



Proposed VET Reforms, Changes to Fees Free and Apprentice Boost

1. Introduction and Context to Vocational Changes

Five years ago, the Reform of Vocational Education (RoVE) led to significant changes in New Zealand's vocational education landscape:

- 16 regional polytechnics were merged due to financial difficulties (approximately \$100 million annual deficits)
- 8 out of 11 Industry Training Organisations (ITOs) also transitioned into the new structure to create a single national institution, Te Pūkenga, a mega-merger of polytechnics and most ITOs

Current situation:

- Te Pūkenga has not addressed financial issues as expected
- The polytechnic side is still facing an approximately \$200 million annual deficit
- Work-based divisions making about \$100 million annually

Pre-Election, the coalition government committed to disestablishing Te Pūkenga and is now proposing a new Vocational Education and Training (VET) system structure.

2. Overview of Proposed VET System Changes

Proposal 1: Restructuring of Polytechnics

Objective: Re-devolve the centralised Te Pūkenga structure back to regional control

Two-tier system proposed:

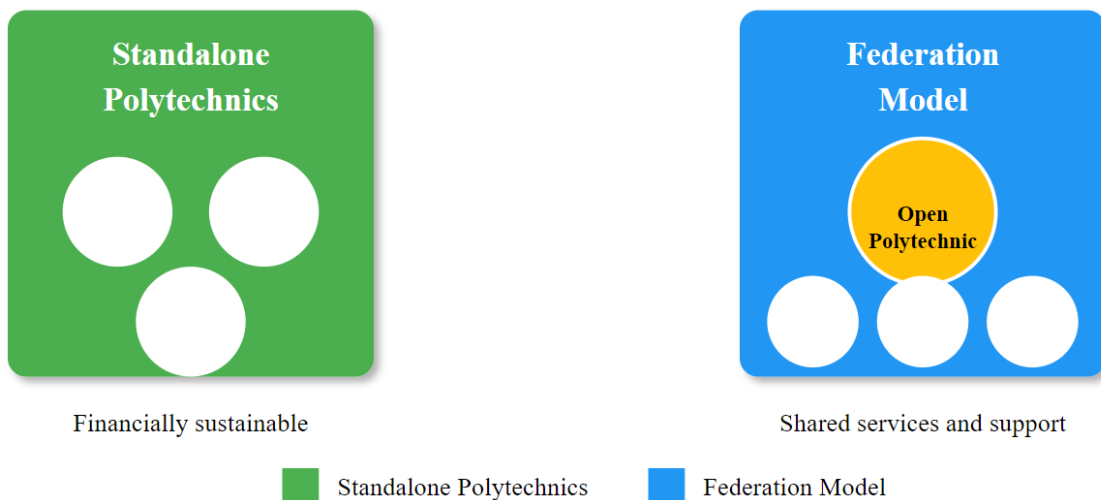
1. Standalone Polytechnics:

- For institutions that can demonstrate medium-term financial sustainability
- Operate independently.

2. Federation Model:

- For polytechnics unable to stand alone financially
- Anchored by the Open Polytechnic (national distance education provider)
- Shared services and support among federation members.

Proposed Two-Tier Polytechnic System



Proposal 2: Industry-led System for Standards-Setting and Industry Training

Two options are proposed:

Option A: Industry Training Boards (ITBs)

- Establish up to 8 ITBs (exact number to be determined by the government)
- Government bodies, not industry-owned like previous ITOs
- Responsible for both standard-setting and arranging training
- Minister of Education sets annual expectations
- ITBs would work with employers to arrange training, and employers would have to work with the ITB covering their industry

- Training providers (like Skills Group) contracted only for off-job training

Option B: Independent Standard-Setting Bodies

- Create up to 8 independent standard-setting bodies (government-established)
- Separate entities for standard-setting and training delivery
- Standard-setting bodies focus solely on developing qualifications and standards
- Public and private sector providers (PTEs, Polytechnics, Wānanga) can offer training delivery and support, including work-based training and apprenticeships.
- Providers like Skills Group would maintain direct relationships with employers.

Proposed Options for System for Standards-Setting and Industry Training

OPTION A = Government Boards Set Standards

YOUR...

Role to employ apprentices and provide on-job is unchanged



THE GOVERNMENT will...

Establish Multiple Industry Training Boards

- To:
- Set the standards
 - Set the qualification development
 - Set training agreements
 - Set assessments
 - Arrange off-job/block course, night class, pastoral care
 - Workforce forecasting



And ...GOVERNMENT WILL APPOINT AUTHORORISED TRAINERS

Providers like Skills/ETCO/ICE/ETEC and Polytechs

To: deliver block course, night class, off-jobs.

