

# A unified system for all vocational education

Reform of Vocational Education



**Kōrero Mātauranga**  
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# A unified system for all vocational education

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A strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive

## **New Zealand needs to be ready for a fast-changing future of skills, learning and work**

The world of work is changing significantly, and how New Zealanders learn needs to adapt to stay ahead of these changes. Experts estimate around one-third of jobs in New Zealand will be significantly affected by automation. Today people over the age of 65 are three times more likely to have jobs than in 2001. The trends driving the future of work will change the skills needed in all jobs, see people changing jobs and careers more frequently over the course of their working lives, and see people working beyond the traditional retirement age.

People with no or lower level qualifications are most likely to see their jobs become increasingly automated, and many may find it difficult to adapt to new jobs and new technologies. Workers will need to either upskill to do new aspects of a job, or reskill to adapt to technological change or to new fields.



# The vocational education system we have today isn't ready for the Future of Work

New Zealanders agree, we need big change to meet today's needs and be ready for whatever the future brings



**“The current system has not worked for a long time and something needs to be done. If this is done well it will make a significant impact.”**

- Employer

# Why do things need to change?

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There are four big challenges with our current system:

1

## **We need to address a serious skills shortage across a number of industry sectors**

New Zealand is experiencing persistent and widespread skills shortages that highlight imperfections in the 'supply-chain' for vocational skills. A net 43% of businesses are having trouble finding skilled labour, and this has been steadily increasing since 2009.

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2

## **The current vocational education system is split, and doesn't always meet the needs of learners, employers or regions**

We currently have two vocational education systems: industry training organisations (ITOs) support on-the-job training, and providers deliver primarily off-the-job training, each with its own type of government funding.

People are uncertain about how to begin training or learning and how to progress, particularly when moving between on-the-job and off-the-job learning options.

The system needs organisations that consider the needs of both learners and employers at the same time, otherwise neither learners nor employers get what they need.

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3

## **Many institutes of technology and polytechnics are facing big challenges**

Some institutes of technology and polytechnics have continued to experience growth and are high-performing institutions, but others have suffered from falling domestic enrolments in recent years. Some institute of technology and polytechnic growth has come from competing in other regions or through international student enrolments.

All regions deserve to be backed to succeed; there's strength in combining forces to support each other.

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4

## **Employers have told us the lack of industry input into off-the-job learning is frustrating**

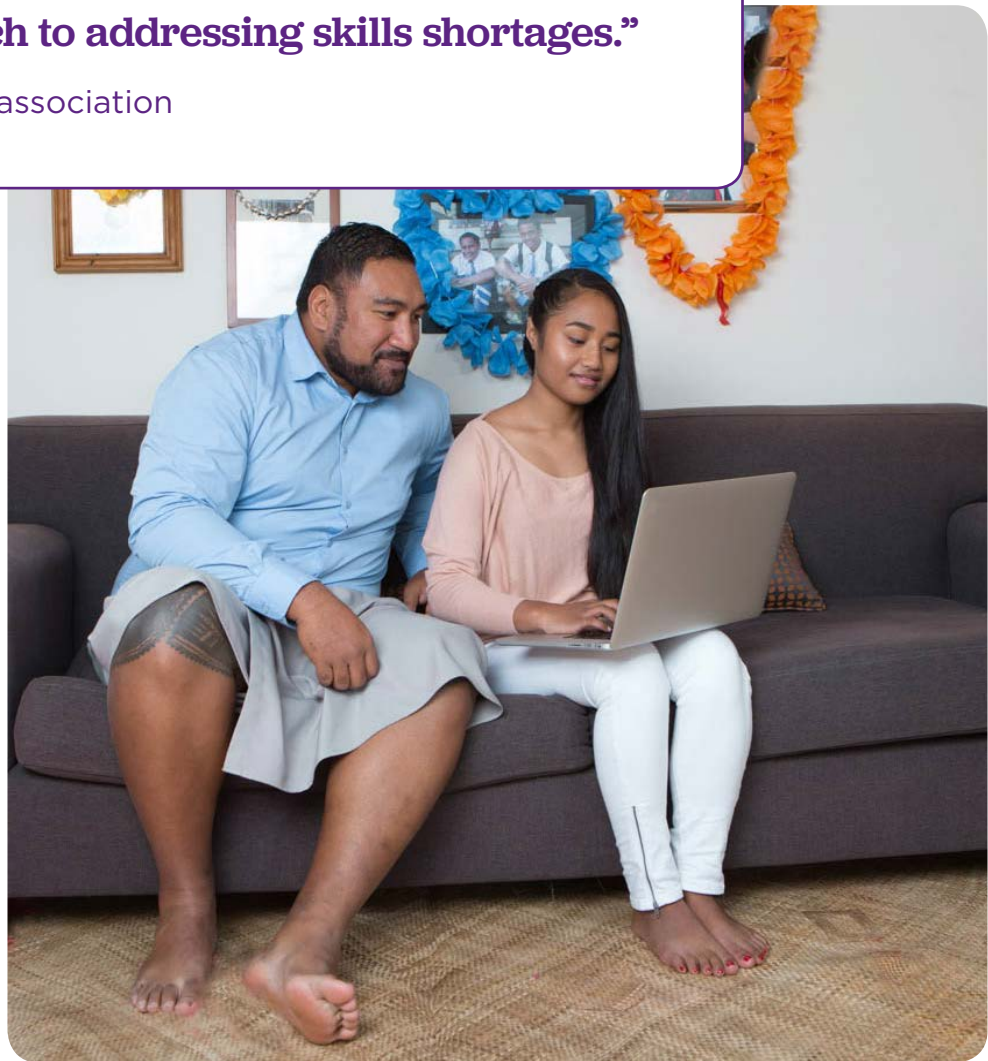
ITOs were originally conceived of as standard-setting bodies, but in reality, they don't have much ability to influence and shape off-the-job delivery to ensure that it meets the needs of their industry. Even though ITOs represent industry, they can't influence the type or standard of delivery across all providers.

