

Aide-Memoire: Briefing for meeting with Minister O'Connor on 4 December 2018

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive - Delivery Directorate
Date:	29 November 2018
Reference:	AM-18-00748

This aide-memoire supports your attendance

1. To brief you for your meeting with Hon Damien O'Connor, Minister of Agriculture at 3.30pm – 4.15pm on 4 December 2018. This is expected to focus on ITO-supported and other sub-degree primary industry training, and on the future of the provision that Taratahi currently delivers. Appendix 1 offers Talking Points to facilitate your conversation.
2. We recommend that you not release this aide-memoire at this stage, given the commercial sensitivity in relation to Taratahi.

Why are the primary industries a top Tertiary Education Commission (TEC) priority?

3. A country's per capita income is largely determined by its tradeable sector, which for New Zealand is mainly the primary industries. These industries underpin wider cluster businesses and tourism, are critical to regional and to Māori economic development, and to social mobility. They are key to our climate change transitions, and to helping make New Zealand the world's most liveable country.
4. The Primary Sector is a TEC priority focus area in the current Investment Plan round. Primary industry provision is as much a quality as a numbers game. Labour-augmenting technology eliminates low skill tasks and produces more output from higher skill levels and declining labour inputs. The TEC therefore supports shifts in its primary industry provision to higher NZQF levels.
5. The TEC seeks growth in L4 apprenticeships and L3 pathways to them. It is investing more in management capability skills at L5-6. It wants to invest more in L7 provision to integrate new technology into productive systems. It seeks to build future-oriented innovation capability at L8-10.
6. However, there are also pressing needs at lower foundational and L3-4 levels. There are decreasing margins for error as supermarkets, customers and social media focus on how we produce products as well as what we produce. Skill deficits limit productivity. They also risk food safety, biosecurity and other supply chain failings that threaten market access and reputation. These are real risks that must be faced now.

7. This brief therefore focuses largely on sub-degree primary industry provision where the industries are unable to recruit the right people with the right skills.

Low demand means TEC’s primary industries provision is reducing

8. The sector is facing declining enrolments, reflecting factors such as industry image, qualification offerings and how they are delivered. Table 1 below outlines primary industry-specific provision trends from 2015.

Table 1: Agriculture, Environment and related studies (excluding food processing, agribusiness and veterinary studies)

	EFTS/STM 2015	EFTS/STM 2016	EFTS/STM 2017
SAC and YG	7007	6750	5163
ITF	6720	6011	5647
Grand total	13727	12761	10810

9. As noted in TEC’s brief B-18-00814, Taratahi will under-deliver in 2018, and its 2019 and beyond delivery is at risk. This may compound the above downward trends in SAC-funded provision.

10. However, Table 1 is limited to primary-industry specific provision. It does not include many other disciplines such as finance, design, marketing and engineering that feed into the primary industries.

We will grow learner demand for primary industry provision

11. Some of the primary industries have a poor image for learners. There is significant non-compliance with employment law, and uneven HR practices and working conditions. Arguably, parts of the industries are trapped in a low wage equilibrium. While the Recognised Seasonal Employer (RSE) system is successful, some migrant inflows can put downward pressure on wage rates and reduce incentives for industry to invest in training and in labour-augmenting technology that lifts productivity.

12. There is low awareness of good career opportunities in the primary industries and the learning pathways to them. To address this, TEC has established a Primary Sector Skills, Education and Investment programme, and appointed an Industry Advisory Group (IAG) to support it.

13. Working with industry, this programme will leverage TEC’s learner information, careers services and investment functions to enhance primary industries provision. Careers services might be focused more on learner segmentation, and with different interventions at different life stages.

14. Specific actions will target opportunities in primary industries where there are mismatches between industry demand and skills delivered, and where industry size means that enhanced skills will have big productivity impacts.

15. Industry needs to take more ownership of people recruitment, development and retention issues.

How is TEC supporting innovation in qualifications and how they are delivered?

16. The primary industries want a more responsive and flexible system that is easier to navigate for learners and industry. They want more tailoring of provision to specific industry needs.

