

NZCIC submission on the Redesign of the VET System – September 12, 2024

Introduction

The proposed reforms confirm the disestablishment of Te Pūkenga to find a sustainable solution for the deteriorating financial position of ITPs, with a decentralised model that returns decision-making to regions. The Minister in her foreword in the Consultation document (p4) states:

‘Strong industry voice in vocational education is critical’.

A decentralised model, with weaker (or no) WDCs will have a severe impact on industry ‘voice’. A sector report earlier this year placed strong emphasis on ‘valuing the industry voice’, and it is telling that the word ‘voice’ appears only twice in the consultation document, in the introductory remarks.

The interface between industry and government is key to ensuring that industry doesn’t lose its voice. The current proposals raise concerns that industry may lose its voice as there is not a direct link to Government agencies particularly TEC. Without these direct links, it will be too easy for Government not to listen to industry.

Under RoVE, WDC (particularly for the construction sector, Waihanga Ara Rau) have actually improved these important links between industry sectors, across the VET system, and government. WDCs are delivering value for industry that goes beyond their core standard-setting functions by providing an industry voice into VET investment, to ensure better matching of skills to demand, which they did not have previously. They are also a voice for small industries, as well as the larger ones, through industry advisory groups such as Strategic Reference Groups (SRG), to better meet their needs.

The Minister’s foreword – like the consultation document itself – is very focused on resolving the ITP/campus-based issues of Te Pūkenga and is light on the vocational education system. There is a focus on regional management, but it is unclear how this would be managed for smaller sectors and how industry input would occur.

In fact, the document is notable for what it doesn’t address: there is limited mention of PTEs, which have an important role and deliver 18% of vocational education. Similarly, there is limited attention in the consultation documents to the role of wānanga, TEC or NZQA, careers advice, or MSD (which spends \$800m annually on short courses). There is also a lack of attention given to pathways, or input, into the wider VET system. It does not address Learner Success. Vulnerable learners needing additional levels of pastoral care appear to be ignored or removed (through reductions in funding).

The main driver of the changes would appear to be how the funding system could change to support the ITPs, most of which have been losing money for at least 10 years. The key change is to re-direct funding from Work-Based Learning (WBL or on-job) to Provider-Based Learning (on campus or off-job). Approximately 80% of training in the construction and infrastructure sectors is delivered on-job via WBL.

The proposals would see the end of the WDCs (Workforce Development Councils) either entirely, or in their current form, which currently cost \$55m annually; however, the work done by the WDCs (particularly consultation with industry) would still need to occur somewhere in the system and would still incur cost. The proposals would meet these costs (wherever they may lie) by re-directing money from the funding provided for delivering training to apprentices and trainees.

The Consultation (p10) asks *'Why is change needed?'*, and conveniently provides an answer:

'There has been a lack of action by Te Pūkenga since its establishment in April 2020 in addressing the underlying financial sustainability issues at many ITPs, including those that have now become critical. In 2023, all of Te Pūkenga's ITP business divisions reported a deficit. This deteriorating financial position of the sector signals the urgent need to address the long-term financial sustainability of the ITP network.'

This explains the financial background for the reforms, and the woeful performance of the ITPs. This is also the clearest statement that the reason for the proposed changes (and the consultation) is not to improve vocational education, but to salvage the ITPs. The proposals are misnamed: this is not the *'Redesign of the VET System'* but the *'Resurrection of the ITP network'*.

It is interesting that *'all of Te Pūkenga's ITP business divisions reported a deficit'* last year in light of the intent of the Reforms that *'ITPs that have a clear pathway to financial sustainability as stand-alone institutions will be ...re-established as autonomous entities from 1 January 2026'*. If there is a clear path, it is quite hard to see.

The Consultation also states (p10):

'In the past four years, financial performance has deteriorated significantly under Te Pūkenga – with a key factor being the transition to the unified funding system, which lowered tuition subsidy rates for provider-based delivery.'

Blaming the poor financial performance of the ITPs on the Unified Funding System is disingenuous as (unlike PTEs) the Strategic Component Fund was not contestable for Te Pūkenga; this meant that they were not affected much (if at all) by the lowered tuition subsidy rates for provider-based delivery.

The Consultation identifies (p10) that since 2017, the ITP sector as a whole has reported a deficit every year, noting that there are several causes for this:

- *Domestic full-time equivalent enrolments at ITPs fell by around 30 percent between 2010 and 2023*
- *International full-time equivalent enrolments have fallen by around 60 percent between 2016 and 2023*
- *Tuition subsidy rates have been reduced or have not kept pace with inflation*
- *Te Pūkenga has failed to right-size ITPs' costs to reflect lower enrolments*
- *Poor governance and management investment decisions have lowered available cash (or increased debt) and increased ongoing operating costs.*

These are excuses masquerading as reasons. There is no evidence that restructuring, dismantling, and/or replacing Te Pūkenga will address any of these issues.

The Consultation also states (p24):

'Further changes to the funding system settings will be needed to align with, and support, the redesigned vocational education system. In particular, the ongoing viability of both ITPs and PTEs will require a rebalancing of funding back towards provider-based delivery. These changes will need to be delivered within the current level of overall funding for vocational education.'

The funding system is likely to be the area of biggest concern, but it is the area with the least detail in the proposal. The stated intent that, *'the ongoing viability of both ITPs and PTEs will require a rebalancing of funding back towards provider-based delivery'* is clearly designed to prop up the inefficient ITPs at the expense of work-based learning. This is a case of robbing Paul to pay back Peter, who robbed from Paul in the first place.

