

# Skills Active Aotearoa



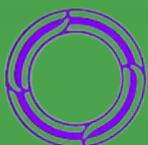
Submission on the redesign  
of the vocational  
education and training  
system

September 2024



  
SKILLS  
ACTIVE

He aha te kai ō te rangatira? He  
kōrero, he kōrero, he kōrero.



TE  
MAHI  
AKO

*What is the food of the leader? It is  
knowledge. It is understanding. It is  
communication.*



**Ko Te Kore, Ko Te Pō,  
Ko Te Pō, Ko Te Ao  
Ka Awatea Te Ao Mārama  
Ko Ranginui e tū iho nei  
Ko Papatūānuku e takoto nei  
Ko ahau ki raro, e rapu ana, e hahau ana i Te Ara a Io Matua  
He ara tauwhāiti te ara; he ara namunamu te ara  
He ara i kauorohia  
I kauorohia e Io-Te-Hā-o-ngā-Rangi, e Io-Te-Toi-Ururangi  
Toi-Uru-Roa, Toi-Uru-Tapu  
Toi-Uru-Ora, Toi-Uru-Ariki  
Whakaheke i runga; whakaheke i raro; whakaheke i roto; whakaheke i waho  
Whakaheke i tua i tēnei kaupapa  
Nāu ra e Io  
E Rangi, e**

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## Key

**ITEs:** Industry Training Entities

**ITENZ:** Independent Tertiary Education New Zealand

**ITBs:** Industry Training Boards

**ITF:** Industry Training Federation

**ITO:** Industry Training Organisations

**ITP:** Institutes of Technology and Polytechnics

**NZQA:** New Zealand Qualifications Authority

**PTE:** Private Training Establishment(s)

**RoVE:** Reforms of Vocational Education

**Skills Active:** Skills Active Aotearoa Limited

**SME:** Small and Medium-sized Enterprises

**SSB:** Standard-Setting Bodies

**TEC:** Tertiary Education Committee

**Te Mahi Ako:** subsidiary of Skills Active Aotearoa Limited (a PTE)

**Te Pūkenga:** New Zealand Institute of Skills and Technology

**UFS:** Unified Funding System

**VET:** Vocational Education and Training

**WDCs:** Workplace Development Councils

## Executive Summary

Skills Active is dedicated to partnering with the Ministry to realise this vision for a stronger, industry-led VET system. Skills Active is the former ITO for the active recreation, leisure, and entertainment sectors. We successfully evolved through recent reforms to establish an independent PTE: Te Mahi Ako to lead industry training in these sectors. As such, we are uniquely positioned to deliver on the Ministry's vision. This is because of our strong governance - including 50% Māori representation - established structures - including 25 shareholder industry bodies - and industry training capability.

In the submission below, we discuss the benefits and risks with each of the Ministry's proposals. Our focus is establishing how the proposals can deliver the Ministry's goals.

### Proposal 1:

While Proposal 1 does not directly impact Skills Active, and we have therefore limited our comments on it, it remains an important component of the wider VET system. Our preliminary thoughts are that it appears pragmatic. From an efficiency and cost effectiveness perspective, it makes sense to consolidate 'like' systems; such as payroll and IT.

However, a significant amount of detail needs to be finalised before implementation. These details are likely to impact on how successful (or not) proposal 1's introduction would be. For example, it is unclear how the federation and TEC will interact, who will be governed by it, and how to enable ITPs to exit in a clear and uncomplicated way.

### Proposal 2:

Our submission is primarily focussed on proposals 2A and 2B. We expect 2A is more likely to deliver on the Ministry's goals and is our preferred model. It would create a financially sustainable system by potentially cutting down on duplication and making the most of existing resources. This also is likely to reduce complexity and bureaucracy.

Proposal 2A also closes the gaps between standard setting and industry training programme delivery, ensuring robust development and good feedback loops. However, there is some scope for potentially simplifying the system and strengthening the connection to industry. We propose changes to the proposal 2A model for this.

Proposal 2B is the closest model to the status quo. Although this reduces some of the risks associated with change fatigue, our major concern with it is the lack of industry accountability mechanisms. This is largely a result of the separation between standard-setting and training delivery that is proposed.

### Proposal 3:

Proposal 3 deals with changes to the current funding system, given it was designed to support the centralised Te Pūkenga model. There are three potential changes that could be implemented.

We do not support a return to the funding system in place before 2020. The primary reason for this, is although we saw some uplift in funding for industry training, additional requirements (in terms of support and pastoral care) were implemented as part of that uplift. Those changes have had significant and positive impacts for learners with low prior achievement, disabled learners, and Māori and Pacific learners. We believe the result is an investment worth prioritising. We offer comments on how this could be managed.

We support standard setting having a dedicated and independent funding stream. However, it should not only be drawn from industry training, but proportionally from all modes of provision and funding pools.

The proposed funding model will affect industries that depend heavily on industry training to meet specific skill requirements.

The 2020 funding reforms excluded non-domestic learners from funding. Given their importance to the economic performance of New Zealand and our regions, we suggest these learners should be included in any funding changes and set out how this could be effectively managed.

Skills Active and Te Mahi Ako aspire to be a transformative force within the tertiary education system. We are committed to weaving together work, learning, and skills to support learner and workforce success. Our mission is to unlock the potential of individuals and organisations in te ahumahi ā-rēhia—our active recreation, leisure, and entertainment sectors. Through flexible and tailored provision we want to empower learners and organisations to thrive, fostering a sense of belonging and good health and building strong communities.

With governance structures already designed to support both standard-setting and industry training, Skills Active is well-positioned to resume these functions seamlessly.

We look forward to working with the Ministry to achieve its vision for a robust and responsive VET sector.

A handwritten signature in black ink, appearing to read 'Maren Frerichs', written in a cursive style.

**Maren Frerichs**  
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## Our Sectors – Te Ahumahi ā-Rēhia

The active recreation, leisure, and entertainment sectors foster community, skill-building, good health, and a sense of belonging. These sectors rely on a skilled workforce nurtured through tailored vocational training that meets the needs of learners, employers, and organisations. Our sectors closely align with the creative, arts, service, and health sectors.

These sectors are vital to the well-being of New Zealanders, with approximately 2.5 million adults participating in physical activity weekly. Economically, they contributed over \$10 billion to New Zealand's GDP in 2020, excluding the immense value provided by volunteers. Beyond their economic role, they deliver significant social benefits, strengthening New Zealand's social fabric.

Our sectors include over 33,000 mostly small operators, 112,000 employees, 20,000 self-employed individuals, and more than 1 million volunteers. Many workers are contractors, part-time, or seasonal, with skills ranging from entry-level to highly technical. Māori and Pacific learners represent over 20% of the workforce, with even higher representation among volunteers. However, progress is still needed to better reflect the multicultural communities they serve.

Learners from these sectors often contribute beyond their industries. Those with backgrounds in active recreation may pursue careers in health, promoting well-being and supporting rehabilitation. Others enter hospitality, blending event management skills with a passion for creating memorable experiences. Some transition into social services or government, contributing to policy and community engagement.

