

Submission to the Ministry of Education on:

## **Redesign of the Vocational Education and Training System**

Submitted by the New Zealand Council of Trade Unions Te Kauae Kaimahi

12 September 2024

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This submission is made on behalf of the 32 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 340,000 union members, the CTU is one of the largest democratic organisations in New Zealand.

The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (CTU), which represents approximately 60,000 Māori workers.

## 1. Summary of recommendations

- 1.1. We strongly oppose another fundamental restructure of the vocational education and training system, especially given the lack of evidence that has been marshalled in support of the proposed changes.
- 1.2. The government should postpone any decisions on reforming the VET sector until proper analysis of both the stated problems – the financial sustainability of the sector, and a supposed lack of connection between some aspects of the VET system and industry needs – and the potential solutions has been produced.
- 1.3. We recommend the Workforce Development Councils remain funded and operational. If the WDCs are disestablished, then we strongly recommend that the replacement system ensures the continuation of the functions they currently perform:
  - Working with industries to provide skills leadership and translating the skills needs of industries into expectations of what the VET system should deliver.
  - Setting standards, developing qualifications, and shaping the curriculum of VET.
  - Endorsing programmes that lead to industry qualifications for approval by NZQA.
  - Providing industry-informed advice to the TEC on investment priorities in VET.
- 1.4. If the government does decide to embark upon a costly reform of the sector, then:
  - 1.4.1. Proposal 1: If the Government believes structural reform is necessary to improve regional provision, we recommend that the Ministry of Education's preferred option is adopted: a devolved Te Pūkenga. This is vastly preferable to the option proposed in the consultation document, as it helps to maintain the advantages of centralisation while also addressing the concerns about regional responsiveness. It will also be far less costly and disruptive as a reform process.
  - 1.4.2. Proposal 1: It is essential that detail is provided on how equity will be ensured for under-served learners in their regions. There is a major risk under the current

proposal that learners in certain regions will be pushed into online learning, and that currently under-served learners will not have their diverse needs met.

- 1.4.3. Proposal 2: Option B, while not desirable, is preferable to option A, as it maintains a split between standard setting and quality assurance. Commercially motivated institutions have an inherent conflict of interest if they are responsible for both setting standards and arranging and monitoring training to meet those standards.
- 1.4.4. Proposal 2: If the system is reformed, it is important that all the functions performed by the WDCs are maintained – including the provision of investment advice to the TEC.
- 1.4.5. Proposal 3: The problem of financial viability is less about the structure of the VET system, and more about the systemic underfunding of VET over recent decades. Our recommendation for moving to financial viability is simple: to achieve better outcomes for learners, industry, and society at large, the government needs to adequately fund vocational education and training in New Zealand. This should be the priority before embarking upon structural reform of the sector.
- 1.4.6. Proposal 3: We strongly oppose the proposal to repurpose a significant portion of the Learner Component funding. This will negatively impact learners who are currently under-served or who have higher needs. It will also reduce the Government's ability to honour its Te Tiriti o Waitangi commitments.

## **2. General comments**

- 2.1. This section sets out our concerns with the proposed reform process and the lack of justification for this reform.

### **The justification for the proposed reforms is weak**

- 2.2. We are highly concerned about the lack of analysis and detail behind the proposed reform process.
- 2.3. In the consultation slide deck, it is stated that the “Government is proposing changes to support a more financially sustainable sector that better meets the needs of employers,

employees, and communities”.<sup>1</sup> The consultation proposals can thus be evaluated against these criteria.

