



## Education Report: Scope and process for the VET system review

<b>To:</b>	Minister Hipkins		
<b>Date:</b>	10 April 2018	<b>Priority:</b>	Medium
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### Purpose of Report

- The purpose of this paper is to set out the scope of the vocational education and training (VET) system review, and to seek your:
  - Feedback** on the definition of VET, proposed principles for VET, and the themes to be explored.
  - Agreement** to our proposed approach to engagement with VET stakeholders.

### Summary

- The VET system is a critical part of New Zealand's economic infrastructure. It provides people with the skills they need for their working lives, provides industry with the skilled workers needed to succeed, and communities with infrastructure for their economic development.
- There are a number of interrelated challenges and opportunities in the VET system. Some of them are external to the education system - changes in the world of work due to technological change and globalisation; some exist at the interfaces between different actors – making it harder than it should be for learners and employers to access the skills they need; and some exist within the TEOs – where government's settings for funding, regulatory and collaboration don't always align with our goals for VET.
- We discussed these challenges with you on 31 January [Metis 1098631 and 1103056 refer], and you agreed that we should address a range of issues through a review of the VET system. This briefing sets out our proposed scope for the review.
- The scope is in three parts. Firstly, we propose a definition of VET that is focussed on learners' aims from study: VET is "education that has a special emphasis on the skills and attributes required to perform a specific role, or work in a specific industry". This implies that employers have a greater role in VET than other forms of learning, and that VET will take place in a wide variety of settings. We also note that whilst VET addresses

the skills required for a specific role, these skills are transferable, and we are ultimately interested in positive labour market outcomes, rather than matching to a specific role.

6. We also propose to explore perceptions of the VET sector (both how the language used affects perceptions, and the value different actors place on VET). As a first step, TEC will explore existing market research, which we will use to assess the need for further market research, and to inform policy work discussed in this paper.
7. We also propose characteristics and principles that describe what is needed to achieve a strong VET system. These would guide the further work on the review (e.g. assessing options or developing operational policy). The characteristics include responsiveness to learners and industry, a healthy network of provision that supports economic development, and system capability to respond to change.
8. The bulk of the paper focuses on four themes to shape the VET review. These provide a structure to the interrelated issues in VET, to provide a framework for our own analysis and our engagement with the wide variety of stakeholders with an interest in this review. The four themes are:
  - a. **A strong network of provision for all regions.** This theme considers how the VET sector works together to meet the needs of a region, and how funding and planning policy settings can create sustainable, agile provision across a region that makes good use of all tertiary education organisations (TEOs) and schools.
  - b. **Work-based learning that adapts to a variety of needs.** This theme would consider the range of work-based learning needs (e.g. from a broad, first qualification through to flexible, just-in-time learning), and how coherently current funding and regulatory settings enable and incentivise TEOs to meet these needs.
  - c. **A system that is effective for a diverse range of learners.** This theme would consider the effectiveness of the VET system in supporting access, achievement and outcomes for different learner groups.
  - d. **A system that supports, and is supported by, industry.** This theme would consider demand-side issues: the health of the partnership between industry and TEOs, and how the different characteristics of each industry affect this. It would also consider the tools to support different industries to meet their needs.
9. We propose exploring the ideas in this paper with a range of sector groups. We want to understand their views, but also learn more about how the VET sector currently works. Alongside this, we would carry out further evidence gathering and analysis. A draft letter to stakeholders is set out in Annex 1.
10. We propose to report back with our assessment of the state of the VET sector, stakeholders' views, and presenting policy challenges in June. That advice would also consider the timetable from there, taking account of other review work and the insights from the Education Summit. This work will also be carried out in close coordination with the Tertiary Education Commission (TEC) project, Institute of Technology and Polytechnics (ITP) Roadmap 2020, which is considering how the network of ITPs can operate more as a system.

## Recommended Actions

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The Ministry of Education recommends you:

- a. **agree** to define VET as education that has a special emphasis on the skills and attributes required to perform a specific role, or work in a specific industry  
**Agree / Disagree**
- b. **agree** to the principles in paragraph 24, which will guide our assessment of how the VET system meets the needs of learners, employers and communities, and the appropriate role of government in that system  
**Agree / Disagree**
- c. **note** that TEC will report to you in April on lessons from existing market research about perceptions of VET  
**Noted**
- d. **agree** to the proposed themes for the review of VET
  - i. A strong network of provision for all regions
  - ii. Work-based learning that adapts to a variety of needs
  - iii. A system that is effective for a diverse range of learners
  - iv. A system that supports, and is supported by, industry**Agree / Disagree**
- e. **note** the Ministry of Education's letter to stakeholders (in Annex 1), setting out the scope of the review and how they can be involved  
**Agree / Disagree**
- f. **agree** that this Education Report is proactively released as part of the next publication.  
**Agree / Disagree**