The proposal (Option 2A) is essentially a return to the previous, pre-RoVE, regime of ITOs – with a name change to ITBs. Stating (p20) that there will be *'possibly up to 8'* is disingenuous given that 8 are explicitly identified in the diagrams in Figures 3 (p13) and 4 (p14). The specificity of the names of each of the 8 is surprising given the reluctance to identify any of the ITPs that are likely to be either autonomous or part of the federation in Proposal 1.

About Option 2A, the Consultation states (p20):

'This option would be similar to the previous industry training system, but with changes to improve performance and avoid historic issues re-emerging, especially regarding the delivery of training.'

The intent to, *'avoid historic issues re-emerging, especially regarding the delivery of training'* is welcomed, but there is little detail about how this could be achieved.

This document includes a discussion of themes raised by the proposals, followed by a section of answers to the individual questions asked in the consultation document.

Themes

This response identifies a number of themes raised by the consultation document.

1 Industry-led

The Minister in her foreword in the Consultation document (p4) states:

'We want a model that is better connected to employers, including small and medium enterprises, so that they have a sense of ownership of industry training.'

To achieve this, the Government proposes to disestablish Workforce Development Councils and establish an industry-led system for standards-setting, qualification development, workforce forecasting, and industry training.'

It is striking how any 'sense of ownership of industry training' has been completely stripped away in the proposals, with the proposal to make the ITBs crown entities – owned by government – with no industry ownership at all.

The Minister, again, in her foreword in the Consultation document (p4) states:

'Our proposals will put the vocational education system on a sustainable path and restore accountability and responsibility to communities and industries, while removing unnecessary complexity and bureaucracy.'

This beggars belief; the vocational education system is already on 'a sustainable path' – it is the ITPs that are unsustainable. Far from needing to be restored, the WDCs, together with the SRGs, the Workplace Training divisions of Te Pūkenga, PTEs and industry, are currently accountable and responsible to 'communities and industry.' The WDCs have simplified industry engagement and reduced bureaucracy. You need look no further than the ITPs within Te Pūkenga to find an excess of complexity and bureaucracy.

Ironically, the WDCs were an industry-guided system, and it is expected that any new system would be remarkably similar to the disestablished WDCs.

The Consultation states (p20):

'As part of moving to either model, the Government would also look at how industry coverage can be organised to ensure it appropriately reflects industry needs and results in a cohesive, high-performing group of new entities. This may involve exploring the potential for efficiencies through shared and centralised services in areas such cybersecurity, insurance, and procurement.'

There is a lack of clarity about what is meant by, 'a cohesive, high-performing group of new entities'; recreating ITOs and calling them ITBs will not ensure that they are necessarily cohesive or high-performing. The idea of 'shared and centralised services in areas such cybersecurity, insurance, and procurement' is interesting, but suggests a more centralized model than the creation of eight ITBs.

The Consultation states (p20):

'standards-setting bodies would have a streamlined strategic workforce analysis and planning function. This would be narrower than Workforce Development Councils' current 'skills leadership' function. It could include activities such as labour market analysis, forecasting, and developing plans to support training investment and the ongoing supply of skilled workers.'

The continuation of a streamlined strategic workforce analysis and planning function – albeit narrower than WDCs' current 'skills leadership' function – is welcomed, particularly the invaluable, *'labour market analysis, forecasting, and developing plans to support training investment and the ongoing supply of skilled workers.'* It is unclear how dismantling the WDCs to save \$55m, will result in these functions occurring – and being appropriately funded – within either new ITBs or reduced WDCs.

If the functions are narrower than current WDC functions, why not keep the current WDCs and simply narrow (i.e. reduce) their functions?

2 Support for small industries

The proposals do not adequately support smaller, critical industries in Aotearoa New Zealand. Many occupations within the construction sector, e.g. stonemasons, are important but lack the numbers needed to be financially sustainable in a volume-based system. As a result, providers may continue to find it challenging to maintain programs that are not commercially viable, leading to critical skill shortages. The funding system must ensure that training remains accessible for small but essential occupations, regardless of their scale.

Additionally, smaller industries fear losing their voice and influence in a more fragmented system. Retaining industry advisory groups is crucial to provide representation for these industries and create opportunities to influence government investment in training and education.

3 Retention of, and investment in, the apprenticeship system

The Consultation states (p20):

'The Government is interested in growing the number of businesses that employ apprentices and will continue to explore ways to strengthen our apprenticeship and workplace training system.'

There is concern that the apprenticeship model is under threat under the proposed changes, despite its proven effectiveness. Learners generally prefer on-the-job training, which allows them to earn an income, while employers benefit from a skilled workforce trained to meet their needs. The apprenticeship system is a tried-and-tested model, particularly valued in the construction sector, where a mixed delivery approach with a focus on work-based learning is crucial – and supported by industry.

The sector is worried that the proposed funding shifts could compromise the quality and effectiveness of apprenticeships. Employers, who are central to training, should receive better support to encourage more to take on and mentor learners. Additionally, funding should consider the pastoral and learning support needs of work-based learners, especially those from traditionally underserved backgrounds. Retaining and investing in the apprenticeship system is essential for both learners and employers.

4 Consistency is important

The construction sector's top priority is high-quality, nationally consistent training, where outcomes are uniform regardless of location or provider. Achieving this in a more fragmented model is challenging, so initiatives such as investing in national programs and establishing clear guidelines are essential. The sector believes improving quality requires a long-term strategic view and a strong voice in policy decisions, training methods, and funding allocation. As currently presented, the proposals do not adequately address the need of the construction sector for consistency and are not fit for purpose.

