

Hanga-Aro-Rau

Submission: Redesign of the Vocational
Education and Training System

E raka te matau, e raka te mauī

September 2024



Mā wai te huarahi e hora?

Mā ngā ahumahi!

Who will pave the pathway forward?

Industry will!

He wāhinga kōrero nā te Poari o Hanga-Aro-Rau | Foreword from the Hanga-Aro-Rau Council Co- chairs

The outcome of this consultation will significantly impact the extent to which Aotearoa New Zealand can be competitive and productive, and industry is keen to get on with the business of getting on with business.

It is vital that government takes notice not just of what is commonly thought of as what industry training looks like, for example, young people in classrooms or on computers. It is also vital to understand the fact that a successful training system is held together by a set of arrangements and principles without which the next generation of the workforce may not be able to successfully participate in key economic sectors, including manufacturing, engineering and logistics.

Not all systems are the same, and removing or changing out even a small number of variables in a system risks the entire system being fundamentally changed. So, care and consultation are an important part of understanding what changes can make a well-functioning system better and, conversely, what might have the effect of undermining the confidence of industry in vocational education.

One consideration that needs to underpin any training system is that there is no one-size-fits-all. Given that challenge, the key question to be asked when designing a system is: how can we ensure that there is enough structure to respond to the needs of industries while maintaining flexibility to respond to the needs of individual roles?

Government can help with this by listening to what industry needs in a workforce. While the needs of each sector or even each role might differ significantly, one common thread is the need for the right approach to training.

Irrespective of the industry or sector, we all value and need national consistency to ensure the training delivered by any and all providers results in consistent outcomes for learners, employers and industry no matter where or how the training is delivered and supported.

Within the current system, employers value:

- the rigour, impartiality, and national consistency that independent standard setting enables
- inhouse training models and workplace assessors
- industry voice in the system outcomes

Our industries have supported Hanga-Aro-Rau and the Workforce Development Council has strongly advocated for the needs of industry, Māori, Pacific People and those with disabilities. This advocacy and leadership have resulted in new training offerings and pathways for industries and businesses previously unable to be supported by formal education. The strength of independent standard setting has also enabled stronger system performance and outcomes for learners and industry, and insights have enabled clear action plans to support industry in addressing the chronic skills shortages.

There are, as always, things that can be improved on within the current regime without fundamentally changing the aspects that industry has come to value - and we hope that this is where the outcomes of this consultation focus most strongly.

Ngā manaakitanga



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Te ao paruhi | An ideal vocational education and training system in Aotearoa, New Zealand

1. Overview

- 1.1. Hanga-Aro-Rau is pleased to respond to the Government's proposed redesign of New Zealand's vocational education and training system. It is essential that Aotearoa New Zealand has a world-class vocational education and training system that ensures economic growth and stability, develops the workforce needed for today, and prepares the workforce for tomorrow. Refer to our [website](#) for more information about Hanga-Aro-Rau.
- 1.2. The submission is presented on behalf of the Hanga-Aro-Rau governing Council and considers the extensive feedback from our stakeholders and staff since our inception and amplified during the consultation period. Throughout the consultation period, we have proactively encouraged our industries to make their own submissions. What matters to industry, matters to us and this is reflected in our response.
- 1.3. We are supportive of change and advocating for the needs of those we are here to serve, and we reiterate our commitment to the Minister in supporting a smooth transition to any new vocational education and training system.
- 1.4. We support a redesigned system that retains a 'Workforce Development Council'-like approach including the retention of independent industry-led standard setting, independent quality assurance and programme endorsement, industry-endorsed investment advice and industry skills leadership and advocacy.
- 1.5. We - as stated by our Industry Stakeholder Group (ISG) in March 2024 – see opportunities for greater efficiency, cost-reduction and strengthened industry and system outcomes. Our ISG and National Industry Advisory Groups (NIAGs) represent more than 75 sectors and have proven their effectiveness to ensure a strong industry voice. We advocate here for the retention of these structures as they are an essential component to ensuring industry voice in the system.
- 1.6. The system can and should have considerably fewer than eight standard-setting entities using a sector-led approach to maximise outcomes. This approach removes duplication and enables a more streamlined, industry leadership.
- 1.7. We note that it has been difficult to comprehensively comment on the options presented due to the absence of industry justification and financial modelling and analysis to demonstrate the effectiveness of the options presented in all proposals.
- 1.8. We would welcome the opportunity to discuss our submission with the Minister and/or officials.