17. The industries seek skills rather than qualifications as such. We need to ensure that qualifications reflect what graduates know and can apply in workplaces. Qualifications need to be delivered in ways that reflect learner and workplace realities.
18. Micro-credentials have transformative potential, and the primary industries will be early adopters. NZQA's regulatory framework now incorporates SAC-funded micro-credentials, and TEC is developing its investment criteria for them. This will give priority to micro-credentials for the primary industries and for other priorities such as innovation skills for the economy and Māori and Pasifika outcome parity. The 18 September 2018 159L determination for the Industry Training Fund will also facilitate micro-credential provision within industry training.
19. Deep engagement between TEC and industry can grow learner demand and lift the productivity of TEC and industry investment. For example, in the dairy industry, farm managers and owners each manage multi-million dollar assets in New Zealand's largest export industry. Small on-farm productivity gains therefore have large economy-wide impacts.
20. The TEC and DairyNZ co-chair an Agribusiness Working Group that targets L5 Agribusiness Diploma provision to lift management capability in the dairy industry. This aims to integrate TEC investment into the industry's wider system of learning and knowledge application. This system includes peer to peer learning, professional development, learning by doing, industry awards, networks, and links to extension. As a result of this work, L5 Agribusiness Diploma provision has grown from 46 EFTS in 2015 to 194 in 2017.
21. The Agribusiness Working Group also initiated Recognition of Prior Learning (RPL) and micro-credential pilots in L5 dairy industry management provision and in post-harvest horticulture management. Learning from these pilots will be leveraged in other TEC investment.
22. The Agribusiness Working Group intends to give more focus in future to the horticultural industry, with the aim of lifting its on-orchard and post-harvest management capability.

ITO provision

23. There is significant industry dissatisfaction with the quality and reach of ITO-arranged primary industry training. Industry considers that core practical skills and working life realities are often not addressed effectively. ITOs put a lot of effort into the Targeted Review of Qualifications (TRoQ) and they may have fallen behind in updating some unit standards. Some unit standards are also too generic for the specialised needs of some industries.
24. Industry training funding rates are standard across all sectors and are not adjusted for different real delivery costs. Primary ITO (PITO) and Competenz argue that quality primary industry training is unsustainable at current ITF trainee funding rates (\$3,200) plus industry contribution.
s9(2)(b)(i)
25. Compared to urban-centred ITOs, PITO and Competenz face exceptional costs and other challenges. Primary sector industry training is constrained by "economic geography" constraints such as small learner numbers and distance to learner sites.
26. There are many owner-operators who are ineligible for ITF-supported provision. For example, of around 21,000 people working on sheep and beef farms only around 6000 are employees eligible for the ITF. About 10% of them (around 2.8% of the total workforce) are in industry training.
27. Small business size means a lack of in-house training capacity, and many employers have too few staff to make ITO-supported training economic to arrange and assess. For example, of around 6,300 forestry sector businesses, over 50% have fewer than five staff, and only 3% of businesses employ 50 or more. These businesses are subject to lumpy workflows, short-term contracts, low margins, and a cost-cutting "race to the bottom".

28. Primary industry businesses are also subject to seasonality, commodity pricing fluctuations, and adverse biophysical events that discourage training and other longer-term investment. Many learners have literacy and numeracy problems and face drug and alcohol and other self-regulation challenges.
29. Furthermore, the industries suffer unacceptable workplace safety issues. Workplace safety training involving machinery and equipment use requires small class sizes to be effective. This means high costs per learner.
30. Over the period 1 January 2013 to 8 October 2018, there were 130 workplace fatalities in agriculture and forestry, excluding suicides. As at 8 October, fatalities in 2018 (18) already exceed those for all of 2017 (16). These deaths result from avoidable worker-machine interface accidents. Workplace management and culture, weak compliance with the rules, business pressures and poor training all contribute to these fatalities.
31. s9(2)(g)(i)
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33. Final VET policy review decisions are yet to be made, and changes if agreed to may not gain traction until late 2020 and beyond. We must actively manage risks to ITO-supported provision in real-time, and in ways that are congruent with long-term VET system directions.

34. s9(2)(g)(i)

Where next with Taratahi?

35. Taratahi's financial sustainability problems have been addressed in TEC's Aide Memoire AM/18/00735 and in Brief B/18/00814. Industry and MPI see Taratahi as an important part of sub-degree primary industry provision. It fills an industry need, and gives good outcomes for some learners who might otherwise struggle in other tertiary educational environments.
36. However, Taratahi's current governance and its residentially-based business model means that its financial performance will continue to deteriorate unless radical changes are made. The TEC will work with MPI and report to you on how high quality on-farm training provision can be placed on a financially sustainable and more fit-for-purpose institutional basis.
37. Any change will need to be actively managed to ensure that core training capabilities and learner and industry interests are safeguarded.

TEC is thinking through new approaches to on-farm training

38. The primary industry is facing increasing need to comply with top-end requirements and expectations from international and domestic customers and regulators. These relate to market access, supermarket and consumer scrutiny of how products are produced, HR conditions, and domestic environmental compliance and "license to operate" considerations.