This diversity reflects the interdisciplinary nature of modern skills development.

Vocational education and training in these sectors attract learners passionate about their fields, creating a workforce that thrives across multiple industries.

## Business Background

Skills Active Aotearoa began as an ITO, specialising in developing NZ qualifications and partnering with organisations to align workplace training with national standards. Our mission remains focused on meeting the vocational education needs of the active recreation, leisure, and entertainment sectors, with a special emphasis on Māori success within these sectors.

In 2019, the government introduced vocational education reforms to create a unified system centred on employers, learners, and communities. As part of these reforms, Skills Active's standard-setting functions were transitioned to the Toi Mai Workforce Development Council in 2021. To continue delivering industry training, Skills Active established Te Mahi Ako, a not-for-profit, NZQA-registered PTE in 2022.

By 2023, Te Mahi Ako supported 6,400 employees and volunteers across 1,700 workplaces, delivering 3,020 national qualifications and certifications with an average credit achievement of 70%. Te Mahi Ako's work is funded by the TEC.

Te Mahi Ako offers over 50 industry training programmes, with some enrolling 600–1,000 learners annually, while most programmes cater to 20–50 learners. Our strength lies in providing accessible training to small, dispersed groups, a capability developed over many years by both Te Mahi Ako and Skills Active.

Skills Active is a charitable company, governed by a Board of Directors and shareholders. The organisation's shareholding is split 50:50 between Māori and non-Māori organisations, ensuring a bicultural approach that honours Te Tiriti o Waitangi. This structure encourages participation from national groups in each of our industries, giving them a voice in Skills Active's governance. Our shareholders represent employer, employee, and industry perspectives.

## **Our shareholders (listed by industry)**

### *Community Recreation*

- New Zealand Recreation Association Incorporated
- Water Safety New Zealand Incorporated
- National Council of YMCAs of New Zealand Incorporated

### *Exercise*

- Exercise Association of New Zealand

### *Ngā Mahi a te Rēhia*

- Aotearoa Māori Providers of Training Education and Employment
- Aotearoa Māori Tennis Association Incorporated
- Handball New Zealand
- Hauraki Māori Trust Board
- Te Tohu Taakaro o Aotearoa Charitable Trust - National Māori Sports Awards
- New Zealand Māori Rugby Board
- Te Arawa Lakes Trust
- Te Kaunihera Haupoi Māori o Aotearoa \*Currently in default
- Te Roopu o te Pātaka
- Whakaruruhau Ngā Mahi ā Te Rēhia

### *Outdoor Recreation*

- Christian Camping New Zealand Incorporated
- Education Outdoors New Zealand Incorporated
- New Zealand Mountain Safety Council Incorporated
- New Zealand Outdoor Instructors Association Incorporated
- Sir Edmund Hillary Outdoors Education Trust

### *Snowsport*

- New Zealand Snowsport Instructors Alliance Incorporated
- NZ Snow Industries Federation Incorporated
- NZ Snowsports Council Incorporated
- Ski Areas Association (New Zealand) Incorporated

### *Sport*

- Sport and Exercise Science New Zealand Incorporated

### *Performing Arts*

- Entertainment Venues Association of New Zealand (EVANZ)
- Dance Aotearoa New Zealand Limited
- Entertainment Technology New Zealand

## Proposal 1: Skills Active's Position

1. While proposal 1 may not directly affect our daily operations, we recognise the importance of a robust public provider network for delivering a cohesive range of industry training, off-job, and blended options. We support enhancement of the financial sustainability and regional responsiveness of the polytechnic sector - provided they promote unified and collaborative behaviour with industry-based and training providers.
2. The focus of our submission is proposals 2 and 3. Proposal 1 should be viewed alongside them. The federation would need to work closely with the standard setting bodies and national providers focused on industry training (work-based learning). Previous attempts to unite industry training and off-job providers did not fully succeed, but we should continue striving for coordination. Structures alone do not change behaviours; active coordination and a supportive system are essential.
3. Any changes should ensure a level playing field. What we mean by this, is Polytechnics and/or other providers should not be provided with specific advantages over others. For example, ring-fencing some providers to deliver programmes within a certain region, while others do not have this same restriction. Similarly, in the past, industry training bodies have been restricted from delivering 'off-job' training, whereas Polytechnics have not had this same restriction. All providers should have the same opportunities to compete in the market; including how and where they deliver their programmes.
4. Finally, it's important the system continues to have a national focus, while balancing this for regional Polytechnics to be responsive to regional and industry interests. This will be an ongoing tension, within the federation model. The model risks fragmentation because, without strong industry input into the ITP federation, decisions could be made without fully considering the needs of employers and industries. There's also the risk that regional decisions might overlook broader conversations about national provision, potentially leading to inconsistent outcomes across the country.

## Proposal 1: Ministry's Questions

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

5. Yes, we agree that ITPs add value. However, they are part of a wider system of equal importance. While access to regional VET is crucial, ITPs cannot be expected to meet all needs. A significant amount of VET is delivered through other channels. For instance, social development initiatives and other government-funded programmes.
6. A key focus of proposal 1 should be ensuring equitable access to education in all regions. Addressing this requires an all-of-system approach.

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

7. A more sustainable, financially viable sector is needed - this reconfiguration may or may not deliver on that. Greater collaboration may support greater consistency (which is needed nationally).
8. Our preliminary thoughts are:

### **Possible benefits:**

- 8.1 It makes sense to consolidate 'like' systems into one, particularly when considering efficiency and cost effectiveness. For example: payroll, recruitment and IT.

- 8.2 It has the potential to be more responsive to industry and learner needs. There is a tension to be managed between national standardisation of qualifications and meeting regional needs. For example, large employers operating across the country would require access to specific courses that are consistently available for their operations nationwide. They would need to ensure that staff across different regions can attend the same or similar courses. This is an important industry need that is often overlooked but plays a critical role in workforce development.

**Possible risks:**

- 8.3 The change fatigue is immense, the sector has undergone several large changes over the past few years, which has flow on effects – such as an impact on service delivery (which has already declined.) Further large changes may exacerbate this, and other, issues.
- 8.4 Pathways for providers to stand outside of the federation model could be difficult and expensive to implement. For proposal 1 to be a truly viable option, a clear ‘pathway out’ is needed.
- 8.5 There’s a tension to be managed between national standardisation (of qualifications) and meeting regional needs.
- 8.6 Potential inequities in access to a range of educational modes may arise in smaller regions, limiting opportunities for learners.
- 8.7 Assumptions that competition will enable innovation. This may be the case, but collaborative enterprise would also benefit the sector.

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

9. It is crucial to consider these changes within the broader context of the vocational system, not only ITPs. A federation model may impact:
- 9.1 How programmes are delivered: Face-to-face delivery may be at risk in small communities.
- 9.2 Competition to stand alone: Pursuit of financial stability, to enable an ITP to operate outside of the federation may be at the cost of classes in small regions, resulting in inequitable provision.
- 9.3 Risk to the learner: The work required to ‘get out’ of the federation to become standalone may not be in the best interested of the learner. It could result in a focus on the financial side, at the expense of educational decisions.

