Do industry training reforms meet the needs of a medium sized electrical manufacturer? A case study.

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The Industry Training Act 1992 introduced significant changes to vocational education and training in New Zealand. Based on a case study of a Waikato firm, this paper investigates whether the changes resulting from the Industry Training Act 1992 have enabled a medium-sized electrical manufacturing firm to meet its training needs. The paper also examines questions relating to wider issues in regard to vocational education and training in New Zealand. Specifically, it discusses the issue of voluntarism, as it relates to the funding of Industrial Training Organisations (ITO), the creation of qualifications, and the proposed removal of developmental funding that is presently provided through the Education and Training Support Agency (ETSA).

Introduction

In the late 1970s, the dominance of the ideology that created the post-war consensus associated with Keynesian economic policies began to wane. Undermined by the oil-shocks, rising unemployment and rapid inflation, social democracy had few answers to the neo-liberal arguments that favoured the comprehensive structural reforms popularised by the Thatcher and Reagan administrations (King, 1987). In the mid-1980s, New Zealand adopted a similar approach. However although the Labour Government, elected in 1984, had an unmistakable new right agenda, the nature of the Labour Party was such that obligations to various internal and external constituencies compelled it to navigate a path between neo-liberal and social democratic imperatives. One piece of legislation that attempted to reconcile these tensions was the Education Amendment Act 1989 (Law, 1996).

On the one hand, this legislation created an environment that was premised on an individualistic concept of Human Capital Theory. This allowed for a market driven approach to education and training, including private provision (OECD, 1993). On the other hand, the 1989 Act attempted to preserve a tripartite relationship involving employers, government agencies and unions through membership on the New Zealand Qualifications Authority (NZQA) and the Education and Training Support Agency (ETSA). Labour also intended that workers, normally through unions, be represented on Industry Training Organisations (ITOs).

The National Government, elected in 1990, had no obligation to continue to reconcile neo-liberal and social democratic imperatives. Instead, as illustrated by the Employment Contracts Act 1991 (ECA) and other similar permissive legislation, National was committed to a much more ideologically pure neo-liberal agenda (Boston, 1991). The ECA effectively dissolved the tripartite structure that had previously characterised much of New Zealand's industrial relations policies by removing trade union's traditional statutory position in regard to bargaining (Deeks, Parker & Ryan, 1994).
This was mirrored in the Industry Training Act 1992 (ITA), which contained no statutory provisions for unions to be represented, as of right, on ITOs.

**BACKGROUND**

This section briefly sketches the institutions, legislation and regulations allocated in the restructuring of workers' education and training in New Zealand. It also examines the ideological implications of this restructuring.

**Industry Training Organisations**

An ITO is:

... a body corporate for the time being recognised under section 5 or section 8 (1) of this Act (1992, p. 3):

An industry is defined as:

... 2 or more enterprises that use -
(a) Similar inputs and methods of production to produce similar products;
or
(b) Similar methods to provide similar services:-- in relation to any industry training organisation, means the industry in respect of which the organisation is for the time being recognised (1992, p.2).

ITOs are formally recognised by ETSA on behalf of the Government, once it is confident that the ITO satisfies the criteria set out section 5 or section 8 (1) of the ITA 1992. ETSA recognises ITOs in accordance with the following criteria:

- represent and are funded by employers in the industry,
- are responsive to the training needs of the industry,
- have the necessary resources of skill and knowledge to set-up, administer, and monitor the quality of the industry's training programmes,
- intend that their training programmes cover a wide range of levels in the national qualifications,
- avoid unnecessary duplication of effort,
- intend to include employees in their work (ETSA, 1992).

ITOs' primary task is to facilitate the setting of skills or unit standards and administering the delivery of industry-based training (ITA, section 6, 1992). They can achieve this in two ways. First, ITOs can directly liaise with individual enterprises in order to gain an adequately representative understanding of what is needed to be included in the unit standards. Second, ITOs, in conjunction with a set of industry specific enterprises, can set up an Industry Advisory Group (IAG) (Smelt, 1995). The second option is usually favoured when the ITO covers more than one industry or an industry with several divisions. When the standards have been agreed upon, the ITO sends them to the New Zealand Qualifications Authority (NZQA). The standards are then examined to determine that they meet the requirements of the NZQA. Formally recognised standards are placed on the National Qualifications Framework.

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¹The umbrella organisation that unites all the formally recognised qualifications in New Zealand. It was created by the Education Amendment Act 1989.
Once unit standards and qualifications have been formally recognised, the ITO's secondary task of monitoring training contracts begins. An enterprise that has included a training component in an employee's employment contract has to notify the ITO, which then monitors the employee/trainee's progress (ITA, section 6, 1992).

