

Attachment:

Industry training – coverage, eligibility and delivery options for 2018

Funding and fees for industry training differ significantly from provider-based education

1. Key differences between provider-based study and industry training include:
 - a. Fees are unregulated, and fee arrangements vary widely.
 - Trainees and apprentices generally face lower fees than provider-based students.
 - Some fees are paid through ITOs, while others (e.g.: occupational license fees and some off-job training) are paid directly to providers by the learner or employer.
 - Some trainees pay nothing directly, with employers meeting training costs. The ultimate sharing of costs by employers and employees is hard to observe or regulate.
 - b. Industry trainees and apprentices are ineligible for student loans and allowances.
 - c. Trainees may have little choice of what training they undertake, as employers direct this.
 - d. Employers and industry are expected to financially contribute to training costs. The TEC has set this at 30% of traineeship costs and 20% of NZ Apprenticeship costs. The fees-free policy will affect these rates, and implications will need to be considered by TEC.
 - e. Government funding is limited to 75 credits per year, while a full-year, full-time programme at a provider is generally 120 credits. Government funding is at a single flat rate, not varying by field of study as tuition subsidies do for provider-based study.

Industry training volumes

- 148,500 learners participated in industry training in 2016.
- 43,000 were apprentices (this includes both NZ Apprentices and other learners in programmes of 120+ credits at Level 4).
- Around 9,000 learners began an apprenticeship in 2016.
- In 2016, around 6,500 learners would have been eligible for fees-free under the proposed eligibility rules. This is a preliminary estimate, subject to further work and quality assurance.

Decisions are needed on learner eligibility and scope of fees covered

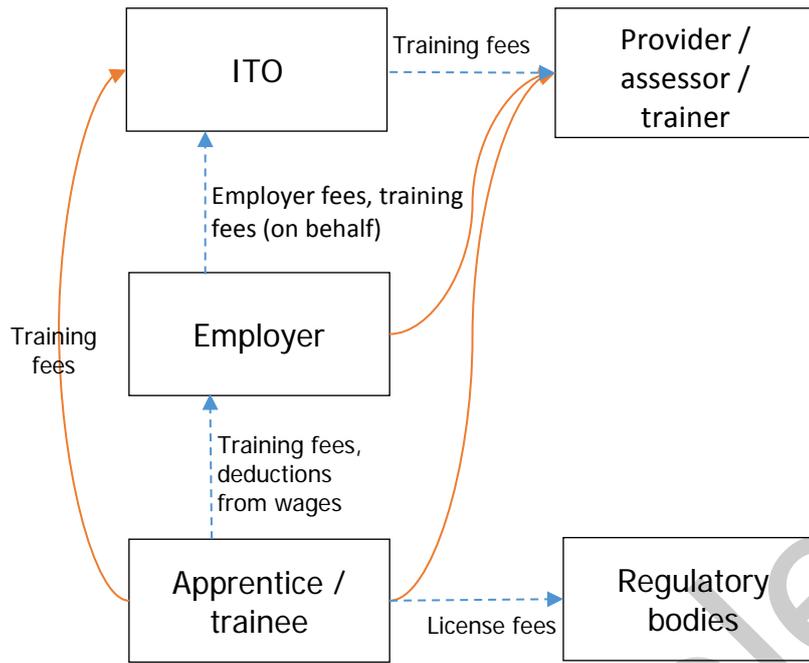
Eligibility	Recommendation
Programme eligibility YES/NO	<p>We recommend fees free industry training in 2018 target programmes:</p> <ul style="list-style-type: none">- At Level 3 or higher on the NZ Qualifications Framework and that- Comprise at least 120 credits. <p>This includes all NZ Apprenticeships and a range of other longer training programmes leading to substantial qualifications.</p> <p>A minimum of 120 credits gives assurance that the training programme will</p>

Eligibility	Recommendation
	have greater benefit to the individual, and will ensure a sense of fairness between programmes and tertiary education sectors. It also avoids learners using up their fees free entitlement on short training programmes directed by (and often entirely paid for by) their employers.
Learner eligibility: YES/NO	We recommend that individuals' eligibility for fees-free industry training be based on the same criteria as for provider-based students.