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

10. ITPs may not be best placed to provide all programmes in a region - the entire VET system needs to be considered. In addition:
- 10.1 Industry input must be integral to the federation to ensure that regional decisions align with what industries want, value, and need. This avoids the risk of overlooking critical industry requirements. For example, feedback loops should be established to ensure ITPs are fulfilling their obligations, such as delivering "work-ready" graduates equipped with the right skills, at the right time, in the right locations.

- 10.2 A key challenge will be balancing national consistency with regional requirements. This needs careful management during the establishment phase to ensure local and national needs are both effectively addressed. Programmes should be delivered based on regional demand and aligned with funding priorities.
- 10.3 A level playing field within the VET system is essential, as removing unfair advantages can enhance equity of access, particularly in smaller regions.
- 10.4 When considering competition, a balanced approach is necessary. Where strong provision already exists, such as a high-quality business qualification from Open Polytechnic, it may be more effective to avoid duplicating courses. This level of collaboration promotes efficient use of government resources and funding. However, even in these cases, contextualised programmes tailored to specific industry needs can offer significant value and should be encouraged.

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

- 11. The federation model appears pragmatic, however, there are several details which are uncertain, such as:
  - 11.1 How will the federation and the TEC interact?
  - 11.2 Who will be governed by the federation – particularly considering the potential amalgamations?
- 12. These issues are likely to impact the benefits and risks of implementing proposal 1. However, given this is not directly relevant to us, we will leave further comments to those it directly affects.

## Proposal 2A: Skills Active's Position

13. Our position on proposal 2A is that:

13.1 A key benefit of proposal 2A is realigning standard setting with arranging training. The 2020 separation of these roles weakened both functions, risking the success of VET in New Zealand. ITOs excelled because they built strong, ongoing relationships with workplaces, which ensured qualifications and training met employers' needs.

13.2 These connections, which were crucial, couldn't simply be transferred to a new, centralised body without losing effectiveness, as we've seen with WDCs. Moving to a new statutory body could further disrupt the sector. To avoid this, qualification and skills development should be overseen by the industries themselves, who have the most to lose. As specified in the BusinessNZ's submission:

*"Industry standard setters [need] to be intrinsically linked to industry. The organisations, qualifications and standards need to have the confidence of industry and ultimately this is assessed by the ability of the individual to apply skills in a work-based setting, regardless of whether the person graduates from an ITP or undertakes work-based training."*

13.3. We've seen standard setters, disconnected from workplaces, struggle to create relevant standards without genuine industry involvement and leadership in the process. Similarly, industry training advisors lose credibility when they're too far removed from the industries they support. Industry training advisors, who engage daily with employers, possess contemporary knowledge and a deep understanding of industry needs, making them far more connected and effective in shaping quality VET outcomes. Their direct feedback loops enhance the quality and responsiveness of qualifications and standards, ensuring they remain relevant and aligned with industry requirements.

13.4 The governance structures in 2A and 2B are not industry-led and lack visible accountability mechanisms. The WDC model has similar issues. Industry voice is not adequately reflected, and industry stakeholders are not decision-makers. Neither proposal 2A nor 2B effectively resolves this. However, with some adjustments, they could provide the necessary connection and end-to-end accountability that is crucial for a more industry-responsive and transparent system.

13.5 Employer feedback is that this governance model could be a more complex, costly, centralised, and impersonal system, which will lead them to disengage from using nationally recognised standards and qualifications. The absence of a cohesive industry led approach could lead to declining standards, resulting in a less qualified workforce. A decline in workforce quality will have a tangible impact on the services and products provided by our industries, ultimately jeopardising public safety and, in tourism-related sectors, diminishing the quality of the visitor experience, thereby putting the substantial tourism spend at risk.

13.6 The proposed governance structure allows industry members to elect four to six representatives to the governing board. This ensures accountability and responsiveness to the industries they serve. However, without a stronger connection to the broader spectrum of employers and industry members interested in VET, we risk experiencing further disconnects, like those we've seen with WDCs. This is further exacerbated in our collection of sectors which are comparatively small and diverse, including active recreation, leisure, and entertainment sectors.

13.7 An alternative structure is discussed below under the heading '**Proposal for an Industry-Led and Financially Sustainable VET System**' at paragraphs 75.1-75.5 on

pages 27. In our view, this model would empower employers, as it allows for an 'industry led' model, while also promoting cost efficiencies and a cohesive system.

- 13.8 However, in its current form, proposal 2A could introduce extra layers of complexity, given:
- a. There could be more SSBs than now. There are currently 6;
  - b. Industry voice (and nuance between and within industries) will be limited, unless further structures were established below the SSBs to ensure a clear feedback loop;
  - c. Extra Ministry involvement; and
  - d. The need for coordination of the SSBs.
- 13.9 In the long-term, there is some potential for reducing complexity, given how standard setting is currently managed. The 2A proposal allows for a close alignment between the development of industry standards and the delivery of training, ensuring that the skills being taught are directly relevant to employer needs and are delivered in a way that works for them. Re-establishing this alignment could restore the cohesion and effectiveness that has been recently lost. SSBs operating in both roles would provide benefits to learners, workplaces, industries and regions. They could continuously seek feedback, fine-tune qualifications, adapt programmes and delivery of resources, accordingly.
- 13.10 We support eliminating the monopoly on arranging industry training previously held by ITOs. We prefer opening the market to both ITBs and providers. However, while this has the potential to foster competition, drive innovation, and improve the quality of training, it also presents substantial risks, particularly for smaller ITBs. These risks, if not managed properly, could lead to financial strain, weakened standards-setting functions, and potential negative impacts on the quality of vocational education. How these risks could be effectively managed, is set out below, under the heading "**Proposal 2A: Managing Risks of Employer Choice**" at paragraphs 14-16 below.
- 13.11 It could reduce duplication. Since the 2020 reforms, the workforce involved in carrying out standard-setting and industry training has more than doubled. Financially, and in the long term, this is the main benefit that could come from proposal 2A.
- 13.12 We foresee higher establishment costs for the introduction of proposal 2A, than for 2B.
- 13.13 The cost will be higher than pre-2020, given the SSBs will be created through an Order in Council.
- 13.14 Finally, 2A introduces a raft of changes and with it, uncertainty, cost and complexity. However, in our view, the goals of the redesign are unlikely to be achieved if 2A is implemented in its current form.

### Proposal 2A: Managing Risks of Employer Choice

14. Good standards should be agnostic/ambivalent to how the training is delivered, and by who. They should also meet employer need.

15. Proposal 2A needs to operate in a way to ensure the entities creating the standards are financially independent to delivery, to ensure perverse incentives are avoided. An example would be if an SSB were to create standards specifically to benefit their training-arm
16. To prevent the risks, we suggest:
  - a. Ensuring industry endorsement of standards and delivery pathways (for instance whether this should be delivered industry training, or through a combination of block courses, online and industry training).
  - b. Implementing an independent quality assurance process.
  - c. Ensuring national consistency through delivery against skill standards.
  - d. A separate funding stream for standard setting (not tied to delivery of training).
  - e. Introducing a funding model that provides additional financial support to smaller SSBs or those serving niche industries. This approach would help these boards compete effectively while maintaining high standards.
  - f. The system also needs to maintain checks and balances in place such as NZQA to oversee the approval and implementation of standards and qualifications. In addition, it would oversee the interaction between the standard setter and other training providers, including those which may be competitors in the industry training space.