Other employers tell us that ITOs don't meet their needs, or there is no ITO due to gaps in industry coverage, such as information and communications technology (ICT), management, and creative arts.

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**“If the proposals work as intended, there is also the opportunity for a more strategic approach to what training the government funds. This might mean channelling funding to good programmes and away from poor ones, and a more coordinated approach to addressing skills shortages.”**

- Industry association



# **A single, strong vocational education system**

One vocational education system will:



**give all learners  
the education and  
training they need  
for the workplace**

**give employers  
greater access to a  
skilled, work-ready  
workforce across  
all regions of  
New Zealand**

**ensure all the  
regions of  
New Zealand have  
collaborative,  
flexible, innovative  
and sustainable  
providers**



Change

# 1

## Putting industry in charge

**To have effective vocational education, industry needs a say in what providers teach so that on-campus and online students learn the skills they need to be ready for the world of work.**

Around four to seven industry-governed Workforce Development Councils will be set up from 2020 onwards to give industry greater leadership across vocational education. We'll work with industry to decide how industry coverage will be grouped together, but it might look something like:

1. Construction and Infrastructure
2. Manufacturing and Technology
3. Primary Industries
4. Services Industries
5. Social and Community Services
6. Creative Industries

The Workforce Development Councils will get to decide whether programmes are fit for purpose, whether they are on-the-job programmes (like an apprenticeship), taught on-campus or online by a provider, or a combination of these three. Unless a programme has the Workforce Development Council's confidence – effectively, industry's confidence – it won't be approved and won't be funded. They will also provide advice to the Tertiary Education Commission on its funding decisions more generally and will get to determine the mix of training in their industries.

Workforce Development Councils will also have the power to require programmes of study to have a 'capstone assessment'. This is an external assessment, overseen by the Workforce Development Council, so that everyone can be sure that qualification-holders in that area meet a standard that is acceptable to industry.

Workforce Development Councils will provide skills leadership for their industry and, like today's Industry Training Organisations, they will sometimes provide employers with brokerage and advisory services. But, given their powerful oversight role, they won't be directly involved in running apprenticeship and other on-the-job training. Instead, we'll be bringing on-the-job and off-the-job training closer together (see *change #5 below*).

Change

2

### **Ensure regional skills needs are met**

**Every region of New Zealand has different needs. Ensuring that the workforce is in place to meet these needs requires coordination across a number of regional participants.**

Regional Skills Leadership Groups will facilitate dialogue about regional labour market needs that builds coordinated decision-making at a regional level to encourage businesses, training providers and other local actors to work together towards a high-skills labour market.

RSLGs will provide advice about the skills needs of their regions to the TEC, WDCs and local vocational education providers. TEC will be required to take their advice into account when making investment decisions.

RSLGs will work across education, immigration and welfare systems to help deliver on regional economic development strategies that work for everyone. More detail will be available in a separate publication.

Change

3

### **Te Taumata Aronui**

**This reform is an opportunity to set up the new system in partnership with and make sure there is a much stronger voice for Māori businesses and iwi development.**

We will ensure that the next stages of the Reform process include Māori as key partners, including by setting up Te Taumata Aronui – a Māori-Crown tertiary education group, which will to work with Ministers and officials across the tertiary system.

The new Institute will have governance that reflects the Māori-Crown partnership and involves national collaboration and leadership with local solutions to issues, and responsibility to deliver for Māori.

The system as a whole will listen and learn from the groups that it serves.