2. What industry needs from a well-functioning vocational education and training system

- 2.1. Throughout our extensive engagement, industry has emphasised the need for a stable, responsive, flexible and industry-driven system that meets long-term workforce development needs without causing unnecessary disruption.
- 2.2. Any redesigned system must strengthen industry voice to influence, endorse and implement training that is fit for purpose. By protecting and strengthening national consistency, independent of training provision, to hold the system to account in an impartial way.
- 2.3. Any redesigned system must be seamless and connected, offering choice in provision to ensure that industry's local, regional and **national** needs are met, this includes minimising the disruption to industry during the transition.
- 2.4. Any redesigned system must improve industry influence (including in the provision of investment), be economically viable and sustainable for the long term, and avoid cyclical system redesign that is disruptive to workforce development, industry productivity and New Zealand's economy.
- 2.5. Industry voice must be central in the system; outcomes must work for employers and their people (including their future workforce).
- 2.6. Access to the right training, at the right time, in the right place and in the right way is a critical consideration for the redesign.
- 2.7. The system needs to best support and advocate for Māori, Pacific and disabled people and those with low prior educational achievement – not only have these groups been traditionally underserved, but they are also critical groups to address the skills and labour shortages and ensure productivity growth and economic stability.
- 2.8. Industry values industry-led standard setting and needs national consistency to ensure all training their workforce (or potential workforce) is engaging in aligns with their needs. This includes employer, customer, market (including international), and regulatory needs.
- 2.9. Work-based learning (or industry training) needs to be central to the system. Industry values and needs national provision for work-based learning. While regional delivery is acknowledged as necessary, consistency is essential to ensure seamless mobility, quality and recognition anywhere in the country.
- 2.10. Independent standard setting is favoured and essential to ensure system rigour, integrity and national consistency, as well as mitigating against any actual or perceived bias, conflict or competing priorities (irrespective of funding being separately allocated).
- 2.11. Funding needs to be appropriately allocated from whole vocational education allocation to support standard setting, rather than repurposed from work-based learning alone.

- 2.12. Investment Advice should continue, this is a valued feature of the current system and provides confidence to industry that only programmes relevant to industry needs are funded. This also provides industry with a mechanism to have a direct influence on funding decisions.
- 2.13. Industry values flexible training models. One size does not fit all, and it is perceived that flexible models will offer choice and tailoring to specific needs, improve responsiveness and drive innovation benefiting learners, employers and industry.
- 2.14. Access to education is a basic human right and there should be no disadvantage to accessing training because of where someone lives, or the size and nature of their industry.
- 2.15. The system must be stable and reliable for employers, giving employers what they need, when they need it, in the way that they need it; it must also be agile to respond to global and national changes.

3. Industry must have confidence that any system redesign is going to address the chronic skills shortages and will be enduring

- 3.1. The industries supported by Hanga-Aro-Rau need to find 160,000¹ people by 2028, and demand is outstripping supply by around 58,000². This means that employers need more support to grow and sustain their pipeline in a highly competitive environment and they need certainty that the training system will provide adequate and essential industry-endorsed education pathways.
- 3.2. Training is a staple for most industries. Formal training to nationally (or internationally) recognised standards is done for a range of reasons. However, all stakeholders that we engage with value their workforce and growing their people, securing talent pipelines, and retention. They all value the need for nationally recognised, industry-endorsed qualifications, and value the ability to access training where, how and when they and their people need it.
- 3.3. The vocational education and training system cannot keep being redesigned. It must be structured to endure and evolve as businesses, industry and workforces do. Industry must have confidence that the system will meet their needs, develop the skills and people that their businesses need, and not cause unnecessary disruption. There is strong recognition that further disruption to the vocational education and training system might further disengage or isolate industry from engaging, which will be detrimental to economic growth.
- 3.4. Industry must have confidence in the vocational education and training system to develop and deliver the skills they need for their workforces to thrive and be productive. Learners need assurance that the programmes they are engaged in will provide them with pathways into thriving and prosperous careers.
- 3.5. The continual changes are coming at the expense of being able to design and deliver the training that industry needs. These structural changes which reallocate

¹ Infometrics, 2024

² [Deloitte and Hanga-Aro-Rau, 2023](#) and [2022](#)

functions, must be industry-endorsed to ensure the changes will result in a sustainable workforce, rather than the 'volume-based' approach of the former system.