- 2.4. To the first issue – that of financial sustainability – we note that no estimates or guidance has been provided in the consultation documents regarding how the proposed options will address this issue. We therefore seek clarity regarding any advice that has been provided to Government on the financial viability of the options proposed. It is difficult to have a sensible conversation about this issue in the absence of these important details.
- 2.5. We note that the MoE’s initial analysis (published in the Regulatory Impact Statement accompanying the consultation document) identifies that proposal 1 in the consultation document (standalone ITPs + a Federation) will be the most complex and costly to implement relative to the other options assessed by the MoE. The MoE also notes that proposal 1 has drawbacks regarding system sustainability relative to the status quo and relative to the MoE’s preferred option (a devolved Te Pūkenga).
- 2.6. To the second issue – the needs of employers, employees, and communities – we note that no systematic analysis has been produced on what these needs are, or whether the current system is or isn’t meeting these needs.
- 2.7. This is particularly evident in the decision to disestablish the WDCs (taken at Budget 2024) and the proposals in the consultation document for what should replace them (either an effective return to the old ITO model (proposal 2, option A), or a variation on that (proposal 2, option B)). The consultation document does raise vague concerns about the level of industry engagement with the WDC system – for example, in her foreword, Minister Simmonds implies that the current model is not well connected to employers. However, no details are provided to substantiate this claim.
- 2.8. Some further detail is provided in the MoE’s RIS. The MoE notes that the “reported experience of some industry stakeholders (primarily those who were well served by the ITO model), has been a loss of responsiveness to industry needs and a general perception that industry has less influence in delivery of training for apprentices and other work-based learning”. However, it also notes that “This feedback is not consistent across industry sectors, and overall volumes of work-based training have been strong in recent years”.<sup>2</sup> The MoE concludes that its “overall assessment is that most of the WDCs have

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<sup>1</sup> Ministry of Education and Tertiary Education Commission, “Redesign of the Vocational Education and Training System: Proposals for Public Consultation”, August 2024, p. 5.

<sup>2</sup> Ministry of Education, “Regulatory Impact Statement: Vocational Education and Training System Redesign” June 2024, p. 11.

made good progress in their core role of a standards-setting body”. We therefore question what it is exactly that the Minister is seeking to address by disestablishing the WDCs.

- 2.9. The NZCTU’s own experience has been that the WDCs are well regarded by many industry groups including trade unions. And now that they have been firmly established, we are seeing them effectively fulfilling their core roles. There may be further work needed to ensure that the WDCs are well connected to all of the industries they serve. But there is no reason why this cannot be accomplished within the structure of the current model.

### **Change fatigue and disruption is a concern**

- 2.10. We are also highly concerned about change fatigue in the VET sector. Polytechnic staff and the public servants that do tertiary sector work have now undergone, or worked on delivering, significant change for over four years – a period which also included the disruption of the COVID-19 pandemic. The government is now asking this workforce to embark on another significant change process and is doing so within a more constrained fiscal environment.
- 2.11. We are concerned about the impact this will have on the workforces of Te Pūkenga, the WDCs, the MoE, and the TEC – with some of these workforces having been significantly reduced because of the Government’s recent expenditure cuts. Attrition has also occurred due to the disruption caused by the earlier round of reforms. Pursuing yet another complex reform, under the tight timeline being proposed will also increase the risk that mistakes will be made in the execution of this reform.
- 2.12. We note that change fatigue and declining sector capacity was also raised as an issue in the Specialist Advisor Group report to Minister Simmonds dated 27 May 2024. The authors noted that through the change of the past four years, the system has lost capacity and capability.<sup>3</sup> This will only make the execution of another large-scale reform more difficult.

### **The short timeframe for consultation**

- 2.13. We are concerned by the relatively short timeframe for this consultation. This is problematic not only because it is such a significant and consequential reform that is being proposed, but also because vocational education and training is a highly technical

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<sup>3</sup> Specialist Advisor Group, “An Integrated Regional Network of Vocational Education”, report to Hon Penny Simmonds, May 2024, p. 6, released under the Official Information Act.

area. A short consultation timeframe makes it difficult for people to develop full and effective submissions on the proposals. This is compounded by the lack of detail and analysis provided in the consultation material as to the reasons for the proposed reforms, the expected effects of the proposals, and the other possible options that could be considered by the Government.