Fees covered by fees-free in 2018

2. Learners in industry training pay a variety of fees to different parties.
 - Some are explicitly for training and assessment. These may be paid directly to the ITO, or paid to third party training and assessment providers.
 - Some fees are charged by the employer, to recover ITO or external provider costs
 - Professional registration fees (eg Master Plumbers) can be included in fee packages so that they are hard for learners to distinguish from training and assessment fees
 - Other fees, such as those charged by group training schemes, may cover the costs of induction, supervision and travel, as well as covering any fees for training and assessment. Learners may not observe charges directly related to training costs.
3. For 2018, further consideration is needed of what fees will be covered in the first 12 months of training. We need a practical option based on a straightforward reading of the Government's fees-free policy. ITOs have provided the TEC with a high level schedule of fees for costing purposes.
4. Figure one below maps the variety of fees paid for or by apprentices and trainees.
5. We recommend that fees free policy for 2018 focuses on the solid red lines – fees paid directly by trainees to ITOs or training and assessment providers, and fees paid to training and assessment providers by employers. We are developing further advice.

Figure 1: Fees paid in industry training (which fees are paid varies by programme)



Proactively released

Implementation options for fees-free industry training

6. We have considered four options to implement the fees-free in industry training in 2018:

A: Make payments direct to ITOs

ITOs enrol and manage learners as usual. TEC provides monthly reports on newly enrolled eligible learners, and makes monthly payments based on analysis of 2016 data and proposed 2018 fees.

At the end of the year, TEC washes up enrolment information and makes an additional payment or recovers funding. Recovery of any over-funding should be simple.

B: Make payments to learners via the ITO

Similar to the Apprenticeships Reboot scheme, TEC will produce monthly reports on eligible learners, and make monthly payments to ITOs based on new eligible enrolments.

ITOs will disburse the fees to individual learners. Learners can then pay the ITO or the off-job provider or purchase other training-related materials as needed. However, it will be difficult to recover overpaid fees.

C: The Industry Training Federation administers a fund to deliver fees free

TEC calculates a total funding pool based on of 2016 data and proposed 2018 fees.

The Industry Training Federation is then contracted (with an administration fee) to administer the fund as a broker service, allocating funding to ITOs to ensure fees free is implemented for 2018.

D: Impose a “fees-free” policy across industry training and increase funding rates

Make all industry training and apprenticeships free for the learner, and increase the current rate of training from \$3,200 per STM^[1] for industry trainees and \$5,200 per STM for New Zealand Apprenticeships.

7. Our initial assessment is that

- Option D rates best as a longer-term option, but is challenging to implement for 2018.
- Option A rates best as an achievable solution for 2018 - more likely than the others to achieve the policy objective with least disruption for learners, employers and providers.

^[1] An STM is a standard training measure reflecting the learning required to achieve 120 credits.

Sector engagement on industry training options

8. We have met with the Industry Training Federation (ITF), and received feedback from most ITOs. The ITF is concerned with equity across the system, particularly with industry training fees generally lower than provider-based study. They will make a range of proposals to Government about the industry training model. Some of these could be feasible options to meet Government's fees-free policy in future. However, any changes to an interim solution will need to be provided soon if these are to meet the timeframe for the immediate need.
9. The ITF also discussed having a flat rate for fees at around \$2,000 per learner. However, fees range from \$50 to \$9,000. A system-wide flat rate could be inequitable and financially risky for some ITOs, but a flat rate for each individual ITO may be possible. A flat rate will simplify the system, and reduce the opportunity for ITOs to inflate fees (given there is no regulation). The implications of a flat rate system cannot be assessed and policy changed in time for 2018 implementation of fees free.
10. ITOs see a risk in focusing on participation and access under fees free, rather than outcomes, as this can impact their performance measures and future funding.
11. The ITOs and ITF have both indicated an observable slowdown in the number of sign ups at this stage in the year. People are putting training on hold to potentially benefit from fees-free from 2018. Unlike provider-based study, industry training starts on enrolment; therefore, people want to defer this to avoid missing out on a fees-free opportunity. The risk is this could impact on ITOs' 2017 delivery levels resulting in under-delivery against their commitments.