5 Key functions missing from the proposals

The reform proposals overlook several key aspects of the VET system. For instance, they do not adequately address the importance of quality career advice and pastoral care, which are vital for attracting and retaining talent in the sector. The reforms should focus on integrating secondary and tertiary education more effectively, enhancing successful transitions from school to work, and promoting construction and infrastructure as valuable career paths.

Additionally, the roles of NZQA and TEC have not been reviewed; doing so could help increase efficiency, reduce duplication, and speed up the delivery of qualifications. The government should consider how compliance and quality assurance requirements by TEC and NZQA may be adding unnecessary costs and inefficiencies. Addressing these issues could reduce the financial burden on education providers, industry, and learners while accelerating the development of new and updated qualifications.

6 Quality and consistency of learning in a regional polytechnic model

Re-establishing regional polytechnics is likely to create fragmentation, inconsistencies, and quality issues in vocational education. This could hinder the transferability of learners within the same industry and risks repeating the problems seen with nursing qualifications nationwide. The construction sector, which operates nationally, prefers consistent, workplace-based training. Different approaches in each region are undesirable and could exacerbate skills shortages and lead to competition for skilled tutors, who are already in limited supply.

We are concerned that moving to a regional polytechnic model without national coordination could reduce the quality and consistency of learning. Additionally, it is unlikely to be financially sustainable due to a lack of economies of scale and duplication of services across the VET system.

The Consultation states (p15):

‘There have been long-standing issues of financial sustainability with some ITPs that existed before Te Pūkenga was established and that Te Pūkenga did not address. This means returning to the system that existed before Te Pūkenga is not an option.’

The statement, ‘returning to the system that existed before Te Pūkenga is not an option’ is odd given that each of the proposals appears to be exactly that: some large urban ITPs, regional ITPs loosely federated, and eight ITBs virtually indistinguishable from what existed pre-RoVE.

The proposed federation looks like Te Pūkenga-lite. Replacing ‘Open Polytechnic Anchor ITP’ with ‘Te Pūkenga’ would virtually define the current system.

7 Collaboration

The proposals lack clear expectations for collaboration within the new VET system. While WDCs currently have collaboration requirements, achieving this is not always straightforward (e.g., separating manufacturing from construction and infrastructure). Without effective collaboration, there is a risk of industries becoming siloed.

The proposed changes must be meaningful, address the correct issues, and ensure a smooth transition. The timing of these changes is problematic, as the sector is still recovering from a slowdown caused by delays in project decision-making and high interest rates. There is a risk that employers could disengage from formal vocational education and training, leading to significant long-term workforce consequences.

Industry supports retaining Waihangā Ara Rau, but if the Government proceeds with changes, they should be lasting, focus on solving the right problems, support essential functions, and ensure a smooth transition. Key principles should include:

- A shared vision that considers the future workforce, technological changes, and a balanced mix of off-job, on-job, and blended online training.
- A focus on what is best for industry and learner outcomes.
- Building on existing strengths and opportunities, including adapting to new technologies like artificial intelligence.
- Tailoring the approach to New Zealand’s size and how different industries operate, whether nationally or regionally.
- Streamlining processes and promoting open data sharing.
- Ensuring financial sustainability across the entire VET system, not just for polytechnics.
- Involving all relevant government agencies, including NZQA, TEC, MBIE, and MSD, in the broader VET system.
- Committing to an enduring change that will serve the sector for the next 30 years.

The redesign should aim for closer integration between ITPs and work-based training providers, both in organizational structures and collaborative practices. Key agencies, such as TEC and NZQA, must facilitate this by setting clear requirements, funding models, and success measures to make the system work effectively. The success of the redesign will depend on how it is structured and who is included in this process; the proof of the pudding is in the serving.

8 Standard setting separate from arranging training

The Consultation states (p20), regarding Industry Training Boards:

'Their relationship to providers, and issues such as the boundary between 'arranging' training and off-job 'delivery', would be clarified and strengthened.'

Critical to Option A will be how the relationship between the ITBs and providers will ensure the appropriate management of the *'boundary between "arranging" training and off-job "delivery"'*, and how it will be, *'clarified and strengthened'*.

The Consultation states (p21):

'Expectations around standards-setting would also be clarified and strengthened compared to those that were in place for ITOs. This would include ensuring that qualifications and programme-approval requirements were fit-for-purpose for both provider-based and work-based learning. Funding policies and strengthened monitoring could be used to support this. The standards-setting function would receive some direct funding, likely repurposed from current workplace-based learning allocations, to improve visibility and accountability.'

It is unclear which agency would be responsible for, *'ensuring that qualifications and programme-approval requirements were fit-for-purpose for both provider-based and work-based learning'* and/or *'funding policies and strengthened monitoring ... used to support this'*. A WDC perhaps?

Combining standard-setting and arranging training in the previous ITO regime created conflicts of interest, which is a concern with Proposal 2, Option A. To avoid bias, the functions of training providers and assurance bodies must be kept separate. There should be a clear distinction between standards-setting, quality assurance and arranging training, whether it occurs online, on campus, in the workplace, or through a combination of these methods.

9 Funding

The proposed funding model is seen as unsustainable and may incentivize focusing on enrolment numbers over quality. Financial challenges faced by some ITPs for decades highlight systemic funding issues. Beyond increasing funding, a training levy could be introduced to distribute costs across all employers, ensuring a more sustainable approach to supporting vocational education and training.