## Proposal 2B: Skills Active's Position

17. Our position on proposal 2B is that:
  - 17.1 Establishment costs and disruption to the sector are likely to be significantly less than 2A given the changes are closer to the current structure.
  - 17.2 Given it's a less significant change, there is potential to consolidate some of the benefits of the current system. For example, providers may retain flexibility to create and deliver programmes tailored to specific industry needs, whether through industry training, off-job, or blended models. This is crucial as it allows providers to adapt quickly to industry demands, ensuring training is relevant and up to date. It also strengthens the link between training and industry needs, ensuring that programmes are aligned with the practical skills and knowledge required in the workforce.
  - 17.3 Like 2A the cost will be higher than pre-2020, given the model will be created through an Order in Council.
  - 17.4 Like 2A, there will be a hidden cost, given industry engagement mechanisms below the SSBs will be required to be effective.
  - 17.5 Like 2A, the governance structures are not industry-led and lack visible accountability mechanisms. See our comments above at paragraph 13.4 on page 12 for further comments on this, given they apply identically to proposal 2B.
  - 17.7 In contrast to proposal 2A, Proposal 2B does not address the separation of standard-setting and industry training roles, which occurred in 2020. Those changes weakened the effectiveness of both. Proposal 2B could further exacerbate the lack of cohesion that has persisted since the initial dismantling. Standard setters, disconnected from the workplaces their standards are designed for, will struggle to develop fit-for-

purpose products unless strong frameworks and systems are established to authentically engage industry bodies and employers. Meanwhile, industry training advisors, distanced from the industries they serve, will continue to lose credibility and value in the eyes of employers. As two Te Mahi Ako workplace representatives have said:

*"I'm concerned about losing industry voice in the new world. And that grads no longer meet industry needs. Lives are at risk if this goes wrong."*

*Standard setting needs to be industry-led, and with direct connection with industry via the arranging training function."*

- 17.8 There's less uncertainty if 2B was implemented instead of 2A, given it is closer to the current model in place. For the same reason, complexity would likely be reduced.
- 17.9 Finally, there's a risk that industries with low numbers of learners but which represent high-value and/or high-impact areas may not be incentivised for delivery. Proposal 2A may offer slightly better protection against this issue, than proposal 2B. Under 2A, the standard setter would be responsible for delivering industry training programmes in addition to developing standards. This ensures that even if the learner numbers are low, the programme is still delivered as part of the SSB's role, preventing critical industries from being overlooked.
- 17.10 In contrast, under 2B, providers are neither incentivised nor compelled to develop programmes with low numbers of learners. To address this, 2B needs mechanisms to incentivise providers to invest resources in low-volume, high-impact industries. This could be achieved by either mandating it (as is possible under 2A) or offering financial incentives. Without such measures, providers will naturally gravitate toward programmes and employers that offer the highest financial return, instead of those that meet New Zealand's critical skills and economic growth needs.
- 17.11 Possibilities include:
- a. Having the standard setter take on the industry training role; or
  - b. Ensuring the standard setter has power to incentivise providers to undertake industry training in a way that is responsive to industry needs.

## Proposal 2: Ministry's Questions

*Which option do you prefer overall? Why?*

18. We prefer Proposal 2A. It is more likely to achieve the Ministry's goals and meet industry needs. It will likely create a financially sustainable system by reducing duplication and leveraging existing resources. For example, the strong relationships and industry knowledge already in place within ITPs.
19. Proposal 2A also strengthens industry leadership, creating a more cohesive and responsive system. It closes the gaps between standard setting and industry training delivery. This connection ensures robust development and good feedback loops.
20. As specified by Rachael Milner (a former snow sports school manager at Cardrona), this is valuable because:

*"Integrating Cardrona's values into their qualification process keeps the organisation relevant and continuously evolving. Each year, they engage in debriefing and updates to ensure that their values remain pertinent and aligned with their evolving needs. As a leadership team, we would say ok, how did the delivery of the qualification go? What was the feedback like? So, in that way, over the years we have tweaked all these values as how we see fit."*

And:

*"There are lots of talented people in our sector. So, if we can build a strong industry around what we do well, and organise and grow together, then who knows what we can achieve." - Jesse, Ronin Coalition*

21. While both Proposal 2A and 2B offer similar governance structures, we believe there's an opportunity for even further simplification. This could be achieved by adopting an industry body-corporate model or a single statutory body to oversee 8-10 industry-led entities. This would reduce complexity and keep things well-governed, without adding unnecessary bureaucracy.

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

22. The main features needed to be successful are:
  - 22.1 **Strong industry leadership:** Governance must be industry-led with broad representation and educational expertise to ensure the boards reflect the true needs of their sectors.
  - 22.2 **Connection between standard-setting and training:** Maintaining a close relationship between standard setting and delivery is essential. Aligning standard setting with training delivery ensures relevance and practicality, avoiding the current disconnect. Skills Active's governance structures are already set up to undertake SSB and industry training roles and can be quickly reinstated.
  - 22.3 **Robust employer engagement:** Active involvement from employers in setting and maintaining standards, ensures the system adapts to industry needs.

*Under Option A, how important is it that ITBs and non-ITBs be able to arrange industry training? Why?*

23. Allowing both ITBs and providers to arrange training is crucial. It enables flexibility and ensures that various industry needs are met without over-centralisation.

24. Avoiding a monopoly for training arrangements can prevent conflicts of interest and promote competition, improving overall quality. Allowing employer choice is our preferred method for avoiding monopoly in training arrangements. The ability for an SSB to 'contract out' industry training is a potential alternative, should Proposal 2A be selected without enabling employer choice. However, we believe employer choice is the better option. It ensures direct accountability and responsiveness to industry needs, instead of relying on intermediaries who may not be as connected to employers and learners. The ability to 'contract out' addresses concerns around over-centralisation and lack of flexibility, but it is more complex and bureaucratic than the current system, potentially creating inefficiencies.

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

25. The key difference between Proposal 2B and 2A is the strong connections with employers and alignment with VET providers. Under 2A, these connections are inherent in the model, whereas under 2B, they need to be strengthened to function effectively. Currently, WDCs lack these connections, resulting in a disconnect between the standards they develop and what is delivered to employers. There are numerous examples of standards being developed without provider buy-in, resulting in no clear delivery pathways. This risk continues under the 2B proposal.
26. Additionally, current incentives mean large-volume programmes are likely to be prioritised. This means the specific needs of industries, smaller programmes, and hard-to-reach communities of learners, can sometimes be overlooked. This is difficult when, despite low numbers of learners, the industry is of high value (whether in terms of economics, skills shortages, or other measure). We suggest the Ministry should incentivise the delivery of high value training/education which may not be attractive to deliver, due to low numbers. One method for achieving this, could be through an effective funding model.

