

## Tertiary Education Report: Workforce Development Councils and Centres of Vocational Excellence

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	12 July 2019	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1199077
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

The attached annotated agenda sets out further advice on workforce development councils (WDCs) and centres of vocational excellence (CoVEs). A draft Cabinet paper on CoVEs is also attached as annex two.

### Recommended Actions

The Ministry of Education and the Tertiary Education Commission recommend that you:

- a. **note** that the attached annotated agenda (annex one) provides further advice on workforce development councils and centres of vocational excellence for discussion at the agency meeting on 15 July

**Noted**

- b. s18(d)

**Noted**

- c. **note** that a draft Cabinet paper on Centres of Vocational Excellence is attached as annex two

**Noted**

- d. **forward** the attached annotated agendas to any additional ministers you may wish to inform

**Agree / Disagree**

- e. **agree** that this briefing and Annex will be proactively released once final decisions on RoVE have been made.

**Agree / Disagree**



**Grant Klinkum**

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

12/07/2019



**Tim Fowler**

Chief Executive  
Tertiary Education Commission

12/07/2019



**Hon Chris Hipkins**

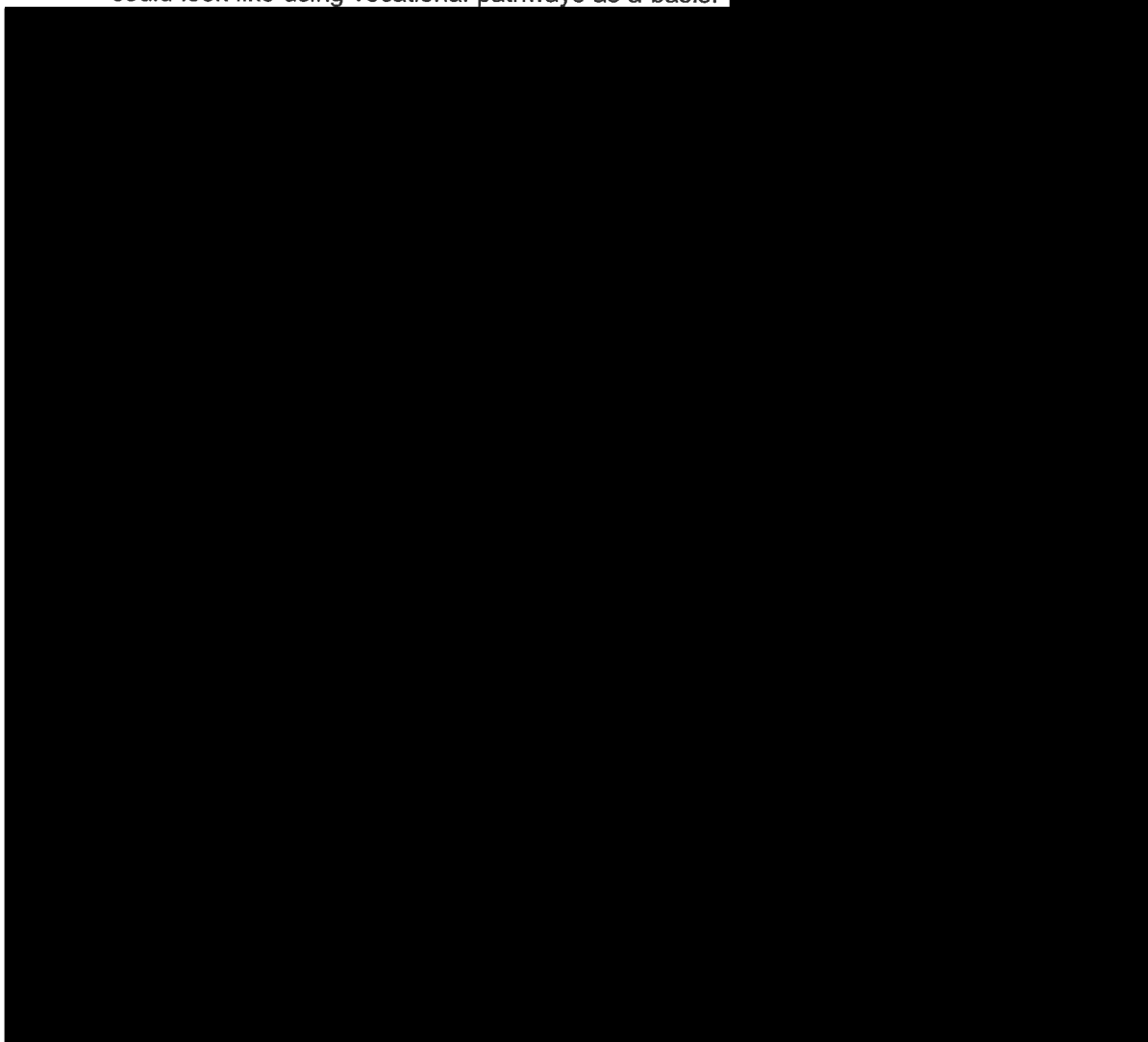
Minister of Education

15/7/19

## Overview of annotated agenda

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1. At the agency meeting on 1 July, you asked for an outline of what coverage for WDCs could look like using vocational pathways as a basis. s 18(d)



## Annexes

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Annex one: Annotated Agenda – Workforce Development Councils and Centres of Vocational Excellence.

Annex two: draft Cabinet paper – Centres of Vocational Excellence.

# Annotated Agenda – Workforce Development Councils and Centres of Vocational Excellence

Reform of Vocational Education  
15 July 2019

**Attendees** Minister of Education, Hon Chris Hipkins  
Officials to be confirmed

This annotated agenda provides information on how industry could be organised into different Workforce Development categorisation systems (including the Vocational Pathways), and further analysis around the potential future state to support decision making on Centres of Vocational Excellence (CoVEs).

## Item one: Workforce Development Councils

1. You have asked for further advice on how various industries map to the Vocational Pathways, and how this might relate to the structure of WDCs.
2. As agreed through the 29 April annotated agenda, officials will “partner with industry to develop a structure for ISBs (now WDCs) that support their expanded functions” [METIS: 1184640]. While Vocational Pathways could provide a useful starting point for considering WDC clustering, it is important that industry determines the structure of their bodies, rather than government pre-determining the outcome.
3. As outlined in the RoVE Key Decisions Cabinet paper, a collaborative process will be undertaken with industry to confirm coverage options for WDCs. However, government will set the general framework, including that there will be fewer (e.g. four to seven), that we are seeking representation for the whole of industry, and that we looking to see greater coherence of industries within each WDC. Details on how we are planning to engage with industry to design the structure of WDCs is outlined in item 1d.
4. We outline below three ways that WDCs might be configured: by Vocational Pathways, vertical vs horizontal integration, and an approach based on the three traditional broad sectors.

### 1a. Mapping industries to the Vocational Pathways

#### Overview of the Vocational Pathways framework

5. The Vocational Pathways framework was developed as a joint effort between the Ministry of Education (MoE) and the Industry Training Federation (ITF). This framework provides high-level coherence for learners in being assessed against industry unit standards and vocationally-focused achievement standards as part of NCEA, to receive an endorsement for completing one or more Vocational Pathways. Vocational Pathways also assist learners and parents in identifying potential career options and to think about occupations that might suit them, supported by an online tool, FindMyPath, which links occupations and Vocational Pathways.
6. Learners can use this online tool to search based on a pathway, occupation or qualification. It is possible to search specific jobs, and different qualifications required for particular jobs, including mapping lower level qualifications up to higher-level ones to see qualification pathways.
7. For example, the occupation of ‘Butcher’ fits within the Manufacturing and Technology Pathway. A related job (Retail Meat Manager) fits under the Service Industries Pathway, but all other related jobs and qualifications (e.g. Butcher Assistant, Meat Worker, Meat Processing Supervisor, etc.) fit within the Manufacturing and Technology Pathway. These assignments of occupational roles

to pathways reflects an industry perspective on where these roles sit. The tool also groups together related jobs within the 6 different pathways

8. Existing industries covered by Industry Training Organisations (ITOs) can be mapped to the Vocational Pathways as indicated in Table one below. Note that this is based on analysis of the ANZSIC 2006 classification of employees in industry.

Table one: Mapping of existing industries to Vocational Pathways

<b>Vocational Pathway</b>	<b>Industry coverage – based on existing ITO coverage</b>	<b>Makeup from existing ITOs</b>	<b>Estimated employees at Feb 2018</b>	<b>Description of involvement in vocational education</b>
Creative Industries	Performing arts, communications and media (includes much of the ICT sector).	Part of Skills Active and communications and media from Competenz. NB. Most of this sector is not currently covered by ITOs e.g. digital tech	40,900	Most employees in creative industries are non-credentialed or have higher-level qualifications
Primary Industries	Agriculture, horticulture, sports turf, equine, dairy manufacturing, meat processing and seafood, forestry.	Primary ITO and forestry industry from Competenz.	121,000	A significant proportion of workforce involved in work-place vocational education.
Services sector	Tourism, travel, retail, hospitality, museums, aviation and wholesale goods operations, hairdressing, barbering and beauty, sports, fitness and recreation, snow sport, funeral directing, real estate, financial services, local government, public sector (with some exclusions), security, contact centre, offender management, pest management.	ServicelQ and HITO, with fitness and recreation and snow sport from Skills Active, a range of services industries from Skills, pest management from Careerforce and Funeral Directors (an unfunded ITO). NB. The Banking and financial sectors are largely not covered by ITOs	925,300	Most employees in services industries are non-credentialed or require degrees.
Social & Community Services	Health and disability support, social and community support, cleaning, and caretaking.	Careerforce	427,000	Most degrees. Growth sectors include mental health and aged care (aged care workforce now have access to training opportunities that are linked to higher pay rates).
Manufacturing and Technology	Engineering, manufacturing, locksmithing, fire protection, refrigeration, heating and air conditioning, automotive, industrial textile fabrication, protective coating, and resource recovery, boat building design and manufacturing, composite	Competenz, MITO (except infrastructure), NZ Mac and production sectors in Primary ITO (petrochemical, energy and chemical plant).	380,200	Trades are well represented in vocational education, but many manufacturing employees are not credentialed.

	manufacturing, marine support services, and sail making, petrochemical, energy, and chemical plant.			
Construction and Infrastructure	Building, construction, flooring, masonry, glass and glazing, joinery, interior systems, painting and decorating, plumbing, gas fitting, drain laying, roofing, electrotechnology, extractives and drilling, gas, civil construction, cranes and scaffolding, electricity supply and transmission, water, and telecommunications maritime and rail transport, commercial road transport and logistics, stevedoring and ports, freight forwarding and distribution, ambulance, emergency management, and fire services.	BCITO and Connexis with a significant part of Skills ITO and some of Competenz (maritime and rail transport) and MITO (road transport, logistics, stevedoring and freight forwarding/distribution)	174,400	Key trades are regulated so high engagement.

9. This represents only a preliminary analysis to illustrate the use of Vocational Pathways to frame WDCs. This analysis has not been confirmed with ITOs.
10. This table illustrates that while the Vocational Pathways represent a useful construct for learners in understanding pathways to specific occupations, this approach may not represent an ideal organising framework for defining WDCs. For example, the Creative Industries may be too small to be viable as standalone WDCs, since these pathways have few vocational qualifications registered at NZQF Levels one to six.
11. It may be that the Vocational Pathways approach could work for industry if the smaller Pathways were combined into others (e.g. the Creative and Social and Community Services could potentially be combined). However, officials are aware of issues that industry has raised with the current framework (particularly with Creative Industries), so we would not want to be overly reliant on current Vocational Pathways groupings and continue to reinforce some pathways which may need reconsidering.
12. This reinforces that the Vocational Pathways may be best thought of as a starting point for potential industry sector groupings rather than as a defining framework.
13. Another matter to be considered is the role of shared services or outsourced services arrangement. This could result in all WDCs being relatively small entities that focus on liaison with industry and providers, and which draw on support services to meet their functional needs in setting standards, moderating assessment, developing qualifications, endorsing programmes and providing advice to TEC. If industry is supportive of this approach, Vocational Pathways could well work as the organising framework.

#### **1b. Vertical vs horizontal integration**

14. Vertical integration is where multiple layers of a value chain are combined, for example, where a business both grows apples and processes those apples into high-value beverages. Horizontal integration is where a business operates across multiple areas at a similar point on the value chain, for example, where a business grows apples, pears, oranges, etc.
15. Adding value to existing products and services is one way of achieving greater innovation and raising the standard of living (e.g. see Growing innovative industries in New Zealand, released by the Minister of Economic Development in July 2019). Some of the strongest global private sector organisations are marked by their strong focus on vertical integration, and/or command of their



logistical supply chain (e.g. Apple computers). The Government's focus on innovation could see vertical integration being emphasised more strongly.

16. Currently, ITOs are predominantly horizontal in nature (e.g. Service IQ), while some are based around occupational groups (e.g. much of Skills Org) and some take a vertical approach (e.g. Competenz include both forestry and manufacturing, s 9(2)(g)(i)).
17. The Primary ITO in their RoVE submission advocated for vertical integration driving the formation of ISBs. However, it is not clear whether there is strong support outside of the Primary ITO for vertical integration, as this may not work as well in other industry sectors. This option will be explored in our discussions with industry.
18. Under a vertical integration approach, the Butchery occupation would be grouped with the primary sector WDC. Any value-add to farm, forestry or fishing products would be associated with the primary sector, including all of the food and beverage sector and potentially much of the service sector focussed on hospitality.
19. There could also be a greater push for sector-specific qualifications. For example, business management and management qualifications would be focussed around the value chain rather than being framed generically as at present.
20. Significant analysis would be needed to show how a vertically integrated approach could work. We do not consider this should be a priority at this stage in the process, but that we should not discount this option until it has been discussed with industry.

#### 1c. An alternative framework based on just three WDCs

21. A simplification of the Vocational Pathways framework (that would still allow mapping to the existing Vocational Pathways) would be to structure WDCs around the three traditional broad sectors as follows:
  - a. *Primary*, which would cover the Primary Industries Pathway.
  - b. *Secondary*, which would cover the Manufacturing and Technology and Construction and Infrastructure Industries Pathways
  - c. *Tertiary*, which would include Services, Creative Industries, and Social and Community Services.

Table two: Mapping of existing industries to three WDCs

Vocational Pathway	Industry coverage – based on existing ITO coverage	Makeup from existing ITOs	Estimated employees at Feb 2018	Description of involvement in vocational education
Primary Industries	<b>Primary industries</b> Agriculture, horticulture, sports turf, equine, meat processing and seafood, forestry.	Primary ITO and forestry industry from Competenz.	121,000	A significant proportion of workforce involved in work-place vocational education.
Secondary industries	<b>Manufacturing and Technology</b> Engineering, manufacturing, dairy manufacturing, locksmithing, fire protection, refrigeration, heating and air conditioning, automotive, industrial textile fabrication, protective coating, and resource recovery, boat building design and manufacturing, composite manufacturing, marine support services, and sail making, petrochemical, energy, and chemical plant.	Competenz, Skills, MITO, BCITO and Connexis NZ Mac and production sectors in Primary ITO (petrochemical, energy and chemical plant and dairy manufacturing).	554,600	Trades are well represented in vocational education, but some many manufacturing employees are not credentialed

	<b>Construction and Infrastructure</b> Building, construction, flooring, masonry, glass and glazing, joinery, interior systems, painting and decorating, plumbing, gasfitting, drainlaying, roofing, electrotechnology, extractives and drilling, gas, civil construction, cranes and scaffolding, electricity supply and transmission, water, and telecommunications maritime and rail transport, commercial road transport and logistics, stevedoring and ports, freight forwarding and distribution, ambulance, emergency management, and fire services.			
Tertiary industries	<b>Creative Industries</b> Performing arts, communications and media.  <b>Services</b> Tourism, travel, retail, hospitality, museums, aviation and wholesale goods operations, hairdressing, barbering and beauty, sports, fitness and recreation, snow sport, funeral directing, real estate, financial services, local government, public sector (with some exclusions), security, contact centre, offender management, pest management.  <b>Social and Community Services</b> Health and disability support, social and community support, cleaning, and caretaking.	ServiceIQ, Careerforce, Funeral Directors, HITO, Skills Active and communications and media from Competenz.  NB. Parts of the tertiary industries are not currently covered by ITOs e.g. info tech, financial and banking sectors, and business management	1,393,200	Growing in some areas. Many employees in these industries are non-credentialed.

22. This approach would create three unevenly sized WDCs. While the primary sector WDC would be smaller than the other two, configuring industry according to the three basic types of industries would reflect the quite different challenges involved with each sector.

#### **1d. Plan for engagement with industry to design WDC coverage**

23. As agreed through the 26 May annotated agenda, officials are planning a process to work with industry to confirm coverage options for WDCs within an agreed set of high-level parameters (e.g. that there will be between four to seven WDCs).
24. As detailed previously, if WDCs are to effectively represent the interests of industry it is important that they be primarily established by industry. Industry would be expected to bring resources and funding from ITOs to the table (as a way to ensure buy-in), but would not be expected to provide ongoing funding. While the organisations themselves will be established through subordinate legislation, the purpose of this is to provide for greater permanency and influence over their operations by government to ensure they work effectively to represent industry. WDCs should not be perceived as an extension of the Crown's operations, as this would fail to achieve the aims of the reform (i.e. to place industry in control of all vocational education provision).
25. Planning for engagement with industry organisations is underway, but at an early stage of development. This work includes:
- identifying employers and industry bodies to be involved in workshops
  - developing communications material



c. identifying resources, development stages and detailed project planning to support the role changes work and establishment of WDCs.

26. Early engagement with industry will focus on the coverage of WDCs, with the aim of reporting back to you by the end of 2019 with a proposed scope of operations.
27. Note that the other key engagement over this period will be a short, two-month, engagement with ITOs focussed on the design of the holding companies arrangement during the transition period.
28. Further engagement work beyond this will focus on more detailed establishment issues (e.g. governance and interventions frameworks for WDCs, work with ITOs and providers on the transfer of support for workplace learning).

### **Recommendations**

29. It is recommended that you:

a. **note** that you have agreed previously:

- i. "to stronger direction from government over the establishment phase of ISBs (now WDCs) through a government-led co-design process"
- ii. "that the high-level principles be used as a framework for officials to partner with industry to develop a structure for ISBs (now WDCs) that supports their expanded functions"

**NOTED**

b. **agree** to continue with this approach of enabling industry bodies to determine the way in which coverage of industry is managed by WDCs, within the framework to be agreed by Cabinet on 22 July – i.e. a small number of (e.g. four to seven) WDCs, with the aim of comprehensively covering all of industry and ensuring coherency in industry coverage

**AGREE / DISAGREE**

c. **note** that industries could structure themselves based around:

- i. the Vocational Pathways (see Table one above), creating WDCs of varying sizes
- ii. the Vocational Pathways, but with a substantial shared services arrangement (reducing the impact of varying sizes of coverage of learners) or by combining more than one Vocational Pathway within a WDC or by looking at vertical integration of industry at least for some sectors (e.g. Primary sector)
- iii. a traditional three sector approach (see Table two above)
- iv. other options to be put forward by industry

**NOTED**

d. **note** that issues have raised by industry with the current Vocational Pathways framework.

**NOTED**

### **Item 2: Centres of Vocational Excellence**

s18(d)

s18(d)

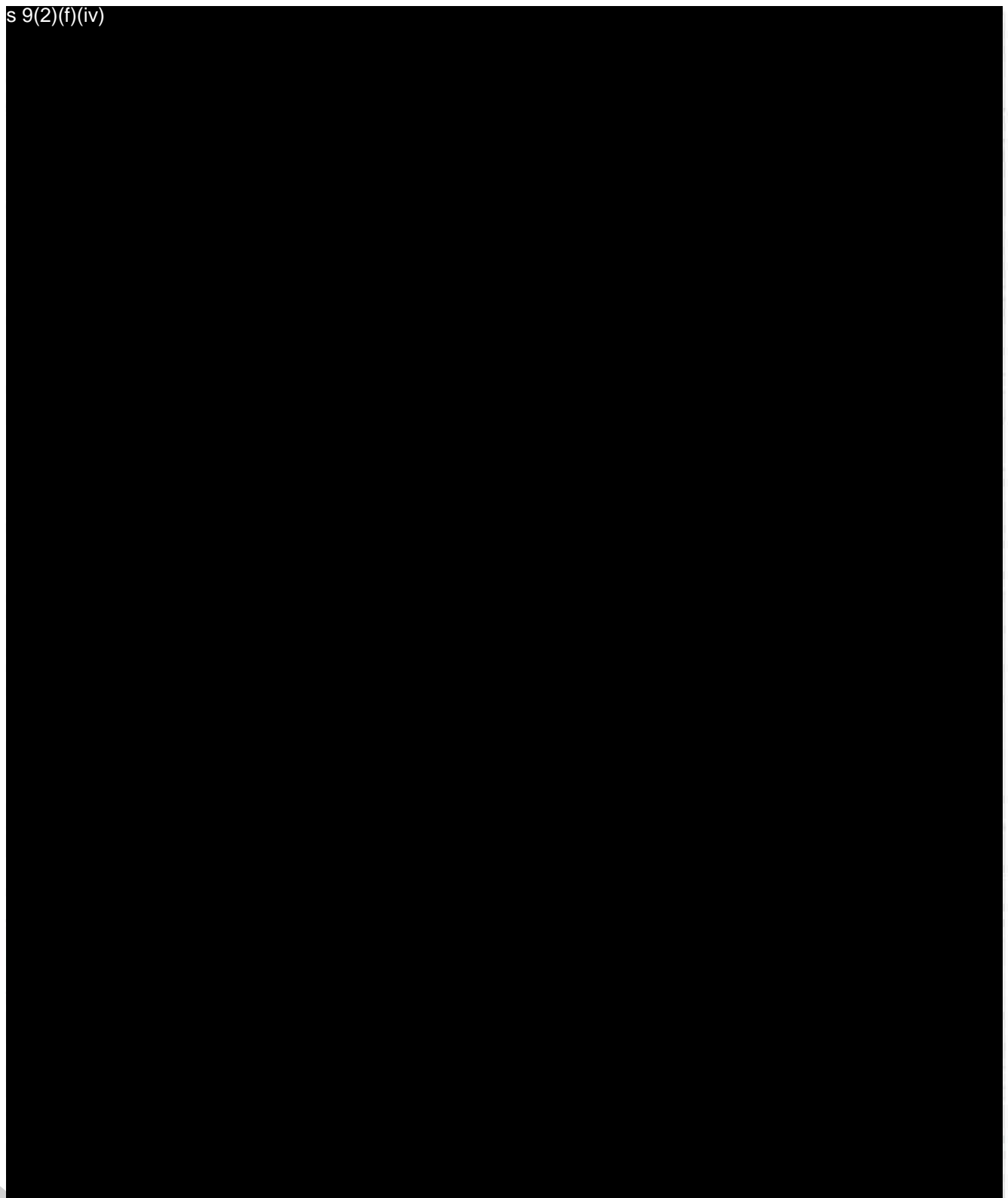


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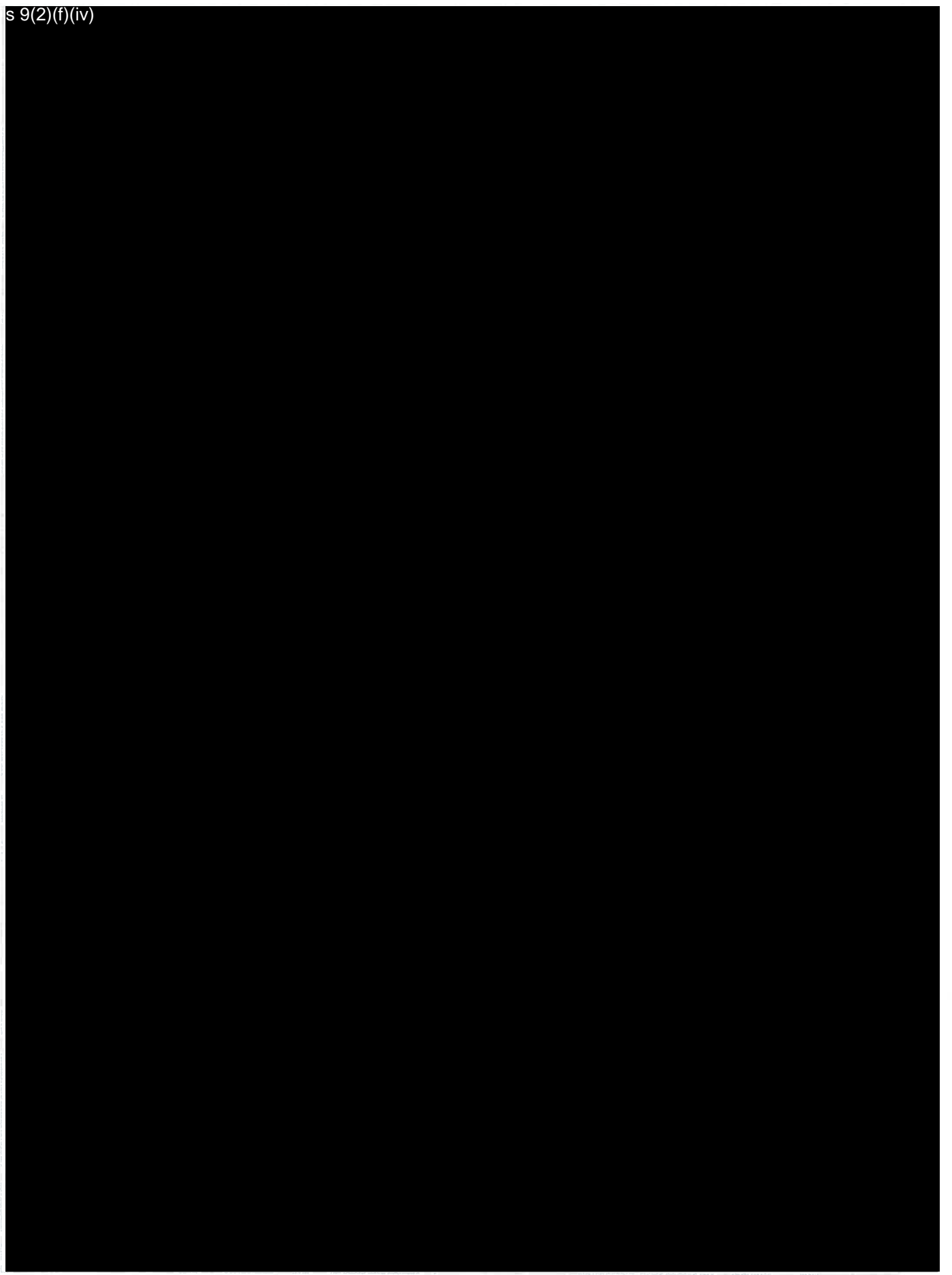


Proactiv

s 9(2)(f)(iv)



s 9(2)(f)(iv)



## Recommendations

47. It is recommended that you:

- a. **confirm** the coverage of a CoVE may be based around both industries and cross-cutting areas (e.g. kaupapa Māori)

**CONFIRM / DISCUSS**

- b. **confirm** that some CoVEs may be focused specifically on teaching and learning, while others may take a wider role within the skills ecosystem (e.g. strengthening pathways into vocational education)

**CONFIRM / DISCUSS**

- c. **note** that we intend to create a framework for investment in CoVEs following a Budget 2020 bid, drawing on what we learn from the pilot CoVEs and from discussions with relevant stakeholders

**NOTED**

- d. **agree** that this framework for investing in CoVEs should aim for both industry coverage and appropriate regional spread

**AGREE / DISAGREE**

- e. **note** that the pilot CoVEs will allow us to strengthen our understanding of how CoVEs should fit within the wider vocational education system over the long term

**NOTED**

- f. **note** that establishing additional CoVEs beyond the pilots will require a successful Budget bid in 2020

**NOTED**

- g. **note** the examples of potential existing centres of excellence in ITPs around New Zealand

**NOTED**

- h. **note** the examples of current regional labour market needs that may be considered in establishing CoVEs

**NOTED**

- i. **note** that a draft CoVEs Cabinet paper is attached as Annex two.

**NOTED**