There are concerns that funding is shifting towards off-job training to address the financial viability of Polytechnics. In the construction sector most of the training is work-based. We should encourage more employers to take on apprentices/trainees plus provide greater support for individual employers and learners.

The Consultation states (p25):

'The overall impact of these changes would be to increase funding for provider-based vocational education, offset by reductions in targeted learner component funding and in funding rates for work-based delivery. While these changes involve trade-offs, they are an important part of supporting the retention of regional provider-based vocational education under the new model.'

The proposals are likely to lead to more funding for on-campus delivery done by ITPs, *'increase funding for provider-based vocational education,'* but decrease for vocational education in work, *'offset by reductions in ... funding rates for work-based delivery.'*

Essentially: on-job funding rates will decrease, and off-job rates will increase. This is perhaps the most sinister of the changes and is based on a false premise that the surpluses of the vocational parts of Te Pūkenga are due to them being over-funded. This doesn't take into account that these areas might have been under-resourced as Te Pūkenga tried to salvage the campus-based bloat of the ITPs.

10 Meeting the needs of Māori, Pacific and other diverse learners

The reform proposals lack details on how they will support the success of diverse learners, including Māori and Pacific communities. By 2038, 65% of Aotearoa New Zealand's working population aged 15 to 39 will identify as Māori, Pacific, or Asian. The prosperity of New Zealand depends on increasing the number of Māori and Pacific people in highly skilled, well-paid jobs, and fostering the growth of the Māori and Pacific economies. The future VET system must effectively serve these groups to ensure national prosperity.

Key considerations for the construction sector include:

- **Incentivizing and Measuring Success:** The VET system should be evaluated on how well it serves iwi/Māori, Pacific, and other diverse groups, improving access and outcomes.
- **Supporting Work-Based Learning:** The shift from work-based to classroom-based learning must not disadvantage Māori and other diverse learners, who often thrive in on-the-job environments.
- **Neurodiverse and Disabled Workforce:** The system should support learning success for neurodiverse individuals and unlock the potential to employ more disabled and neurodiverse people.
- **Honouring Te Tiriti o Waitangi:** The VET system redesign must uphold the Crown's responsibility to improve outcomes for Māori and maintain the Māori-Crown relationship, honouring Te Tiriti o Waitangi.

Accessibility for employers and learners must be prioritized, ensuring they can access the training they need, when and where it suits them.

Consultation Questions

Your information

1. Are you submitting as an individual or on behalf of an organisation/company?

Organisation/Company

If as an individual, then:

2. What is your name?

3. Which region do you work/study in?

Choose an item.

4. What is your ethnicity?

Choose an item.

5. Do you consider your community to be urban or rural?

Choose an item.

6. What best describes your relationship to the vocational education system?

Choose an item.

If you are submitting as a company/organisation, then:

7. What is the name of your organisation/company?

NZCIC

8. Which region do you primarily operate in?

Nationwide

9. Do you consider your community to be urban or rural?

Neither

10. Which of the following best describes your organisation?

Industry/Sector organisation, professional body, business association or union

11. Would you consider yourself to be a part of Māori industry/a Māori education provider?

No

12. If you are an employer, how many staff are in your company/organisation?

Not applicable

13. Which industry grouping best represents your company/organisation?

Not applicable

Proposal 1. Creating a healthy ITP network that responds to regional needs

14 Do you agree with the consultation document's statement on the importance of ITPs?

We agree that financial stability is essential for ITPs to provide quality training without interruptions or reduced availability. ITPs have been integral to local communities for decades and will continue to play a vital role. However, it is important to set realistic expectations for new ITP entities and how their success is measured.

We believe in strengthening ITPs as a network of interrelated providers rather than allowing them to function as standalone entities or as a loose federation. Either of these options could fragment a system that has considerable potential, though it may require some modifications to achieve its best outcomes.

15 What do you consider to be the main benefits and risks of reconfiguring the ITP sector?

Reconfiguring the ITP sector could offer benefits, such as consolidating providers to focus on quality rather than quantity, especially since many existing providers are struggling to survive. This consolidation could address critical issues, such as the shortage of qualified tutors and outdated facilities that lack proper materials. By improving the quality of providers, we could better integrate innovation and expose apprentices to a modern training environment that reflects current industry practices

Standardizing training across all providers, regardless of location or entity, is another potential benefit. This would ensure consistent, high-quality education for all learners. However, there are also significant risks associated with reconfiguring the ITP sector. A move towards a decentralized model for standards-setting and industry training, through the disestablishment of WDCs, would likely diminish the industry's voice. The proposed alternatives do not adequately capture the benefits that have been central to the success of the industry-led WDCs.

While there may be some limited advantages, such as incentivizing providers in a federation to achieve financial viability, we believe that the risks of these proposals outweigh the benefits. There is a substantial risk of fracturing the ITP network, which has operated effectively for many years but does require some modifications. A key concern is the potential loss of regional autonomy and the ability to tailor training to local economic and community needs. This could result in local communities losing their voice in national debates on qualifications, leading to a homogenization of opinions.

While some communities and regional industries might prefer locally responsive ITPs, most industries in the construction sector operate nationally, making regional autonomy less desirable. There is a significant risk of fragmentation and difficulty in achieving nationally consistent delivery if each ITP develops its own programmes. Consistency and quality are top priorities for the construction sector. It is also crucial that learners can transfer between locations and providers without being disadvantaged. The proposed changes to the ITP sector, especially under Options 2A and 2B, do not clearly support maintaining national consistency and quality while also weakening industry skills leadership and standard-setting.

