A ‘THIRD WAY’ IN INDUSTRY TRAINING: 
NEW ZEALAND’S ADAPTATION OF SELECTED BRITISH POLICIES

Introduction
The election of a Labour-led Government in New Zealand in late 1999, has resulted in some significant shifts in industry training policies. These shifts have been influenced by not only the general ‘third way’ rhetoric associated with Britain’s Labour Government, but also selected British policies, such as ‘Modern Apprenticeship’ (MA). However, while the New Zealand government has looked to Britain for ideas to reshape post-compulsory education in general, and labour market education in particular, policies and programmes have had to be adapted in order to take account of the qualitatively different needs of a small economy and the country’s specific cultural and social context. Unions, through a strategy of active engagement, have played an important role in both the process of adaptation and in the implementation of British influenced approaches to industry training (Law, 2002).

This article has three integrated purposes. It seeks to provide insights into some of the ways in which:
- British policies and programmes historically and more recently have influenced New Zealand initiatives in industry training;
- those policies and programmes have been adapted to meet the country’s particular circumstances; and
- unions have influenced aspects of the adaptation and implementation.

In the latter part of the article, Modern Apprenticeship programmes are compared. This analysis identifies one important example of borrowed policy in order to highlight the similarities and differences in the two countries’ approaches. Further, drawing on British research, it also identifies issues of concern that have already emerged in the United Kingdom and which seem likely to have to be faced in New Zealand.

Theoretical Ideas
This article argues that shifts in political thinking have changed significantly the important aspects of education and training reforms in New Zealand. Whereas neo-liberal ideas dominated in the 1990s (Kelsey, 1993, Law, 1996; Law & Piercy, 2000; Piercy, 1999), a more ‘third way’ approach is now being adopted. This section sketches briefly this shift in ideology.

Neo-liberalism
King (1987) argues that the ideas which underpin neo-liberalism include: individual freedom, the free market, the need for reduction in the role of the state, conservatism, and public choice theory. Most of these elements were at work in New Zealand from the mid-1980s, as neo-liberal policies were applied to most aspects of social policy, including education and training (Law, 1996, Piercy, 1999, Vocational Training Council (VTC), 1986). That ideological shift was itself a response to the failure of successive governments to respond adequately to the economic crises of the late 1960s and 1970s.

As King (1987) notes with regard to the United Kingdom, the popularisation of neo-liberal ideas and the inefficiencies of the welfare state allowed politicians to advocate...
a return to the liberal, laissez-faire economic principles. In New Zealand, the role of the state was progressively minimised through the rationalisation of the public sector and a change from prescriptive to facilitative legislation. The nature of the economy was altered to make it more internationally competitive. These changes were implemented by both Labour and National governments, over a 15 year period commencing in 1984.

In education and training the application of these ideas resulted in a market model which emphasised individual choice, much higher student fees, more private provision of education and training, and the central role of employers in the determination of training priorities. This model was underpinned by the permissive Industry Training Act (ITA), 1992.

By the mid-1990s, a polarisation of living standards and low economic growth prompted many New Zealanders to begin to question neo-liberal social policies. A 1993 referendum voted in favour of a major electoral change, the adoption of Mixed Member Proportional representation or MMP (Law, 1994). This questioning was also reflected in the Labour Party’s rethinking of its policy goals and the ways in which to achieve them. Over the course of the 1990s, it disengaged itself from the policy and practices it had pursued in government in the 1980s and began to explore instead a ‘third way’ approach (Eichbaum, 1999; Law & Piercy, 2000). For an in-depth discussion of this transition see Law, 2002.

The ‘third way’

The ‘third way’ is a term that is difficult to define because of its origins. It is a label that has been pinned to political platforms in different countries that have attempted to reconcile the traditional aims of socialism with the needs of an increasingly globalised capitalism. Each country where this type of agenda has been pursued constitutes a different context, so variations have occurred when meeting the needs of those contexts. These variations have become more difficult to reconcile because one of the most definitive works (Giddens, 1998) on the third way was written after these political agendas had been implemented so the labeling was retrospective.

In New Zealand the ‘third way’ is basically derived from this British set of ideas popularised by the Blair Government and Anthony Giddens’ publications Beyond Left and Right (1995), The Third Way (1998) and The Third Way and its Critics (2000). Thus Giddens’ framing of the third way is used here to define the concept. Giddens argues that since the Asian crisis, conservatism has been in retreat and the third way has emerged to fill the proverbial vacuum (1998). So his conception of the third way refers to contemporary political agendas, as it is the context that constructs the third way.

Very briefly, Giddens argues that his conception of the third way has its origins in the Clinton administration and their attempt to forge a new consensus. He also acknowledges the Swedish model as one where the term took on its current meaning. Giddens’ particular focus is the ‘new’ model, both the one applied in the United States under Clinton and the one Blair used to create New Labour in the United Kingdom (1998). Giddens refers to the third way as a framework of thinking and policy making that seeks to adapt social democratic ideas to a world that has changed fundamentally over the last two to three decades. In summary, Giddens (2000) claims that the third
way attempts to transcend both social democracy and neo-liberalism to form a new pathway.

Giddens’ approach focuses on five key elements of change:
- the impact of Globalisation;
- the rise of individualism;
- the increasing lack of clarity between what is ‘left’ and ‘right’;
- the role of political agency in an economically/socially altered world; and
- the need to pursue sustainable means of dealing with ecological problems (Giddens, 1998; Eichbaum, 1999).

Throughout these five elements run themes that shape the role of the state, point to a type of partnership model, and encourage collaboration and cooperation between the social partners. Giddens (2000) argues that public policy has to shift away from the re-distribution of wealth to wealth creation. This, he claims, will answer some of the social problems caused by the deregulation of markets and threats to social cohesion. According to Eichbaum (1999) a method Giddens advocates to address the threats to social cohesion and the more damaging effects of the market is “a supply side agenda that seeks to alleviate inequality of outcomes by means of equality of access” (p.48).