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**Graduate Achievement, Vocational and Careers**

10/04/2018

Hon Chris Hipkins  
**Minister of Education**

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## Background

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1. The VET system is a critical part of New Zealand's economic infrastructure – for individuals, employers and regions. There are a number of challenges and opportunities in the VET system, driven by demographic, labour market, and social changes, as well as driven by the way the system 'meshes' together (which in turn is affected by incentives created by funding and regulatory policies).
2. We discussed these challenges with you on 31 January [Metis 1098631 and 1103056 refer], and you agreed to a review of the VET system. This briefing sets out the proposed scope for the review. It reflects your feedback on an earlier paper [Metis 1115988 refers].
3. This work is progressing in alignment with other policy reviews. Most notably, as set out in the Cabinet paper, *Approach to reforms of the institutes of technology and polytechnic subsector* (for discussion at Cabinet Social Wellbeing Committee on 28 March), the VET review is connected to the more immediate work on the Institutes of Technology and Polytechnics (ITP) Roadmap 2020.
4. We are also consulting on the re-establishment of the Industry Training Organisation (ITO) Skills Leadership Role as part of work on the Education Legislation Bill, as part of consultation on potential legislative changes in 2018. We have invited a range of stakeholders to make submissions on this matter by 13 April.
5. Other related policy reviews are discussed in the relevant sections of this paper.

## We propose to define VET in terms of how it meets the needs of learners and employers

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6. Our informal discussions with the VET sector have made it clear that we will need to address how we define 'VET' to support good engagement.
7. The term is used in a number of different ways. It is sometimes used to describe non-general provision that fits between foundation and degree level. It can also be used to define the purpose or style of the learning. In line with our proposed principles, we propose a definition based around learners and employers' experience of VET.
8. Our proposed definition is:

*Vocational education and training* is education that has a special emphasis on the skills, knowledge and attributes required to perform a specific role, or work in a specific industry. This is not limited to the traditional trades or professions but can relate to any sector of the economy. There are three points that arise from this definition:

- Employers play a greater role: Because of the link to a specific role or industry, employers tend to play a greater role in developing and delivering VET compared to general education. Examples of this include a higher rate of work-integrated learning and industry involvement in setting standards.
- Learner outcomes may be broader than work in a single occupation: Learners pursue VET to perform specific roles but they also seek a good career, which may mean moving beyond the occupation linked to their initial qualification. In defining VET the aim is not to look for perfect matching between training and occupation, but to consider how effectively vocational programmes are contributing to labour market outcomes for learners and employers.

- The timing and location of VET varies widely: Learners participate in VET at different times in their lives and in a range of settings. VET often begins in senior secondary school or following the completion of schooling. It also occurs when learners are looking to upskill, or shift into a new type of work (whether by choice or changes to the employment market). Learners participate in VET at work, in their spare time outside of their work, and within fulltime study programmes.

**We propose taking a pragmatic approach to applying this definition to different VET issues**

9. The practical question to consider is what this definition means for the parts of tertiary provision that will be addressed by the review. We propose varying the scope according to the issue.
10. Any programme could be considered vocational, if the person studying it plans to find a job based around what they are learning. By selecting different areas of tertiary education, we are seeking to focus on the areas where opportunities or barriers currently arise.
11. We consider all industry training and apprenticeships to be 'core' VET. Because this is delivered within an employment relationship, it always has a vocational focus.
12. For providers, we think of 'core' VET as the vast majority of provision from level 3 through to diplomas (but not degrees) at level 7. Much of this provision is vocationally-oriented (e.g. providing information technology, business, trades or service-sector skills). ITPs and private training establishments (PTEs) are important providers of 'core' VET, and it wānanga also provide some VET.
13. Not all provider-based delivery at these levels is vocationally-oriented. For example, whilst some people undertake te reo Māori or ESOL for work, government funds these programmes for wider social purposes, and it would not be appropriate to judge them on purely economic terms.
14. This paper also focuses on tertiary education provision, identifying other work underway on the schooling and careers systems that we will connect to. But these issues are still part of VET, and we expect the review to discuss how VET is affected by the way schools prepare students for further learning and work, and the VET system should support schools to do this.
15. This idea of 'core' VET is useful to consider when thinking about the supply of key technical skills for the labour market.
16. However, in many cases, it is helpful to consider VET more broadly, including a range of foundation learning and degree provision that support regional and national labour markets. We will adjust the range of tertiary provision that is being considered according to the scope of the issue. We discuss this further within each theme below.