4. How our submission responds to the proposed redesign of the vocational education and training consultation document

4.1. Industry values the rigour, impartiality and national consistency that independent standard setting enables, and industry needs certainty that the whole system works best for industry training and workforce development.

4.2. Essential considerations for the redesign are to:

- Make it easier for employers to engage and support training for their workplace and workforce
- Ensure that the training meets their immediate needs while futureproofing their workforce
- Recognise the comprehensive (and critical) investment employers make to the success of their learners and workforce
- Ensure learner outcomes for all are improved, and tailored to specific learner and employer needs
- Ensure the system is delivering quality, impartiality and consistency through robust, independent, industry-endorsed standard setting.

4.3. We have provided our feedback – informed by considerable industry engagement during the consultation period – based on our system expertise and evidenced understanding of what our stakeholders need from a well-functioning, world-class, industry-led vocational education and training system.

4.4. A high-level summary of our response against the three consultation proposals is provided below.

Consultation Proposal	Hanga-Aro-Rau brief response
<p>Proposal 1: Creating a healthy ITP network that responds to regional needs</p>	<p>We support:</p> <ul style="list-style-type: none"> • creating a financially viable and sustainable regional network. • the federation model in principle, provided there is no unintended disadvantage to regions or the entities within (or outside) of the model because of location, local population and industry. <p>We encourage that:</p> <ul style="list-style-type: none"> • The regional network is mandated to deliver consistent programmes that meet industry need. We recognise there might be flex in delivery, but industry must have assurance there is consistency in the quality and relevance of the training. • Micro-credentials are only created by standard-setting bodies to ensure national consistency. • Collaboration as appropriate. Industry is all over the country and while there might be regional nuances, industry needs assurance that they will be supported anywhere. • That the competitive model/approach with ITPs that existed previously is managed appropriately so that there is no duplication of effort and industry sees more collaboration across the network. • Mobility is a central feature of a thriving economy and consistency in programme outcomes will ensure mobility. • The funding model is not constructed to ensure the financial viability of the ITPs at the detriment of other parts of the VET system. • Industry needs are critical to the redesign – simply returning to the regional model pre-Te Pūkenga, may not provide the most effective solution for all industries or all regions. • The ITPs must be responsive to the needs of Māori, Pacific, disabled people and other groups that have been underserved (this could include specific industry groups as well). This must be mandated and made explicit. • Industry engagement at a national and local level. Engagement must include effective feedback mechanisms that ensure a lack of duplication, an integration of local and national insights, and transparency of input across the system from employers, including Māori

	<p>employers, community representatives (including Māori, Pasifika and disabled communities), and unions.</p>
<p>Proposal 2: Establishing an industry-led system for standards-setting industry training</p>	<p>We support the retention of independent standard setting:</p> <ul style="list-style-type: none"> • It provides rigour, impartiality, and consistency resulting in better industry and provider outcomes. • It holds the whole system to account to ensure it is meeting industry needs. • Flexible, industry-centred models are necessary to support in-work learning. • Providers delivering work-based learning is much more seamless for an employer (one-stop shop) than that is proposed under Option 2a. • Ensures that the models will not be one size fits all (although that could be challenged if the funding model is too rigid). • All sectors will be well supported. <p>We do not support merging arranging training and standard setting:</p> <ul style="list-style-type: none"> • This will limit standard setting activity (even if funded separately) as there will be an inherent bias to prioritising standard setting for programmes that can generate the greatest number of learners, disadvantaging niche and highly specialist sectors (which is much of the economy). • It will create conflict in the system especially relating to quality assurance activity and monitoring of other providers. • It will lack the integrity achieved by independence of standard setting. <p>We do not support some industry standard setting being led by the New Zealand Qualifications Authority.</p> <ul style="list-style-type: none"> • Standard setting must support the whole economy, and all industries should have an industry-led standard-setting body regardless of whether there is current training provision. • The way in which industries and roles are evolving, the system must be agile and industry-led to anticipate and plan for those future needs.