16 Do you support creating a federation model for some ITPs?

We do not support creating a federation model for some ITPs, particularly with Open Polytechnic as the Anchor ITP. Open Polytechnic lacks experience in delivering practical, workplace-based training and is not well-suited to lead a federation model. We lack confidence in its ability to provide effective support to smaller, struggling ITPs and recommend considering other institutions for this role (should it proceed). The consultation document also fails to clarify which ITPs would be classified as 'Independent autonomous ITPs' and which would join the 'federation,' necessitating further detail.

Instead, we advocate for strengthening the existing ITP network. The financial challenges faced by some ITPs are often due to the nature of their training, not poor management. Many regional ITPs offer specific courses to meet community needs, even at a loss, because these courses provide valuable skills and contribute significantly to the local economy.

Elsewhere in the document it has been suggested that in the new system there would be no 'head office' saving money that was spent on Te Pūkenga's centralized office. However, if the Open Polytechnic is to manage others in the federation, it will essentially become the de facto 'head office' – particularly if back-office systems are to be merged.

The federation is simply Te Pūkenga-lite, which begs the question: if these ITPs were not profitable within Te Pūkenga, how will they be profitable when they are under the auspices of the Open Polytechnic?

It also has been suggested that there will be a portal – more of a revolving door, really – between the autonomous group and the federation. Those ITPs in the federation that over time find a clear pathway to financial sustainability could exit the federation and conversely, those autonomous ITPs who stray from the path, might find themselves pulled into the vortex.

Consider the scenario where an ITP inside the federation tent finds itself on the pathway to financial sustainability and exits through the gift shop. Those remaining within the federation will now be without their most efficient, effective and prosperous member, reducing their average performance. Every time an ITP exits the federation, those left behind will be weakened and will face an increased burden to survive.

Consider too, the scenario where the Open Polytechnic finds itself unable to cope with the demands of anchoring the federation, and becomes itself financially unsustainable; will it be obliged to join the very federation that it oversees? To paraphrase the Barber Paradox: there is a Polytech in town that oversees all those who don't oversee themselves; who oversees the Polytech?

Complexifying a simple system is a fine art.

17 What are the minimum programmes and roles that need to be delivered by the new ITP sector for your region?

We urge the Ministry to consider the needs of smaller, specialized trades and find the right mix of full qualifications and micro-credentials to address skill shortages and respond to economic cycles effectively.

18 What are the critical factors needed (including functions and governance arrangements) to best support a federal model?

Governance in a federal model should prioritize industry knowledge and active involvement. While we do not support a federation model, if implemented, member entities must have sufficient independence to allow regions and local communities to make delivery decisions. The model should promote collaboration among federation members, and with ITPs outside the federation. Clear expectations, criteria, and opportunities must be in place for entities to achieve financial stability and move out of the federation. Additionally, the federation anchor must have the systems capability to support all members' needs effectively.

Proposal 2. Establishing an industry-led system for standard-setting and industry training.

19 Which option do you prefer overall?

Neither option is entirely fit-for-purpose, as the funding proposals seem to favor campus-based and extramural learning over work-based learning. However, we prefer Option B because it separates standard-setting and advisory functions from training delivery, preserving independence and preventing conflicts of interest. This approach maintains a focus on industry needs and has shown benefits in addressing issues across providers since the WDCs were established. Additionally, opening work-based training to more providers could enhance choice, value for money, and innovation, provided there are guardrails like industry involvement, clear expectations, and incentives to maintain quality and consistency.

Option B empowers industry-led bodies to have more control over the quality and relevance of vocational training, ensuring that qualifications align closely with both current and future industry demands. These bodies are also well-positioned to provide accurate workforce forecasting, helping training providers produce graduates with in-demand skills. Additionally, enabling ITPs, PTEs, wānanga, and new providers to collaborate and compete in the industry training space will foster innovation in training delivery. This competitive environment could lead to more flexible, industry-aligned programs that better meet the needs of both employers and students.

However, we feel that both options presented are missing the opportunity to create a new, sustainable approach. We believe vocational education needs an overarching body with significant industry representation to guide and support the standards-setting (qualifications) and quality assurance (delivery/assessment) functions for various industries. Furthermore, there should be a strategic, industry-focused function that identifies training needs, guides providers, and engages with TEC to support demand.

For the construction sector, these roles have been effectively performed by Waihanga Ara Rau, which has engaged with industry, established practices with providers, and advocated on behalf of stakeholders with TEC and NZQA. Any replacement of the WDCs should, at a minimum, replicate these functions.

While Option B retains some scope for industry to interface with the government, it lacks the legislated function to provide advice to TEC, which is a limitation.

20 What are the main features and functions that the industry Training Boards (Option A) need to be successful?

If Option A, were to be implemented, for Industry Training Boards (ITBs) to be successful, several key elements must be included:

1. **Ability to Advise TEC:** ITBs should have the authority to make recommendations to TEC, a function currently performed by WDCs. For example, the Construction and Infrastructure WDC provides valuable industry insights to TEC twice a year. Without the ability to provide such advice, ITBs risk becoming disconnected from industry needs and losing effectiveness.
2. **Strategic Reference Groups (SRGs):** SRGs are essential to ensure smaller trades are not overshadowed by larger ones within their sector. They offer critical oversight into funding and qualification development, enabling each subgroup to have a voice in decision-making processes. SRGs should remain a vital part of the ITB system.
3. **Be industry-led with governance membership, oversight, direction, and advocacy.**
4. **Provide opportunities for industry engagement on qualifications and standards.**

21 Under Option A, how important is it that Industry Training Boards' and non-Industry Training Boards be able to arrange training?