Change

4

## **One institute with campuses around the country**

**Communities value what their institutes of technology and polytechnics do, and they want the best of their work to continue. But they also understand that the financial problems of many of them mean they can't continue as they are.**

The Government is committed to ensuring that high quality vocational education will be available to all regions. To do this, the majority of vocational education provision will be offered through a single national institute. This will be accessible through a network of regional campuses, a network of support for work-based training, and a network of online delivery initially based on capability at The Open Polytechnic, the SIT and TANZ, and at other ITPs. Wānanga and PTEs will continue to be important contributors to the system. The Institute will be a new kind of organisation that provides workplace, on-campus and online learning, bringing together the existing 16 institutes of technology and polytechnics to operate as a unified, sustainable, public network of regionally accessible vocational education. It will be called the New Zealand Institute of Skills and Technology, or the Institute, for now, while we consult on its official name.

The Institute will have a new focus and culture, different from the institutions that are integrated into it. It will mean that all the regions are able to share resources, support each other and share accountability to deliver high performance. It will be required to work closely with employers to fundamentally change how learning and support is delivered through all modes of delivery – online, campus-based and at employers' places of business.

This change will give New Zealand a coherent and coordinated national system that also responds effectively to local needs.

The Institute's national office will be responsible for setting strategy, reducing duplication in areas such as consistent programme design and development, and ensuring that the regional operations take a network-wide view to investments. At the same time, all subsidiary entities will have sufficient financial delegations to be empowered to make decisions on behalf of their communities.

The Regional Skills Leadership Groups will hold the Institute to account, alongside other providers, for collectively meeting the needs of their local communities.

A Charter will be written into the Education Act which requires the Institute to continue to maintain provision in the regional centres where the main campuses of the 16 institutes of technology and polytechnics are based.

Other protections for the regions are that the Institute will:

- ▷ spend existing reserves (above a set limit) on the regions in which they had been accumulated by the relevant legacy ITPs,
- ▷ be cautious about changes to the ongoing use of the current institute of technology and polytechnic brands, and
- ▷ not have a Wellington or Auckland national office.

The 16 institutes of technology and polytechnics will be transitioned to subsidiary companies initially, which will minimise initial disruption to their activities compared with folding all of them into the Institute from day one.

Change

5

### **Bringing on-the-job and off-the-job training together by the end of 2022**

**The new system will break down the barriers between off-the-job and on-the-job learning, so that people can move easily between the two, even within a single programme of study.**

As Workforce Development Councils take the place of ITOs, the role of supporting apprenticeships and other on-the-job training will move to the Institute and other providers (wānanga and private training establishments). This will create tighter connections between these trainees and those doing off-the-job training, and will give them access to a similar range of learning and pastoral support.

We will work with the sector to ensure that we retain the existing capability and expertise as these functions transfer across. We'll also be proceeding cautiously, step by step. We know these changes are significant and will take time. They mean changing the functions of many organisations, which will change the relationship they have with their staff, learners and stakeholders.

In the meantime, the current system will continue to be supported – learners can keep learning and employers can keep hiring and training. The ITOs will either continue (with new recognition conditions) or form holding organisations that will be able to continue to operate under similar arrangements for supporting work-based training up until the end of 2022. This would give employers who are satisfied with their current support the assurance that the transition will be carefully managed over a three-year period to minimise any disruption to services.

Once the shift is complete, the apprenticeship and trainee system will continue to have strong industry oversight through the Workforce Development Councils. Programmes and training packages will need their endorsement, and they will direct the Tertiary Education Commission in terms of the mix between on-the-job and off-the-job training that it funds, to ensure there is the right mix for their industries. Workforce Development Councils can also continue to provide advice to employers about their training needs.

Change

6

## **Centres of Vocational Excellence (CoVEs)**

CoVEs will drive innovation and excellence in teaching and learning and improve links to industry and communities. They will be established in areas of study of particular importance to New Zealand. Their coverage could be pan-sector (e.g. primary sector), industry-wide (e.g. agriculture) or specific (e.g. viticulture). They could potentially also cover key types of educational delivery, such as kaupapa Māori delivery, and include applied research. CoVEs will bring together the Institute, other providers, Workforce Development Councils and research to enable all vocational education organisations to access the best of what is available nationally. A CoVE could be hosted regionally by the Institute or a wānanga.

Change

7

## **Unifying the vocational education funding system**

The funding system has created many of the problems in vocational education. It assumes providers will operate large class sizes, and creates incentives for keeping learners off the job for longer than they need. At the same time, it has also meant that some industry training has moved away from high-quality, transferrable learning. We will work across all system stakeholders to develop, design and implement the new funding system to: support access to on-the-job education and training and encourage the growth of work-integrated delivery models.

We will engage with stakeholders to design a new funding category system that provides funding for education delivery with different underlying costs, recognises the higher costs of delivery that responds to a range of learner needs, and makes particular provision for strategically important delivery.

There will be some initial changes to funding from 2021, with full design and implementation phased over a number of years. The funding system is a crucial element of the Reform programme. Without it, New Zealand will not get the outcomes it needs from the system.