	<p>We encourage:</p> <ul style="list-style-type: none"> • Resolving the system (not the structural) tension in qualification/standards/micro credential development, programme development and implementation to be more responsive to industry. Neither option solves this longstanding issue which must be a fundamental consideration in the redesign. The system must be agile and responsive to industry. • At most six independent standard-setting entities, but we firmly believe fewer will be more efficient and effective for the system and taxpayer overall. One entity would be the most effective and sustainable solution. • Investment advice is retained as a legislated function alongside all other functions of current WDCs. Investment advice must be endorsed by industry and ensures industry voice into the system but ensuring that has regional relevance. • Industry needs are central to the redesign which means they must be engaged with and involved in the design work that will flow from any decisions made. • Retaining 'transitional' PTEs – they have proven significant to success in supporting their sectors and reversing this would be detrimental to industry (we are specifically advocating for Marine and Specialist Technologies (MAST) Academy, Apprentice Training NZ, Skills4Work and Ports and Cranes Academy of NZ). • The standard-setting body could collaborate with other entities as needed to set skills standards for industry. • The standard-setting body could provide bespoke, unfunded services, to generate income and reduce exclusive reliance on government funding. • That is not cost-prohibitive for entities to transition to and for employers to engage • Easier recognition of international skills standards/qualifications and training as this will enable efficiency and consistency.
<p>Proposal 3: A funding system that supports stronger vocational education</p>	<p>We encourage that the funding model:</p> <ul style="list-style-type: none"> • Appropriately allocates funding to standard setting to ensure it supports the whole system.

- Does not reprioritise work-based training funding to fund standard setting. Rather, the full training funding must be apportioned appropriately as the full system benefits from it. This will result in SAC levels not being increased to the former rates.
- This will ensure that the work-based rates are not reduced further from the former rates, reflecting the importance of work-based learning in vocational education.
- Considers funding for employers (and other entities such as unions, iwi, and community organisations) to ensure that they can engage. Education is a public good and employers training their current and future workforce is not only efficient but an essential investment for sustainable economic growth.
- Employer (and other entity) funding must be reconsidered when redesigning the funding system and/or explicitly linked to other funding sources supplied via MBIE or MSD (the latter creating confusion and a disjoin between funding that employers can access to support their investment).
- A non-volume-based fund should not only be available to ITPs, but all providers to invest in regional/industry-specific initiatives.
- Supports a seamless transition to any new entities, removes barriers for employers to engage and has enough flexibility to accommodate the bespoke work-based training models.
- Funding must account for greater support to support a range of learner needs (including Māori, Pacific and disabled people, literacy and numeracy, low prior achievement, etc).
- Providers must be incentivised to proactively address barriers, to genuinely and sustainably improve outcomes and this incentive may only be clear if mandatory.
- A separate fund such as the current learner success component must be retained to ensure the monitoring of how well providers are building in support to enable the success of Māori, Pacific Peoples and disabled people is robust and reported against regionally and nationally.

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

This section of the submission responds to the specific questions related to Proposal 1.

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

Agree

Why / Why not?

ITPs (Institutes of Technology and Polytechnics) are crucial for providing accessible, quality vocational education tailored to regional needs. They can play a pivotal role in equipping learners with practical skills that meet local industry demands.

However, they cannot and do not replicate the 'real life' work environment, which is essential for the sectors served by Hanga-Aro-Rau. Our industries need a system that integrates effective, industry-endorsed off-job training with onsite delivery. Many of our sectors don't (and can't) currently use the ITP network because they are either 'too small' or too technologically advanced or specialised.

Where the ITP network can improve is in providing stronger pathway programmes into our industries that are industry-endorsed and use nationally consistent standards, more efficient off-job training (e.g. engineering and automotive) and courses that align more closely with industry needs and international standards (e.g. maritime).

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

Benefits must be to be more financially viable and sustainable and more closely connected to industry, therefore more responsive.

