

YEA Submission on proposed VET reforms

ABOUT YEA

YEA (Youth Employability Aotearoa) is a systems change organisation in Aotearoa New Zealand advocating for our youth to be given the skills and support to become work-ready. We represent over 500 individuals, organisations, businesses, associations, and elected members who are committed to ensuring the future workforce is equipped with the skills needed to create strong communities and a robust economy.

EXECUTIVE SUMMARY

While YEA supports the Minister's goal of achieving financial sustainability for polytechnics, we have a number of concerns with regards to the approach towards the reform of VET, proposed structure, and proposed repurposing of funding.

Approach

A robust and adaptable VET system is vital for this country's ability to be innovative and responsive to local needs and operate competitively in the global market. The fourth industrial revolution (Industry 4.0) is drastically affecting nearly every economic sector and signifies a seismic shift for current and future employees. Our VET must function in a way that enables training to adapt to this rapid and disruptive change, and yet the models proposed do not demonstrate an imperative need to respond to this revolution.

The prioritisation of online and class-based learning over work-based learning will be fatal to students and industry alike. ITPs cannot now, and will not be able to in the proposed funding models, keep up with the rapid technological developments. They simply will not be able to afford to update or upgrade plant and equipment and training programmes at the required pace.

The only viable model to ensure our country has a chance to be adaptive, responsive and competitive in this rapidly changing environment is a VET system that is founded in work-based learning, supported by classroom and/or online learning.

Structure

The Federated model proposed, it is argued, has precedence in the United States and the United Kingdom. However, YEA argues that New Zealand should be looking to model itself on the countries with the most successful VET systems in the world, such as Germany, Switzerland, Singapore, and South Korea. All these systems have the following in common, strong industry partnerships, a focus on work-based learning, and a commitment to high-quality training programs that are closely aligned with the needs of the economy. For reference, the 2024 report, *Lessons from Abroad: Transforming New Zealand's Vocational Education with German Practices*, based on the findings of the Building Bridges Delegation to Germany, provides ample recommendations from numerous New Zealand institutions on key learnings from the German model.*

Strong industry partnerships will not be created through the proposed Industry Training Boards structure. New Zealand is comprised of small and micro businesses; they represent 97% of all firms. Therefore, to adequately meet the needs of industry, a degree of impartiality is imperative. The proposed Industry Training Board structure will only ensure that big business' interests are served. This will lead to narrow training serving the limited needs of a few businesses, rather than meeting sector-wide interests.

YEA supports impartial, and specific industry-led standard-setting and commissioning bodies, to ensure that across the sectors, the skill needs are met. We currently have these in the form of the Workforce Development Councils. We ask that the Government does not disestablish these Councils as proposed.

Repurposing of Funding

Figures released in 2022 showed that the dropout rate for ITPs students is a disconcerting 32.6%. Nationally, the Open Polytechnic had the highest number (43.1%) of first-year dropouts. Online learning was identified as a key contributor to the increase in tertiary dropout rate in 2023.

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*Lessons from Abroad: Transforming New Zealand's Vocational Education with German Practices, Building Bridges Delegation to Germany, 2024

Learning targets and outcomes of Work-based Learning are knowledge, skills, and attitudes. Their purpose is to develop professional, social and personal competence. These are important prerequisites for employability, identity formation and social integration.

The proposed repurposing of funding away from Māori, Pasifika, and disabled students is problematic given the demographic trends in New Zealand.

One in four New Zealanders has a disability and approximately 11% of youth have a disability. New Zealand has an underutilisation rate for disabled people aged 15–64 years of 23.8% compared with 9.6% for non-disabled people. According to Stats NZ and the TEC, disabled learners are one of the most educationally disadvantaged groups in New Zealand. However, in 2019, TEC reported that if disabled learners receive the right support, they are equally likely to complete their post-secondary qualification as non-disabled people. Financial hardship and lack of funding for impairment-related learning support was identified as a barrier for disabled students and to remedy this, the report recommended:

- Increasing funding for learning support for disabled learners with high support needs
- Supporting disabled learners with course fees and other costs, and better financial information to make informed decisions about studying
- Considering Financial Allowances and withdrawal policies to meet disabled learner needs.

