



Service IQ

SMARTER PEOPLE FOR  
SMARTER BUSINESSES

**Submission  
on Reform of  
Vocational  
Education &  
Training**



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# Executive Summary

## Introduction

This submission is the response of the Service Skills Institute (known as ServiceIQ – Industry Training Organisation) to the Government’s proposed reform of Vocational Education and Training in New Zealand. As stated publicly, and to officials, this submission is based on, and informed by, the feedback we have received from the employers we have consulted with in the service sector. The Service Industry is one of the most significant industries in the New Zealand economy covering aviation, tourism, travel, museums; retail and retail supply chain; and hospitality, which includes accommodation; cafés, bars and restaurants; quick service restaurants; food services-catering; and clubs sectors. The sectors that ServiceIQ supports constitute 28.6 per cent of the New Zealand workforce; over 700,000 employees (filled jobs) and contribute \$49 billion towards GDP or 20.2 per cent of the national total.

## Our Position on the Reforms

**Having read the documentation, engaged in discussion with government officials, and after consulting with key employers, SMEs and industry associations, it is ServiceIQ’s position, on behalf of its industry owners, that the proposed reforms should not proceed in their current form.**

**We consider that the proposal underestimates the importance of keeping the standard setting and arranging training functions together, and overestimates the capacity and capability of ITPs and the provider sector to effectively undertake the current ITO function of arranging training. It will also create significant disruption and risk that we believe, based on employer feedback, will see a negative impact (decline) on the numbers of New Zealanders in vocational training.**

**Therefore, our position is to recommend that Government adopt an incremental approach, starting with addressing those ITPs in financial distress, improving the VET funding mechanisms, and then working alongside industry and key stakeholders to co-create an enduring VET system for New Zealand. For the co-creation process, we suggest a preferred alternative (VET Variation 1) as a better starting point.**

## Industry Consultation – Key Findings

ServiceIQ, in a very tight timeframe, has consulted face-to-face with key employers and Industry Associations and by survey with SMEs around New Zealand. While the period designated for consultation was, in our opinion, inadequate, we are representing what we have been able to capture to date, from the voice of the service industry in New Zealand. Their collective view is, overwhelmingly, that the sector does not support the Government’s VET proposal in its current form and wants more time to invest in a well-planned and considered co-creation of any changes to the way vocational education and training is structured in New Zealand, so that NZ Inc. ends up with a leading-edge, workable and enduring VET system.

Some specific employer feedback, which is expanded in Appendix 3 on pages 21–25, is that there is a lack of detailed rationale, analysis, problem definition and benefits, of the proposed VET reforms. They also have significant concerns over the proposed separation of the standard setting and the arranging training functions that ITOs currently have, and about losing the one-stop-shop arrangement they currently have with ITOs. A common but alarming message from many of the employers we met with, was the real potential for widespread employer disengagement from workplace-based vocational education and training, as an outcome of the proposed reforms. We have also surveyed some of our SME employers, and the results, in Appendix 4 on pages 26–28, are also consistent, in that they too are not in favour of the proposed reforms.

# The Voice of Industry – Employers

This submission is based on the responses and feedback we have received from many Employers, Industry Associations and SMEs.

Meetings/summits were arranged with the following employers, in Auckland, Wellington, Christchurch and Queenstown:

- ▶ Air New Zealand, McDonald's, The Warehouse Group, Farmers, Green Cross Health, Millennium Hotels, Mitre 10, Tourism Holdings, NZ Defence Force, The Salvation Army, Spotless, Real Journeys, NZ Ski, Bidfood Limited, Resene, Wellfood-Canterbury District Health Board, House of Travel, Airways, Progressive Enterprises, Flight Centre, i-SITE NZ, AJ Hackett Bungy New Zealand, Ziera Shoes. In terms of scale, these employers have circa 90,000 employees.

Meetings were also held with the Tourism Industry Aotearoa (TIA), Retail NZ, Aviation New Zealand, the Travel Agents Association (TAANZ), Hospitality New Zealand, Museums Aotearoa and the Restaurant Association. A survey was sent to our many smaller businesses asking their views on the proposals.