Risks are that issues from the pre-RoVE system will remain, unhelpful competition rather than collaboration, and a focus on 'bums on seats' (based on the funding proposal) rather than directly linked to industry demand and skills needs.

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

Agree

Why / Why not?

A federation model can promote collaboration among ITPs, allowing for resource sharing, joint programs, and a more unified approach to regional education. This can enhance the quality of education while maintaining local relevance and delivery, with the following caveats:

- Consistent training programmes and outcomes – essential for industry
- There must be genuine viability of the ITPs and no disadvantage to being inside or outside of the federation
- Competition that is not driving innovation or strong learner and industry outcomes is disincentivised
- The system is driven by industry need, not learner demand and this is evidenced through regional investment planning (and the Mix of Provision)
- There is greater transparency and sharing of data across the system to support learner success, industry relevance and portability.

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

Regional data would allow this information to be available to determine what are the skills most needed for a region and industries within a region.

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

- Improved responsiveness to local employment needs
- Enhanced collaboration between institutions to best meet the needs of industry
- Consistent programmes endorsed by industry and utilising consistent national standards. This is essential for career development and pathways within the sectors we serve.
- Resource design and development is readily available across the full ITP network.

Proposal 2: Establishing an industry-led system for standards setting and industry training

This section of the submission responds to the specific questions related to Proposal 2.

19. Which option do you prefer overall?

Option B replace WDCs with industry-specific standard-setting bodies - Slightly prefer

Why?

Key outcomes for any redesigned system included: improved responsiveness to industry; increased access for all learners (especially those currently underserved); cost-effective while maintaining strong independent standard setting, tailored industry training and national consistency; and stability.

Industry stakeholders and providers we engage with value independent standard setting provided the standards are industry-endorsed. Independent standard setting ensures system rigour, accountability and integrity, but enables flexibility in training provision and delivery.

As a WDC, we have proven that independent standard setting:

- Can be more responsive to industry needs (please refer to some [examples](#) of our responsiveness)
- Lifts the quality and performance of all training providers in the system
- Removes any perception of bias and/or conflict of interest when setting standards
- Results in stronger industry voice influence vocational education and investment.
- Removes competing priority issues that result in stale industry standards.

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

N/A

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

Choose an item.

N/A

Why?

N/A

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

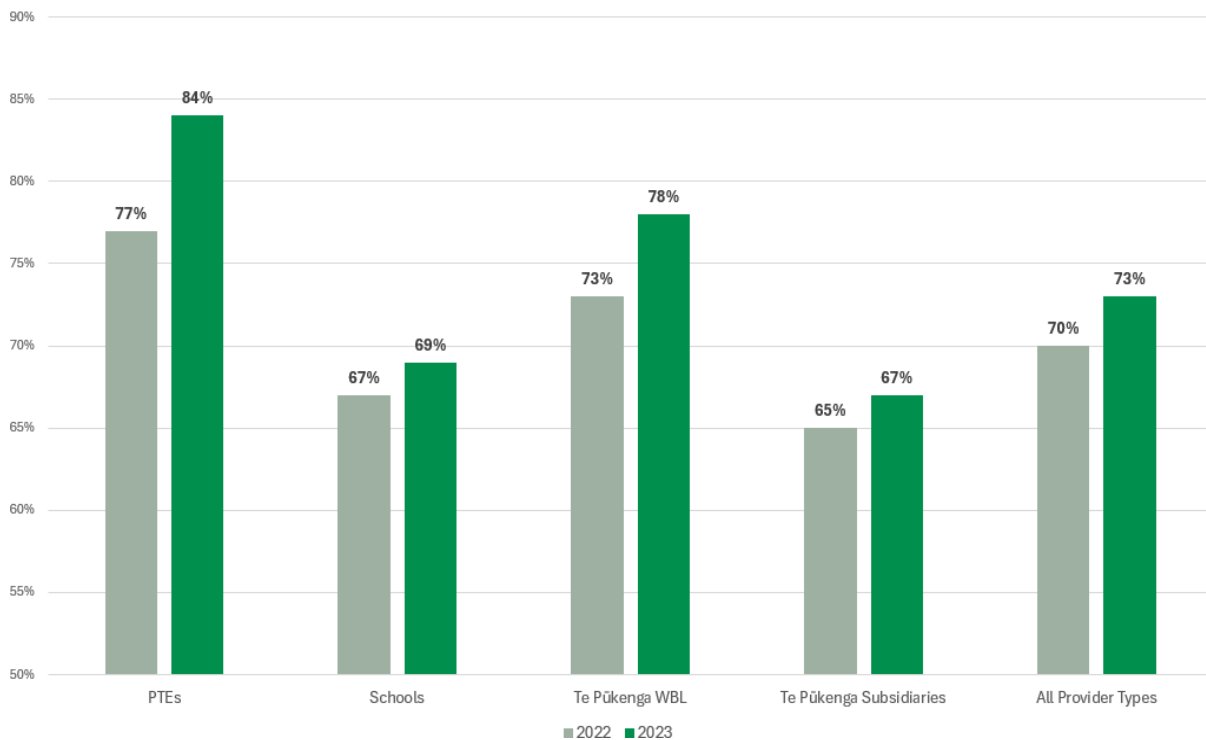
We support a system that retains a WDC-like approach, with expanded support for industry voice. This includes the retention of all current WDC functions as well as expanded functions to better enable industry voice through the whole ecosystem.