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

27. WDCs undertake work that is necessary. In the past, there's been a gap in delivering that work. The work the WDCs undertake that we believe is valuable, includes:
- a. Identifying skill shortages and needs;
  - b. Skills analysis and forecasting;
  - c. Workforce analysis and planning – beyond the VET system;
  - d. Identifying workforce shape, function and funding; and
  - e. Strong quality assurance processes such as moderation and Consent to Assess
28. The key function of WDCs is to ensure consistency and quality across the VET system. These strong quality functions should be retained in to uphold high standards and safeguard the integrity of qualifications across all regions and industries. Pre-2020, ITOs performed some of these tasks, but not with the same depth and consistency as the WDCs.
29. Finally, we support a distinct funding line for standard setters (as is currently the case). We understand the Ministry intends to keep this feature.

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

30. Yes. As discussed above, under the heading '**Proposal 2A – Skills Active's position**' from paragraph 13 on page 12, the strong connection between standard-setting and training delivery which existed under the previous ITO model, was significant and effective.

31. In the past, Skills Active and other ITOs have served as the standard setters and industry training body for their sectors. It allowed for a close alignment between the development of industry standards and the delivery of training. The connection ensured that the skills being taught were directly relevant to employer needs. Re-establishing this alignment, with industry-led bodies returning to its role as a standard setter, could restore the cohesion and effectiveness that has been lost in recent years.
32. The greatest risk associated with this proposal is reflected in the feedback we are receiving from employers. Many have expressed concern that a more complex, costly, centralised, and impersonal system will lead them to disengage from using nationally recognised standards and qualifications. While employers may continue to train their staff, the absence of a cohesive national framework could lead to declining standards, resulting in a less qualified workforce. This decline in workforce quality will have a tangible impact on the services and products provided by our industries. It could jeopardise public safety and, in tourism-related sectors, diminish the quality of the visitor experience.
33. The current VET system continues to be weakened by a proliferation of programmes for each qualification. These are often developed without input from those who understand the industry's requirements for work-ready graduates. Without consistent skill standards for delivery, it is nearly impossible for learners to transfer their skills fluidly between workplaces, due to mismatched expectations and inconsistent training outcomes.
34. Finally, there is no entity prioritising funding decisions based on programmes that align with New Zealand's broader skill needs.

*What are the possible benefits and risks of having a short moratorium on new industry training providers while the new system is set up?*

35. We do not have a strong preference or view on a moratorium. In the instance one is put in place, we would suggest is kept short. This would allow time for the new system to be properly set up and stabilised, ensuring quality and consistency, without stifling innovation or slowing industry responsiveness.
36. Possible benefits we can foresee, include:
  - a. Reducing confusion and stabilising the system during the transition.
  - b. Ensuring that existing providers can adapt to new system. There has been a lot of change already.
  - c. If changes to funding mean providers need to drop offerings, workplaces and learners could be impacted. Therefore, opening pathways for others to deliver could be valuable.
  - d. Provides continuity for employers/industry, meaning they are less likely to be 'scared off' by the changes.
37. Possible risks we can foresee, include:
  - a. It may limit innovation and reduce the number of training opportunities available during the transition, potentially leaving some industries underserved.
  - b. It minimises the ability of people to innovate and problem solve.

## Proposal 3a: Returning to the funding system in place before 2020: Skills Active's Position

38. Reductions in industry training funding would impact the quality and breadth of support for learners and employers. Implementation of the UFS through the last reform saw an increase in investment into industry training learning. For example, Te Mahi Ako experienced an initial increase in funding from \$3,800 to \$5,300 per full-time equivalent learner for some learners in our sectors—a 40% uplift. Apprenticeship funding remained the same, while in some cases funding reduced. For instance, mapping employer's training programmes to an NZQA-approved credential, skill standard or qualification was reduced by more than half.
39. Increased payments were conditional on more support being provided to learners. This included providing all learning support and pastoral care, developing employer capability, and providing learning and assessment material. Te Mahi Ako now provides additional teaching and learning, mentoring and coaching, and wrap-around pastoral. This was not previously possible due to the funding levels and restrictions through legislation. A more robust system has resulted in better outcomes for learners and employers, with a 20% increase in overall learner achievement.
40. If funding is reversed, it is likely achievement rates will decline. Without the additional funding, we cannot provide the same level of support to learners. This would significantly impact learner outcomes. Instead, we suggest funding for standard setting is drawn proportionally from all modes of provision and funding pools, not only industry training. Our view is that the increase in learner achievement provides a return on investment that is worth maintaining.
41. Unlike Te Mahi Ako, Te Pūkenga work-based learning divisions have not been required to provide a higher level of support, to access the increased funding. The divisions should be expected to use the additional resources to enhance their support and improve learner outcomes
42. Enforcing the same expectations across all providers of industry training would ensure that all learners fully benefit from the additional resources, resulting in improved outcomes across the board.
43. Also, the increased funding does not differentiate between metropolitan and rural/regional learners, nor between large workplaces with robust training infrastructures and small sectors and businesses needing additional support. The increased funding allows providers to recognise and respond to these varied realities. The current funding structure enables industry training providers to tackle these regional challenges and provide equitable access and support across New Zealand.
44. We advocate for:
  - 44.1 Maintaining targeted support for underserved learners, particularly Māori and Pasifika, learners with low prior achievement, and learners with disabilities; and
  - 44.2 Maintaining support for Level 2-5 qualifications and programmes. They provide pathways that contribute meaningfully to industry and workplaces outside of apprenticeships. These qualifications are essential for learner development and progression within their chosen fields.
45. If Proposal 3a is implemented, a significant proportion of Learner Component funding, would be redistributed to support the increases in provider-based funding. Learner Component funding is currently targeted to support learners with low prior achievement, disabled learners, Māori and Pacific learners. Proposal 3a risks undermining the targeted support that has been crucial for improving outcomes for these groups. They have consistently faced lower programme

completion, retention, and participation rates compared to other learner cohorts. In 2022:

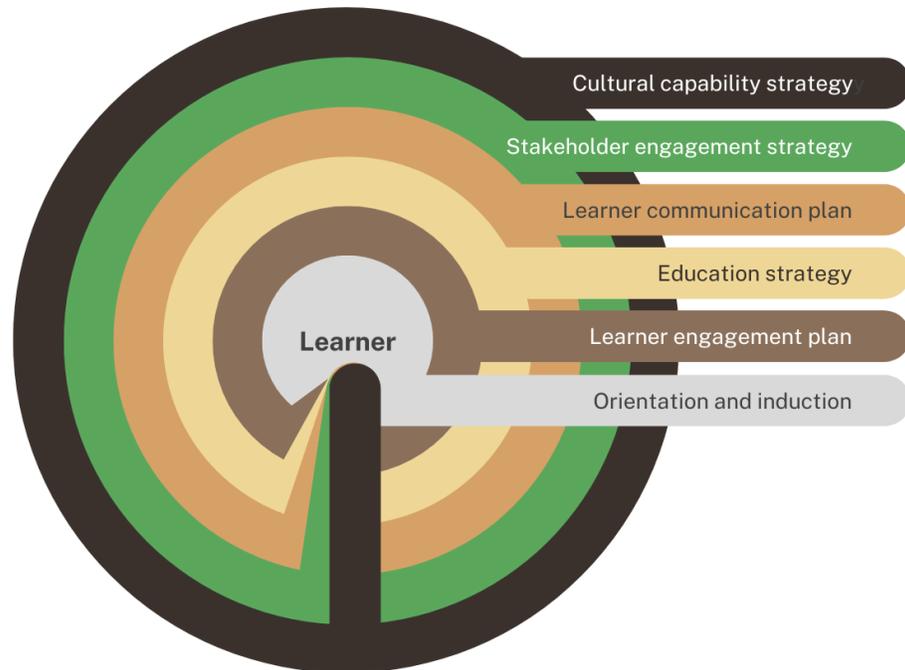
- 45.1 Skills Active and Te Mahi Ako achieved a cohort-based programme completion rate of 71%, surpassing the industry training average of 66%
  - 45.2 However, our combined credit achievement rate was 52%, well below the industry average of 67%
  - 45.3 Rates were even lower for Māori learners at 51%, disabled learners at 46%, and Pacific learners at 40%.
46. The Apprenticeship Boost scheme further complicated outcomes. Over 1,000 learners enrolled in apprenticeship programmes, compared to only 80 enrolments per year pre-Boost. However, the apprenticeship completion rate was only 29%, with 35% of these apprentices retained after 12 months. This demonstrates the limitations of the previous model.
47. The increased pastoral support and new learner support system, which have resulted from the improved funding has already had a significant impact on outcomes for these learners. For example, in 2023:
- a. Completion rates improved overall by 20%
  - b. Pacific learner completion rates rose by 26%
  - c. Māori learner completion rates exceeded those of the general learner cohort, reaching 76%
48. These improvements occurred despite the complexity of the underlying causes, COVID-19's employment impacts and the financial incentives of the Apprenticeship Boost scheme coming to an end. Should funding for the additional support continue, Skills Active and Te Mahi Ako believe these initial improvements could be grown for these groups.
49. The testimonials below demonstrate how additional support helps our learners:

*"As a person with Dyspraxia, Dyscalculia and a Sensory Processing Disorder, it means that I have a hard time working through theory assessments, especially if it requires me to sit down and focus in a busy environment. The support I received from our learning support team was incredible. The support they provided felt very individualised and like they had tailored a plan to my specific needs. Their help was amazing in also helping me work through this qualification while keeping up with my full-time job." - Te Mahi Ako learner feedback from 2023*

*"The [disability action plan reference group] reviews and enhances Te Mahi Ako's Disability Action Plan, providing ongoing feedback and implementing initiatives such as ... disability support courses, and collaborations with agencies like the Ministry of Social Development and Workbridge to assist disabled ākonga (learners) in gaining employment.*

*Sometimes people need more additional support, and we don't know how to support them because of funding and resources – we need to create solutions for this." - Helen Vann - YMCA Auckland - Disability Action Plan Reference Group*

## Strategic framework for Pastoral Care



**Image 1:** The Ministry of Education has highlighted that future funding will likely involve a reallocation of funding currently targeted at learners with previous low prior achievement, disabled learners, Māori and Pacific learners. However, since 2022, Skills Active and Te Mahi Ako have already seen a significant increase in these learners' outcomes. Completion rates rose by 20% overall, Pacific learner completion rates rose by 26%, and Māori learner completion rates exceeded those of the general learner cohort, reaching 76%. This is a direct result of the increased mentorship and pastoral support provided to these students – enabled by the funding increase.

### Proposal 3b: Shifting funding from work-based rates to fund standard setting: Skills Active's Position

50. We support standard setting having a dedicated and independent funding stream. However, we believe this funding should be drawn proportionally from all modes of provision and funding pools, not only industry training.
51. Shifting any funding from industry training to standard setting should be carefully managed to avoid underfunding critical training and support areas. This might affect industries that depend heavily on hands-on training to meet specific skill requirements. For example, in New Zealand, a plumbing apprentice undertakes around 75% of the apprenticeship through block courses. By comparison, a carpentry apprentice achieves 95% of the apprenticeship in the workplace. Across many of our industries—such as aquatics and snow sport, programmes are completed fully in the workplace.

52. An industry-led approach allows each industry to develop its arrangements to suit its specific and changing needs, learning and assessment. The mix of industry training and off-job learning differs according to industry's needs too. Shifting too much funding from industry training to standard setting could create skills gaps and challenges in workforce development, as industries might struggle to find adequately trained individuals who meet the demands of their roles.



**Image 2:** Industries such as aquatics and snow-sports undertake 100% of their training in the workplace. This compares to plumbing apprenticeships which are about 75% 'off job' through block courses and building apprenticeships which are 95% 'on-the-job'. This means the mix of industry and off-job learning will differ according to industry's needs and wishes. The system needs to ensure all pathways remain viable.

53. There are some risks for equity of access to VET and all forms of VET being seen as credible if the funding swings away from industry training too much. With the increased separation between provider-based and industry training rates, there is a growing risk that providers may prioritise optimising funding over delivering the most effective skills training – choosing to deliver in ways that pay more. Such behaviour could undermine the system's effectiveness.

### Proposal 3c: Incentivising ITPs to engage with regional industries and to capitalise on the benefits brought by international education for the regions: Skills Active's Position

54. There are two parts to this:
- 54.1 Incentivising ITPs to engage with regional industries; and
  - 54.2 How ITPs can capitalise on the benefits brought by international education for the regions.

55. Any funding for regional engagement should be contestable and available to all capable providers, not only polytechnics.

### **Proposal 3c(i): Incentivising ITPs to engage with regional industries: Skills Active's Position**

56. What currently works, when it comes to Te Mahi Ako's engagement with regional employers, is:
- 56.1 Delivering programmes that meet regional needs and national skills priorities
  - 56.2 Collaborating with employers to develop or amend agreements, identify training needs, and create learner pathways
  - 56.3 Providing learning support and pastoral care in line with NZQA's Code of Practice for Pastoral Care and the Code of Good Practice for NZ Apprenticeships
  - 56.4 Assessing and developing employer capability for training and verifying skill acquisition
57. It's critical that the funding model incentivises and supports these activities. Maintaining the capability to address both local and national skill needs requires the strategic funding pool to prioritise regional engagement and employer collaboration. Funding must be flexible enough to allow for ongoing collaboration, tailored learner support, and the development of training programmes that directly meet regional workforce demands.
58. We support a funding arrangement which incentivises engagement with regional industries, in particular the development and retention of skilled workers. This should not be limited to funding for ITPs, but also regional incentives for industry training and apprenticeships. Industry needs should determine how courses are delivered.