An ITO's membership can be constituted in a number of ways. In many industries that had established training bodies, the ITO is simply a revamped industry training board which retains both employer and employee representatives. However one of the ITA's provisions was to encourage the creation of industry training where none had existed previously. In such cases the membership of the ITO often consist of enthusiastic enterprises and interested parties.

ITOs' funding comes from two sources. The bulk of funds is supposed to come from the enterprises that form the industry that the ITO covers. This contribution is voluntary. Compulsory levies were proposed initially, however intense lobbying from the Employer's Federation and the Business Roundtable ensured that the voluntary option was legislated for in the ITA (Employers' Federation, 1991). The second source of funding, and one that has to date made up the bulk of the funding, comes from a contestable fund administered by the ETSA on behalf of the Government.

Individual ITOs make bids for the funds either for the setting of skills standards or for administration of training (ITA, section 10, 1992). However these funds have often been used instead to make up the industry supplement. Smelt, (p. 5, 1995) reported that up to 90% of an ITOs' funding was supplied by the Government. This is rather ominous as the contestable fund administered by ETSA is scheduled to be reduced as the Government has determined that the development phase of ITOs, for which the funds were allocated, is now over (Smelt, 1995).

**Ideological Implications**

*Move to a Permissive Regime*

National's legislative changes have accelerated a change from a prescriptive to permissive regime in line with a neo-liberal ideology. This began with the Employment Contracts Act 1991 (ECA) and was continued by the Health and Safety in Employment Act 1992 (HASE), The Privacy Act 1993, and the Industry Training Act 1992.

Permissive legislation sets out the bare minimum requirements. In the case of the ITA, loose and vague phrasing has led to considerable confusion and problems over what exactly constitutes an industry and which ITO covers it. For example, the Engineering ITO and the Electro-technology ITO have similar training needs but the existence of two ITOs in a closely related field means that there is an overlap in the unit standards required by them. This is at odds with some of the basic principles underlying the ITA. It has also created problems for large firms, such as Tasman Pulp and Paper, which has had to deal with multiple ITOs in order to create a qualification system for its workplace (NZQA, 1997).

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2 The NQF is an eight level structure on which unit standards and qualifications must be located.
Minimum State Intervention
A major aspect of the regime implemented by National is the neo-liberal drive to decrease state intervention in education and training (King, 1993).

In the more prescriptive era, training legislation required a tripartite relationship between the Government, unions and employers so that industry training could be developed jointly by all three parties (See Vocational Training Council Act, 1982). The introduction of the ITA dissolved this relationship. No provisions were made for unions and the role of the state was reduced to a facilitative framework, ETSA recognition, and transitional funding of ITOs. The changes had two purposes: first, to fit in with the neo-liberal drive to reduce state intervention and deregulate the economy; second, to make workers’ education and training industry-led and open to market forces.

Voluntarist Model
Individual freedom, defined as freedom from coercion, is a major philosophical premise underlying the neo-liberal ideology (Upton, 1987). This philosophical premise is also being applied to education and training. The government made the funding for ITOs, aside from ETSA’s contestable fund, voluntary and industry-based. This voluntary model has come under considerable criticism in New Zealand from the CTU and other critics, who claim that industry training is under-funded (Collins, 1997). That 90% of ITOs’ running costs have been met by ETSA seems to confirm claims that industry will not voluntarily fund ITOs. This is in line with research in the United Kingdom (King, 1993, Keep and Rainbird, 1995) which show that the voluntary model does not work.

Contradictions within the neo-liberal paradigm
The contradictions between the various concepts that form part of the neo-liberal paradigm have been observed ever since the introduction of the ECA (Kelsey, 1993, Deeks et al, 1994). The ITA is no exception to this trend. Along with freedom, the concept of the ‘individual’ is philosophically paramount to neo-liberalism (King, 1987, Brook, 1990). The whole purpose of the ECA is to promote workplace and individual bargaining. The Act puts the individual at the centre of the process. This is to ensure labour market flexibility.

The ITA, however, contradicts this a little in that it encourages enterprises that are competing with each other to come together to set training standards common to all.

When enterprises are essentially complementary, such as in the dairy industry, there is a basis for co-operation. But in industries that are highly competitive within New Zealand, such as the banking industry, there is no similar basis for co-operation. Thus when the banks did come together as an ITO, they could agree on nothing and the decision to form an ITO was soon abandoned, in spite of a large amount of initial interest and government seed funding (Smelt, 1995).

CASE STUDY

Introduction
This case study was completed in 1997 as part of the requirements for a graduate class in adult education and training. The purpose of the case study was to investigate if the needs of a medium sized firm were being met by the industry training reforms.
The research consisted of: two interviews using open-ended questions; a tour of the enterprise’s four work sites; and a literature review. The first interview and tour was with the CEO and principal owner of the enterprise. This was followed by an interview with the enterprise’s training officer. The enterprise selected for the case study is a well established electrical manufacturing firm that has a number of work sites. There are four sites based in the Waikato. Over the four sites the enterprise employs an average of 80 workers of whom forty form permanent, skilled core.