Currently, the system allows a combination of standard setters (Workforce Development Councils) and providers to develop standards. WDCs develop, review and maintain qualifications, micro-credentials, unit standards and skills standards. Providers can create micro-credentials and their training programmes don't have to. This creates confusion for industry, employers and learners where inconsistent standards or programmes are utilised. In some examples (refer to the MTA, CRA and MIA submission for evidenced examples), this has resulted in additional costs to re-train, which is disruptive to learners, employers and industry, and an inefficient use of tax-payer funding.

A way of ensuring the system is nationally (and industry) consistent, the standard-setting entity should develop the assessments for all of the standards. Currently, we work very closely with providers to ensure they are developing assessments that meet the national standard and intent of the standards from industry.

As a current standard-setting entity, we have worked closely with providers to ensure they are developing assessments that ensure great assessment practice, learner progress and achievement and are aligned with industry. This has resulted in significant improvement in assessment and moderation outcomes for all of the providers in our network. For example:

Assessor Decisions Verified by Provider Type
 2022-2023



An example of how the system can work to be more responsive to the needs of industry is collaboration between specialist industry providers to develop standards and programmes simultaneously to be more agile and responsive to industry.

Case Study 1:

Recently we have collaborated with MAST Academy following feedback from industry that changes needed to be made to qualifications. Given MAST is a technical specialist, we agreed that we would work with them to review the qualifications and standards. They would lead the technical discussions and support with drafting the content, we would provide independent oversight, assurance and liaison with NZQA. With this collaboration, the review of qualifications and unit standards could be brought forward and better delivered for industry. Without that collaboration, we could not have completed the reviews within the same timeframe due to other review commitments.

Case Study 2:

Vocational Engineering Education NZ (VEE.NZ) is a separate entity set up to manage the standard setting, curriculum design and moderation for the New Zealand Diploma in Engineering and the New Zealand Diploma in Engineering Practice. Two WDCs have accountability for the sectors supported by these qualifications (Hanga-Aro-Rau and Waihangara Rau, and previously this was across three ITOs), and they are part of a governing board that oversees them. The board comprises three industry representatives, two WDC and four provider representatives to ensure the

consistent delivery of the qualifications. The qualifications are also aligned with various international accords.

In a redesigned system, it would be beneficial for this approach to remain in place for these qualifications. Note that this is not an approach that would work for any other sectors supported by Hanga-Aro-Rau.

