

**SUBMISSION**

# **Consultation on vocational education reform**

Restaurant Association of New Zealand submission to the Ministry of Education

April 2019

## Introduction

The mission of **Restaurant Association of New Zealand** (**the Association**) is to be the link between good food and good business so that our Member's restaurant or cafe can achieve success. We're passionate about our vibrant industry, which is full of interesting, talented and entrepreneurial people.

Since 1972, **the Association** has worked to offer advice, help and assistance in every facet of the vibrant and diverse hospitality industry. We now represent, advocate and cheerlead for more than 2,300 hospitality businesses in New Zealand. Our members cover the length and breadth of the country; we are organised into 13 regional branches and led by a national office located in Mt Eden, Auckland.

The hospitality industry in New Zealand continues to grow, now employing more than 130,000 people at more than 17,000 restaurants and food outlets and generating sales in excess of \$11 billion. In a perfect world, success in hospitality would depend on flair and passion, but in the real world, there is much more to running a business – which is where we come in.

This submission has been compiled following a period of research and stakeholder engagement with our Association Members, industry advisory groups, the Ministry of Education (MoE) and Tertiary Education Commission (TEC) community hui, and one-on-one interviews with industry.

**“We support platforms for increased employer  
feedback around training.”**

Marisa Bidois, Chief Executive

## Summary

**Our Association** is proud to be the representative body for 2,300 hospitality businesses in New Zealand, employing over 30,000 people. Overall we welcome the Government's goal to deliver an education system that is sustainable and fit for the future of work, delivering what learners, employers and communities need.

We can see merit in many of the changes being proposed, particularly with regard to ensuring employers have faith in the education system's ability to deliver the skills industries need.

However, we harbour considerable concern about the scale of changes and the interim impact of these changes, when the need to grow the number of skilled workers in hospitality is critical.

Consultation with our members has emphasised their preference is to employ New Zealanders and supplement with migrant workers when there are no suitable New Zealanders available. However, in practice the pipelines are currently not straightforward.

Our members have also told us there is a breakdown in adequate industry training which in many cases fails to produce individuals ready to step into the workforce. We encourage the Government to press on with significant increases in employer-led learning. It makes sense that if current training programmes continue to produce non-work ready candidates, that training designed with employers to fit their requirements, will go a long way in bridging the gap.

**The Association** acknowledges the current model does not encourage collaboration of Institute of Technology and Polytechnics (ITPs) and Industry Training Organisations (ITOs). Our industry ITO, ServiceIQ, is good at balancing workplace training that places equal importance on the learner and the business owner, however need to be given the tools to respond more quickly to industry needs.

Service IQ has consistent engagement with industry, with room to improve engagement processes in respect of small to medium enterprises. Our members maintain that while interactions are generally positive, more needs to be done to ensure future training reflects the needs of employers.

**“We are extremely proactive in working with education providers in an attempt to find good people. However this has become increasingly difficult over recent years.”**

Association Member 3, Survey March 2019

We encourage the Government to look at the reality of the hospitality industry, not only in a local context but also internationally. As demonstrated by global shortages of key talent in hospitality, the challenges being faced here in New Zealand are not unique.

We know changes to training models will not be a silver bullet, especially given the low unemployment rates, but they are a positive start.

## Proposals Overall

### What do you think of the Government's overall proposal to reform vocational education and training?

The Association supports the Government's goal to work proactively with employers and industry to ensure learners are employable and our vocational education system is flexible enough to wear the needs of the future workforce.

It is important to note that while this review focuses predominantly on the ITP on the sector, education and training is occurring in the workplace every day: many of our members are training through informal training pathways.

Hospitality businesses are investing at a high rate in upskilling its workers. The current metrics applied to measure the successful training in the education sector is the number of participants. We submit the Government looks to adopt a different measure of success in training. This could include measurements such as:

- Reduction of industry skills shortages;
- Industry productivity;
- Business profitability.

On average a small number of businesses are engaged in formal vocational training and this has been cited as an indicator of poor business engagement in training. However, this figure ignores the high number of businesses opting to using other avenues of training rather than with the formal industry training sector.

**Example** Within our industry, we (the Association) run a full professional development platform and offer in house training. Our short courses are designed by the industry for the industry, and are consistently well attended. This kind of informal training is not captured in National training statistics.

For our members, the reasons for a lack of engagement in formal training includes:

- services are not fit-for-purpose;
- offerings are not aligned to business objectives; and
- offerings lack a connection to industry.