39. Some primary industry businesses deliver services such as eco-tourism, and non-market services such as amenities and recreation as well as food and fibre products. Cross-cutting skills can allow lumpy seasonal workflows to be smoothed out and support more land-use flexibility and multi-faceted resource use on individual farms and within regions.
40. TEC is testing the concept of enhanced working-training farm models to gear training more effectively to high-end farming needs. They would be market-oriented working businesses with training capabilities added on, more so than training establishments with working farms added.
41. These training farms would be best practice exemplars of high productivity performance, employment practice, customer responsiveness and regulatory compliance. Trainees would move between different farms within a network to learn diverse skills. This will support moves to mixed farming regimes, and enhance skills for wider land and water resource management and stewardship.

Industry engagement is key to future primary industries provision

42. TEC investment is most effective when there is strong industry engagement and “skin in the game” – financial, intellectual and risk-bearing. Engagement is working well in joint work between TEC and the dairy industry, and learning from this can be leveraged in other TEC-industry engagements.
43. The primary industries currently invest around \$135M a year in industry good funding raised through the Commodity Levies Act. For example, DairyNZ invests \$66.7M a year and Beef and LambNZ \$24.4M a year on such activities as applied research and extension, training and other skills development, and market access. There is potential to encourage more industry investment, for example to address such cross-cutting issues as natural resource management.
44. Deeper engagement between TEC and industry also fits well with VET policy review and ITP roadmap directions that are shaping our thinking on how we deliver better quality provision in future.

Next report

45. The TEC will report to you in late December on progress being made with the issues outlined in this brief.



Gillian Dudgeon
Deputy Chief Executive - Delivery
Tertiary Education Commission
29 November 2018

Hon Chris Hipkins
Minister of Education

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Appendix 1: Talking Points

Priority of Primary Industries

You may wish to note your commitment to primary industries tertiary education and training noting the below points:

- The TEC has made Primary Industries a priority focus area in the current Investment Plan round. It has established a Primary Sector Skills, Education and Investment programme, and appointed an Industry Advisory Group (IAG) to support it.
- Primary industry provision is as much a quality as a numbers game. Labour-augmenting technology eliminates low skill tasks and produces more output from higher skill levels.
- The TEC is seeking growth in L4 apprenticeships and L3 pathways to them. It is investing more in management capability skills at L5-6.
- It also wants to invest more in L7 provision to integrate new technology into productive primary industries systems. It seeks to build future-oriented innovation capability at L8-10.

Demand for Primary industries education and training is low

You may wish to make clear that:

- The sector is facing declining enrolments, reflecting factors such as industry image, qualification offerings and how they are delivered. This is both in industry training and provider-based education.
- Tertiary education organisations note that some of the primary industries have a poor image for learners. Potential students have concerns with working conditions and low wages.
- There is low awareness of good career opportunities in the primary industries and the learning pathways to them.
- I am advised that TEC sees varying degrees of engagement from different parts of the industry.

How is TEC supporting innovation in qualifications and how they are delivered?

TEC has a number of initiatives focused to support primary industries outlined below:

- Micro-credentials have transformative potential. I am advised that and the primary industries will likely be early adopters. NZQA's regulatory framework now incorporates SAC-funded micro-credentials, and TEC is developing its investment criteria for them.
- The TEC and DairyNZ co-chair an Agribusiness Working Group that targets L5 Agribusiness Diploma provision to lift management capability in the dairy industry.
- This programme is aiming to integrate TEC's investment into the primary industry's wider system of learning and knowledge application.
- I am advised that this includes things like peer to peer learning, professional development, industry awards, networks, and links to extension.

- I understand that as a result of this work, L5 Agribusiness Diploma provision has grown from 46 EFTS in 2015 to 194 in 2017.
- The Agribusiness Working Group also initiated Recognition of Prior Learning (RPL) and micro-credential pilots in L5 dairy industry management provision and in post-harvest horticulture management.
- Working with industry, the Primary Sector Skills, Education and Investment programme, and Industry Advisory Group will leverage TEC's learner information, careers services and investment functions to enhance primary industries provision.
- TEC will also be looking at how careers services might be focused more on learner segmentation, and with different interventions at different life stages.

Questions you may wish to ask the Minister of Agriculture

1. Do you have any thoughts on how we might encourage more interest in primary industries?
2. What work does MPI currently have in train to help increase awareness and interest in primary industries?
3. Industry can obviously impact the way it is perceived, for example in relation to working conditions. Are there currently any initiatives that TEC could leverage as part of its work?
4. TEC has had very good engagement from some large primary industry employers, but others have been less-engaged. How might we encourage more industry engagement with and investment in education and training?
5. Are you hearing anything from industry about how the tertiary system can improve its delivery in the primary industries for industry?
6. Do you have any thoughts about how we might address the challenges PITO and Competenz face in a way that supports the directions in the VET policy review?