### **Worker voice is critical**

- 2.14. It is important to note that the term industry includes workers and their unions as well as employers, industry associations and other groups.
- 2.15. Working people are at the heart of VET, and their voices and interests must be represented by unions in the design and operation of the VET system. As the organised voice of working people, unions represent the collective interests of workers and learners across their industries. Ensuring that VET works for industry necessitates that it works for working people and their unions.
- 2.16. Without capturing this voice, the specific needs of VET system workers at a regional and national level will be lost.

### **Recommendations**

- 2.17. We believe that further work is needed to get the VET system functioning well, and we certainly agree that there needs to be strong regional provision of VET for all communities.
- 2.18. However, we do not think that another large-scale reform is the answer. Instead, the Government should focus first on adequately funding the VET system, and second on tweaking the existing institutions where it thinks regional responsiveness or connection with industry could be improved.
- 2.19. New Zealanders need stability and long-term thinking in our key institutions. We encourage the Government to adopt a more responsible and measured approach to strengthening New Zealand's VET system than that proposed in the consultation documents. The full-scale reform proposed by the Minister is both extreme and wasteful.

### 3. Proposal 1

- 3.1. In the remainder of this submission, we comment on the specific proposals put forth by the Government. These comments should be read in the context of our general concerns with, and opposition to, pursuing another large-scale, costly reform of the VET system without having adequately substantiated the problem and the potential range of solutions available.
- 3.2. Although we agree that strong regional provision is important, it is difficult to see that this will be achieved by proposal 1. First of all, the formation of the Federation would be relying on the Open Polytechnic for support – a nation-wide, online organisation that doesn't have strong regional links. Additionally, as with other parts of the consultation, there is a lack of detail regarding how this Federation model would actually function, how the funding would be arranged, and what the risks associated with it are. This detail needs to be provided for a proper conversation with stakeholders to take place.
- 3.3. One notable risk that we are concerned about is that the Federation model will end up with more and more students being pushed into online learning. The evidence is clear that face-to-face learning is in general more effective than online. We recommend that any new model must ensure that all learners have access to in-person learning within a reasonable travel distance from where they live.
- 3.4. Additionally, we are concerned that the criteria for an ITP to leave the Federation and step out on its own is when it has proven it is financially viable. We question the wisdom of making financial viability the number one criteria for assessing whether an ITP should become independent. It is important that other criteria are given at least equal footing – such as educational standards, national consistency, and the responsiveness and relevance of qualifications development.
- 3.5. We note also that proposal 1 goes directly against MoE's preferred option to split Te Pūkenga into a smaller number of regional entities and have a slower transition process. This would be less disruptive to the sector and would reduce the risks of some regions being underserved, as outlined in the MoE's RIS.
- 3.6. One of the advantages of the establishment of Te Pūkenga was the integration of on-job, campus, and online learning. This has eliminated the counter-productive competition that previously occurred between ITPs and ITOs. It is important that any future design of the system does not reproduce this competitive dynamic, which is not in anyone's interest.

- 3.7. Finally, we note that it is critical that any regional devolvement does not compromise national consistency in skills and training standards. Qualifications must be portable across New Zealand. In practice, this means setting the content of courses and evaluative standards at the national level.

## 4. Proposal 2

- 4.1. In our view, the existing WDC system is vastly preferable to both options tabled in the consultation document.
- 4.2. We are concerned that the consultation document provides an inaccurate picture of the WDCs – they are, in fact, deeply connected to and in dialogue with industry. This is evidenced, for example, in the WDC investment advice to TEC documents for 2025, which draw heavily on industry intelligence. While there may be further work to do to ensure that all industries are well-connected to their relevant WDC, the idea that WDCs are currently failing to serve industry is incorrect.
- 4.3. We are highly concerned by the proposed narrowing of the functions that are currently performed by WDCs. Notably, the consultation document proposes to end the stream of advice from WDCs to the TEC. No reason is given as to why this should occur. Indeed, ending this function would directly undermine the Government’s stated intention of ensuring that industry is close to the skills system and informs how the skills system works. The ability for the WDCs to provide the TEC with advice on funding priorities is a key mechanism for getting industry voice into the part of the system that determines where the money goes. This function must be maintained.
- 4.4. We note that it is unclear how the ITBs (option A) would perform the important function of analysing current and future workforce needs. This is a critical role that needs to be filled. New Zealand has historically failed to do workforce planning well. If we are to meet the many challenges we face in, for example, strengthening New Zealand’s infrastructure and improving our productivity, then we need smart workforce planning underpinned by data and analysis. The WDCs currently contribute to this work. The consultation document provides no indication of how these functions will be undertaken under the alternative options proposed.
- 4.5. We are also concerned by the proposal to narrow the range of industries currently covered by the WDCs. One of the advantages of the WDCs, relative to the old ITO model, is that they collectively cover the entirety of the New Zealand economy. There is a risk



that, under the options proposed, some industries and workers will lose access to the support they need. The proposal document raises the suggestion that the NZQA could pick up the responsibility for introducing new qualifications in sectors that wouldn't be covered under one of the two proposed options. We are concerned that this will lead to worse outcomes for the sectors that don't have a strong history of qualifications development.

- 4.6. We are also highly concerned about the loss of worker voice under the proposed options. The WDCs currently have worker representatives on their boards, which is an important means of ensuring that the skills standards, programmes, and training mechanisms that are being developed are relevant not just to the needs of employers but also the needs of workers.
- 4.7. If we had to choose between one of the two options being consulted on, then option B is slightly preferable. This is primarily because it is important to separate standard setting from quality assurance. However, our first preference, instead of option B, is to simply adapt the WDCs to ensure they are functioning optimally.

## 5. Proposal 3

- 5.1. Regarding the question of financial sustainability, our view is that the fundamental issue here is not the structure of the VET system, but the quantum of funding that has been put into VET by successive governments.
- 5.2. Put simply, the level of funding has been too small. To really address the financial sustainability issues in the sector, the Government should look to lift the funding it allocates to the VET system. This point is supported by the findings of the briefing to Minister Simmonds titled "An Integrated Regional Network of Vocational Education". The authors of the briefing note that, "the funding system needs to more accurately reflect the cost to serve and account for the broader macroeconomic conditions that provide geographical and model advantages that are cyclical and that simultaneously create fiscal challenges in other parts of the network" – in other words, some regions of New Zealand are at an inherent advantage when it comes to regional ITP provision, while others require higher levels of government support.<sup>4</sup> A funding model based on student volume will undermine regional provision in many areas of New Zealand.

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<sup>4</sup> "An Integrated Regional Network of Vocational Education", p. 5.

- 5.3. We strongly oppose the proposal to repurpose a large portion of the Learner Component funding – which supports the achievement of equity outcomes for learners with a range of challenges or disadvantage – to fund provider-based education. New Zealand should be looking to develop and cement an inclusive VET system that serves all learners. This means providing increased resources for those learners who most need support. Without this dedicated support, more learners will be left behind and we will be creating more people not in employment, education, or training (NEET).

## 6. Conclusion

- 6.1. The NZCTU reiterates its opposition to embarking upon another fundamental reform of the VET sector, especially considering the incomplete analysis that has been undertaken of the problem definition and the efficacy of the proposed solutions.
- 6.2. We encourage the Government to listen to the concerns raised by a wide range of stakeholders, including our affiliated unions, on these proposals.
- 6.3. We welcome a discussion on how Government, social partners, industry, and VET providers can work together to ensure the VET system is delivering for all learners and is responsive to the needs of industry and the nation at large. A good starting point for this discussion would be an analysis of what the needs of employers, employees, and communities actually are, and whether the current system is or isn't meeting these needs. Unfortunately, this analysis has not yet been produced.
- 6.4. The NZCTU thanks the MoE for the opportunity to submit on this consultation.

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