Thus, the role of the state is still to court capitalism to encourage wealth creation as it was under a neo-liberal regime. But the state also has to seek to right the wrongs of the market by pursuing public policy that facilitates access to the labour market (Eichbaum, 1999).

Industry training is one policy area in which the third way seeks to promote and create social cohesion. The importance of industry training to policy development under the third way is highlighted by Eichbaum’s (1999) analysis of the Blair/Schroeder statement *Europe: The Third Way/Die Neue Mitte* that was released in June 1999. Eichbaum (1999) states that:
the Blair/Schroeder programme is predicated on what they argue is a continuation of the traditional values of social democracy, tempered by the need to modernise the kinds of programmes informed by those values. The objective, they (Blair and Schroeder) assert, is to reconcile the need for social justice with the requirement for economic dynamism and the ‘unleashing of creativity and innovation’ (p.53).

Eichbaum (1999) holds that the requirements to achieve a balance between the two imperatives is to move away from some of the traditional elements of a social democratic programme and “focus on supply-side changes, with the investment in ‘human capital’ elevated to the primary policy objective” (p.54). Eichbaum goes on to argue that this element of the third way is one that should be embraced particularly when it includes initiatives like national qualifications and portable skills.

As a result of this emphasis, policies around industry training have becomes a lynchpin of a ‘third way’ approach in both Britain and New Zealand. For the purposes of the case study in this article and in order to understand the context within which third way ideas are to be implemented, the history of industry training, specifically apprenticeship needs to be outlined. Therefore the next part of the article examines,
the tradition of apprenticeship, the way in which it was reformed, and the role of unions in that process of reform.

The Tradition of Apprenticeship in New Zealand

New Zealand, like other colonies, inherited the British apprenticeship system. Until the 1950s, apprenticeship training was the only formal further education available to those who chose to pursue a career in industry. From the 1960s, other advanced qualifications were developed and delivered through Polytechnics (Technical Colleges). Under the welfare state, both the public and private sector supplied the labour market with fully trained apprentices. The public sector in particular trained an excess number of apprentices through large state organisations such as the Post Office, Electricity, Railways, and the Works. This was a deliberate state policy. In times of recession, the state would expand its apprenticeship training in order to compensate for a decline in the private sector (Law, 1994, Law & Piercy, 2000). The excess numbers later transferred from the public labour market to the private. This created a culture of 'poaching' whereby private sector businesses were able to recruit fully trained personnel easily (VTC, 1986). Further, apprentices from both the private and public sector did their theoretical, off-the-job training in block courses at Polytechnics. The private sector’s and apprentices’ only costs were in the form of wages and opportunity cost. From the 1970s, however, the traditional system came under the pressure of change, as the nature of work, core manufacturing and employers’ management practices evolved (Piercy, 1999).

It is important to note that the formal training that was available under this system was targeted at youth. Unions in particular used apprenticeship as part of the award system to regulate the labour market by controlling the number of apprentices and thus tradespeople. One consequence was that industry training that was formal and recognized at a national level was not easily available to workers who had been on the shop floor for long periods of time. If workers did not access apprenticeship training when first entering the labour market, they lost the key and most common opportunity to obtain training and qualifications in their chosen industry. However, Murray (2001) argues that initially, this lack of access to training was not a major issue because wage differentials based on skill were too small. This changed in the 1980s, as the traditional system came under the pressures identified above and access to formal, recognized education and training became a central policy issue that required government intervention. The story of this change in emphasis by both the government and industry players is outlined below.

International and Domestic Pressures on the Provision of Industry training

Two sets of pressures were at work. One set related economically to cost and ideologically to the role of the state. The other was related to the changing nature of work and the adaptation of traditional apprenticeship training to meet new industry needs.

International pressures

One of the key international pressures that had an impact on apprenticeship in many Western, developed nations in the wake of the economic crises of the 1970s was the demand to reduce the costs of the welfare state. Internationally, Hirsch (1991) argues that these factors were: the oil crises of 1973 and 1979, world market integration
accompanied by the internationalisation of capital, a decline in growth rates, rising concerns about the environment, and the division of labour and bureaucracy.

Another pressure came from the technological changes that were substantially altering those manufacturing jobs that had not already been phased out (Mathews, 1989). Technological change also encouraged a shift to value-added manufacturing in highly industrialised nations, like Germany and Japan (Jurgens, Malsch & Dohse, 1993). This signalled to countries like Australia and New Zealand the growing challenge of international competition. New Zealand, however, struggled to incorporate value-added technology because of the loss of stable British markets and a reliance on the primary sector for exports (VTC, 1986). Part of the reasoning behind this also related to the limitations of its workers’ education and training regime because only traditional apprenticeships were accessible.

With impact of changing technology, international competition, the re-emergence of Human Capital Theory, the ascent of neo-liberalism and the success of value-added production in a time of economic recession, an extensive and increasingly complex 'labour-process' debate gathered pace in the 1980s (Law, 1996; Littler, 1991). This debate, coupled with changes in the nature of work, not only reshaped the provision of education, it also dovetailed with ideological pressures to adopt a market approach (Law, 1996; Marginson, 1997).

**Domestic pressures**

The domestic pressure came primarily from the increase in unemployment and the accompanying decline in manufacturing. This trend began in response to the economic crises of the 1970s and worsened with the restructuring of the public sector in the 1980s. Deeks, Parker and Ryan (1994) argue that in New Zealand the economic restructuring implemented by the 1984 Labour Government occurred so swiftly that the workers who lost their jobs could not be effectively absorbed into the labour market. Significantly for traditional apprenticeship, it was the manufacturing industries that contributed the most to the decline in employment.