Stats NZ has shown that the Pasifika population has grown almost at twice the rate of New Zealand's population, and in the next 5-10 years the population of Māori is estimated to surpass 1.2 million. One in three children are likely to identify as Māori by the early 2040s.

The trajectory is a significant shift where Rangatahi Māori will overtake an older mostly non- Māori demographic. Māori, Pasifika, and disabled youth are the future workforce. New Zealand needs to invest in its young Māori, Pasifika, and disabled population to ensure there is a pipeline of workers in the future.

We ask that the Government does not rush through this reform process but instead takes care to create a system that has vision and substance and is future proofed.

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Below are our responses to the questions posed in the consultation document.

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

1. Do you agree with the consultation document's statements on the importance of ITPs? Why or why not?

A well-rounded VET system encompasses ITPs, PTEs, employers, standard-setters, central and local government, as well as research institutions and profession registering bodies such as teaching and nursing counsels and other bodies that grant registration status. There's no mention of these and how they will be integral to the creation of a robust VET system in the face of the rapidly changing environment.

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

Disbanding Te Pūkenga or partially federating the ITP sector will not resolve the issues that led the previous reforms. The main risk is that we'll end up with a more vulnerable VET system than we had at the formation of Te Pūkenga. From a risk management perspective and from an economic perspective, it makes more sense to follow the integrated regional network of vocational education recommended to the Government in May in the Consultation Document.

3. Do you support creating a federation model for some ITPs? Why or why not?

No. The proposed model will lead to the emergence of a two-tier vocational education and training system rather than a model that delivers consistency in training across the motu. A federated model could only work if all ITPs are included, not just the financially precarious ones. The proposed federated model does not make sense as a holding place until such time as an ITP can 'make it on its own' as it'll leave the remaining federated ITPs vulnerable.

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

YEA is a national organisation so we cannot speak to this specific question.

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

See the May Consultation Report provided to Minister Simmonds.

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

6. Which option do you prefer overall? Why?

Neither option is appropriate and would lead to the underperformance of our VET system. If the proposals are adopted, then Option 2B so that the functions of the Workforce Development Councils can continue to be exercised under industry leadership and independently of the arranging of training.

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

We do not support the proposed ITBs.

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

These bodies should not arrange training functions.

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

To be successful, an industry standard-setting body needs to be able to:

- ascertain and convey to government the current and future skill needs of industry
- set standards
- develop qualifications and endorse programmes
- moderate assessment and assure quality
- gather and publish data and insights
- provide funding advice to TEC; and
- exercise the proposed commissioning and brokering function.

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

The Workforce Development Councils should remain. We do not support the proposal to disestablish the WDCs as they function effectively, cover all industry, and provide the impartiality that would be missing from the proposed boards.

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

Regional responsiveness.

Proposal 3: A funding system that supports stronger vocational education

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

YEA does not support the proposed funding shifts because they will disadvantage workplace-based learning and fail already disadvantaged student cohorts who are to become a significant percentage of the future potential workforce.

14. What benefits and risks need to be taken into account in these changes?

Re-directing funding away from WBL would be highly detrimental to the future of VET and therefore to New Zealand industry. Companies that want to employ workers who have received VET often complain that new recruits are not work-ready and do not demonstrate the skills needed to ensure their employability. Companies feel they are left to invest considerable time and effort to get VET trained workers ready to do the job roles for which they were hired. Often, their concern is not that newly recruited job seekers lack the necessary vocational- technical skills, but they lack the 'soft' skills and self-confidence to learn on the job and through practical experience. WBL is greatly effective in teaching employability skills.

Furthermore, the reliance the proposed reforms have on online learning is deeply problematic. It does not take into account the digital divide or literacy of those in the regions who are most likely to be forced into online learning yet lack the resources and skill to complete online learning. This is likely to increase urban drift - with demographers such as Paul Spoonley predicting 40% of the New Zealand population living in Auckland by 2038.

According to extensive and long-standing research, student engagement has a pivotal influence on educational and occupational outcomes*. It is positively connected with desirable learning outcomes, such as critical thinking and grades. Student engagement is also associated with lower dropout rates. Many of the factors influencing engagement rely on the active presence of a teacher, which means facilitating engaging learning experiences and encouraging interactions.