If implemented, it is important that Industry Training Boards retain the ability to arrange training to support work-based and on-the-job learning. We prefer the approach in Option B, which emphasizes strategic oversight, ensuring providers meet industry needs and effectively monitoring delivery outcomes to align with those requirements.

22 What are the main features and functions that industry standards-setters (option B) need to be successful?

To ensure the success of industry standards-setters under Option B, the following principles should guide their development:

- **Learner-Centric Focus:** Prioritize learner success by adopting a learner-focused approach.
- **Strong Industry Alignment:** Standards must be closely aligned with industry needs.
- **Collaborative Relationships:** Foster partnerships with education providers.
- **Effective Governance and Independence:** Ensure strong governance and independence in operations.
- **Flexibility and Innovation:** Enable flexibility and innovation in training delivery and application of standards.
- **Continuous Improvement:** Commit to ongoing enhancement of standards and processes.
- **Critical Standards-Setting Function:** Focus on developing qualifications, maintaining national consistency through moderation, and assuring high-quality training.
- **Advisory Role:** Provide advice to TEC and other government agencies to maintain industry influence in funding and policy decisions.
- **Workforce Forecasting:** Assist industry and government agencies with workforce planning to meet demand.
- **Funding and Strategic Oversight:** Offer funding recommendations and maintain oversight of industry through Strategic Reference Groups.

The Consultation states (p22):

'A priority for design of the new system is the flexibility to respond to changes in industry demand, both for the amount and type(s) of training required. As part of this, there will need to be a pathway into the industry training system for industries that currently do not participate in government-funded, workplace-based learning, or who might need an industry standards-setter in the future. This is particularly important for rapidly developing industries without a history of structured industry training, such as information technology.'

The intent that the *'design of the new system has the flexibility to respond to changes in industry demand,* is welcomed. However, it is odd that earlier in the document, it was proposed that, *'standards-setting for some industries (for example, those where there is currently no industry training) could return to being the responsibility of NZQA'*, while here it suggests that there, *'will need to be a pathway into the industry training system for industries that currently do not participate in government-funded, workplace-based learning, or who might need an industry standards-setter in the future'*.

On the one hand, the proposal is assigning those industries with no current industry training back to NZQA while on the other, trying to build pathways for these industries into the system. The proposal notes that this is, *'particularly important for rapidly developing industries without a history of structured industry training, such as information technology'*. IT is not present in the tables in figures 3 or 4 and is currently covered by Toi Mai which is the only WDC that appears to have sunk without a trace in each of the proposed Options.

23 Are there key features of the Workforce Development Council that need to be retained in the new system?

The consultation document suggests that WDCs should be disestablished due to their cost (\$65 million) and perceived lack of value. However, we believe that several WDCs, including Waihangā Ara Rau, have provided significant value to the industry.

The industry has actively supported the success of Waihangā Ara Rau, which has developed new qualifications to address long-term skills gaps. Additionally, its quality assurance practices, independent of training delivery, provide greater confidence that training and assessment meet the required standards. The WDC has also improved communication with TEC and offered valuable advice on funding allocations for sector training.

To address the government's concerns about cost, we propose exploring alternative funding models in order to retain high-performing WDCs:

- **Redirecting Existing Funds:** Fees collected by NZQA from construction learners could be allocated to the organization maintaining these qualifications and standards. Additionally, user-pays fees for quality assurance services could be reintroduced, similar to the former ITO model.
- **Leveraging Unspent Levies:** The Ministry of Business, Innovation, and Employment MBIE collects a building levy on all building consents, with substantial unspent funds reported. A portion of these funds could support workforce development and skills leadership, recognizing the importance of a sustainable workforce for construction quality and affordability. A similar model could apply to resource consents for the civil industry.

- **Exploring New Revenue Streams:** Qualifications and training are closely linked to licensing in the construction sector, providing assurance that licensed tradespeople meet consistent standards. A training levy could be added to licensing fees, similar to the UK model, where businesses not employing apprentices are levied to incentivize training. With over 90,000 license holders in various trades, such a levy could generate over \$2 million annually to support essential functions.

WDCs have demonstrated their value in several areas, particularly in engaging a wide range of stakeholders, including employers, employees, industry bodies, and education providers. This inclusive approach ensures that multiple perspectives are considered when developing standards, leading to more comprehensive and applicable qualifications. Continuing this approach is vital to maintaining the relevance of training across different sectors.

The strong relationship between WDCs and NZQA has also been a significant achievement, enabling rapid reviews and updates of standards. This agility is crucial in a rapidly evolving workforce landscape, where industries must adapt quickly to new technologies and methodologies. The new system should retain this collaboration, allowing standards to be updated efficiently, with standard-setters maintaining the authority to advise TEC.

Workforce forecasting is another critical function of WDCs, highly valued by industry but underrepresented in the reform proposals. Linking workforce supply and demand with education and training provision at a system level is essential to meet changing skills needs over time. Without this capacity, there is a risk that industry training may not align with future needs.

A formal interface between industry and government is also crucial to ensure that policy and investment decisions meet industry training needs. Without this function, there is a risk of siloed operations between industry and government. A legislated link to TEC is necessary to maintain effective collaboration.

SRGs provide a voice and pathway for smaller industries into government, ensuring their needs are represented in the VET system. Retaining SRGs is vital, especially for small industries that may struggle to attract sufficient learner numbers to make their training commercially viable. This inclusion is even more critical in a VET system where smaller industries could be disadvantaged without dedicated support mechanisms.