**Image 3:** *The Ministry of Education seeks feedback on how to create an effective VET system – and one which equips learners with the skills needed for the future. Tourism and outdoor education are industries which require capable and qualified staff, to eliminate or minimise the risk of accidents and injury. regional polytechnics may not be the best equipped to deliver on these requirements, and it’s important that the Ministry recognises the development of skilled staff often takes place through other providers.*

59. Unfortunately, since the 2020 reforms, we have noticed disengagement with the current system, particularly by small business, due to factors such as Covid-19 and economic pressures.
60. Options for improving regional engagement, includes:
  - 60.1 Encouraging more employers to participate in VET is crucial for strengthening industry engagement and increasing the number of workers receiving training. This is especially important for non-regulated sectors such as active leisure, tourism, hospitality and services and for sectors that do not have access to industry training yet. A lack of targeted investment and targeted employer incentives means the financial sustainability of the VET system remains uncertain.
  - 60.2 There is a need for stronger connections between schools and vocational pathways to ensure that young people are aware of and have access to VET opportunities that align with their interests and career aspirations. This requires better integration of VET options within the broader education system. Funding could be tailored to encourage this.
  - 60.3 In addition, there has previously been a larger focus on a national and coordinated focus on pathways into industry. It does not appear to have been a focus of the WDCs.

**Proposal 3c(ii): How ITPs can capitalise on the benefits brought by international education for the regions.**

61. We do not have a view on how ITPs can capitalise on these benefits.
62. However, the 2020 funding reforms excluded non-domestic learners from industry training funding. We suggest these learners should be included in any changes. Recent changes to the UFS and visa policies have exacerbated workforce shortages in sectors like active recreation, leisure, and entertainment. Allowing Working Holiday Visa holders to access funded enrolment for industry training programmes is critical to bridging skill gaps and supporting the long-term sustainability of these sectors. This is discussed in further detail below under the heading **‘Funding people on working holiday visas’** at paragraphs 75.6-75.8 on pages 27-28.

## Proposal 3: Ministry's Questions

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

63. We do not support the proposed funding shifts for 2026, including returning to the pre-2020 system and redirecting funding from industry training rates to standard setting. However, we do support incentivising ITPs to engage with regional industries and international education, with the caveat that this should be extended to all providers. See our detailed position at pages 16 to 24.

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

64. The proposed changes carry risks such as reduced support for industry training, a decline in learner outcomes, and potential equity challenges for underserved groups. While regional engagement and international education are valuable, shifting funding could weaken vocational training, particularly for industries dependent on hands-on, industry training. See our detailed position at pages 16 to 24.

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

65. To ensure a viable and high-quality system, standards-setting bodies must remain financially independent from training delivery. This safeguards system integrity and ensures that the focus remains on setting standards that meet industry needs.
66. Further details on our position, in respect of proposal 2A is contained under the heading '**Proposal 2A: Managing Risks of Employer Choice**', at paragraphs 14-16 on pages 13-14.

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

67. The funding system should not be limited to incentivising ITPs, but also recognising the role of other providers in the regions. It should incentivise and support industry training activities that are currently working well, such as:
- a. Delivering programmes that meet regional and national skills priorities
  - b. Collaborating with employers to identify training needs, and create learner pathways
  - c. Providing learning support and pastoral care in line with NZQA's Code of Practice for Pastoral Care and the Code of Good Practice for NZ Apprenticeships
  - d. Assessing and developing employer capability for training and verifying skill acquisition.
68. Our position set out in detail under the heading '**Proposal 3c(ii): How ITPs can capitalise on the benefits brought by international education for the regions**' at paragraphs 61-62 on page 24 and '**Funding people on working holiday visas**' at paragraphs 75.6-75.8 on pages 26-27.

*What role should non-volume-based funding play and how should this be allocated?*

69. Funding should be directed towards support for regional outreach and low-volume, high-value and impact industries to ensure that these areas receive the necessary resources and attention.
70. Funding should be directed towards developing the workplace as a trainer and establishing training hubs for SMEs to enhance the accessibility and quality of industry training.

## Concluding Questions

*Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled, and students with additional learning support needs) under these proposals?*

71. We support retaining funding targeted to priority learners (Learner Component funding). An in-depth discussion of how this has benefitted priority learners is set out above under the heading **“Proposal 3a: Supporting learners with low achievement, disabled learners Māori and Pacific learners: Skills Active's Position”** at paragraphs 45-49 on page 19-20.

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

72. Yes. Any adjustments to the sector should recognise that regulated and unregulated industries engage differently with the VET sector. Many regulated sectors require a formal qualification to engage in the job (for instance, builders), whereas unregulated sectors do not. There is a lower level of engagement from employers in unregulated sectors. This means it is especially important for structures, systems and supports to encourage the engagement of employers for unregulated sectors.
73. Our industries (active recreation, leisure and entertainment) are often small, diverse, unregulated, SMEs, regional, seasonal, contractors and volunteers. A risk is they could be further marginalised in VET if funding and support systems are not adequately resourced and/or if they are too centralised. These things would make it harder to address the unique needs of diverse learners, in a range of learning contexts.
74. Ways of encouraging engagement for unregulated sectors, includes:
- 74.1 Creating incentives to encourage new employers to join. For example, financial incentives such as tax breaks, training subsidies, or grants could increase employer participation in industry training programmes, driving greater numbers of workers into VET.
  - 74.2 Ensuring the standard setting process is robust and reflective of employer and industry need. This involves validating that the standards are appropriate and ensuring equitable access.
  - 74.3 Ensuring the system supports low volume, high value industries. An example is sport coaching.
  - 74.4 Having skilled and competent volunteers ensures positive economic returns for New Zealand and the regions. Therefore, we suggest maintaining funding for the self-employed and/or volunteers.
  - 74.5 Improving accessibility for SMEs by streamlining processes to join the New Zealand Qualifications and Credentials Framework. Non-regulated sectors, like the creative industry and IT, need clearer, more efficient pathways for setting up industry training programmes and ensuring they have access to appropriate delivery mechanisms.

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

75. Yes. We suggest:

### Proposal for an Industry-Led and Financially Sustainable VET System:

- 75.1 This would involve establishing a central statutory body, responsible for overseeing industry standard-setting and training across all sectors, instead of the eight statutory bodies proposed. It would be pivotal in ensuring the system is well-governed, consistent, and streamlined, reducing complexity and bureaucracy.
- 75.2 Under this central body, 8-10 ITEs would be industry-governed, sector-specific, and have representation on the statutory body. This structure maintains oversight and consistency while empowering ITEs to ensure diversity in implementation and responsiveness to industry needs. The model ensures that the training and standards developed align with the demands of the sectors, driving economic growth, particularly in New Zealand's regions.
- 75.3 The central body would have statutory powers to maintain system-wide consistency and quality, while the ITEs would retain autonomy to tailor their training and standards to the specific needs of their industries. This balance of centralised oversight and industry-specific autonomy builds on the legacy of the ITF which previously coordinated alignment and industry voice across the ITO system.
- 75.4 Ministerial appointments to the central body would consider the business sector, ITP Federation, government policy, and targeted community voices. This offers a robust, flexible, and financially sustainable framework for New Zealand's VET system. It addresses the diverse needs of sectors and ensuring cost-effective operations by aligning with industry-led principles of engagement, responsiveness, and control.
- 75.5 This model is well-positioned to meet the evolving demands of New Zealand's workforce and industries, acting as a significant economic driver, responsive to regional growth. We can provide further details on this model, to the Ministry, if it is of interest.

