

Skills Group's Position on the Vocational Education and Training (VET) Reform Consultation

The New Zealand government has launched a consultation on proposed vocational education and training system reforms. These reforms aim to address financial challenges in the polytechnic sector, enhance regional responsiveness, and improve industry engagement in vocational education.

The key proposals include:

1. Restructuring the polytechnic network into independent regional institutions and a federation model
2. Two options for industry-led standards-setting and training arrangements:

Option A: establish a small number (possibly up to 8) of Industry Training Boards (ITBs), similar to the previous Industry Training Organisations. The ITBs arrange the training for Industry. Under this model:

- i. ITBs would be responsible for standards-setting and arranging industry training.
- ii. They would take over work-based programmes from Te Pūkenga's Work-Based Learning division.
- iii. ITBs would have a role in developing qualifications, workforce forecasting, and strategic planning.
- iv. There may be restrictions on which organisations can offer industry training, potentially limiting competition.
- v. Employers would work through ITBs to arrange training rather than directly with training providers.

Option B: Replace Workforce Development Councils with a small number (possibly up to 8) of more focused, industry-specific standards-setting bodies. Under this model:

- i. These bodies would be responsible only for standards-setting, qualification development, and workforce forecasting.
 - ii. All providers (including PTEs, Polytechnics, and Wānanga) could compete to offer work-based training.
 - iii. Providers would deal directly with learners and employers to arrange and deliver training.
 - iv. Te Pūkenga's Work-Based Learning division would become a standalone provider.
3. Changes to VET funding mechanisms: The proposed funding changes include:
- i. Increasing funding rates for provider-based and online delivery
 - ii. Reducing funding rates for work-based learning
 - iii. Repurposing some of the Learner Component funding: funds currently dedicated to supporting specific learner groups (including Māori, Pasifika, learners with low prior achievement, and learners with disabilities) to other areas of vocational education funding
 - iv. Introducing non-volume-based funding for regional polytechnics (for regional/community engagement)
 - v. Allocating some of the work-based learning funding to fund the standards-setting bodies

For full details on the proposed reforms, please refer to the official [consultation document](#).

Skills Group's view on these reforms comes from our varied experience: our past as an Industry Training Organisation, our current work as a vocational education provider, where we deliver campus based, online and work-based training

through our PTEs (Ignite and Industry Connection for Excellence (ICE), and our role as a Group Employment Company (ETCO) for apprentices). This broad background gives us clear insights into the challenges and opportunities in the proposed changes.

Our Perspective:

1. **Polytechnic Restructure:** While this aspect doesn't directly impact our operations, we recognise the importance of a strong public provider network. We support measures that enhance the polytechnic sector's financial sustainability and regional responsiveness, provided that a level playing field is maintained for all providers.

2. **Establishing an industry-led system for standards-setting and industry training**

Option A: We do not support Option A. While we agree with establishing a national standard-setting body to ensure quality and consistency, we believe this should be an independent entity with no role in arranging training. Option A proposes a return to a model similar to Industry Training Organisations (ITOs), which we find problematic for several reasons:

- i. It diverts focus from the critical task of standard setting.
- ii. It introduces an unnecessary intermediary in the training arrangement process, reducing efficiency without adding value.
- iii. It complicates the relationship between employers and training providers, which we believe should be direct and collaborative.
- iv. It potentially limits competition, which we see as essential for driving innovation and ensuring choice for employers and learners.

We strongly believe that employers benefit from direct relationships with training providers. This direct interaction fosters a deeper understanding of training needs and provides more responsive, tailored solutions. Multiple intermediary relationships can dilute this understanding and potentially compromise the quality and relevance of training outcomes.

Furthermore, we are firm advocates of a competitive training market that offers employers and learners genuine choice. This competition is crucial for driving continuous improvement in training quality and relevance.

Option B: We firmly believe Option B presents the best path forward for the VET sector. Our preference is based on several key factors:

- i. Most importantly, it provides choice of providers for learners and employers
- ii. Employers and learners are in the driving seat of selecting their learning provider
- iii. Maintains a competitive market in work-based training, which ensures ongoing investment and innovation in the sector
- iv. Preserves independence of standards-setting
- v. Provides a cleaner and clearer model where standard setting is separated from the arrangement and management of training
- vi. Promotes collaborative, flexible, and regionally responsive vocational education
- vii. Simplifies the model for learners and employers where they deal directly with one entity (the provider) to deliver their needs
- viii. It allows Polytechnics, PTEs, and Wananga to offer their best services and avoids the inherent risks and downsides of monopolies.
- ix. Provides the flexibility to support different blends of on-job, off-job, and online learning.

3. **VET Funding Changes:** We have some concerns about the proposed funding changes:
 - i. We disagree with the proposal to reduce only work-based learning funding to support standards-setting. We believe this funding should be drawn proportionally from all modes of provision and funding pools, not just work-based learning.
 - ii. Reductions in work-based learning funding could impact the quality and breadth of support for learners and employers
 - iii. We advocate for maintaining targeted support for underserved learners, particularly Māori and Pasifika, learners with low prior achievement, and learners with disabilities.
 - iv. Any funding for regional engagement should be contestable and available to all capable providers, not just polytechnics

Skills Group's focus is on delivering high-quality, industry-relevant training that meets the needs of learners, employers, and the broader economy.

We believe any changes to the vocational tertiary sector should have one core objective: improving outcomes for learners and employers. This, in turn, will lead to stronger industries and a more robust economy.

We strongly encourage all stakeholders – especially learners and employers – to engage with this consultation process. Your voices are crucial in shaping a VET system that is responsive, innovative, and fit for the future of work in New Zealand.

As Skills Group, we are committed to contributing constructively to this reform process. We will continue to provide our expertise and insights to help create a system that promotes excellence, innovation, equity, and choice in vocational education and training. Based on our extensive experience and analysis, we strongly favour the approach outlined in Option B.