24 Are there any key features of how the previous Industry Training Organisations worked that should be re-introduced in the new system?

We do not support reintroducing ITOs as they were. Qualification development and quality assurance should remain separate from training delivery.

We support a model that combines work-based, online, and campus-based delivery, working closely together. This approach would strengthen each ITP through scale and ensure easy access to training via local ITPs.

Some competition, which is beneficial, would remain through PTEs. If a previous ITO becomes a PTE, it would compete primarily with other PTEs, depending on TEC's decisions and industry input on who should offer apprenticeships.

25 What are the possible benefits and risks of having a short moratorium on new industry training providers while the new system is set up?

We support a short moratorium on new industry training providers, given the current financial challenges faced by Te Pūkenga. Introducing new PTEs could divert funding through enrollments, further straining already struggling institutions.

A temporary moratorium, until the end of 2025, would give existing providers time to reorganize and adapt to the new system without being distracted by new market entrants. This focus would help establish new guidelines and standards, providing greater confidence in the system and ensuring all providers, both new and existing, start on equal footing.

However, an extended moratorium could create uncertainty about the criteria for new market entrants and worsen existing skill shortages, as learners and providers might delay training while the system is established. It could also disrupt trainees scheduled to complete their programs in 2026, potentially delaying their qualifications and impacting funding.

Proposal 3. A funding system that supports stronger vocational education.

26 To what extent do you support the proposed funding shifts for 2026?

We do not support the proposed funding shifts for 2026, as they disadvantage work-based learning, which is critical for the construction sector.

While the UFS was introduced as part of RoVE to support all providers offering vocational training and non-degree programs up to Level 7, it was designed in a way that benefits work-based providers in a strong economy. However, during economic downturns, the reduced funding rates for ITPs may not ensure their viability. This has been evident over the past two years, where WBL divisions within Te Pūkenga initially performed well, but struggled as the economy weakened. Despite increased enrolments at many ITPs during the 2024 economic slowdown, many are still facing financial difficulties.

27 What benefits and risks need to be taken into account in these changes?

The proposed changes to funding for industry training raise several concerns, particularly regarding work-based learning. The consultation document suggests that funding decisions will depend on the sector's final structure, with an indication that on-job funding rates may decrease while off-job rates increase. The aim to '*rebalance funding back towards provider-based delivery*' suggests that inefficient ITPs may be supported at the expense of work-based learning. Reducing on-job funding rates could undermine industries that rely heavily on work-based learning.

Another issue is the complexity created by changes to the fees-free funding structure, which now only covers the final year of training. This poses challenges for the PGD industry, for example, where training spans three trades—plumbing, gasfitting, and drainlaying – completed at different times. For instance, drainlaying takes around two years, but learners need an additional 3-4 years to complete

the other trades. The 'final' year for fees-free training is not consistent, which complicates funding for these apprenticeships.

Industry insight is critical in funding decisions. The industry understands its training needs best and where funding should be directed to meet these needs effectively. Without industry involvement, funding distribution can become inefficient, resulting in funds not reaching the necessary areas. Funding that follows the learner's pathway is more effective in aligning resources with industry demands.

Simply increasing ITP rates may not resolve deeper issues, like a lack of scale at some institutions (e.g., NorthTec or Tai Poutini). Any new model should ensure equitable opportunities for all ITPs to establish themselves successfully. While the carpentry apprenticeship program, with around 12,000 learners, offers options for most learners regardless of location, this may not be the case for smaller, specialized trades. Establishing Centres of Excellence could be a solution for these industries, but this would require substantial capital investment; however, creating Centres of Excellence could result in other challenges (and costs) for learners away from home – travel, rent, food etc.

There are benefits to additional funding for ITPs, such as attracting international students and enhancing regional education offerings. However, these benefits are likely to be short-term and are outweighed by several significant risks:

- **Shift in Funding Priorities:** Redirecting funding from work-based to campus-based learning may not align with the needs of industries and learners. Many trades do not benefit from campus-based training, and learners often prefer earning a wage while learning, which helps attract new entrants to the sector.
- **Financial Instability:** Some ITPs may withdraw from offering specific programs due to financial pressures, potentially disadvantaging smaller industries that require specialized skills but have lower training volumes. This could also result in reduced investment in up-to-date equipment.
- **Higher Regional Costs:** Regional ITPs might incur higher costs than Te Pūkenga due to a lack of economies of scale.

Overall, while the proposed funding shifts aim to address certain systemic issues, they also present risks that could negatively impact the quality and accessibility of training across various industries. A more balanced approach, incorporating both central funding and industry contributions, may be needed to ensure a sustainable future for vocational education in New Zealand.

28 How should standards setting be funded to ensure a viable and high-quality system?

Quality assurance and standards-setting should be independent from delivery to ensure confidence that training and assessment meet the required standards. To achieve a viable and high-quality system, funding for standards-setting and quality assurance should include two key elements:

1. **Bulk Funding:** Cover system-level design and operational costs, such as IT and HR functions.
2. **Pro-rata Operational Funding:** Based on 5-year work plans developed by ITBs in collaboration with industry, similar to how WDCs currently work with TEC through investment advice.

To distribute these costs fairly across the industry, a training levy could be implemented. Standards-setting is essential for ensuring high-quality and nationally consistent training and should be funded

as a core function of the VET system. We recommend allocating dedicated (ring-fenced) funding for standards-setting, sourced from the entire VET system – not just from work-based funding—ensuring that this critical function serves all forms of vocational education (work-based and campus-based).