OPTION B = Independent Standard Setting

YOUR



YOU CAN CHOOSE
YOUR PREFERRED
TRAINING PROVIDER



WHO WILL MEET
STANDARDS SET BY
INDEPENDENT BODY

Role to employ apprentices and provide on-job is unchanged

Providers, like Skills/ETCO/ICE/ETEC and Polytechs

- To:
- Provide Training agreements,
 - Deliver on-job assessment,
 - Provide pastoral care,
 - Deliver block course, night class, off-jobs

Independent Standard Setting Body

- Who:
- Set standards training providers need to meet
 - Ensure qualification development occurs
 - Ensure industry workforce forecasting occurs

Proposal 3: Changes to VET Funding

Current situation:

- Government pays different funding rates for classroom-based, work-based, and online provision
- Rates for work-based learning were increased five years ago to improve the quality of service and enable providers to support work-based learning (taking over from former ITOs)

Proposed changes:

- Increase funding rates for provider-based (block courses/classroom) and online learning
- Decrease funding rates for work-based learning
- Repurpose some work-based learning funding to fund the new standard-setting bodies

Skills Group's position:

- Strongly oppose the proposed funding changes
- Argue that costs have increased over the past 5 years
- Concerned about potential drop in quality of work-based learning
- Advocate for any funding carve-out for standard setting to be equally distributed, not just from work-based learning

3. Impact on Employers and Apprentices

Option A (Industry Training Boards):

- Less flexibility in the training process
- ITBs would decide which training providers would be engaged for off-job training.
- May limit options for innovative learning formats, affecting neurodiverse learners (up to 20% of learners)
- Employers and apprentices must interact with two separate entities (ITB and training provider)
- Employers have less choice about their training provider

Option B (Independent Standard-Setting Bodies):

- Greater flexibility and choice for employers and apprentices
- Freedom to choose training providers that best suit their needs and company culture
- More flexible training support and delivery across workplace, online, and classroom settings.
- One stop shop: employers deal with only one entity (training provider) for all training needs.
- Competitive market encourages innovation and high-quality training methods
- Streamlined process for employers.

4. Skills Group's Position

Skills Group strongly supports Option B because it:

- Maintains a competitive market in work-based training
- Provides flexibility and choice for employers and learners
- Promotes collaborative, flexible, and regionally responsive vocational education
- Enables Skills Group to be a "one-stop shop" for employers, managing all aspects of training
- Supports innovation and quality improvement through competition

Key argument: The VET system should focus on meeting employers' skills and training needs rather than on the structure of educational institutions.

5. Detailed Timeline for Implementation

- August 1, 2024: The consultation period begins
- September 12, 2024: The consultation period closes
- Late 2024 (likely November): Government decisions expected
- Throughout 2025: Legislative changes to be made
 - Changes to existing legislation required to unwind Te Pūkenga
 - Establishment of new structures, roles, and functions
- January 1, 2025: Some funding changes to be implemented
 - Boost to provider-based rates
 - Work-based rates to remain the same for 2025
- January 1, 2026: Full implementation of new VET system

6. Overview of Changes to Apprenticeship Boost and Fees-Free Schemes

Apprenticeship Boost Changes:

- Effective date: January 1, 2025
- Administered by: Ministry of Social Development (MSD)
- Current system: 24 months of support
- New system: 12 months of support
- Only paid for the first 12 months of apprenticeship
- Funding commitment through June 2028
- Impact: Employers will receive less financial support for apprentices
- As at 1 January 2025 any apprentice over 12 months will not receive the Boost.

Fees-Free Changes:

- Currently these are proposed changes but we believe are unlikely to change and are being finalised this month by the Government.
- Effective date: January 1, 2025
- Pre-trade learners:
 - Current: Fees covered from the start of training
 - New: Must pay fees upfront, reimbursed upon completion

- Can access StudyLink for fee payment
 - Reimbursement via IRD upon completion
- Apprentices:
 - Must pay fees throughout apprenticeship
 - If eligible (haven't used fees-free before), reimbursed for final two years only on completion.
 - Reimbursement only to individuals, not employers

Key considerations:

- Employers paying fees should consider agreements with employees for potential reimbursement
- For new apprentices, we suggest enrolling in December rather than January so they can access Fees Free to start if eligible.
- From 1 January, anyone currently on fees-free will complete under the existing scheme, i.e. apprentices will have 24 months or until their entitlement completes from their start date.

Please note: For the most up-to-date and accurate information on Apprenticeship Boost and Fees-Free schemes, we strongly recommend checking the official websites of [Work and Income](#) and the [Tertiary Education Commission \(TEC\)](#). The information provided here is subject to change, and these government websites will have the most current details and eligibility criteria.

7. Next Steps and How to Engage

For employers and industry stakeholders:

- Review the full consultation document ([available on the Ministry of Education website](#))
- Consider impacts on your business and industry
- Submit feedback before September 12, 2024 (at the site above)
- Attend any additional information sessions offered by the Government

8. Skills Group's ongoing actions:

- Continuing to analyse the potential impacts of proposed changes
- Preparing comprehensive submission for the consultation
- Engaging with government and industry stakeholders
- Developing strategies to adapt to potential changes in the VET system

9. We Want to Hear from You

Your views on these proposed VET reforms are important to us at Skills Group. Whether you're an employer, learner, or industry partner, we want to hear your thoughts on how these changes might affect you.

Please share your ideas, concerns, or questions about the reforms by emailing:

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