Culture
It became apparent during the tour of the four work sites that the enterprise’s current success and ability to survive the recession of the early 1990s owed a great deal to the CEO’s charismatic and pragmatic leadership role. One could also observe that it had a great deal to do with the enterprise’s culture and how it was modified.

The CEO in the course of the tour explained how the enterprise had, in order to survive, significantly modified the nature of work and the culture dictating it. The enterprise had changed to an approach that was seen to be more open to the market, with a reduction in hierarchy and a more lateral decision making process. This blurred the lines of division between the workshop floor and the office.

As the culture and nature of work within the enterprise was reformed, so too were the enterprise’s training needs. During the tour it was noted that each of the work-sites has within the culture of the enterprise its own individual variations in culture and products. This in turn serves to modify the enterprise’s training needs also. For example, the purchase of an automated system for one site meant that instead of requiring manual labour, as was required on the other work sites, it required a worker with considerable computer skills. One implication of this was a modification of the training needs of that site and a shift in culture to include a different type of worker and a different set of skills.

Restructuring
During the interview it became quite clear that the CEO’s personal interest in education and training ensures that training is a priority for those who want it within the enterprise. This personal interest of the CEO was evident from his considerable knowledge of the system governing workers’ education and training prior to the restructuring of the late 1980s:

... what we find, and this gets very personal to your training question, when work is very tight and you go throwing out all your skilled people, and really a lot of our success today is because we have retained our skilled people through the depressions and recessions and all the changes, if you chuck them out it's a bit like taking the weather boards off the house to light the fire. Because then you're no longer the organisation you were and you just become basically de-skilled contractors and so it's quite important to maintain that integrity. So therefore an organisation is like an institution... skill level and training is really fundamental, if you start playing around with that you have got to be really, really careful.

But the CEO was confused by the new system:

... I knew all this stuff once and now I don't know anything.
This could simply be a symptom of the recent nature of the restructuring, given that the firm is well established and the CEO would have acquired that knowledge over a number of years. Or it could be a result of the confusing nature of the information supplied regarding the restructuring of the qualifications, an aspect of the change that has been critiqued by a number of commentators (Chamberlain, 1996, Smelt, 1995, HMS, 1993) and by the CEO himself:

...I actually don't know anything about it (restructuring). I couldn't make heads or tails of it. I have nothing to do with it... at the moment I actually don't have any qualifications.

However the CEO was not full of praise for the old system; he acknowledged in the interview that there was a definite need for change:

No, no it had to change and I think that, I think really that the main criticism is the management of the changes, and that of course is the most difficult thing... the old system wasn't perfect at all.

But the CEO still believed that the old system had a few positive elements over the new. One was the lines of communication established, which vanished with the restructuring:

...under the apprenticeship system what used to happen was the apprentices would go to a polytechnic and their teacher would know the employer and they would all interact.

This ensured that within an industry knowledge was pooled and that all employers knew what each other was doing in training. The straight forwardness of the old system was also seen as important to the CEO:

...under the old system it was clear. I understood you (employee) had an apprenticeship. It was X number of years. They went to night school or they went to polytechnic in the day or whatever and they sat two exams, a series of exams and at the end of it they were finished and then after a year they were registered. There it was, it's just basic.

Another positive element in the CEO's opinion was the particular style of learning involved in apprenticeships:

...one of the advantages of the apprenticeship system was that people could learn by watching. And they didn't have to take responsibility. The system we have got now tends to favour people who are brighter, more intelligent. Yet the old apprenticeship system favoured a wider range of people, in my view.

One of the claims of the new qualifications system is that it favours a range of learning styles, indicated by the lack of prescriptive legislation regarding the actual delivery or teaching of the skill standards. However the advantages of this lack of prescription is are debatable (Chamberlain, 1996). The CEO also believed that employees being able to obtain a recognised qualification was a positive of the old system.
Enterprise Training

In the process of the second interview, the training officer explained that once the national training regime was restructured, the firm effectively lost its formal, recognised qualification. While the ITO representing them was one of the first five ITOs to be registered, such was the industry coverage it did not create a qualification for the industry to which enterprise belonged. The training officer explained that previously the enterprise had been able to use another industry's qualification as part of its training towards an apprenticeship but restrictions introduced by the restructuring and the ITO put a stop to that and made it impossible for the firm's workers to gain any kind of formal recognition of training specific to the enterprise's industry:

We haven't had much to do with the ITO because... we weren't in a position to train... under the criteria that they have because we don't do any outside work. So we can't teach those skills and because of that we are effectively locked out of training apprentices... We used to be able to do it... They had to have 2000 hours... experience. Some of which we could give ourselves, but that's become more difficult and in fact the structure has become a bit more rigid.

Accordingly, the firm reported having a rather negative first impression of the restructuring and felt that the new system was inflexible and did not meet its training needs. However this firm had survived a recession that had put most of its competitors out of business. It also had a specific interest in training and was not prepared to allow the status quo to remain. The training officer stated that he had been in communication with the ITO and as a result had become a part of an Industry Advisory Group (IAG) set up by the ITO to create a qualification specific to the firm's industry. The Training Officer said that as the ITO already had skill standards that the industry could use for about eighty percent of the qualification, it only had to come up with about twenty percent of the qualification to make it specific to industry's needs.

As the research on the firm was completed, the IAG was in the process of getting these new standards approved by the NZQA. The training officer stated that the firm would, once the standards were approved, be prepared to contribute to the ITO in return for monitoring training contracts. Until this point however, the firm was not prepared to fund the ITO. This illustrates rather neatly how even a firm committed to training is reluctant to fund an ITO until it sees tangible benefits.

Even though by its completion, the research reached positive conclusions regarding the initial question: 'does the restructuring allow the firms training needs to be met?', it also found that close to a decade had lapsed between the demise of the old system and the introduction of the new. In the CEO's words, the process has been managed poorly. The case study also provided valuable insights into the firm's attitude to ITO funding.

Lessons

As previously noted, the issue of funding has been debated ever since the publication of the Government's 1991 Industry Skills Strategy. The New Zealand Council of Trade Unions (1991), felt very strongly that compulsory employer levies were the most effective way to ensure that the ITOs were to be funded adequately. The Employers' Federation and the Business Roundtable felt otherwise and successfully lobbied the government until this particular provision for the funding of ITOs was removed.
From my research, I see little to justify the Employers' Federation and Business Roundtable's point of view and much to support the CTU's. The statistic reported by Smelt is telling, even though it is at least three years old. The fact that the government was supplying 90% of ITOs running costs - running costs not developmental costs - illustrates the ineffectiveness of voluntary funding schemes. With the withdrawal of Government funding the very survival of ITOs is threatened.

The developmental stage of ITOs may be considered to have passed and 80 percent of industry may be covered by an ITO, but there is nothing to suggest that this automatically ensures that an industry has a qualification or that workers are engaged in training. The case study illustrates this point. The enterprise’s ITO was one of the first five to be recognised in 1993. However such was the plethora of industries it represented, the ITO was unable to facilitate the enterprise’s industry qualification until 1997, four years after it had been formally recognised. The ITO’s response would be that it was under-funded and lacked adequate industry support. This highlights the point noted earlier: the relationship between funding and client expectations. The enterprise I studied saw absolutely no reason to fund an ITO that did not aid the process of training within its organisation. It did however state that once the ITO contributed by monitoring the training contracts of employees, the firm would contribute.

CONCLUSION

Prior to the restructuring certain expectations existed regarding the roles of the parties making up the tripartite relationship. When the changes were implemented nothing was initiated to alter these expectations. Because of the tripartite system that had been in place prior to the restructuring, there were expectations placed on the government and the new ITOs by enterprises to provide tangible benefits. When that expectation was not fulfilled enterprises, as in the case study, are disinclined to contribute money to an organisation that in the eyes of the enterprises, provides nothing. While this is no longer a problem for the ITO in the case study, I am inclined to believe that it could well be a problem for recently established ITOs. The ITO in the case study had four years of government funding in order to place itself in a position where it could fulfil the enterprise’s expectations. Now this funding is to be removed. The implications of this is threefold: One, the ITOs that have recently formed will not have the advantage of those established earlier in terms of access to government funding. This will place them in a vulnerable position that will in time facilitate takeover bids by the richer ITOs. Two, the ITOs that have recently established will not be in a position to fulfil their clients' expectations, due to the lack of Government funding which means that even enterprises that are keen to train will not fund the ITOs. These two points combined could possibly led to the collapse of recently formed ITOs, as they will not generate sufficient funding from the private sector and they definitely will not receive sufficient funding from the public sector. All this ensures the third point: that in spite of the presence of a representative ITO there will not be any formal recognised qualifications, as the ITOs will struggle to fund their running costs, quite aside from its task of setting and administering unit standards.

3The Food and Beverage ITO was amalgamated by the Engineering ITO when it ran into financial difficulties.
This and overseas research (King, 1993, and Keep and Rainbird, 1995), lead me to believe that the original CTU objection to voluntary funding was very justified and that unless the system is substantially reformed, its ability to combat the skills crisis currently facing New Zealand is in doubt.

In summary, for the crisis in education and training to be overcome, there has to be a shift in public policy. First, government funding has to be restructured to a level where the ITOs are in a position to fulfil their clients expectations; second, there has to be some legislative measure that compels employers to contribute significantly to their ITO. The prospects for either possibilities are presently dim.