Funding must also be sufficient to:

- Support small but critical occupations or industries.
- Address emerging skills and industries.
- Ensure greater responsiveness and agility.
- Provide robust quality assurance oversight for assessment and delivery against industry standards and qualifications.

A sustainable funding model should combine non-volume government funding with alternative streams, such as:

- **Moderation Levy:** Charging standard setters for costs incurred in completing moderation and quality assurance requirements, ensuring costs are covered where they occur.
- **Training Levy:** Added to fees for new licenses or annual renewals in sectors like construction, or applied to all employers, as seen in the UK.
- **Proportion of NZQA Fees:** Allocating part of the fees collected from learners through providers for registering credits and awarding qualifications to the organization maintaining these qualifications and standards.
- **Building Levy:** Redirecting a portion of the unspent building levies collected by MBIE to support workforce development and skills leadership, recognizing their importance in ensuring a sustainable workforce for quality and affordable construction.

29 How should the funding system best recognise and incentivise the role that ITPs play in engaging with industry, supporting regional development and/or attracting more international students to the regions?

We support the idea of funding following the learner, ideally with an industry body contracting the training provider. ITPs are already required by NZQA to engage with local stakeholders like Chambers of Commerce and Economic Development Agencies to validate delivery and outcomes. We agree that all providers should engage with their communities, iwi, and industry to ensure their offerings meet regional needs. However, regional and economic development should not be the sole responsibility of ITPs; Economic Development Agencies, Chambers of Commerce, local government, and industry also play key roles in this area.

31 Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled and students with learning support needs) under these proposals?

The new funding proposal suggests *'fully restoring vocational education funding rates to what they would have been under the previous Student Achievement Component system.'* This would redirect a significant portion of Learner Component funding that currently supports learners with low prior achievement, disabled learners, and Māori and Pacific learners. Consequently, these groups could have reduced access to targeted funding.

We believe these reforms should prioritize a learner-centric approach, which includes various delivery models—such as in-person, online, classroom-based, and workplace-based learning. However, there could be unintended consequences if an ITP within the federation serves a region with a high proportion of NEETS, Māori, Pacific, or other diverse learners. The federation model may not be the most effective way to meet these specific needs.

The proposed reforms are financially driven and do not focus on improving learner outcomes. The potential benefits of supporting more localized training provision for Māori, Pacific, and rural students are offset by:

- **Reduced Opportunities for Local Work-Based Training:** A decrease in apprenticeships and traineeships may disadvantage Māori, diverse learners, and those in rural areas who often prefer on-job training to stay close to their communities and earn while learning.
- **Reduced Quality and Consistency:** This could create drawbacks for learners and employers.
- **Poor Integration Between Learning Modes:** Limited pathways from schools to vocational education and reduced flexibility could fail to meet diverse learning needs.

Additionally, critical wrap-around support functions, such as career advice, pathway support, and pastoral care, are missing in the proposals. Employers report that new employees and apprentices increasingly need this support. A viable work-based training model should recognize employers' roles in training apprentices and provide adequate support for both employers and learners, especially those underserved.

32 Could there be benefits or drawbacks from these proposals for particular industries or types of businesses?

We are concerned that these proposals create significant uncertainty for smaller, niche sectors. These trades may struggle to engage effectively with ITBs and regional ITPs, especially those in a federation, and to advocate for their unique needs.

The proposals do not align with the needs of the construction sector because:

- Most industries prefer work-based learning, while the proposals emphasize campus-based and extramural education.
- The sector is organized nationally, prioritizing consistent, high-quality training, but a regional model could lead to fragmentation and variability.
- Smaller industries may be disadvantaged due to lower training volumes, reduced incentives for providers, and a diminished voice to government, risking significant skills gaps.

33 Are there other ideas, models, or decisions for redesigning the vocational education system that the Government should consider?

Several countries, including Germany, Austria, and Switzerland, have well-established and successful vocational education systems with common features that could be beneficial for New Zealand. While New Zealand may not have the same scale, some aspects from these systems could be worth exploring:

- **Chambers of Skills and Crafts:** Similar to the proposed Industry Training Boards (ITBs) but with a broader mandate.

- **Research Continuation:** The work of ConCoVE | Tūhura on issues in Construction and Infrastructure has been impactful, such as the degree-level apprenticeship pilots. Maintaining this research function could be beneficial.
- **Regulation of Vocational Professions:** Clearly defining all vocational professions in regulations helps reduce confusion.
- **Meistercraftsman (Mastercraftsman) Qualification:** Comparable to New Zealand's Advanced Trade/Supervisor qualifications but includes a pedagogical component to support employers and supervisors in training.
- **Industry Training Levy:** Applied to all companies, not just those training, to subsidize off-job training mandated by industry for each vocation.

About NZCIC

The New Zealand Construction Industry Council (NZCIC) is a not-for-profit industry association that represents more than 70% of the building and construction sector. NZCIC is considered to be the collaborative voice of the construction industry and operates at the interface between government (central and local) and industry, supporting industry wellbeing and advocating for improved performance for New Zealand's built environment.

NZCIC members are also not-for-profit organisations and/or professional bodies involved in the delivery of our built environment, and includes designers and specifiers, contractors and suppliers, and a range of other building professionals. A full list of our members can be [found on our website](#).

71%

NZCIC Share of membership sector by value

33

NZCIC Members

74

Membership Organisations in the Construction Sector

\$96m

Turnover of NZCIC Member Organisations

\$135m

Turnover of Organisations in the Construction Sector

217k

Workers in NZCIC Member Organisations

306k

Workers in Construction Sector

This submission has the support of the following NZCIC members:

