

Submission by



GROWING PROSPERITY AND POTENTIAL

to the

**Ministry of Education**

on the

**Options for the future of work-based learning**

# OPTIONS FOR THE FUTURE OF WORK-BASED LEARNING – SUBMISSION BY BUSINESSNZ<sup>1</sup>

## EXECUTIVE SUMMARY OF RECOMMENDATIONS

- BusinessNZ recommends the work-based learning system is strategically driven by productivity and economic growth. This would re-orientate the system to striving for excellence in foundation and technical skills, and drive greater responsiveness and accountability from education to industry for delivering work-based learning that is responsive, timely, of high quality and suitable for learner needs.

## 1. INTRODUCTION AND RECOMMENDATIONS

- 1.1 BusinessNZ welcomes the opportunity to make a submission to the Ministry of Education on the options for the future of work-based learning. This paper has been circulated to major companies, regional employer associations and industry associations for feedback. 90% of members that responded favoured option B over option C.
- 1.2 BusinessNZ welcomes the Government intent to refocus vocational education on meeting the needs of industry and learners and to consult closely with industry to drive further changes.
- 1.3 The consultation paper lacks relevant information, data and insights to fully inform stakeholders of the risks and benefits of the different options. However, BusinessNZ considers there is significant opportunity to strengthen the focus of work-based training on industry need, lift the performance of the system and ensure that high quality training becomes a key platform for productivity, economic growth and individual opportunity.

Of the options and questions presented in the consultation paper, BusinessNZ recommends:

- **Option B – independent learning option, and the tripartite training agreement between the employer, learner and training provider. BusinessNZ considers this gives employers choice on who to work with that best meets the needs of their business and workforce.**
- There needs to be consideration given however to management and co-ordination of training services (as proposed in Option C via the ISBs) for firms with a national footprint to ensure ease of transaction and consistency in quality standards. However, by allocating a function to ISBs, this will create a monopoly and reduce choices for major companies to work with delivery partners that best meet their needs.
- Employers having choice will drive better service delivery to industry. BusinessNZ envisages that strengthened mechanisms in the system that make ISBs and providers more accountable to industry will be necessary to drive better performance in the system. Information about work-based learning choices will need to be enhanced, and closer work undertaken with industry associations and employers to develop a strong feedback loop and ensure firms are aware of choices and service expectations of delivery partners.
- **The preferred model will only work for industry if there is suitable accountability, levers and influence of industry to steer the system.**
- The model should retain the features of the system that employers are happy with and are working well for their industries. However, further changes must ensure that accountability mechanisms are established to industry, and there is a strong strategic focus on lifting the foundation and technical skills of the workforce.

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<sup>11</sup> Background information on BusinessNZ is attached as Appendix One.

- Replicating the existing settings with only structural reform will likely recreate the issues experienced with the last set of reforms – the education sector focuses more on itself and working with government on a change programme at the cost of delivering innovative training solutions to industry.
- A further set of reforms must be focused on driving the system towards improving New Zealand’s productivity, and developing the highly skilled workforce necessary for economic growth.
- **The main benefit of the proposed changes is to re-orientate the sector towards replicating globally successful work-based systems that are predominantly industry led and anchoring the purpose of work-based training on improving New Zealand’s productivity, developing the highly skilled workforce necessary for economic growth, and creating opportunities for individuals for sustainable employment.**
- The main risks of further changes will be diminishing the industry training sector by reducing funding and shifting greater cost on to employers (likely to result in less firms engaged in formal training); increasing the rate at which employers are choosing to purchase off-shore or unaccredited training due to perceptions of higher quality and better value for money; and creating greater lethargy and lack of responsiveness in the education sector as it focusses on government and change processes rather than meeting industry need.
- Businesses already bear the significant cost of industry training, factoring in productivity issues of unskilled workers; meeting the cost of additional fees and training; meeting the cost of workplace mentoring and administration of work-based training. Further costs shifted onto business could make work-based learning unsustainable, and create additional pressure on immigration channels for skilled workers.
- Existing levy provisions are sufficient for industries that may wish to trigger this, and BusinessNZ does not consider further changes appropriate given the significant investment firms make in training that is more fit for purpose, effective and efficient than what is available through the current system.
- **Enabling industry to lead on skills and building in appropriate levers, accountability, transparency and reporting mechanisms will be critical to the success of further changes.**
- Clarity of roles, functions and responsibilities will be critical to implementing further change. ISBs should have sufficient levers to influence and steer the system. BusinessNZ recommends that there is a rapid review of compliance settings of NZQA, with the view that suitable quality assurance settings and responsibilities could be allocated to the ISBs, and that ISBs are required to report on the outcomes of work programmes and statutory functions (e.g the number of qualifications developed, number of programmes developed and enrolments).
- All actors in the system need clear accountability for employment outcomes and meeting the needs of industry. BusinessNZ recommends key performance indicators are developed that include employment outcomes, and formal feedback loops with business established to inform system performance and monitoring.

## **2. ESTABLISHMENT OF INDUSTRY SKILL BOARDS**

- 2.1. *BusinessNZ agrees on the establishment of Industry Skill Boards with six industry representatives and two Ministerial appointees.*

Ideally, ISBs would be owned by industry (which could end up defaulting to industry associations). Given the broad range of industry associations, focus areas and capabilities in relation to skill development and the need to stand up the organisations on 1 January, BusinessNZ is comfortable that establishment via Order in Council is a pragmatic way forward. Including Ministerial appointees is in line with the treatment of other Crown entity appointments, and represents a governance connection between the Industry Skill Board to the government of the day to hopefully provide more stability and longevity of the organisations.

2.2 ***Functions of the Industry Skill Boards - BusinessNZ agrees that Industry Skill Boards should have responsibility for standard setting and qualification development, independent of delivery.*** However, BusinessNZ considers that this function needs to include:

- A review by the Ministry of Regulation of quality assurance regulation, and recommendations for the transfer or removal of NZQA compliance functions to ISBs, with NZQA's role as administrator to maintain the national qualifications framework. Quality assurance and moderation needs to be geared towards the quality of teaching and learning, and effectiveness of skill development rather than compliance requirements. Under the WDC model, there was duplication and confusion of the respective roles and responsibilities between NZQA and WDC's. For ISBs to be empowered to drive quality standards more relevant to industry, and to effectively steward the whole system, BusinessNZ considers there should be no ambiguity in the respective functions.
- ISBs should be encouraged to focus on lifting the technical skills of the workforce, and centre vocational education on employment – just like the focus in compulsory education is now on raising literacy and numeracy skills; the focus for vocational education should be about having the skills that are relevant to business needs in a changing environment. There should be clear accountability and measurables for the ISBs on responsiveness to industry need, and transparency of the work programme and deliverables.

2.3 **BusinessNZ does not have a preference for the number of ISBs**, however it makes sense to cluster 'like' industries and skills. However, for things like health and safety and other cross-cutting business skills, ISBs should have reciprocal arrangements and be able to connect in and have appropriate delegation for including existing standards.

2.4 **BusinessNZ does not agree that NZQA should be the default back-up for qualifications and standards that fall outside the realm of mandated ISB coverage areas.** It is not the core function of NZQA to develop qualifications, and ISBs should be encouraged to stream-line the qualification and standard-setting functions to be able to meet the needs of a range of different stakeholders. As per the point above regarding removing ambiguity and duplication of functions from the system, allocating some standard setting functions to NZQA will likely create variability in the services that industry can expect. ISBs being enabled to undertake fee for service arrangements, and a concentrated effort to improve the timeliness, relevance and coherence of qualification and programme development within the new set of functions, and publicly report on these, means that niche qualifications could be developed where there was an industry need, and not just a high volume enrolment proposition.

2.5 **BusinessNZ suggests an additional function for the ISBs would be to explicitly look at recognition of international qualifications so that standards and qualifications from overseas can be adapted more easily to the New Zealand qualifications framework, and to lift the technical skills of occupations to international standards.** There has been an increasing trend in recent years for companies to look overseas for training and qualifications, as the New Zealand system can be seen as unresponsive, particularly to new and emerging industries. Often it is perceived to be cheaper, quicker and training is to a higher quality than what is delivered in New Zealand. ISBs should be encouraged to internationally benchmark our qualifications to the best performing countries, contextualized to the New Zealand environment. Programme developers should also be encouraged to work closely with an ISB and international partners to adapt programme materials for the New Zealand context. BusinessNZ envisages over time that this function would also help go some way to building a broader suite of recognition agreements to also assist with immigration processes and the recognition of international qualifications for vocational

skills. Common practice of recognition of international qualifications (e.g recognition of engineering qualifications that are part of the Washington Accord) is already being practiced and can be expanded. Benefits would accrue to the immigration and international education sectors by having more global connectivity and recognition.

- 2.6 **BusinessNZ supports endorsement and approval of vocational programmes by ISBs,** however suggests that ISBs should be required to publish its assessment against criteria for approvals and declines.

If the recommendation to reduce duplication between NZQA and ISBs is accepted, programme endorsement logically sits as a key function of an ISB. However, to improve transparency in the system, there should be publication of the quality assurance requirements for programme delivery, and the ISBs assessment against these standards to reduce the chances of gaming between ISBs and providers. Approvals and declines for programme endorsement should be based solely on the criteria, and publication of decisions will help inform the continuous improvement of the sector with transparency of acceptable standards.

- 2.7 **BusinessNZ does not support a moratorium on new programmes during the transition period.** Given the significant risk to the system of falling further behind on meeting industry skill needs, BusinessNZ does not support a moratorium on new products and services being developed. The system should be incentivised to innovate, particularly given rapid technology developments affecting some industries, and reserving the right of a moratorium by government will likely stifle innovation and further degrade confidence in the system to be able to respond.

- 2.8 **BusinessNZ does not support including strategic workforce analysis and planning as a core function of ISBs. Further work is needed to review workforce planning mechanisms and co-ordination more broadly.** Workforce planning occurs at the firm, industry and national level, and there is value in undertaking workforce planning if there are suitable levers to influence the outcome of meeting labour market demand. However, there is overlap between some industry associations that undertake workforce development and planning; central government functions to report on labour market matters, and a lack of evidence that centralized workforce planning influences tertiary education offerings. There are numerous instances of failures in the system relating to this function, including omitting all sources of labour supply (immigration, tertiary education and social development) in workforce planning and lack of influence and co-ordination across different labour market supply channels. BusinessNZ considers it would be useful to repurpose and maintain the 'workforceskills' platform, developed by Muku Tangata, that provides useful insights on training and labour market supply, and continue to develop this. However, replicating the workforce planning function across multiple organisations is not necessary, and BusinessNZ suggests government consider direct contracting out this function to ensure ease of access and utility to all parties interested in workforce development and planning, and to gain cost efficiencies by not replicating functions. It is envisaged this could continue to be developed with IDI data to provide more information to both industry and education providers to inform their workforce planning and delivery demands. If ISBs have responsibility for marketing and promotion of vocational training for industry, it would be anticipated that workforce analysis and planning would inform this function to direct marketing activities and decision making where appropriate, and it would be a necessary function of providing investment advice.

- 2.9 **BusinessNZ supports ISBs providing advice to the TEC for investment, or taking on some funding decision functions.** In line with the prior recommendation for ISBs to be empowered to have greater autonomy and stewardship of the system, BusinessNZ supports the ISBs have a function to provide advice to the TEC for investment purposes. Given the demands on government funding will always exceed supply however, it is suggested that the mechanism for advice on funding work within an indicative envelope, and have sufficient overview of the educational and employment outcomes of providers, and strong feedback mechanisms directly with employers. This would require employment to be a key accountability measure for vocational education to ensure investment is directed towards providers that are best meeting the needs of industries. If ISBs were to take on funding decisions, with TEC as administrator, it would ensure the funding role has

significant impact on the system to affect change, essentially making the ISBs the responsible principals and agents with a shared outcome.

### **3. COMMENT ON OPTION C – CO-ORDINATED LEARNING OPTION**

3.1 BusinessNZ does not support the proposal to include a fourth party in the training agreement to provide pastoral care. BusinessNZ understands this is modelled on the previous 'Modern Apprenticeship Co-ordinator' model. However – national co-ordination and quality assurance services will be necessary for large firms with multiple sites nationwide, and this will need to be accommodated in the new model.

3.2 Pastoral care is not defined in the document, and BusinessNZ considers there are some considerable 'hooks' with this proposal:

- Employers provide the majority of pastoral care. Employers and workplace trainers provide the majority of pastoral care in the workplace. Under the previous 'MAC' contracts, pastoral care providers were only required to visit four times a year. BusinessNZ considers it is more appropriate for ISBs to focus their efforts on supporting businesses and employers to be good trainers, and ensuring that pastoral care and support services are available to be tapped into when necessary.
- Overlap of functions and likelihood to create confusion. It is unclear why a provider would hold the enrolment and not be bound by existing standards of pastoral care for students. If a provider does not have the capability to provide pastoral care within an industry training model, there are numerous other providers that do have these capabilities.
- Providing a direct feedback loop to ISBs. BusinessNZ strongly supports having employer and employment feedback loops 'hard wired' into the tertiary system as a measure of effectiveness of training and value for money for government spending. However, the additional pastoral care function makes it unclear what powers could be leveraged to affect system change.
- Need to right-size institutions towards technical excellence. Analysis of New Zealand tertiary institutions show a high ratio of student support and management in relation to tertiary teaching staff. Those in work-based learning will have different pastoral care needs to course-based learners, and some of the provisions covered by the pastoral care code of conduct is redundant (for example, those in work-based training are far more likely to be living independently, making provisions around student accommodation redundant).
- Review of success rates with MSD providers. BusinessNZ considers it worthwhile to examine the proposed vocational education reforms within the context of similar services with Ministry of Social Development programmes and spend, and more closely align outcomes. For example, the Mayors Taskforce for Jobs focusses exclusively on NEET's in rural and regional New Zealand, however the outcome is for employment. With amendment of contract deliverables to include longer duration up-skilling and training, in addition to job placement, existing pastoral care models with established networks could be connected in better with the training objectives at minimal additional cost. Instead, low-skilled employment is quantified as a better outcome than progressing somebody through training that will provide a higher level qualification and greater earning power over their working life. Similarly, there are a number of Apprenticeship services funded via MSD that are successfully reaching into communities that are not engaging with mainstream providers. It is worthwhile to review the approach and success of these models to link them in with the mainstream model proposed in the consultation document and encourage partnerships and alignment to employment and educational outcomes.

3.3 BusinessNZ considers that the role of group training schemes needs to be clearly defined, and a separate category established that recognizes that the employer is also the education provider. While group training schemes are not explicitly covered in the consultation paper, they are an existing part of the vocational education system which need to be acknowledged, and clarity provided on their role and function in the new system.

### **4. FUNDING OF WORK-BASED TRAINING**

- 4.1 BusinessNZ recommends that the funding for industry training is retained at current levels, rather than cut to increase the training rates for online provision as proposed in the original consultation document.
- 4.2 BusinessNZ is concerned that the proposal to levy industry to pay for standard setting will add unnecessary cost and compliance in to the system. Employers already wear a burden of cost of training Apprentices in terms of lost productivity and work time, meeting the costs of the trainers and often meeting the cost of fees, assessment and equipment for the Apprentice. While wages are lower for Apprentices than fully qualified trades people, Apprentices are still paid a relatively high rate compared to other countries.
- 4.3 The cost of standard setting is not known. Under the previous system, it was funded at \$2.9 million per year with ITO's cross-subsidising the cost of standard setting from enrolments. Under the current system, it is funded for \$65 million per year across the WDC's, which is likely too much given that a number of the WDC's have built up reserves. Any transfers of functions from NZQA would carry budget implications for carrying funding over to ISBs. Reducing compliance and finding efficiencies in the standard setting function would have a material impact on the funding required.
- Considering other standard costs, there have been ongoing issues with product standards for exporters as well, with an estimated budget of \$4.9 million required to upgrade New Zealand product standards.
- 4.4 Justification of the levy to address free loaders that don't participate in the training system ignores the significant investment firms are making in training the workforce, often purchasing provision outside the formal system as it better meets the needs of the workforce. There is also a large number of sole operators or single task businesses that are not suitably equipped to deliver the broad learning required for Apprenticeships and industry training. BusinessNZ considers that businesses, regardless of size, should be empowered to choose the business model and training system that works for them. Training is a productivity imperative – if training is not resulting in productivity gains for the firm, then levying businesses for the products that are not meeting business needs is just revenue generation for education providers or ISBs. More revenue will not improve the responsiveness to industry or innovation in delivering to a broad range of businesses and learners.
- 4.5 Where levy schemes are in place overseas, there are some significant differences to the New Zealand context. Businesses are more willing to pay when they value they services and products, and the education sector is attuned to and adaptive to changing industry needs.
- 4.6 There are currently provisions in the existing Education Act for industries to trigger levies – BusinessNZ recommends these provisions are kept as is to maintain the option for levy funding if industry demands it.
- 4.7 The main initiative that has increased firm uptake and participation has been the introduction of Apprenticeship Boost that has assisted, particularly small businesses, with a contribution to wages. BusinessNZ recommends the scheme is retained, and targeted to areas of economic need, to recognize the cost to businesses of taking on somebody unskilled and meeting the cost and effort of training. This is particularly relevant for when the economy picks up and businesses will be in a position to take on more staff. It is recommended that in addition to having a marketing and attraction function in the system, young people in particular are targeted for Apprenticeship programmes, with youth unemployment currently tracking at 20% for 15 – 19 year olds and 8% for 20 – 24 year olds.

The Boost scheme represents better value for money than other areas of tertiary education spending, with \$64 million allocated in the 2024 Budget, compared to the \$129 million for fees-free. The fees free initiative has had a negligible impact on increasing enrolments or achievement rates at tertiary institutions. Those in industry training that are in paid employment also has greater benefits in terms of government savings on loans and allowances, and reduced social costs of unemployment.

- 4.8 It is notable however that industry training, where employers already carry significant costs, is the only sector suggested for levies. There is a risk that in addition to the change impact of further reforms, industry training loses further parity and esteem with other parts of the tertiary education sector – there are no suggestions that professional service firms are levied to meet the costs of University education despite arguably these firms benefitting more from a highly educated workforce and less direct costs of upskilling.

## **5. ADDITIONAL COMMENTS**

- 5.1 BusinessNZ considers work-based learning the most efficient and effective form of vocational education – it builds enterprise skills in addition to technical skills. It is cost efficient – employers meet the cost of the overheads incurred by tertiary institutions and on loans and allowances; and successful achievement of a level 4 and above qualification supports an individual to navigate a changing labour market.
- 5.2 BusinessNZ encourages government and officials to establish an industry stewardship group to ensure there is close consultation and endorsement by industry of the change programme going forward, and ensure that businesses are able to effectively influence the system to ensure future settings will result in increased productivity, economic growth and opportunity for individuals to thrive.



The BusinessNZ Network is New Zealand’s largest business organisation, representing:

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- [BusinessNZ](#) policy and advocacy services
- [Major Companies Group](#) of New Zealand’s largest businesses
- [Gold Group](#) of medium-sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
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