However, an examination of the apprenticeship system itself also prompted calls for change. From the 1970s, policy makers in New Zealand took a renewed interest in education and training (Murray, 2000). According to the VTC (1986), reports from the OECD that emphasised the link between education and the economy fuelled this increased interest as well as domestic, structural reasons mentioned above. Apprenticeships came to be seen as part of the problem in that they were time-served and inflexible. These concerns prompted a series of policy driven research initiatives implemented under both the 1984-1990 Labour Government and the 1990-1999 National Government.

**The Role of Government Policy in Reshaping Education and Training**

*The 1984-1990 Labour Government*

In a similar fashion to Thatcherism, sections of the 1984 Labour Government argued that the costs of the welfare state were too high and that there was no alternative to the system of the free market. The Government introduced a series of reforms in line with those adopted in Britain and the United States. It floated the dollar and removed trade barriers in order to open up the economy. In regard to the public sector, the Government passed legislation that allowed for the sale of state assets and introduced
accountability and profitability principles into the state services (Deeks, Parker and Ryan, 1994). This meant that the state's role in the provision of apprenticeship training became marginalized as it was some of its larger organisations that were sold or rationalised (e.g. Post Office, Railways, Works, Telecom) (Law, 1994). This was significant as some apprenticeship programmes were only available in the public sector organizations (Murray, 2000). However, it was not just the change in government policy that threatened the traditional apprenticeship system.

Internationally, particularly in the United Kingdom, there was a movement to reform the education system by removing exam-based assessment, which was seen to perpetuate inequalities to criterion, or achievement-based assessment. The cornerstone of this movement was a shift to competency-based training (CBT). In the United Kingdom the vocational system embraced this change. The academic system was not included and retained its system of exams. Over time, New Zealand policy makers within education began to embrace the need for a similar shift. This is illustrated by the following summary of key reports below.

**Key Reports**

Much of this section draws my Master’s research (Piercy, 1999). That research included an extensive analysis of policy documents as well as field research that included 23 formal interviews with members of the union movement in New Zealand and Australia and policy officials in New Zealand.

1986: **Learning and Achieving: Second report of the committee of inquiry into curriculum, assessment and qualifications in forms 5 to 7.** This document recommended moving to a flexible internal assessment procedure from examinations, allowing the adoption of a national curriculum incorporating achievement-based assessment (Piercy, 1999: Smithers, 1997).

1986: **The draft Green paper on the New Zealand vocational education and training system and institutional arrangements in the labour market.** While the Green paper was never formally published, the draft still had a strong influence within the public service (Lythe interview reported in Piercy, 1999). This document endorsed a move to criterion or achievement-based assessment, and recommended establishment of procedures to facilitate the credit transfer and co-ordination between secondary and tertiary sectors (Piercy, 1999).

1987: **The management, funding and organisation of post-compulsory education (1987)** recommended the establishment of a National Validation Authority (NVA), which would examine and moderate all national qualifications and courses. This in combination with the following document (The Hawke Report) would set in place a blueprint for the direction of the reforms to education and training (Piercy, 1999).

1988: **The report of the working group on post-compulsory education and training (1988), known publicly as the Hawke Report.** This key document drew together all of the previous research completed by the Government on education reform in the mid-1980s in order to recommend the steps needed to implement Government policy (Lythe, interview in Piercy, 1999). The significance of this document though is that it signalled that the whole education and training sector would shift to criterion-referenced assessment that would incorporate a competency based training (CBT)
approach. This was different from the United Kingdom as there this approach was only applied to vocational education.

1988 and 1989: Learning for Life I and II (1989) were essentially implementation documents. Their purpose was to enable the Labour Government to present its final decisions on the direction of the education and training reform which embraced the concept of lifelong or continuous learning. In particular, the reports held that a shift to a CBT assessment system would allow self-determination for minority groups, particularly Maori, and that the education system would now be able to accommodate adult learners in industry and elsewhere that traditionally did not have access to formal nationally recognised training and qualifications. Recommendations included the need to set up a centralised agency and framework on which qualifications could be pinned.

1990: Towards a national qualifications framework (1990). This document drew together the loose terms of reference and concepts from Learning for life II and outlined what would be implemented in terms of establishing the centralised agency and a framework where all qualifications would connect and have portable/transferable elements through the establishment of career paths (New Zealand Qualifications Authority (NZQA), 1990). However, before the Labour Government could finalise the implementation of the policy, they lost the 1990 election to the conservative National Party.

The 1990-1999 National Government
The 1990 National Government embraced neo-liberalism to a much greater extent than Labour. It continued and intensified the changes implemented by the 1984 Labour Government in order to free up New Zealand's economy. In particular, National decisively and comprehensively changed the structures regulating the labour market. Through implementing the Employment Contracts Act 1991, National shifted New Zealand from a regime of collective bargaining where unions had a role to a individual bargaining where unions did not have a place as of right. However, the education system was a little different as for the most part, the National Government continued to implement the ideas that education policy makers had been developing since the mid-1980s. This continuation of policy was driven by the need to change to a CBT system of assessment with a centralized agency based on the belief that it would lead to international competitiveness (Deeks & Rasmussen, 2001, Piercy, 1999)

Key Reports
1991: Designing the framework (1991a) was the first publication under National. It led to a second round of consultation in presenting policy options, which incorporated features from the Scottish Vocational Education Council (SCOTVEC), the British National Vocational Qualifications (NVQs) and Australia’s national skills strategy (Piercy, 1999). These features were nationally recognised qualifications that would be linked to a framework that would act as an umbrella. It was here, that the idea of ‘seamless education’ was first injected into the policy mix. Under ‘seamless education’, the pedological methods of CBT would shape not only the direction of vocational learning but also academic study. The two would merge on the qualifications framework and learners would make the transition from academic to vocational learning through career pathways on the framework.
1991: This led to another discussion document: *The industry skills training strategy* (1991b). Its role was to outline National’s policy proposals for involving industry in the reformed education and training sectors (NZQA, 1991b). The proposals contained in this document formed the basis of the legislation that reformed New Zealand’s apprenticeship system, the Industry Training Act 1992 (ITA). The ITA, drew, in part, on the British (Thatcher) system of industry training. Specifically, it concurred with the shift of industry training design from educationalists to employers, and established Industry Training Organisations (ITOs) as the key agency within the provision of industry training. It was argued that it would make training more responsive to the needs of employers, and therefore more responsive to the needs of the economy.

This created a quasi-market in industry training complicated by the ability of ITOs to purchase education and training from any provider that was recognised by the national body that supervised the framework, the New Zealand Qualifications Authority (NZQA). A contestable fund available to ITOs and another available to providers, through Skill New Zealand, ensured that the market imperative dictated the provision and design of industry-based education and training. Lastly, the definition of ITOs was facilitative rather than prescriptive in nature; two or more enterprises with similar inputs and outputs could form an ITO. This ensured that the market had little, if any, impediments to its development. This in turn led to a proliferation of ITOs across industry sectors (Piercy, 1999). As a result, employers wanting to develop qualifications across an enterprise for their workforce could, therefore, have to deal with up to 11 ITOs at any one time (NZQA, 1997).

**Summary**

Most stakeholder groups, including unions, had supported the general trend of the industry training reforms while Labour was still in office. However, after the 1990 election, unions were in a difficult position as most other government initiatives, such as the Employment Contracts Act 1991, sought to marginalise their role. Through their central organisation, New Zealand Council of Trade Unions (NZCTU) and the biggest private sector union, the Engineers' Union (NZEU), unions lobbied on the government for two key provisions: a levy system and employee (union) representation on the ITOs. While those options were presented for discussion, National itself continued to favour a more neo-liberal, voluntarist approach (Law, 1994). In a similar fashion to the United Kingdom (Keep & Rainbird, 1995), National did not retain provisions for unions or educationalists to be involved in ITOs as of right, and thus in the design and provision of industry training (Piercy, 1999, Smithers, 1997).

However, the union movement in New Zealand, in particular the NZEU still saw opportunities to have a role in the regulation of the labour market through industry training. Thus, the NZEU chose to work with the National Government at some cost to its credibility with some other unions (Lythe interview in Piercy, 1999). The story of the role of New Zealand unions and why they chose to support the National Government in a climate of neo-liberalism is outlined below.

**The role of Unions in reshaping education and training**

The role of unions in the education and training reform debate has its own history and reasons that need to be told to see the wider picture. This section - as the one before -
is drawn from Master’s research completed in 1999. It is essentially a summary of findings from fugitive union literature, and the 23 interviews with members of the union movement in New Zealand and Australia and policy officials in New Zealand. See Law (2002) for a broader picture.

The Australian influence
The article has established that the struggle to be internationally competitive led New Zealand to re-examine its education systems in light of the resurgence of Becker’s (1964) and Schultz’s (1961) interpretations of Human Capital Theory (HCT). While policy makers drove this, the union movement also had an impact. Part of this impact was due to a parallel movement in education policy in Australia, where a strong metal workers union, the Amalgamated Metal Workers’ Union (AMWU), began to popularise an alternative political view that eventually led to the ‘Australian Accord’ between unions and the Labor Party (Beilharz, 1994).

There is little evidence to suggest that prior to the early 1980s, the New Zealand Union movement looked across the Tasman for alternative ideas. But a shift occurred in 1984 with the change in leadership in the NZEU. After this shift, the NZEU increasingly took on board the AMWU’s ideas about flexible work practices and other policies which were perceived to enhance a firm's capacity to be internationally competitive. The NZEU accepted that workers needed to upgrade skills in order to implement these new work practices. Therefore, the union was receptive to education and training reform initiatives, originating in the public service, that were proposed as a way of better meeting the needs of the economy.

Influenced by the AMWU, the NZEU developed a strategy in response to the Labour Relations Act 1987 (LRA) whereby it worked with companies in order to achieve workplace change. The union embraced Australian ideas about post-Taylorism, industrial democracy, and to a limited extent, training. Jones (1992) argues that the NZEU accepted that workers’ best interests are served if all parties involved contribute to production. The union implemented this strategy because it did not envisage a return to wage militancy.

Thus, the AMWU influence on the NZEU gathered pace from the late 1980s and into the 1990s. That influence was achieved through: documents, exchanges of officials, attendance at conferences, workshops in both countries, and missions to Australia. The election of the National Government in 1990 and its subsequent legislative reforms, such as the Employment Contracts Act 1991, the abolition of the Trade Union Education Authority, and the Industry Training Act 1992 (ITA), limited the scope of the NZEU’s influence.

Opportunities for Unions
Nevertheless, while award restructuring was hampered by National’s agenda, the Government’s ideas on training gave the NZEU a residual platform to pursue part of its strategy. Education and training became the lynchpin of the NZEU’s post-1990 strategic vision to develop new ways of dealing with the neo-liberal agenda that had be strengthened by the election of the National Government in 1990 (Jones, 1992).

Part of the reason that it was able to develop this approach was that National, according to Jones, unlike the previous Labour Government, did not choose to leave
training in “benign neglect”. Instead it made it a priority area. However, Jones states that in the attempt to remain ideologically faithful to neo-liberalism, National, in removing the apprenticeship system, destroyed the old infrastructure and never replaced it – leaving it to the individual choice of the users and creating a voluntarist framework. Jones claims that this made the “Industrial Training Act … impossible to work with… [for example] the definition of industry” which was very broad.

This reduced level of NZEU influence is a major trans-Tasman distinction. Lythe, an NZQA official, notes, “In Australia the unions are… powerful because the Government… has a tripartite view of the world, so the development of… training arrangements in Australia always had Union participation… In New Zealand the reverse is the case.” However, Smith, an NZEU official, holds that the Union continued to attempt to influence the industry training reforms because “in spite of the limitations of what they had done we should get in and promote… [the] skills strategy because it offered us the opportunity to set up… our objective… skills-based pay.” (interview in Piercy, 1999).

**Shift in focus**

In spite of its achievements, such as gaining representation on the employer-led ITO, as time passed, the NZEU continued to be marginalized. This meant that major actors, such as the Engineers’ Union’s Mike Smith, decided to alter strategies. As part of that shift, the union, along with the NZCTU, began to focus less on the National Government and more on the Labour Party. Both organisation were by now strong supporters of changes to industry training; more importantly, both were committed to re-establishing a significant role for unions within the industry training system. With the publication of a series of booklets under the generic title of *Building Better Skills* (NZCTU, 1993, 1995, 1999) the union movement began to articulate a coherent, alternative industry training policy. By the end of the 1990s, much of the NZCTUs views had been incorporated in the Labour Party’s 1999 policy document, *21st Century Skills: Building Skills for Jobs and Growth.*

**Towards a ‘third way’ government**

The publication prior to the election of *The New Politics: A third way for New Zealand* imported many of the ideas popularised by the Giddens and Blair (Chatterjee, S., Conway, P., Dalziel, P., Eichbaum, C., Harris, P., Philpott, B., and Shaw, R. 1999). The book sketched a way to pursue social democratic ideals in a (post?) neo-liberal landscape. But while the authors drew on much of the Blair Government’s policies and practices, they do not do so uncritically. In a pragmatic critique of the third way using contributions of writers such as Hutton, Reich, as well as Giddens, Eichbaum argues that the ‘third way’ cannot be implemented arbitrarily because it “has to accommodate the particular and often unique economic, social, political, historical and cultural elements of that society” (1999, p.37). For example, Eichbaum noted that Britain and New Zealand had particular historical legacies that underpinned both the introduction of neo-liberal ideas and the subsequent initiatives to move from them.

Several of the books’ authors were appointed to senior advisory positions after the change of government in late 1999. Eichbaum, who has had a long association with the NZEU, now works for the Minister responsible for industry training and tertiary
education, Steve Maharey. That influence has been obvious in post-election policy statements (also see Law, 2002).

21st Century Skills: Building Skills for Jobs and Growth

21st Century Skills represents a mix of continuities and a degree of discontinuity. The continuities are to be found in its retention of the previous Labour Government’s 1980 initiatives and the influence of the thinking captured in Building better skills. The continuities are reflected in the policy document’s: affirmation of the role of education and training in contributing to international competitiveness; reiteration of the notion of pathways to higher qualifications and greater skills; and its re-emphasis of the importance of a need for clarity in the transition from school into industry. The discontinuity pivots around the shift in Labour’s faith in a market model of organisation and delivery. In its Learning for Life publications in the late 1980s, the previous Labour Government subscribed to a co-ordinated approach to industry training but in practice its policies placed considerable reliance on a market model to organise and deliver training. By the late 1990s, after spending nine years out of office, Labour (with considerable assistance from unions) had sharpened its understanding of the limitations of that facilitative, voluntarist model and was more inclined to a legislative, semi-regulatory approach coupled with a more pronounced, ‘third way’ notion of partnership.

Labour’s (1999) policy document was critical of the National Government’s failure to establish pathways and links between employment and training that were necessary for economic success. It held that the abolition of apprenticeship and the voluntary approach had created a system that was hit and miss at best. Labour advocated a co-ordinated approach that would encourage all workers to up-skill and retrain throughout their working lives, echoing the Learning for Life publications. The central theme that threaded through the policy document was the view that education and employment/industry/economy had to be brought together. Labour’s more pro-active policy prescription included:

- Gateway
- Modern Apprenticeships (MAs)
- Amended Industry Training Act

Gateway

This policy sought to establish a programme that will "provide young New Zealanders with the opportunity to mix experience in variety of workplaces with normal course work. The aim of Gateway will be to build a bridge between school and work." (p.3). One of the main features of this policy is that it also incorporates school assessment with work experience in order to provide a recognised qualification.

Modern Apprenticeship Programme

Modern Apprenticeships is the most obvious borrowing from Blair’s third way policies. The New Zealand Labour Party’s (1999) policy document outlined how both Australia and the United Kingdom had, unlike New Zealand under National, expanded and modernised apprenticeship. Labour proposed to borrow the UK’s Modern Apprenticeship banner in order to promote two similar, employment-based training initiatives: (1) apprenticeships that led to trade qualifications; and (2) traineeships for non-trade qualifications in such occupations as clerical, hospitality and retail. Labour also proposed to regulate training through either an agreement that
requires a commitment on behalf of both employer and employee/trainee or, if the employer is reluctant to make that commitment, through a group training company.

Amended Industry Training Act
The most significant shift in Labour’s thinking was its approach to regulation. In its 1999 policy document, Labour stated that it intended to "amend and strengthen the Industry Training Act 1992 in order to ensure a partnership between government, industry workers, workers’ representatives and educators." (p.5). Its aim was to establish a more integrated training system that would deliver across the entire economy in order to meet industry needs and continuously up-skill the existing workforce. Not only did Labour intend to bring the state back in, it also proposed to ensure that educationalists and workers’ representatives were once again part of the process, and that the role of ITOs was aligned with the goals that incorporated community and Maori interests.

Summary
By the 1999 election, Labour had developed an industry training policy that appeared to bridge the labour movement’s historic concerns and inclinations with the ‘new politics’ of the third way. Its commitment to apprenticeship also resonated with its traditional constituency. According to its leader, this policy always go the loudest cheers during the election campaign (Clark, 2000). Thus, it was not a surprise that after the election Maharey moved quickly to implement Modern Apprenticeships.

Although the rhetoric and much of the model was derived from the United Kingdom, there are important differences in the two countries approaches. The reminder of this chapter is designed to identify and analyse those similarities and differences.

The British system of Modern Apprenticeship
As noted above, New Zealand has often adopted and adapted ideas from the United Kingdom’s education and training system. Examples include: competency based training (CBT), a national framework for qualifications, and the shift to employer driven industry training.

In the United Kingdom, as in New Zealand, the shift to CBT and the other reforms facilitated the removal of the traditional, time-served version of apprenticeship. However, the idea of apprenticeship retained some currency in the United Kingdom, as it did in New Zealand. In the mid-1990s Britain’s Conservative Government, implemented the MA programme, in another attempt to reform education and training, so it could better meet the needs of the economy (Steedman, 2001). Over time, the British MA programme has undergone quite a few transformations that are beyond the scope of this chapter. The discussion here, therefore, focuses on the present system in Britain.

Modern Apprenticeship: towards a definition
Modern apprenticeships are exactly that, a mix of old and new. A distinguishing feature is that MAs are not time-served: they are completed at the learner’s pace. Another is that the scope stretches beyond the original conceptualisation trades. And the programme is also locked into the national system of vocational qualifications. However, they still embrace some elements of the old system. Applicants are young
(between the ages of 16 and 24) and the systems retains other elements that make apprenticeship attractive to young people wanting to enter a trade:

"Modern apprentices learn on the job, building up knowledge and skills, achieving qualification and earning money at the same time. The competencies are linked to the skills identified by the employer as necessary for the job."
(Learning and Skills Council, 2002a).

**MA and qualification structure**

MA is a two level system: Foundation (FMA) and Advanced (AMA). The FMA is at level 2 on the British qualifications framework and the AMA is at Level 3. Level 2 is equivalent to 5 GCSEs at grades A-C and level 3 is equivalent to 2 A levels or 1 Vocational A level. (Learning and Skills Council, 2002a). This means the MA is locked into Britain’s system or framework of national vocational qualifications or NVQs that are nationally recognized and portable qualifications (Keep and Rainbird, 1995; Ryan and Uwin, 2001; Steedman, 2001).

The MA programme is available in over 70 industry areas, from agriculture to the water industry. It is interesting to note that some industries only a foundation qualification while others only offer advanced level programmes (LSC, 2002c).

**Funding and regulatory framework**

The Department for Employment and Skills (DfES) is responsible for the Modern Apprenticeship programme overall. However, as the Learning and Skills Council (LSC) is responsible for post-compulsory education it is the LSC that distributes regional funds for the provision of MA. The LSC works with a range of community groups in order to "understand, define and then meet training and education needs." (LSC, 2002b). These include with the Employment Service, the Small Business Service, Connexions, the National Training Organisations and other educational and community-based organizations.

The National Office of the LSC is based in Coventry and there are another 47 councils across Britain. The National Council has 12 members, representatives are drawn from employers, trade unions, learning providers and community groups. The regional councils also have representatives from employers, learning providers and community groups (LSC, 2002b). However, there is not consistent union representation on the regional councils.

The MA programme is primarily funded by the public purse, and only the traditional cost of the apprentice’s wages are met by the private employer. The Department for Education and Skills is given a budget that allocates money to MA. These public funds are then given to the Learning Skills Councils who in turn distribute them to training providers. The providers are free to use these funds themselves or they can use the funds to contract other organizations to provide apprenticeship training and assessment, specified by the DfES regulations (Steedman, 2001). Additional financial benefits are currently being added to the MA programme. Pilot tax breaks have been implemented in April 2002 in a few geographic regions; the intention is to implement the system nationally (Grant, 2002).
The experience of MA in Britain to date

By the end of the 1990s, MA was seen as a successful workplace learning programme that had extended training beyond the realm of traditional trades and had increased participation rates beyond those achieved under the former youth training programme (Unwin & Ryan, 2001). Thus, the strength of the Modern Apprenticeship programme in Britain is that it has extended the learning opportunities available to youth as a group in the labour market. However, in more recent times attention has focussed on the limitations of MA rather than its successes. “The Skills in England 2001 Report showed that only 38% of the workforce had NVQ level qualifications or above, compared with 73% in Germany” (Grant, 2002, p.1). Other weaknesses identified by Ryan and Unwin (2001) include:

- An absence of statutory regulation other than that provided by the DfES;
- Current stagnation in participation figures;
- Disparity of completion rates between the service and industrial sectors;
- Only limited participation of the social partners in the regulatory mechanisms of Modern Apprenticeship; and
- Increasing incidence of private training organizations taking responsibility for the provision of Modern Apprenticeship rather than employers

Ryan & Unwin (2001) hold that the key factor that contributes to the identified weaknesses or limitations of the MA programme is, the “market-oriented methods chosen for public support for apprenticeship” (p. 107. They hold that it results in a situation whereby the “work-based route has thus far contributed little” (p.99) to meeting the needs of improving the performance of the economy. Ryan and Unwin argue that this can be attributed in part to underlying inefficiencies in the quasi-training market, which encourage “low quality and weak commitment” on behalf of providers and employers respectively (Unwin, 1997 cited in Ryan & Unwin, 2001, p. 108).

Steedman (2001) concurs on many of the points made by Ryan and Unwin. She also argues that a lack of transparency regarding the vocational route and evidence of widespread skills shortages at the intermediate level illustrate the need to improve many aspects of the MA programme. Additionally, Steedman observes that the disparity in completion rates raises real equity issues as women are primarily concentrated in the service sectors where the lowest rates of completion are currently reported. Specifically, Steedman argues that there is a need to establish more national consistency with MA so the qualifications are able to have value in the labour market across Britain. She goes on to state that the social partners, unions particularly, need to participate more in the regulation of MA and address the current limitations of MA before it can go forward.

The Government has consistently set targets for MA to match, in order to address the limitations of the system that was set up under a Conservative Government. Unfortunately, both Ryan & Unwin and Steedman (2001) acknowledge that the targets are not enough to address the limitations identified above. Currently, the British Government is also attempting to address these problems by implementing a system of tax incentives. This approach of leaving the quasi-market in place but still creating room for state intervention in the form of targets and tax incentives seems to reflect very much the 'third way' as defined by Giddens (1998; 2000). That is, one
where the market prevails but where the State is able to address some of the inequities created by the market system or ‘form of regulation.’

Eichbaum (1999) argues that while Giddens’ ‘third way’ may in part offer an alternative political and economic pathway, countries must adapt how they implement its ideas to account for their unique contemporary and historical context. The next part of the article examines the introduction of MA in New Zealand and, in particular, the ways in which the policy is being adapted in order to take account of the specific context of the country’s economic, cultural and social needs.

**Modern Apprenticeship in New Zealand**

Leading into the 1999 election, Maharey, as Labour’s spokesperson on employment, used the concept of Modern Apprenticeship as part of a political programme that was presented as a response to the ‘crisis’ in training. Labour’s response accepted the role of the employer and the market but also reintroduced a role for unions and a stronger notion of state intervention in order to ‘steer’ all post-compulsory education and training (Law, 2002; Skill New Zealand, 2002b).

Since the election, Modern Apprenticeships have been presented as a ‘showcase’ programme that provides a *prestige* pathway for young people, aged 16-21, to learn in the workplace (Maharey 2000). Both the Minister (Maharey 2000) and the Prime Minister (Clark, 2000) have cited the statistic of young workers making up less than 10% of trainees in 1999, to highlight the urgency to target youth in New Zealand. They also highlight the lack of the support previously given to employers who do train. The appointment of MA co-ordinators is seen as a way of redressing that problem.

**Statutory Basis**

The first step to implementing the system of Modern Apprenticeship was to pass the Modern Apprenticeship Act 2000. Two key elements in the first Part of the Act set out is the provision that apprentice Training Agreements were to have the same effect as employment agreements and that the code of practice was to be taken into account by the employment regulatory institutions in New Zealand (New Zealand Government, 2000). This statutory recognition of apprenticeship Training Agreements is the first departure from the British system where the relationship between the employer and the trainee is a ‘pledge’ and does not have the same level of statutory backing (Ryan & Unwin, 2001; Steedman, 2001).

In New Zealand, ITOs design industry training, including the proportion of on- and off-the-job training. This is similar to the role of NTOs in Britain. A difference, however, is the statutory role of unions. The New Zealand Government has confirmed that forthcoming tertiary education legislation will reinstate employee (union) representatives on ITOs. This proposed change will represent another significant departure from the British system where, as Ryan and Unwin (2001) note, the role of the social partners has been much reduced.

**MA and the qualifications framework**

MA in New Zealand is locked into the country’s national qualifications framework (NQF). As in Britain, MA is a two tiered system. Qualifications will be offered at level 3 and 4 on the qualification framework (Maharey, 2000). Level 3 is the initial
trade certification; level 4 will normally be the advanced trade qualification. However, where an ITO offers more higher level programmes or diplomas, modern apprentices will be able to proceed to national qualifications at levels 5 and 6 (NZQA, 2002b). While this two tier structure is similar to the British model, the levels are weighted differently. In New Zealand level 3 is the equivalent of the final year at high school; level 4 is equivalent to first year polytechnic or business qualification. In Britain, both the initial and advanced MA qualification are equivalent to qualifications from the senior secondary school. It will be interesting to see if the higher weighting in New Zealand has any impact on the labour market value of the MA qualification.

The unit standard approach to MA means that, the learning can be completed primarily in the workplace and at the apprentice's own pace within the limits of their training plan (see below). Thus, as in the UK, modern apprentices can ‘earn as they learn’.

**Co-ordinators**

Part Two of the MA Act outlines the role of co-ordinators and how they are funded (New Zealand Government, 2000). The position of co-ordinator is another departure from the British model. The role is shaped by the code of practice provided for in the MA Act. The code has ministerial approval and is administered by Skill New Zealand (New Zealand Government, 2000).

The co-ordinators have been drawn from a number of different areas including PTPs, ITOs and polytechnics. This proliferation of public and private providers servicing the needs of industry trainees has also occurred in Britain. This proliferation of providers can be seen to reflect the funding system implemented in Britain and New Zealand under neo-liberal governments which was designed to encourage competition in the provision of workers’ education and training. This has the potential to produce variation in how the role of the co-ordinator and their relationship with the Modern apprentices are managed. For example in operational terms, some co-ordinators have 60-70 apprentices, while others have 200 yet the role is meant to be determined regionally. It also allows for the development of a problem identified by Ryan and Unwin where in Britain private providers outnumber employers in providing MA programmes. This could have serious repercussions in terms of MA functioning as an alternative ‘prestige’ pathway to nationally recognized qualifications and employment. This is because it could harm the labour market value of the qualification that embraces this type of ‘third party’ approach. It is important to note, however, that this use of a third agency is effective in obtaining partial commitment from employers who would not commit at all if they had to take sole responsibility for the modern apprentice.

The co-ordinators are recruited by Skill New Zealand and report to both this government agency and the Industry Training Organisations (ITOs)/National Standard Setting Bodies (NSBs), where the apprentices’ training agreements are lodged. The co-ordinators report to these agencies on the training plan they have negotiated with the modern apprentice and employer. The monitoring of the training plan is the co-ordinators main role. Co-ordinators have to liaise with their apprentices every three months to check on the apprentices’ progress and revise their training plans if and when needed. This requirement differs from the British system which does not have co-ordinators and does not have a nationally regulated review process. It is
anticipated that this measure will alleviate some of the completion problems present in the British system that serve to limit its effectiveness as an alternative pathway to nationally recognized qualifications.

Funding
Currently, co-ordinators are funded by Skill New Zealand on the basis of the number of trainees they have enrolled. Funding is provided for in the country’s budget and allocated from a separate specific MA pool of funds. It is distributed through Skill New Zealand, in a similar fashion to the LSC in Britain. Skill New Zealand is a government agency. Its primary function is to fund and purchase education programmes for the unemployed and via ITOs, industry trainees, which are provided by public or private training providers (PTPs) and designed by ITOs or NSBs. This means that a funder-provider model is utilized and the role of the state is limited by the use of a further agency that distributes funds contestable to promote competition. This system was established under the conservative, National Government and is the same funder/provider process utilized in the British system.

In 2001 the Government announced that it would increase funding by over $40 million in order to reach the target of 6000 apprentices by the end of 2003 (Skill New Zealand, 2002a). This use of targets is also similar to the British system.

Experiences to date
Since 2000, Skill New Zealand has run pilot programmes in five industries. The aim was to recruit 500 apprentices by the end of 2001. Subsequent targets are 3000 apprentices by the end of 2002 and 6000 by the end of 2003. The focus is on youth. By March 2002, there were 2648 modern apprentices (Skill New Zealand, 2002). This indicates that the targets are realistic. The continued use of public and private providers focused on the needs of Maori also means that the principles of the Treaty of Waitangi are being met and the unique needs of New Zealand indigenous peoples are being catered for. Participation by Maori in MA and industry training in general seem to reflect emphasis driven by the government and implemented by community.

In spite of these early successes with Maori participation it is possible to identify some worrying trends in participation. Furthermore, given some of the reported weaknesses that have emerged with the British programme, it is possible to foresee similar problems arising in New Zealand. In summary, the following points of concern are already emerging:

- participation by women and Pacific Island peoples is very low, respectively at 5% and 2.2% (Skill New Zealand, 2002);
- disparity in participation figures across industry sectors;
- reliance on pre-existing infrastructure from the need to lock qualifications into NQF; and
- as in Britain, there is no guarantee of employment when training is completed.

The ability of MA to meet its targets serves to prove that the initiative has successfully increased access for youth to both the labour market and education and training. However, once the grouping of youth is stratified, women and ethnic minorities do not seem to be able to access MA and through it the labour market with the same levels of success. This raises serious questions regarding equity about the
ability of this programme to meet the needs of youth as a whole, especially when the participatory trends present in the British system are taken into account (see above).

An additional concern regarding participation rates is that the highest figures are in the traditional industry sectors that have long established trades training programmes. This relates to one of the limitations of the MA programme identified in Britain, where the completion rates differed between service and industry based sectors. This trend in participation rates in combination with no guarantee of further employment could seriously limit the labour market value of the qualification. If this problem arose to the same extent as it has in Britain, it has the potential to prevent MA from achieving one of its key goals. Which is, to provide a ‘prestige’ pathway to employment and further education and training.

Summary

The British modern apprenticeship programme dovetails quite neatly with Giddens’ model of a ‘third way’. In order to assess whether or not the New Zealand version of MA ‘fits’ in a similar manner with Giddens’ ‘third way’, the similarities and differences between the two needs to be highlighted. To summarise, the main similarities are:

- the ‘earn as you learn’ concept;
- qualifications locked into National Framework;
- the funder-provider system;
- the opportunity for either employers or private training establishments to provide the supervision and on-the-job training of MA; and
- the use of targets to increase participation in the vocational pathway.

The main differences are:

- statutory recognition of the MA programme itself and within that the training agreement and code of practice;
- the position of co-ordinator; and
- the decision to promote more the interests of employees within industry by a return to tripartism which will promote the involvement of both the government and the social partners, specifically unions.

The similarities between the two systems serve to illustrate both the legacy and the continual adoption of British ideas in the area of industry training in New Zealand’s policy and practice. However, the differences between the two systems serve to illustrate that while they share a name and some policy and practice there are clear differences in how the two are being implemented. These differences are important as they could contribute to the system in New Zealand avoiding some of the limitations that have been identified by Ryan and Unwin and Steedman (2001). The position of co-ordinator, in particular, has the potential to address the completion issues and the low employer commitment that seems to limit the success of MA in Britain. The differences are also important because they can also serve, in part, to illustrate how the New Zealand approach to the ‘third way differs from that of the Giddens/Blair approach.
Conclusion
This chapter has examined three aspects of British influence on New Zealand industry training:

- the historical legacy of the traditional apprenticeship system;
- the late 1980s introduction of competency based training, the adoption of a National Qualifications Framework, and the shift to industry-led provision; and
- the recent adoption of Modern Apprenticeship.

As noted above, the British approach to modern apprenticeships appears to fit neatly into Giddens’ notion of a ‘third way.’ The interesting question is whether or not that is equally true of the New Zealand approach. A full answer would, of course, have to be located in the context of the Labour-led government’s broader socio-economic strategy. That is far beyond the scope of this paper. However, at the micro policy level explored here, a partial answer depends on how much weight one places on the differences between the British and New Zealand approaches to modern apprenticeships. If little weight is placed on the differences then the New Zealand approach can be viewed as, perhaps, ‘third way plus.’ But if the differences, such as legislation, co-ordinators, and the use of charters to define the scope and role of an ITO, are regarded as significantly more prescriptive or interventionist, then the New Zealand approach begins to look more like that of a traditional social democratic/Labour Party, but with one major exception: the Labour-led government does not have the capacity or the intention that the state, as an employer, resume any significant role in apprenticeship training.

Irrespective of the conclusion one reaches with respect to the ‘third way’ character of the New Zealand model, there is no doubt about its heritage. While the idea and much of the form of the modern apprenticeship programme has been borrowed from Britain, New Zealand’s current industry training policies have their roots in the 1980s. In brief, they trace back to the era of the Australian Accord, to the influence of the Australian Metal Workers’ Union, and to the specific proposals presented in Australia Reconstructed. And it was the New Zealand union movement, most notably the Engineers’ Union, that kept those ideas alive during the 1990s and carried them into Labour Party policy.

Finally, in that Australia Reconstructed was itself influenced by Northern European (German and Scandanavian) approaches to industry training, there is a powerful sense in which current New Zealand policies are indebted not so much to Blair and Giddens’ ‘third way’ but rather to the more longstanding and more comprehensively social democratic Scandanavian model.
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