**We will draw lessons from existing market research into perceptions of vocational education**

17. There is debate about the term 'vocational education', with some proposing that 'applied learning' would offer a clearer, less stigmatised description.
18. We are unsure about the extent to which the problems rest in the term 'vocational', or whether they rest in deeper issues about students', parents' and employers' understanding of the sector and perceptions of specific occupations.

19. We are also unsure about the currency of the term 'applied learning'. 'Vocational' is commonly used internationally. A range of terms have been proposed at different points, and if we are to make a change we should be confident that it will have our intended meaning for users.
20. We propose to consider this issue as part of the review. TEC will conduct some initial work based on existing market research by sector groups and government (in particular, TEC's research on careers information and advice). Depending on what that finds, we will offer advice on whether further research is required, and the nature of that research.

We want a VET system that meets the needs of learners, employers and communities

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21. Government's vision is for a high quality, highly regarded, inclusive education system that supports social, cultural, economic, and environmental outcomes. To achieve this, we need VET that is accessible to a diverse range of learners, which develops relevant skills that support rewarding careers.

### **The goal of the review: a strong VET system**

22. The review will explore what is needed to create a strong VET system. Key characteristics of a strong VET system include:
  - the ability to deliver an educational offering that is attractive to learners and responsive to their needs
  - a strong presence across New Zealand, and a clear link between vocational education and training provision and economic development
  - responsiveness to employers and industry, and the ability to attract external funding
  - a balance between diversity and specialisation in provision, so that students have choice between a number of training pathways at the same time as the system serves regional and national workforce needs, and
  - system capability and capacity to respond well to changes in the external environment, whether that be policy change, technological change, changes in employers' skill needs, or changes in student demand (domestic or international).

### **Principles of a healthy VET system**

23. Derived from these characteristics, we propose principles for the VET system that describe what it should provide learners, employers and communities. These principles will describe what a well-functioning system should achieve, and help us evaluate different options.
24. These principles were developed by considering how general principles for tertiary education should apply to VET. The general principles are that the tertiary education system offers access for diverse groups of learners, and supports learning achievement and good outcomes. The VET principles are:

#### **Learners:**

- Learners should have **access** to VET that is relevant to their local labour market and their own objectives. This requires a regional network of provision, although it may not all be delivered through a permanent, face-to-face provider. It also requires that they are well informed about VET as an effective learning pathway.

- VET should adapt to **learner needs**. For example, younger learners are likely to require more pastoral care; learners with lower prior attainment will need greater tutor support; more experienced learners will need VET that takes account of their prior learning. VET also needs to be flexible to accommodate a variety of work circumstances.
- Learners should receive a **quality education** appropriate to learners' aims – whether it is a comprehensive education that develops transferable skills to underpin a dynamic career, or a more focussed programme that meets the needs of a learner for their current or next job.
- VET study should support successful transitions to work and/or sustainable employment, to improve learners' **employment and earnings**.

#### **Employers:**

- Employers should find it **easy to access** training provision suitable for their changing workplace needs.
- Training provision should adapt to **employer needs**, limiting the cost and inconvenience of delivery as far as is possible whilst delivering learning gains.
- VET should improve the **productivity** of firms and their attractiveness as employers, whilst also contributing to the future of the relevant industry.

#### **Community:**

- A VET system should **contribute to a healthy regional economy** and community that offers local learning opportunities and a supply of skilled labour for local employers, as well as being a source of resources and facilities.

25. It is also important to be clear about government's role in supporting this system:

**Government** works to create a healthy, dynamic VET system by:

- **Planning and facilitating** to stimulate an effective public network of VET provision tailored to industry and regional needs, complemented by community and private provision.
- **Funding** VET in proportion to the public benefit arising from the study, in particular to support a learner through their career, or ensure equity of access (across several dimensions, including age, gender, ethnicity and region).
- Establishing the **infrastructure** to ensure a quality, highly regarded VET system, including quality assurance, information, and collaboration (across the education system, across regions and industries, and with different communities).

#### **Themes to be addressed by the VET review**

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26. We seek your views on the themes for the VET review to address. We have based these on informal sector discussions and a high level scan of the evidence.
27. Note that stakeholders have not yet had the opportunity to formally set out their views about VET, so where we reference sector views below, these should be viewed as indicative of broad themes rather than representative of an established position.

## **Theme 1: A strong network of provision for all regions**

28. This theme would explore how the VET sector works together to meet the needs of a region.
29. At the heart of this is the Government's commitment to supporting an effective network of provision, to meet the needs of the learners, employers and communities in their region. Public provision is at the heart of this network in most areas, complemented by community and private providers.
30. This theme is concerned with all parts of the country – both metropolitan areas and regions outside the main centres.
31. In 2017, ITPs delivered about 60% of VET in the regions, so a discussion about regional supply of VET is also a question about ITPs. The Cabinet paper, *Approach to reforms of the institutes of technology and polytechnic subsector*, sets out the pressures on the ITP sector. In short, the current system has resulted in an ITP sector that has had variable performance and that is largely in an unsustainable financial position. Much of the sector is projected to be in deficit within two to three years under current settings. Some providers are excellent, and there are some models of co-ordination and collaboration within the sector. However, the sector lacks agility to respond to changing patterns of demand (including international education demand) and the changing needs of their students and local stakeholders.
32. The Government also has an ambitious agenda for regional economic development. It will be important that the VET sector is geared to collaborate on the development of regional strategies, and to support the implementation of the strategy with skills and knowledge exchange activities.
33. This theme should consider a funding and planning model for VET that creates sustainable, agile provision across a region, making good use of all TEO types. As part of this, it should specifically consider.
  - a. The strengths and weaknesses of current Student Achievement Component funding for supporting provider-based learning throughout the economic cycle.
  - b. How funding and planning work together to support a network of provision that engages effectively with community and government objectives. This should consider, for example, how funding and planning affect providers' ability to respond to strategic priorities, and how they support a network of provision.
  - c. How the funding model supports specialisation to create national areas of strength, including considering establishment of centres of vocational excellence. This may extend beyond education and training, to consider applied research and knowledge exchange activities.
34. In order to understand the whole regional network, this work will need to take a wide view of 'vocational', considering the full range of provision from foundation level to degrees.

### ***Relationship to ITP Roadmap 2020***

35. Work on this theme needs to align with the ITP Roadmap 2020 project. The ITP Roadmap is considering how the network of ITPs can operate more as a system, so that we can use the resources of the network as a whole to achieve high quality provision nationwide.



36. ITP Roadmap 2020 is addressing the urgent need to consider options for aggregating activities and/or structural reforms. The “regional supply” theme within the VET review will support the outcomes of ITP Roadmap 2020, but will take a broader look at all provision in a region.
37. ITP Roadmap 2020 is focused on creating an attractive investment proposition for learners, communities, employers and government. Having addressed that, Government will need to consider how best to invest in this new approach. In other words, the VET review will consider changes to the VET funding and planning system that support the reforms arising from ITP Roadmap 2020.

## **Theme 2: Work-based learning that adapts to a variety of needs**

38. This theme would explore how well different funding and regulatory systems support work-based learning. It would explore the spectrum of work-based learning:
  - from broad-based teaching and learning programmes delivering strong core skills and theoretical depth within a work context
  - through to flexible, ‘just in time’ learning such as micro-credentials and “hop-on, hop-off” learning
  - to recognition of prior learning.
39. The VET system was designed to be industry-led, to provide flexibility for employers and unions, allow expansion to new areas of training, and be founded on competency based training.
40. Much of this has been achieved. The number of trainees has expanded (from around 25,000 in the late 1980s to 148,000 in 2016). The range of industries engaged in industry training expanded significantly from the traditional trades to include industries such as tourism and fisheries. And there is a common qualifications infrastructure which makes it easier to recognise learning across different providers and workplace learning.
41. And the provider-based system has adapted over the same period. In 2016, around two-thirds of full-time equivalent students at levels 3 through to 7 (diplomas) were studying at providers.
42. We should consider whether these settings will continue to meet the needs of a changing labour market. It is hard to predict the pace and scale of change arising from technological change and globalisation. In this uncertain environment, we can future-proof learners, and future-proof the system, by creating a system with the diversity to deliver everything from a broad-based qualification with transferable skills and theoretical depth, through to responsive, agile provision that supports workers to remain employable as skill demands change.
43. In addition, some issues have been raised about the current settings:
  - There is a small amount of work-based learning funded at a higher rate through the Student Achievement Component (called Managed Apprenticeships, around 1,200 EFTS in 2016 but growing); some ITOs are very concerned this gives an unfair advantage to providers in offering work-based learning.
  - Some providers contend that, within workplaces, ITOs deliver training (largely through online content), not just arrange it, with the consequence that providers

are unable to compete for provision, and learners do not benefit from providers' pedagogical expertise.

- Some stakeholders identify training (as distinct from apprenticeships) as a route primarily for recognition of prior learning. The original intent of industry training was to support productivity gains, by supporting people to acquire new skills. We should be clear about our current intentions, and put in place funding and quality assurance arrangements to support that.
44. In response to these issues, this theme of the review should explore what is needed to ensure that the government takes a consistent approach to funding and regulating (including quality assuring) different kinds of work-based learning. It should consider:
- a. Differentiation across different kinds of work-based learning – what is government supporting in each? What is needed to support individuals throughout their working life?
  - b. How we fund these different kinds of work-based learning, including setting consistent incentives that are fair for all TEOs.
  - c. How well the system supports learners to transition between modes of learning.
  - d. TEO roles and responsibilities in these different kinds of work-based learning.
  - e. What sort of learning gains do we expect from these different kinds of work-based learning, and how do we provide appropriate support or quality assurance for them?
  - f. What facilitation or planning should government provide to support this?
45. This theme addresses overlapping provision issues raised by sector groups, but seeks to consider them in a wider context about learner, employer and public benefit.
46. Our early work on the VET review will run in parallel with our work on a medium-term stable approach to fees-free tertiary education and training. This work aims to replace and improve the interim approach for fees-free education and training set for 2018, and to confirm policy for the second and third years of fees-free provision. It will consider the balance of access, lifelong learning and debt reduction objectives of fees-free education and training. As fees-free provision expands to three years, it will take in more VET learners in industry training and providers, and will need to allow for effective transitions between fees-free VET settings. It will also alter the balance of government and industry or learner funding for VET, affecting incentives for learners, providers and industry. We will report to you in early April on a proposed work plan for fees-free between now and 2021, ahead of your scheduled mid-year report to Cabinet on a medium-term plan for fees-free.
47. The focus of this theme is on learning that takes place within an employment relationship. However, it will also need to consider the flexibility of VET for those who are training outside of their current relationship – e.g. because their employer does not offer training, or they are preparing to shift to a new job. Analytical work will focus on 'core' VET (i.e. industry training and level 3 to level 7 diploma SAC-funded provision, excluding areas that are likely to have fewer students with vocational goals such as te reo Māori).

### **Theme 3: A system that is effective for diverse learners**

48. This theme would consider the effectiveness of the VET sector in supporting access, achievement and outcomes for different learner groups.
49. The VET system attracts a diverse range of learners. There are similar numbers of female and male learners and only 35 percent of learners are under 25 years old. Twenty-four percent of learners are Māori and 9 percent of learners are Pasifika.
50. VET qualification completion rates have improved over the last decade but vary for different learner groups, and modes and level of study. For example, women have higher completion rates in traineeships and provider-based VET, but men have higher completion rates for apprenticeships.
51. The biggest difference in earnings and employment outcomes is due to the subject that is studied. Because different groups (by age, gender, ethnicity) concentrate in different subject areas, these choices drive different outcomes. For example, the largest number of women are studying human welfare studies and services, business and management, personal services, and food and hospitality; whereas the fields with most male learners are building, electrical and electronic engineering and technology, business and management, and automotive engineering and technology.
52. That labour market segmentation, together with a range of factors, results in different earnings and employment outcomes for different groups. Employment rates are higher for men who have studied VET, and lower for Māori and Pasifika. The earnings of those who are in employment show the same pattern, but with smaller differences. For example, five years after young people graduated from a level 4 certificate, 37% of Māori are in employment (compared to 49% of non-Māori), with 29% in further study and 15% overseas. Those who were in employment had median earnings at 93% of non-Māori.
53. And we are concerned about young people's pathways into VET. In 2016, 45% of 18-24 year olds were in education in New Zealand (including those who were also employed); the average across the OECD was 53%. The average age of first entrants into "non-degree tertiary education" is also higher in New Zealand than most OECD countries – 27.5 years.
54. In many of our informal discussions with stakeholders, they talked about employers' frustrations from not being able to recruit young people. It seems that different actors all see the same opportunity here – to strengthen the number of young people entering apprenticeships and other employment-based learning pathways. But the groups do not agree about what would need to change to take advantage of the opportunity; the VET review should consider this.
55. We note that industry training has extra challenges in engaging different learner groups, because they are limited by the mix of people currently employed within an industry. However, we can consider how public funding and information best supports diverse learners within work, and we can also consider how learning outside of the employment relationship engages with diverse learners. 'Diverse learners' include young people, Māori, Pasifika, disabled students, and students with additional learning support needs. It also includes women, in those industries where they are under-represented.
56. This work will be undertaken alongside related work programmes to improve young people's transitions from school to further study, training and work. These include the Review of NCEA, the implementation of the School Leaver Toolkit, and work to transform careers advice in schools. All of these work programmes have the potential to influence

the flow of young people into the VET system – and the preparation of learners for successful post-study outcomes.

57.

[REDACTED]

We have begun related analytic work to assess the access and reach of current secondary-tertiary programmes and initiatives, and the relative impact and effectiveness of different approaches to enable learners to access vocational learning options while enrolled in senior secondary school.

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58. This theme will focus on 'core' VET (i.e. level 3 to level 7 diploma) SAC-funded provision and industry training, excluding areas where a vocational outcome is not the goal). We may also identify issues about other areas such as schooling, careers advice, or provider-based foundation learning, which we will refer to the appropriate work area.

#### **Theme 4: A system that supports, and is supported by, industry**

59. It is important for individuals and businesses that qualifications and training meet industry needs. This theme considers how effectively industries are engaged by TEOs, and conversely, how well industries understand and engage with their own workforce development needs. In other words, is it a healthy partnership?

60. New Zealand's total supply of skills training is above average internationally. Looking across all learning, including learning that is entirely privately arranged and funded, the OECD's Survey of Adult Skills found that:

- Our *median* level of on-the-job training activities is slightly above the typical OECD level, but we have a small number of people undertaking a very high number of on-the-job training activities. The result of this is that our *average* participation rates are the highest in the OECD.
- But the median number of days in training (2) is on the low side in comparison with other OECD countries.
- In common with other countries, people in low skilled occupations spent less time in formal training, and people in less secure employment contracts participated in fewer training activities.

61. We have heard conflicting views about the health of this relationship, and employers' preferences for working with different TEO types. Arrangements like the Sector Workforce Engagement Programme (SWEP) have been established to support employers to engage more effectively with their training needs. SWEP works with employers to help them plan for, and develop solutions to, their labour and skills needs.

62. Capability and incentives to engage differ across industries. For example, employers in industries with higher worker turnover, more casual employment, or a greater use of sub-contracting face greater challenges in arranging training, and lower pay-offs from it.

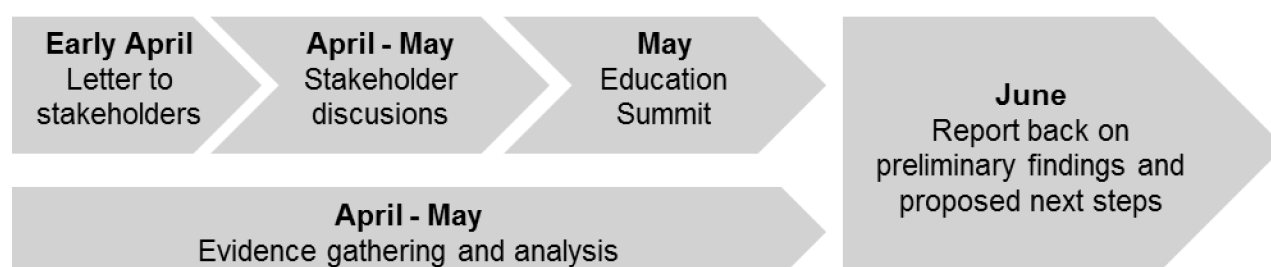
63. There are concerns that globalisation and technological change will grow these kinds of working arrangements, although there is limited evidence of change in New Zealand thus far. The proportion of non-standard working arrangements has not increased significantly, and there is little evidence of 'hollowing out' (i.e. reduced employment in mid-level occupations).

64. Given the existing differences in industry arrangements, and the uncertainty about the pace and scale of change in the future, it would be wise to consider what tools we might need to support different kinds of industries to meet their skills needs.
65. There is also an opportunity to explore the role of workers, including unions, in supporting training in the workplace.
66. Fundamentally, we need to understand more about how industries and TEOs partner on VET now – where it works well, and why, and any gaps in the model.
67. We should consider whether we need to change or add to the tools for supporting employer engagement. Amongst other things, this work should consider training levies and other collective funding mechanisms, and collective delivery mechanisms such as Group Training Companies. It should also consider how more, better tailored government information could support improved TEO/industry planning, and whether the arrangements adequately coordinate standard-setting for all occupations.
68. The scope of this work would be similar to theme 2, since it is also focused on work-based learning.

## Next steps

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69. The diagram below sets out the proposed process for the review. The stages are discussed in more detail below.



## We propose to explore the principles, definition and themes with stakeholders

70. The ideas set out in this report represent the result of a preliminary scan of evidence and informal discussions with sector representatives (e.g. from the ITP Roadmap 2020 conversations and the Tertiary Education Union's forum on VET).
71. We intend to explore the ideas further with stakeholders. We plan to talk to a variety of stakeholders – covering different TEO types, employers, and learner groups. We aim to achieve breadth by engaging through peak bodies (e.g. Business NZ, the Industry Training Federation, the ITP CEs group), and depth by choosing three sectors and visiting the range of organisations involved in VET within each sector to understand more about how they work individually and as a system. The sectors that we plan to investigate in more depth are in the primary sector (dairy), service sector (aged care) and a traditional trade (electricians).
72. The ideas in this paper provide a structure for our discussions, but we propose to remain open to other ideas that stakeholders may raise. This is a fairly open approach (e.g. in contrast to releasing a discussion document prior to any engagement). We think this is appropriate – particularly as part of the engagement surrounding the Summit in May.
73. We would like to start these discussions as soon as possible, with an aim of completing this initial sector engagement around the time of the Summit. We will combine channels

and meetings with the TEC's ITP Roadmap 2020 project where possible to avoid our two agencies consulting the same sector groups separately within a short space of time.

**We also have much more evidence gathering and analysis to do**

- 74. There is more to learn from our own data, from other countries, and from exploring lessons from past interventions in New Zealand. We will carry out this further analysis over the coming months, tailoring the content to support the stage of the work.
- 75. One source of data is Statistics New Zealand's Integrated Data Infrastructure (IDI), which we use to look at post-study outcomes. Under the Statistics Act 1975, we cannot look at ITOs' IDI data without their permission. ITOs have consented to the use of this data for developing information for learners about the outcomes of industry training. We would like to slightly extend the use of this data to meet the needs of the VET review; we therefore propose to write to ITOs to seek their consent to us analysing their IDI data for this purpose.

**From June to August we will work on policy responses and possibly a discussion document**

- 76. We aim to conclude sector discussions and analytical work around the time of the Summit in May, to take advantage of the broader insights from the Summit.
- 77. We will present preliminary findings in June. That advice would also consider the timetable from there, including the need for a discussion document setting out specific policy options, and sequencing with the production of the Tertiary Education Strategy.
- 78. Some of the review work may have Budget implications. Work on these would need to begin around August.
- 79. We also note that the Tertiary Education Union's VET forum called for a VET Summit to be organised by government. We suggest advising on this in June, based on our experience of the whole-of-system Education Summit and progress on the VET review.

**We propose to write to interested groups setting out the scope and process for the VET review, based on your feedback on this paper**

- 80. There is a lot of interest in this review, particularly from ITPs and ITOs. In particular, ITP representatives have asked us to set out the scope and process for this review. They are seeking to understand the relationship between the VET review and the ITP Roadmap 2020 project. We have attached a draft letter to stakeholders at Annex 1. We propose sending this to VET sector stakeholders ahead of our engagement in April.
- 81. This letter would also provide a vehicle to set out the principles, definition and themes to explore with stakeholders over the coming months.

**Risks**

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- 82. The proposals in this paper do not present any new risks. We continue to engage closely with TEOs, particularly ITPs, to communicate the relationship between the VET review, ITP Roadmap 2020, and your wider Education portfolio work programme.

## Consultation and collaboration

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83. We are leading a cross-agency working group for this review, which includes representatives from TEC, the New Zealand Qualifications Authority and Ministry of Business, Innovation and Employment contributing in their areas of expertise.
84. We also consulted the following agencies on this paper: Department of the Prime Minister and Cabinet, Treasury, State Services Commission, Ministry of Social Development, Ministry of Health, Ministry for Pacific Peoples, Te Puni Kokiri, Ministry for Women, Oranga Tamariki, and Education NZ. Feedback was positive, with a focus on exploring the diverse interests of these different agencies through a VET lens.

## Proactive Release

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85. It is intended that this Education Report is proactively released as per your expectation that information be released as soon as possible. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

## Annexes

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Annex 1: Ministry of Education letter to VET stakeholders

## Annex 1: Ministry of Education letter to VET stakeholders

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*[This letter would be sent to the Industry Training Federation and ITOs, Charles Finny and ITP CEs, PTE peak bodies, Te Wānanga O Aotearoa, Business NZ, the Council of Trade Unions, NZUSA and the Tertiary Education Union].*

I am writing to you to seek your participation in the review of the vocational education and training (VET) system.

As you may be aware, on 21 February the Minister of Education announced an extensive education portfolio work programme, to champion a high quality public education system for all New Zealanders. This includes a programme of change for vocational education.

The Ministry of Education is leading the work on vocational education. This letter sets out the scope of the work, and how we intend to work with stakeholders. More detail is available in the Ministry of Education report, “Scope and process for the VET system review”, which is available [TBC].

### **How will the Ministry of Education engage with stakeholders?**

We would like you to help us shape the work on the VET system – to test the ideas in this letter, and discuss what is missing, and where are the main opportunities.

We are seeking engagement with Tertiary Education Organisations, employers and unions by working through peak bodies or other coordination arrangements. We will talk to them shortly to find times to meet.

We will also make use of the Education Summit in May to gather insights on the wider education sector’s views about the VET system, in particular the views of learners. We will also ensure appropriate connections are made through other work programmes (e.g. to gather schooling perspectives).

Finally, we intend to visit a number of Tertiary Education Organisations and users of VET to learn more about how the VET system is currently working.

We want to complete these initial discussions by mid-May (around the time of the Education Summit).

### **And what happens after the Ministry’s engagements?**

We will report to the Minister of Education in June with our assessment of the state of the VET sector, stakeholders’ views, and the policy challenges these raise. That advice will also address how the work should proceed beyond June.

Throughout this process we will coordinate with the Tertiary Education Commission’s project, ITP Roadmap 2020, which is considering how the network of ITPs can operate more as a system.

### **Why are we looking at the VET system now?**

The VET system is a critical part of New Zealand’s economic infrastructure. It provides people with the skills they need for their working lives, provides industry with the skilled workers needed to succeed, and communities with infrastructure for their economic development.



There are a number of interrelated challenges and opportunities in the VET system. Some of them are external to the education system - changes in the world of work due to technological change and globalisation; some exist at the interfaces between different actors – making it harder than it should be for learners and employers to access the skills they need; and some exist within the TEOs – where government’s settings for funding, regulatory and collaboration don’t always align with our goals for VET.

The remainder of this letter sets out our initial approach to the work. This is intended to stimulate discussion and to help us identify where we need to learn more – it is not a fixed view!

### **What do we mean by ‘VET’?**

We propose a definition of VET that is focussed on learners’ aims from study. In short, that VET is “education that has a special emphasis on the skills and attributes required to perform a specific role, or work in a specific industry”. This implies that employers have a greater role in VET than other forms of learning, and that VET will take place in a wide variety of settings. We also note that whilst VET addresses the skills required for a specific role, these skills are transferable, and we are ultimately interested in positive labour market outcomes, rather than matching to a specific role.

We also note that there are questions about the merits of the term “vocational”, and this is something we will consider as part of the review.

### **What should we seek to achieve from VET?**

We propose some goals and principles to frame our review of the VET system. These would guide the further work on the review (e.g. assessing options) and inform ongoing decisions (e.g. on operational matters).

Our goal is to create a strong VET system; key characteristics of this system include:

- the ability to deliver an educational offering that is attractive to learners and responsive to their needs
- a strong presence across New Zealand, and a clear link between vocational education and training provision and economic development
- responsiveness to employers and industry, and the ability to attract external funding
- a balance between diversity and specialisation in provision, so that students have choice between a number of training pathways at the same time as the system serves regional and national workforce needs, and
- system capability to respond well to changes in the external environment, whether that be policy change, technological change, changes in employers’ skill needs, or changes in student demand (domestic or international).

### **What topics will the VET review address?**

We propose to group the VET system review into four themes. These provide a structure to the interrelated issues in VET, to support more coherent discussions with stakeholders. The four themes are:

- **A strong network of provision for all regions.** This theme considers how the VET sector works together to meet the needs of a region, and how funding and planning policy settings can create sustainable, agile provision across a region that makes good use of all tertiary education organisation (TEO) types and schools. This will also consider how the VET system can support the Government's regional economic development goals.
- **Work-based learning that adapts to a variety of needs.** This theme will consider the range of work-based learning needs (e.g. from a broad, first qualification through to flexible, just-in-time learning), and how coherently current funding and regulatory settings enable and incentivise TEOs to meet these needs.
- **A system that is effective for a diverse range of learners.** This theme will consider the effectiveness of the VET system in supporting access, achievement and outcomes for different learner groups.
- **A system that is supports, and is supported by, industry.** This theme will consider demand-side issues: the health of the partnership between industry and TEOs, and how the different characteristics of each industry affect this. It would also consider what tools are needed to support different industries to meet their needs.

## Conclusion

Vic Johns, Policy Director in the Graduate Achievement, Vocations and Careers Group, is leading the VET system review. We look forward to working with you on this project, and will be in touch soon. You can also get in touch at: [VET.review@education.govt.nz](mailto:VET.review@education.govt.nz).

Claire Douglas  
Deputy Secretary, Graduate Achievement, Vocations and Careers  
Ministry of Education