In addition, independent standard-setting entities should:

- Provide regionally and locally focused people who talk with industry and facilitate changes to qualifications, micro-credentials, and standard setting for national consistency and relevance.
- Enable relevant networks of provision that target the needs of employers and industry at a local and regional level by understanding the future skills needs at a more granular level.
- Develop and deliver educational products faster to market-based on industry skills requirements, working with education providers to ensure programmes are tailored to the local and regional needs of industries.
- Support strong educational achievement through national moderation and standard setting and enable better portability of qualifications for workers and students through improved national standards.
- Advise and help facilitate the tertiary education investment planning process to ensure the mix of provision is aligned to emerging skills needs for the regions and funding is allocated where it can create the most impact on critical skills shortages.
- Register its own qualifications, with NZQA working as the moderator, to speed up the approval process, impartially support providers with programme development and development of assessments for the standards and micro-credentials to ensure national consistency and reduce compliance costs.
- Be directly involved in the investment planning process and assess investment plans against industry skill requirements within regions and act as an endorsement function for the Tertiary Education Commission (TEC).
- Have a lean governance and leadership structure that connects functions to government agencies efficiently at a lower cost.
- Be the only entities that can create micro-credentials to remove any confusion, duplication and proliferation and ensure that industry has clear education pathways aligned to industry requirements.

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

Yes, all functions and duties of WDCs must be retained. However, these functions can be performed more efficiently by consolidating the entities. Earlier in 2024, our Industry Stakeholder Group recommended consolidating all six entities and the Shared Services provider into a single entity. This remains a valid, cost-efficient and efficient consideration by:

- Creating efficiency through removing and reducing duplication (including at governance, management and functional level)
- Connecting more seamlessly to the wider ecosystem rather than replicating functions in other agencies and/or duplicating resource in collaborating across the system (including TEC Careers System, MSD employment services, NZQA approvals, and MBIE labour market)
- Providing whole-of-economy coverage and investment advice to enable concise and evidenced-based decisions.
- Providing industry sector-focused divisions within the entity while retaining the benefit of developing national consistency for core skills that are needed across multiple industry sectors.
- Providing value for money, especially with \$65 million previously funding the standard-setting system being prioritised away from the tertiary education system.
- Sourcing revenue from other channels such as through provider levels

Industry voice is critical to any new standard-setting entity. Hanga-Aro-Rau has proven industry voice can drive standard setting and the system can be responsive to their needs. We have the mechanisms in place (Industry Stakeholder Group, National Industry Advisory Groups), and have proven industry can have a strong voice, no matter their size, scale or location, and this needs to be strengthened in the new system.

System agility and flexibility are key, provided there is rigour and integrity to ensure the standards meet national, industry-endorsed requirements. We believe that industry can have a stronger voice in a consolidated and more economically efficient entity that independently sets standards.

We have also shown what a commitment to Te Tiriti o Waitangi means in practice when helping grow our New Zealand workforce and supporting greater productivity and prosperity for all. **He pūkenga tāngata, he pikinga taumata hei oranga mahi** - *More Māori with higher skills, in higher paid jobs, and with improved employment opportunities.* This work needs to continue in any system redesign.

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

Standard-setting entities should create assessment material for providers to ensure that consistent standards are being reached. Providers should be mandated to use assessments created by the standard-setting entity. This would require providers to ensure they are training to nationally recognised standards managed by the standard-setting entity.

Training providers could continue to create their learning content and training plans to best meet the needs of learners, but there is immense value in the system using consistent assessment standards. This would reduce moderation costs over time, especially pre-moderation costs, allowing for more focus on targeted interventions to lift learning outcomes.

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?

This would be risky. Under the current system, a moratorium was put in place that has resulted in an entire industry (Ports) being unable to develop their workforce. In addition, industries supported by 'transitional PTEs' have greatly benefited from improved learner experiences and outcomes. This has been exclusively enabled through the removal of the barrier between arranging and delivering training.

Choice drives healthy competition and innovation, which will benefit learners, employers and New Zealand overall. As an independent standard setter, we have proven effective oversight of a complex network of provisions that supports our sectors. This includes monitoring and engaging with:

- 5 Work-based Learning divisions
- 63 Private Training Establishments
- 15 Institutes of Technology and Polytechnics
- 1 Wānanga

Choice for industry, employers and learners is key. Flexibility in provision (including mode and location) is vital. Consistency and accountability are essential to ensure industry has the outcomes it needs, and that the system is robust.

We also support around 300 schools to embed our industry standards. That's 300 schools seeking to pathway students into the industries we serve. This is something industry wants to see more of (ref to Automotive submission from MTA, MIA and CRA) and they want assurance that schools will get the appropriate funding to be able to implement the right industry-endorsed pathways.