It must be noted that these informal pathways are an important part of the vocational education system.

**The Association** submits that workplace training could be better served in the hands of ITOs or with the involvement of industry Associations. As our example illustrates, many Associations are actively involved in training and working with employers, therefore have a clear understanding of what businesses require.

In our view the current formal system does not allow enough flexibility to be nimble and respond to industry needs and trends as they happen. We are concerned that the new proposed centralised institution will also be bound by a non-responsive system and may lack the flexibility to respond to industry needs as they arise.

We see there is also significant risk of a fully centralised polytechnic sector, the most significant one being a single point of failure. Currently, the main way for businesses and learners to exercise their lack of satisfaction with training providers is to vote with their feet. The risk of a single, centralised institution, still anchored in the traditional polytechnic model, failing to deliver is high. In our view, the ability of a single institution to drive better outcomes for vocational education without changing the underlying policy drivers, is low.

**The Association** also supports the ability for needs to be met regionally, with Regional Leadership Groups and Industry Skills Bodies (ISBs). We are committed to taking a greater leadership role across the entire vocational education system, in setting skills standards and overseeing qualifications and programmes for our industry, and articulating the ever changing needs to the Government.

We strongly believe that the current success measure for training needs to be updated and measured on areas that are important to the success of businesses for example closing the skills shortages and profitability of businesses.

**The Association** cautiously supports the proposal to allow employers a choice of education providers to work with.

We suggest some caution be applied around the full suite of proposals, as our ITO has delivered a sound platform for training for our industry. Service IQ offers a one-stop shop and end-to-end service with connectivity in terms of:

- a practical understanding of business-sector needs;
- skills leadership-workforce development;
- trusted relationships;
- sector advocacy;
- standard setting;
- qualification and programme development;
- arranging training;
- assessment support;
- quality assurance and moderation.

We would like to see the Government ensure the valuable industry knowledge and systems that have been created and successfully implemented by ServiceIQ be maintained.

There is no doubt better integration of work-place and provider based vocational education programmes would enable employees to gain the skills that employers and industry need. We have some reservations on what this would look like from the employers perspective as with any significant reform comes disruption, and the proposals across Government significantly disrupt the supply of employees to the hospitality sector.

It is crucial both the immigration and vocational education sector reforms “inform each other” to ensure that disruption is minimised. Our members are facing severe challenges with continual change not only in compliance but also training with the constant movement of the goal posts across a number of areas - especially compliance.

## The Specific Proposals

### Proposal 1: New roles for providers and industry bodies

The Association supports the extension of the leadership role of industry and employers across all vocational education. The consultation paper proposes to redefine roles for industry bodies and education providers. We support any move that gives employers more say in the direction of skills development and education in our sector.

We would like to see a significant step change from the Government in two areas:

- employer-led training;
- new modes of qualification.

#### Employer-led training

It is widely recognised that, while our industry is growing rapidly, we face significant skills shortages.

**Example** Our research of the industry indicates that Restaurant Managers are in extremely short supply. We outlined this in a recent MBIE submission (19 November 2018) where we advocated for this role to be included on the Immediate Skills Shortage list under the current Essential Skills in Demand lists.

**Example** Chefs have remained on the Long Term Skills Shortage List for a number of years. In 2015 we commissioned a report from NZ Institute of Economic Research Inc (NZIER) that identified an extra 6213 chefs will be required by 2025. However there is no collaborative strategy on how this will be achieved.

Employers are looking for, and need confidence, that the tertiary sector is taking a coordinated approach to addressing current and future skill deficits.

The Association supports giving industry and employers a stronger voice with Industry Skills Bodies. Many of our members see the move to ISB's as a positive step, as long as they provide true people and skills leadership on behalf of the industry, rather than a select slice of interest parties. While we submit a single, coordinated body would create

a more streamlined approach to addressing our industry's skills issues, we know ITO's have an important knowledge base and care should be taken to utilise this.

A significant benefit of the current ITO model is the personalised relationship between the ITO and employers. The primary customer for ITO's is the employer as opposed to other institutions, who have the learner as the main customer.

Employers require support to lead on-job training, and whether they will be provided with the level of support they currently receive is not addressed in the proposals.

Our members consistently tell us they hold their relationship with the Association and ITOs in high regard. Without support, the Government risks employers disengaging from industry training models and continuing with in-house training only, which will be disastrous for training pipelines. Employers will adapt and move on quickly but in the medium to long-term, the divide between employers and tertiary providers will widen if not managed.

Through our partnership with ServiceIQ, we have assisted with the NZ Cookery Apprenticeship Programme, a successfully run apprenticeship programme. Our focus was equally balanced between the learner and employer. In this model, employers had a single point of contact to engage with and receive support in managing on-job training leading to a national qualification.

Employers value the ability ITOs have to enable and tailor learning programmes for their organisation.

**The Association** is concerned that the proposed New Zealand Institute of Skills and Technology (NZIST) will not be able to deliver this level of personalised and tailored product. This is discussed in more detail in Proposal 2.

The Institutes of Technology and Polytechnics (ITPs) that will be replaced by NZIST, will still have learners as their primary customer, and over many years their systems and people have been built around this. Asking these institutions to now arrange all industry training, integrate 138,000 workplace learners into an ITP system that currently has 65,000 students and adopt a new primary customer i.e. employers, will fail.

In our view, it is mismanagement within parts of the ITP sector that has led to the current situation where the sector is operating at a deficit. Transitioning ITO learners into a failing system is not the answer.

It is noted that industry groups would apply to the Ministry of Education for recognition as an ISB. With their current knowledge base of the industry, ITO's would be well placed to be considered as an ISB. **This should be in collaboration with industry Associations**, who with their connection to the industry have an innate understanding of the needs of employers. Without additional information it is difficult to make an assessment on the role of ISB's in practice, but their composition will be extremely important to ensure they are delivering what is needed.

We strongly believe that industry should be the 'customer' and therefore choose how training is organised. It will therefore be critical that the ISB's have a strong connection to industry and a well cited process for ensuring that this happens.

### New modes of qualification

As the Minister's foreword rightly pointed out, New Zealand's labour market is encouraging young people to move directly into the workforce rather than continue in formal education. In the hospitality sector that currently happens more regularly in the service side of the industry.

We would encourage a pivot toward life-long learning opportunities to ensure re-training and up-skilling is not only a regular feature of New Zealanders working life, but easy, affordable and accessible.

In practice, for **the Association** this looks like microcredentials, which have the potential to help learners, communities, and employers to acquire the skills they need, when they need them, at a lower cost.

We welcome the gusto with which officials have been willing to encourage this innovative tertiary offering, as it gives us a pathway to bring emergent skills to market quickly, so employers can access employees with the expertise they need and so that learners can continue updating their competencies.

## **Proposal 2: Create a New Zealand Institute of Skills & Technology with a robust regional network of provision**

The Association supports the Government's overarching ambition to improve how the sector responds to the needs of learners and employers in their regions, and how well-prepared vocational graduates are for the world of work.

Our members are very vocal about the quality of formal training that has taken place with many specifically saying that they will not hire those that are trained in some of our institutes.

However we are agnostic toward the proposed creation of a New Zealand Institute of Skills & Technology, and are sceptical about the long-term benefits of centralisation.

While a consolidated organisation could make strategic use of capital, achieve greater efficiency in programme design, development and delivery, and reduce the duplication of back-office functions within the current vocational education network, there are questions around regional impact that a single NZIST could have.

**“It's high time that the entire curriculum for the hospitality sector is reviewed”**

Association Members 30,40 Survey March 2019

As mentioned, we are organised into 12 regional branches and led by a national office located in Auckland. We know the pressures faced by our members vary significantly from region to region. For example our members in Queenstown and Kerikeri have significantly different employment market dynamics. If not well managed, there appears to be a very real risk the New Zealand Institute for Skills & Technology could become disconnected from the regional landscape, damaging current relationships with local and regional employers.

While the consultation document proposes the New Zealand Institute for Skills & Technology will build on and expand the regional presence of the current ITP network, we see centralisation as a perverse way of supporting the Government's championing of regional growth to date.

To reiterate our position in MBIE's recent *Employer-assisted work visas and regional workforce planning* consultation, we strongly supported the need to improve the

feedback loops between all parts of the labour system, in order to improve employment outcomes.

Current job pathways lack flexibility and do not have the right incentives in place to encourage the resolution of underlying issues that are leading to demand for temporary migrant workers. Our Members have expressed their frustration with the talent pipeline we have, and the severe shortage of New Zealanders able, and willing, to work in hospitality.

**“We would employ more Kiwis and are happy to offer training but where are they?”**

Association Member 7, Survey March 2019

**“Kiwis are not applying for hospitality jobs.”**

Association Member 12, Survey March 2019

With the tourism sector New Zealand’ biggest export earner, there has never been a more opportune time to encourage rangatahi towards a career in hospitality. This is not a job for Government alone: **the Association** firmly believes the hospitality industry should be committed to helping drive the outcomes the industry wants to see.

There are numerous studies that support the benefits of mentoring in job placement during training and post training. This is one of the key outcomes that should be included in any future off job training platform.

In 2015, we developed Hospo Start alongside Ministry of Social Development (MSD): a programme that introduces participants to the basics of hospitality. The training takes place over four weeks to get our participants ready for work (or get them back into work) in hospitality, with an overall goal of employment upon completion.

We designed the course to reflect the key skill-set required for job seekers in our industry – it is practical and hands on learning, and is the kind of employer-driven learning that New Zealand needs more of. We support the idea of us helping our own.

**“On a personal level I can truly say you guys have changed my life. I was a shell and you have brought me out of it. The thought and consideration you have put into our placements is awesome. Every single person I have**

**spoken to is blown away by how suited they are to the position you put them in.”**

Participant, February/March Hopso Start Programme

While we will be encouraging our industry to take a stronger stance in driving what is being taught in tertiary study, we want to make it clear to the Government we are not seeing the level of responsiveness and openness to change from tertiary providers in this area that we expect.

We acknowledge the timing of the various consultations happening across Government means we have a unique opportunity to work collaboratively with Government to improve the way industry training is delivered in New Zealand.

## Proposal 3: A unified funding system

Given the Government will create one funding system for vocational education, **the Association** submits the Government must look to include employers in the funding model. Work-based training include costs for the employer and should be recognised. This is critically important because currently the informal training conducted within businesses and by Association's is unrecognised despite the valuable contribution this has to skills development.

There is strong feeling from members that the Government doesn't consider the viewpoints of small to medium employers, who form the majority of business owners in New Zealand's hospitality industry and play a significant role in the local and national economy of New Zealand. There is concern by members that the proposed system will result in inherent hidden costs to employers and this would put further pressure on already stretched margins widely experienced by businesses in our sector.

As stated earlier in our submission, currently there is little room for employers and employer-led organisations such as Associations to align their fit for purpose training into the system to receive funding. This should be a consideration of Government when reviewing the funding system.

In addition our members strongly believe there needs to be a user friendly system where employers and Associations can have current training mapped to fit into the current system to formalise training already successfully taking place within the industry.

## Alternatives to the Proposals

- ITOs to have skills leadership reinstated but with greater powers and greater influence over provider-led training.
- Focus on fixing the ITP financial issues first, then look at where to from there.
- Focus on the adoption of the unified funding system first and foremost to address current overlapping provision and perceived competitiveness between ITPs-ITPs and ITPs-ITOs.
- Option to withdraw from credentialed training if it becomes too hard to engage or if the level of disruption is too significant.
- Disbanding the ITO's seems a radical proposal, when a review and improvement of their current role may produce the required outcomes, while minimising disruption to industry training.

## Additional Comment

We wish to applaud the Government's commitment to working across the Education, Immigration, Social Development and Employment portfolios simultaneously. Given the far-reaching impact these departments have on the day-to-day operation of member businesses, increased frontline, 'real world' interaction with officials would be welcome.

We would like to highlight the unsatisfactory timeframes allowed for the consultation process for such a large change in the current system. The lack of advance notice of this proposal impacted our ability to consult more widely with our 2,300 members.

Many of our members felt there was a lack of direct engagement from the Ministry of Education or the Tertiary Education Commission with employers. We confirm that there was also no direct communication from the Ministry to **the Association**.

Furthermore, we believe the timeframes for implementation of these proposals are extremely aggressive given the magnitude of the changes. In particular:

- The proposal that changes to the ITO's will begin to take place from June 2019
- The proposal for the new institution to be in place from 1 January 2020.

## Key Information

**Would you prefer your submission, either in part or in full, to be withheld from public release?**

Yes, please withhold private or confidential information as indicated in my submission. I do not need to be consulted further regarding public release of submissions.

**What is the name of the person completing this submission?**

Marisa Bidois  
Chief Executive  
Restaurant Association of New Zealand

**If you are submitting on behalf of an organisation, what is the name of that organisation?**

Restaurant Association of New Zealand

**Please provide us with at least one method of contacting you, in case we need to discuss your submission further.**

Email: marisa@restaurantnz.co.nz  
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**What sector(s) does your submission most closely relate to?**

Hospitality

**Which regions(s) does your submission most closely relate to?**

All regions

**Which of the following most closely describes your perspective as a submitter?**

Industry organisation