WBL is an ideal form of education to motivate disadvantaged, disengaged and failing students by giving them the opportunity to experience success through applied learning in practical settings, and the opportunity to come in contact with mentors and role models. Online learning has very low engagement, which is why there is a high dropout rate.

The prioritization of WBL in our VET system will help the Government achieve its jobseeker reduction targets outlined in the 2024 Employment Action Plan as students will not fall out of study and into the benefit system.

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

Standard-setting should be funded independently as a core enduring function of the VET system. Funding decisions shouldn't favour either ITPs or other system participants. The goal should be to meet the needs of the sector.

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

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* Student engagement profiles in vocational education and training: a longitudinal study, S Niittyalahti, 2021

The funding system should not incentivise these activities because they are not the core functions of ITPs. ITPs and other VET system participants should be incentivised to meet the skill needs of industry in their regions and nationwide, and to provide high-quality learning experiences and well-resourced career support to their students, while catering to the needs of diverse communities. This would help retention and completion of study rates.

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

The proposed return to pre-2020 funding arrangements, including the removal of the strategic component of the Unified Funding System, is a retrograde step that will worsen the existing problems driven by the funding system.

Concluding questions

18. 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?

The repurposing of funding away from Māori, Pasifika, and disabled students is not only iniquitous, it is short-sighted given the changes in New Zealand demographics that will see considerable growth of all three cohorts.

We would like to know why the extensive research done by Te Pukengā, TEC and MoE in this space is being ignored?

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

It was surprising to see the Tech sector, the country's 3rd largest export sector, missing from the proposed ITBs. The over-all limited representation on the proposed ITBs is highly problematic. A narrow focus rather than inclusive and will hinder our VET and hamstring our industries.

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

The Crown-Māori partnership established by Te Tiriti o Waitangi offers a framework that acknowledges the diverse interests of Māori, emphasising self-determination, equitable outcomes, cultural revitalisation, genuine partnership, economic development, and accountability to Te Tiriti o Waitangi.

We recommend revisiting the proposals to ensure they enable Māori to fully exercise tino rangatiratanga, provide Māori students with equal opportunities for success, support and sustain genuine partnerships, and recognise the vital role of tertiary education and training in Māori economic and social development and wellbeing.

Student voice is important for the effectively delivery of VET. If the proposed boards are enacted, then YEA advocates for student voice to be a mandatory seat at the table of each board.

The working conditions for work-based learning are not mentioned or addressed at any stage. There needs to be protections in place ensuring students have protections in their employment relationships. Work based learning / vocational training cannot be completed if the students are not in safe and secure employment.

Due to a lack of good career guidance and clear pathways through school, youth often make poor study decision and then spend considerable time as NEETS, beneficiaries, or in unstable work. This is why the average age of an apprentice in New Zealand is so high, 28, compared with other countries such as Germany.

A key aspect of reform should be the closer integration of traditionally separate education sectors into a cohesive tertiary system. Students across schools, VET, and higher education need access to quality pathways that align with their goals and foster essential skills, knowledge, and capabilities. Students should be able to pursue lifelong learning opportunities at every stage and transition smoothly between their educational and training options. Additionally, VET should be acknowledged as a valuable and high-quality option that can lead to strong employment outcomes and fulfilling careers.

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The curriculum redesign needs to strengthen Gateway and Trades Academy opportunities at high school. The prestige of these pathways needs to be elevated and established as a core pathway within schools. Additionally, the role of careers advisors must be strengthened to ensure they are able to provide specialised support that meets students' evolving needs and offer high-quality career guidance. Paul Spoonley cites the need for lattice career pathways alongside flexible working options. The reforms need to address innovative ways that people can learn, work, and upskill.

There is little evidence in the reform proposal of the critical role professional industry bodies need to play in the VET system. If not well considered, it will increase the risk of students missing critical requirements to enable their registration through industry professional bodies and councils. This could lead to costly and demoralising learning experiences for those who take courses they believe will meet the criteria registration but don't.

YEA would like to meet with the Minister to discuss our submission and our aspirations for the VET system in more detail.

Yours sincerely



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