The creation of either new work-based entities or transferring WBL divisions to existing providers, promotes a more seamless approach to learner and employer support and pastoral care and integrates on and off-job training and online or blended learning. Industry supports the principles of a seamless transition between work, on campus, school and/or other learning institutions, and there is value in retaining this approach.

Models of workplace training and assessment integral to the industries we serve are a highly necessary and valued function of the current system and must transition to any redesigned system. Industry wants assurance that the training models that they know work for their business, people and sector will be carried through to any redesigned system.

Proposal 3: A funding System that supports stronger vocational education

This section of the submission responds to the specific questions related to Proposal 3.

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

Strongly don't support

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

Funding drives the behaviour of the system and must take into account the needs of learners, employers and the wider industry.

Provider-based funding should not return to the pre-RoVE rates and equally nor should work-based training rates. Work-based training is what our industries need more of, not less, and there is a genuine risk that if work-based training is not funded appropriately less of it will happen.

There needs to be consideration of the needs of learners, especially those that have low prior achievement, are Māori and/or Pacific and/or disabled. Why? These learners are the future workforce and essential economic enablers. Repurposing the learner component to increase provider-based rates has the risk of not achieving the necessary improvement for these targets and essential learner groups.

If the Federation model were to be implemented, how would the 'anchor' institution be funded if there is no other fund? SAC rates could be levied to fund the anchor institution, but this would mean less funding available to all learners in the federation model potentially putting them at an automatic disadvantage to non-federated ITPs.

The proposed funding model devalues industry training and presumes a 'one size' fits all for provider-based training. The true cost of training must be determined to develop effective (and sustainable) funding models and frameworks.

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

Standard setting benefits the whole system and therefore funding needs to be allocated from the whole system to fund it, not repurposed from the work-based training rates.

The WDCs have an effective idea of the true cost (and the minimum cost) of quality standard setting. The ISG proposal also outlined some costing options to ensure that standard setting is efficiently and sustainably funded. Reducing the number of standard-setting entities will be a key cost-saver, without compromising system quality and integrity.

Independent standard-setting entities could also generate revenue by offering cost-to-serve options for employers for skills mapping and other services to enable integrated work-based training models that could be self-managed by the employer.

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

The volume-based funding only available to ITPs is not supported. Yes, there are regional industry needs, but mostly these needs are currently unable to be wholly supported by the current ITPs.

It is supported that ITPs utilising the non-volume-based fund could also incentivise international students to their region provided that aligned with industry needs (if the intention was that the international students would remain in the region once qualified).

30. What role should non-volume-based funding play, and how should this be allocated?

Non-volume-based funding available to **any** provider on application should be explored, and all applications must be endorsed by the standard-setting entity to ensure industry alignment.

Concluding questions

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

Yes, these proposals have looked at the high-level structures rather than the needs of specific learners.

However, it is noted that some providers have exceptional mechanisms to support the access and success of learners, and it is hoped that these can continue in the redesigned system (acknowledging that there will need to be the right incentives and oversight to ensure a wider uptake of effective responses).

A benefit of the current model is a national disability action plan and the ability for less-resourced education providers to leverage the expertise and resources available in other parts of the system. A concerted effort to retain this effective and efficient use of skills, knowledge and expertise across the system is encouraged.

New Zealand's workforce demographics are changing with greater diversity including with our growing Māori and Pacific workforces. New Zealand needs a focus on these groups so that through raising productivity, incomes, and qualification completions all of New Zealand wins. Accordingly, it's imperative that the new system has clear goals and expectations to be met.

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

SMEs and smaller, niche sectors could be further excluded from the vocational education system for the reasons outlined above. This would be detrimental given that SMEs make up the majority of business and the niche skills required.

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

Please refer above.

Overall, we advocate for a vocational education system that remains industry-led, builds in flexibility, upholds national consistency and integrity, and supports all learners – especially those traditionally underserved – to provide stable, long-term workforce development solutions.

He reo ahumahi, he oranga mahi / He oranga ōhanga, he whenua taurikura
Industry voice for employment productivity / Economic well-being for a prosperous country