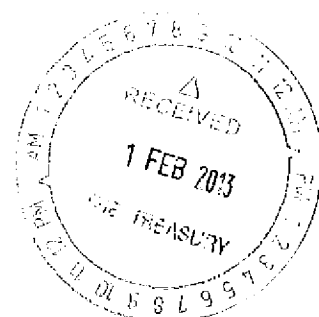
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### Increasing the Number of Apprenticeships in New Zealand and Improving the Quality of Industry Training

**Portfolio: Tertiary Education, Skills and Employment**

On 30 January 2013, the Cabinet Business Committee having been authorised by Cabinet to have Power to Act:

- 1 **noted** that the Minister for Tertiary Education, Skills and Employment initiated a policy review of industry training in 2011 to provide advice on whether the current model is fit for purpose and achieving value for money;
- 2 **noted** that the main findings of the review were:
  - 2.1 employers most value the arranging training role that Industry Training Organisations (ITO) undertake;
  - 2.2 ITOs vary significantly from one another in terms of the level and type of service to employers and trainees, their performance, and their connection to industry;
  - 2.3 the industry training funding rate does not adequately support the level of theory learning required in apprenticeships (which are long qualifications at levels 3 and 4 on the New Zealand Qualifications Framework (NZQF) that provide entry into an occupation or trade);
  - 2.4 tensions between ITOs and tertiary providers have contributed to the proliferation of qualifications, and hinder easy transitions between sectors for learners;
  - 2.5 the Modern Apprenticeship scheme, which provides additional support to young people in specific industry training programmes, lacks accountability;
- 3 **noted** that in July 2012, the Cabinet Social Policy Committee agreed that the Minister for Tertiary Education, Skills and Employment publicly consult on the proposal to change industry training and the wider vocational education system, from 1 August 2012 to 13 September 2012 [SOC Min (12) 14/1];



- 4 **noted** that there was broad support for most of the proposals referred to in paragraph 3 above, however:
- 4.1 tertiary providers dispute the definition of arranging training and have concerns about the quality of industry training;
  - 4.2 independent Modern Apprenticeship Co-ordinators argued to retain the current Modern Apprenticeship Scheme;
  - 4.3 many submissions highlighted that incentives for ITOs to respond to employers need to be stronger;
- 5 **agreed** that as a result of the changes to industry training set out below, the industry training system will be:
- 5.1 well-connected to industry with high employer buy-in;
  - 5.2 educationally sound;
  - 5.3 coherent with the wider tertiary system;
  - 5.4 delivering value for money for employers and the government;

### **Changes to the industry training system**

- 6 **agreed** that the following changes be made to the industry training system to achieve the goals for industry training in paragraph 5 above:

#### **Establishing New Zealand Apprenticeships**

- 6.1 combine Modern Apprenticeships and other apprenticeship-type training into New Zealand apprenticeships that will provide the same level of support regardless of age;
- 6.2 an apprenticeship is defined as a programme of study of at least 120 credits that results in a level 4 qualification;
- 6.3 New Zealand Apprenticeships will be supported through a single funding rate with no separate funding for apprenticeship co-ordinators;

#### **Sustainable funding for New Zealand Apprenticeships and other industry training**

- 6.4 a more sustainable funding regime be introduced with separate rates for trainees and New Zealand Apprenticeships;
- 6.5 that the indicative funding rates be \$3,200 per standard training measure (GST exclusive) for trainees, and \$5,200 per standard training measure (GST exclusive) for New Zealand Apprenticeships;

#### **Clearer roles and performance expectations of ITOs and improving educational quality**

- 6.6 ITOs focus on two core roles: arranging training and standards setting for their industry;

- 6.7 the statutory skills leadership role of ITOs is removed to allow industry to also communicate skills needs directly to the Ministry of Business, Innovation and Employment (MBIE) and the Tertiary Education Commission (TEC);
- 6.8 clarify that ITOs not be permitted to own or be beneficial owners of private training establishments;
- 6.9 higher qualification and programme completion expectations be set for ITOs through the investment planning and funding systems;
- 6.10 including quality assurance measures in the recognition of ITOs and powers for the New Zealand Qualifications Authority (NZQA) to impose conditions where quality is in question;
- 6.11 NZQA will review mechanisms for ensuring quality in vocational education (external moderation and managing consistency of graduate outcomes);

#### **Increasing competition to drive better service to employers and trainees**

- 6.12 establishing a pilot to open up access to industry training funding to employers and other organisations, subject to appropriate quality assurance processes, to maintain competitive pressure for the provision of industry training;
  - 6.13 examining a means of achieving a level playing field for funding arrangements between apprenticeships managed through ITOs and those managed by polytechnics or other tertiary providers;
- 7 **noted** that the apprenticeship rate increases overall funding for apprentices by around 20 per cent, but it is lower than the current funding arrangements for Modern Apprenticeship programmes;
- 8 **agreed** that Modern Apprentices who are active in 2013 and who are with non-ITO Modern Apprenticeship Co-ordinators or are in programmes that do not meet the future definition of apprenticeship continue to attract the same level of funding as in the current Modern Apprenticeship scheme for a maximum of four years from 1 January 2014;

#### **Financial implications of the new funding rates**

- 9 **noted** that the new funding rates set out in the submission under CBC (13) 9 will be fiscally neutral and that the Minister for Tertiary Education, Skills and Employment will seek Cabinet approval to the final new funding rates through Budget 2013;
- 10 **noted** that, based on the projected growth path the indicative funding rates will support 104,500 trainees and 36,700 apprentices at a cost of \$178.819 million by 2017;

#### **“Apprenticeships Re-boot”**

- 11 **agreed** that to lift the profile and participation in the new apprenticeship system, the Minister for Tertiary Education, Skills and Employment announce a ‘re-boot’ initiative commencing from 1 April 2013 that will provide up to \$2,000 to new apprentice sign-ups to cover the cost of equipment and tools for the first 10,000 apprentices to enrol;
- 12 **noted** that the intent is that both of these payments are effectively tax free;

- 13 **agreed** that the grants to the first 10,000 new apprentices will be matched by equal payments to the employer, with some exclusions and the details to be developed as part of the implementation phase;
- 14 **approved** the following changes to appropriations to fund the industry training 're-boot' start with a corresponding impact on the operating balance:

Vote Tertiary Education	\$ million increase / (decrease)				2016/17 and Outyears
	2012/13	2013/14	2014/15	2015/16	
<b>Minister for Tertiary Education, Skills and Employment</b>					
Non-Departmental Output Expenses:					
Training for Designated Groups	3.200	25.000	-	-	-

- 15 [6]
- 16 **agreed** that the changes to appropriations for 2012/13 above be included in the 2012/13 Supplementary Estimates and, that in the interim, any increases be met from Imprest Supply;

### Implementation

- 17 **agreed** that the changes to industry training be implemented from 1 January 2014;
- 18 **noted** that an implementation advisory group will work with officials on the operational details of the new system including performance expectations and funding settings, new quality assurance settings, and how industry input can be taken into account in tertiary education investment decisions;
- 19 **authorised** the Minister for Tertiary Education, Skills and Employment to take final decisions about the operational details of the new system in 2013;
- 20 **noted** that the Minister for Tertiary Education, Skills and Employment:
- 20.1 has submitted a bid for the Industry Training Bill on the 2013 Legislation Programme with a category 2 priority (to be passed in 2013) to give effect to the above decisions;
- 20.2 intends to submit a paper to the Cabinet Social Policy Committee in March 2013 to seek policy approval to the detailed legislative changes required.

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Committee Secretary

Reference: CBC (13) 9