### Funding people on working holiday visas:

- 75.6 Changes to the Unified Funding System and visa policies have exacerbated workforce shortages and skills gaps in our sectors (active recreation, leisure and entertainment). The inability to access funded enrolment in industry training for Working Holiday Visa holders has made it unaffordable for many businesses, exacerbating the scarcity of workers. It is unsustainable for businesses to pay international fees, for someone on minimum wage. While some sectors have programmes within the Non-Domestic Learner Exemption Scheme, employers face several barriers to becoming accredited employers and bringing in seasonal staff on Accredited Employer Work Visas. For example, in 2023, approximately 450 of 750 people who undertook snowsport qualifications were unfunded and on Working Holiday Visas. To bridge the gap, Skills Active sponsored these people. However, this is not sustainable, long term.
- 75.7 Despite being relatively small, our sectors play a strategic role in New Zealand's national character and support the larger recreation and tourism sectors. Activities like rafting, snowsports and performing arts are essential for tourism and the service industry. An underqualified workforce in these areas poses significant risks. Without well-trained professionals - accidents, injuries, and fatalities may occur.
- 75.7 Our position is further supported by the BusinessNZ's submission, which states:  
  
*"If the system is not centred on developing relevant skills that industry need, a lack of confidence in the system will encourage employers to invest in education products and services that meets the need but may not result in qualifications."*

75.8 Accordingly, we advocate for Working Holiday Visa holders in funded enrolment for industry training programs (Level 2-5) in priority areas which are contributing to the safety of New Zealanders and visitors. We acknowledge that this needs to occur while we work to address the current skills gaps in our New Zealand-based workforce. The risk of not doing so, is that people will disengage from the qualifications framework and find training elsewhere. If it is not of the same quality, this increases the likelihood of injuries and fatalities.

#### Changes in NZQA system:

75.9 The consultation document is silent on whether NZQA will continue its work programme to simplify the New Zealand qualifications and other credentials. The work is intended to address inconsistencies in programme and graduate outcomes and support a coherent and flexible qualifications landscape. If it doesn't continue, it could give some providers advantages in terms of what they can deliver, resulting in different outcomes and experiences for learners. Accordingly, our preference is that it does continue.

#### Pathway for new industries to undertake training:

75.10 It is crucial that industries can engage in industry training once there is sufficient demand from employers. To encourage the establishment of industry training in new sectors, particularly in small or niche areas, the Ministry could consider offering incentives to existing providers of industry training (or ITBs if proposal 2A is implemented). The initial phase of industry training in a new sector is resource-intensive. It requires the establishment of numerous new relationships nationwide to meet industry needs before programme development can commence. This is especially challenging for smaller sectors, which may struggle to attract interest from industry training providers given the likelihood of small volumes. Investing in the establishment phase of industry training for new sectors could be highly valuable.



**Image 4:** The Ministry of Education seeks feedback on factors which are relevant for the redesign of the VET system. Skills Active has highlighted an issue for industries such as ski-fields and aquatics, which rely on highly skilled and well-trained staff to prevent the risk of injury. Many of these industries are highly reliant on staff on working holiday visas to manage and prevent these risks. Changes by the last Government has led to a shortage of skilled workers. Changes to incentives mean these people are less likely to engage in high quality training. To stem some of the problem, in 2023 Skills Active sponsored approximately 450 people to undertake snow sports qualifications. Long term, however, a more sustainable solution is needed.

## SSB options for our sectors

76. Finally, our sectors (active recreation, leisure and entertainment) were not included in the models presented for SBBs in proposal 2. There are three options for how standard setting for our sectors could be managed. These are set out below:
- 76.1 **Option 1: Targeted standard setting body for active recreation, leisure, and entertainment** - We strongly advocate for a dedicated standard-setting body focused on active recreation, leisure, and entertainment. These sectors are integral to the well-being and health of New Zealanders, with approximately 2.5 million adults engaging in physical activity each week. Economically, these sectors contributed over \$10 billion to the New Zealand economy in 2020, representing a significant portion of the GDP even without considering the immense value added by the volunteer workforce. Beyond the economic impact, they provide significant social benefits, too.
- 76.2 The workforce within these sectors is extensive and diverse, with over 112,000 employees, 20,000 self-employed individuals, and a substantial volunteer base of over 1 million people. This workforce supports a wide range of businesses and operators, from large organisations like councils to small-scale operators - including not-for-profits and charitable trusts. This diversity creates highly specific training and skill development needs, which are best addressed by a body that understands the unique requirements of the industry.
- 76.3 **Option 2: Larger sector grouping (for instance, with health or services)** - As a secondary option, we could support a standard-setting body that encompasses a broader sector grouping, such as health or services. However, it is crucial that our sectors—active recreation, leisure, and entertainment—have a dedicated seat at the table within this statutory body. This inclusion would ensure that our unique industry needs are not overshadowed by the broader grouping and that we can continue to influence standards that directly impact our sectors.
- 76.4 **Option 3: NZQA-led standard setting** - The option of having NZQA set the standards is the least preferred.
- 76.5 While it could provide consistency across sectors, the SSBs need to pivot and respond to changing industry demands while being financially sustainable. As a large organisation with multiple functions, it is less likely that NZQA could offer this flexibility. It also lacks the industry-specific focus necessary to address the nuanced needs of active recreation, leisure, and entertainment. This approach could result in standards that are less aligned with industry needs, potentially impacting the quality of VET in these sectors. Without a targeted or sector-specific body, the risk is a one-size-fits-all approach that may not serve our industries effectively. As specified by a Te Mahi Ako Workplace:

*"Industry leadership in vocational training is about making sure the qualifications fit what we need as employers, not what the education system thinks we should be doing. We need people who are ready to step in and do the job, not just tick the boxes."*

## How this submission has been compiled

This submission has been prepared in consultation with our shareholders, industry stakeholders, employers, employees, learners, our board and staff.

We have included feedback on the proposed changes, the likelihood of achieving the Ministry's goals, impact on our industries, and suggestions for a way forward for a VET system that meets the needs of industry and learners.

Although Skills Active and Te Mahi Ako have a vested interest in the outcome of the reform, our position has been driven by our shareholders. They are our owners and represent our industries. A list of them is above at pages 8.

Our shareholders met on 6 September to discuss the reform proposals. We also engaged and gathered feedback from our industries. This submission reflects that feedback. Where relevant we have included direct quotes from our employers, learners, assessors and stakeholders to highlight their views.

In addition, we have incorporated, where relevant, feedback from our stakeholders gathered between 2020 and 2022 during the last reform and the transition of Skills Active's ITO functions.

Finally, Skills Active is supportive of BusinessNZ and their submission. Where appropriate, we have included parts of their submission as part of our response.

If you would like to discuss any of the detail further, please contact Maren Frerichs, Chief Executive, on 027 446 9032 or [maren@skillsactive.org.nz](mailto:maren@skillsactive.org.nz).