The lack of advance notice and the initial six-week period for consultation impacted our ability to consult as widely and effectively as we would have liked. Our view, and more importantly, our employers view, is that Government's attempts to consult with them were almost non-existent. While the extension for submissions was welcomed, it made no material difference in terms of the actual consultation time.

The feedback we received from the employer meetings and summits is consistent: our employers do not support the proposal to split out qualification development from the arranging training function, and have no appetite for ITPs and the provider sector to undertake the current ITO function of arranging training. We have pared employer feedback down to 14 key concerns (below), which were unanimous across all the employers contacted. Many of the employers and industry associations we met with have advised us that they will make their own submissions representing these concerns.

## Key concerns of Industry about the Government's proposed VET reforms:

1. Current proposal lacks data-supported rationale, analysis, problem definition and quantifiable benefits of VET reforms.
2. Preference to work with a single entity – ITO one-stop-shop for their training needs; employers do not want to lose the strong relationships developed with ITOs and do not want to deal with multiple organisations and more bureaucracy.
3. Perceived diminished level of service to employers and trainees-apprentices and concern over skills and capability of providers in general to meet industry needs.
4. Unlikely adoption of new VET system by employers and trainees;
5. Employer preference for a staged approach to the VET reforms; what they want is the co-creation of a workable and enduring system for VET reforms.
6. Confusion over who is the VET reforms customer – Government, Employer, Learner-Trainee?
7. Concern over the idea of centrally developed qualifications and programmes vs the current ITO system.
8. The current disconnect between Polytech focus vs ITO-Employer focus will broaden under the reforms.
9. Likelihood of unnecessary complexity around workplace assessment.

10. Issue with loss of industry voice through the ISB role in recommending procurement of training with TEC deciding.
11. VET reforms silent on talent supply and school transitions.
12. Likelihood of inherent hidden-unintended costs to employers and loss of training IP.
13. High likelihood of employers disengaging under the new VET system.
14. Concern over consultation approach and timeframe for submissions.

## Regional Social and Economic Impacts

Many of ServiceIQ's large national employers have considerable reach into New Zealand regions and therefore regional economies. The level of potential disruption likely from the implementation of the Government's proposed VET reforms brings with it the high possibility of employer disengagement from credentialed learning. This in turn has the potential to impact the skills supply and demand for industry and employers in regional economies and communities, as well as impacting the social wellbeing of people who live in those regions and communities.

## Employer Disengagement

As noted in the Key Concerns above (#13), we have received very clear feedback from many of our large service sector employers, in particular those who are in 'non-regulated industries', that based on the Government's current VET Proposal, there is a significant risk they will "most likely walk under the new system". i.e. no longer engage in credentialed training.

Apart from Aviation, the majority of the service sector industries are non-regulated, meaning there is no regulatory requirement as such for them to engage in credentialed training for their staff.

However, service sector employers and their staff who do engage in credentialed training do so with the clear intent of upskilling their people, industries and improving their business and professionalism and supporting their many staff to attain a New Zealand qualification.

Many of our large national non-regulated employers have cited several reasons why they do not support the Government's current VET proposal as it stands, as follows:

- ▶ Employers do not agree with transferring responsibility for workplace training and apprenticeships to vocational education providers, and/or the related disestablishment of Industry Training Organisations, whom they consider currently offer an effective one stop shop.
- ▶ Employers feel that the Government's proposal to separate responsibility for industry standard-setting from the arrangement of industry training and apprenticeships, will dilute the effectiveness of workplace-based training, and potentially add another, and unnecessary, layer of compliance, complexity and bureaucracy.
- ▶ Employers have indicated a very clear preference to work with a single entity, being the current ITO one-stop-shop for their training needs. Employers have stated they do not want to lose the strong relationships developed with ITOs and do not want to deal with multiple organisations and more bureaucracy.
- ▶ Employers also perceive the VET reforms will result in a diminished level of service to them and their trainees-apprentices from ITPs, and they have real concern about the skills and capability of the provider sector to meet industry needs.

# ServiceIQ's Recommended Approach and Variations (to the proposed reforms)

We have included in this submission a recommended approach and variation (based on our employer feedback) and one other alternative variation that could be developed. It is the recommendation of ServiceIQ that the Minister of Education adopts an 'Incremental Approach' (refer page 11), where any change focuses on the most problematic parts of the sector first, i.e. those ITPs in financial distress; and then takes the necessary time to quantify and work together on other issues.

Given the likely time to work through this co-creation process, and being mindful of the need to maintain momentum across the VET system, we suggest the Minister adopts ServiceIQ's VET Proposal Variation 1 (pages 14–16), either as a starting point, or with a view to a possible end model.

This would see the retention of ITOs (renamed as Industry Skills Organisations), with the reinstatement of clearly defined, and funded, Skills Leadership responsibilities and accountabilities. Variation 1 also sees the introduction of a Unified Funding System, Centres of Excellence (as proposed) and Regional Skills Advisory Groups, albeit with a slightly different focus. Variation 1 also suggests the introduction of a VET Charter, which would have agreed goals and rules of engagement between ISOs, NZIST, PTEs and Wānanga to give effect to a streamlined work-integrated and learner/employer-centric VET system. We believe the Minister's goals can be achieved through these changes without the significant potential disruption and the risks we, and employers, believe that the Government's current proposal would create.

## In conclusion

We share the Government's goal of a better joined-up vocational education and training system that keeps industry, employers and learners at the centre of the system.

However, it is very clear that following our consultation with many employers – both very large employers, and SMEs – that the Government's VET proposal in its current form is not supported.

The clear and unequivocal employer feedback is to rethink and rework with industry to firstly clarify, quantify and prioritise the issues, and then work together to address them, with evidence-based and industry supported solutions.

We would respectfully suggest that the Government re-engage in a quality co-design process to reach the right outcomes for what is a critical system in growing New Zealanders' skills and capabilities, supporting their future careers, New Zealand businesses and economic prosperity. ServiceIQ and the service sector industry are willing and able to participate in this co-design process.

Should the Government choose to progress the proposal in its current form, despite this submission, a very carefully planned and well managed transition to the new NZIST, and subsequently the transfer of ITO staff and trainees would need to be phased, in that order. There are significant risks and taking the time and putting measures in place to mitigate these is critical.

ServiceIQ thanks the Minister for the opportunity to comment on the VET Reform Proposals and looks forward to ongoing and constructive dialogue to achieve a mutually beneficial and enduring VET system in New Zealand.

# Overview of ServicelQ

The Service Industry is one of the most significant industries in the New Zealand economy. ServicelQ is the ITO for the service sectors of aviation, tourism, travel, museums; retail and retail supply chain; and hospitality, which includes accommodation; cafés, bars and restaurants; quick service restaurants; food services-catering; and clubs.

The growth of international tourism over the past decade has placed increased emphasis on the sector and its overall contribution to New Zealand's economy.

The sectors and industries that ServicelQ supports contribute significantly to the wealth and wellbeing of New Zealanders. The industries covered constitute 28.6 per cent of the New Zealand Workforce, over 700,000 employees, and collectively provide a wide range of services to both international and domestic visitors and customers to enhance their New Zealand experience. Industries covered by the service sector contributed the following to the New Zealand economy:

- ▶ There are almost 620,000 Full-Time Equivalents (FTEs) or 27.4 per cent of the total New Zealand FTE workforce employed by the service sectors. These FTEs equate to 713,154 filled jobs or 28.6% of the total New Zealand workforce.
- ▶ 120,973 businesses operate in this sector, or 21 per cent of New Zealand total businesses.
- ▶ In 2018, New Zealand total GDP was \$242.4 billion. Of this, the service sectors contributed \$49 billion towards GDP or 20.2 per cent of the national total.
- ▶ Research by Infometrics confirmed forecast employment growth in the sectors covered by ServicelQ over the five years from 2019 to 2024. Overall, the service sector is predicted to grow by around 10 per cent.

Continued success and growth for the service sector relies heavily on the people working in those service industries having the right skills and knowledge, which is why ServicelQ has set its purpose to 'help our customers succeed by growing their talent'. By helping produce a skilled service sector workforce with nationally recognised qualifications who contribute to greater productivity and profitability, ServicelQ will help further increase our sectors' contribution to the national economy.

ServicelQ also makes a significant impact on educating many young New Zealanders in particular, whose optimal qualification levels are Level 3 or below, and for many New Zealanders who have literacy needs greater than the general population, and where English as a second or other language is an issue.

ServicelQ has developed an "exemplary model" for Skills Leadership, as was publicly acknowledged by Hon Grant Robertson, the current Finance Minister, when he launched the Wellington Regional Workforce Development Roadmap in 2017. ServicelQ's National Workforce Development Plan, and Regional Workforce Development Roadmaps, capture the key workforce priorities for the New Zealand service sector.

ServicelQ is exploring how it can better support employers by coordinating the talent supply pipeline from a range of sources, while maintaining its focus on workplace talent development through its core activity of arranging quality assured workplace-based industry training.

ServicelQ also has a strong commitment to supporting the needs of Māori and Pasifika in terms of participation and educational achievement in workplace-based industry training, and those trainees whose learning and career prospects would benefit from literacy, language and numeracy support.

We work with industry associations, government, advisory groups, education and training providers, businesses – from large national chains to small and medium-sized enterprises (SMEs) throughout New Zealand – across all our sectors of the service industry.

***A key feature of ServiceIQ's work in the arranging training function, which is evidently not well understood, is the virtually complete absence of ITPs or PTEs in training delivery in the service sector, as it is the employer who delivers the training. ServiceIQ itself has not and does not deliver workplace-based training. We see no issues, as mentioned in the reform documents, in terms of competition between providers and our ITO.***

Many of the larger service sector employers have their own training content, training delivery, training support and assessment structures. ServiceIQ maps their training content against our NZQA-registered New Zealand qualifications. This process is called Qual Link. Part of the mapping process involves working with the employer to modify their internal training content where necessary, usually by adding additional content, so there is a 1:1 match between their training and the New Zealand qualification.

## Key Employer Profile

The Service Sector comprises a wide range of employers across its 10 industry sectors.

- ▶ Some key employers from the **Aviation, Tourism, Travel, Museums Sectors** include: Air New Zealand, Aviation Security Service (Avsec), Hello World Travel, House of Travel, Flight Centre, Airways, NZ Defence Force, Tourism Holdings, Real Journeys, NZ Ski, i-SITE NZ.
- ▶ Some key employers from the **Hospitality Sector** include: Accor Hotels, Millennium Hotels, McDonald's, Spotless, Bidfood Limited, Wellfood-Canterbury District Health Board, HIPGROUP.
- ▶ Some key employers from the **Retail Sector** include: The Warehouse Group, Progressive Enterprises, Z Energy, Foodstuffs, Farmers, Green Cross Health, Mitre10, The Salvation Army, Resene.
- ▶ ServiceIQ also works with several key **Industry Associations** including: Tourism Industry Aotearoa (TIA), Retail NZ, Aviation New Zealand, the Travel Agents Association (TAANZ), Hospitality New Zealand, Museums Aotearoa, the Restaurant Association, New Zealand Chefs Association and the Holiday Parks Association.

## The Learner/Trainee Profile

The service sector exhibits the following characteristics:

- ▶ 52% of people in the service sector have no post school qualifications, compared to 43% of all New Zealanders.
- ▶ 55% of workers in the service sector are working in jobs where the optimal qualification levels are Level 3 or below on the New Zealand Qualifications Framework, compared to 38% of all New Zealand workers.
- ▶ Of those employed in the service sector, 22% are aged between 15–24 years old, compared to 14% of all New Zealanders in that age group.
- ▶ 10% of New Zealand service sector roles are filled by Māori.
- ▶ 5% of New Zealand service sector roles are filled by Pasifika.
- ▶ 49% of the service sector has literacy needs – contrasted with 43% of the general New Zealand adult population.
- ▶ 17% of ServiceIQ trainees have English as a second or other language.

The above Learner/Trainee characteristics means that ServiceIQ faces unique challenges in ensuring it effectively caters for the specific needs of a diverse demographic of learners.



## Working with Providers

As stated earlier, ServiceIQ has several unique employer-facing business models, all of which predominantly involve workplace-based training, with no delivery from ServiceIQ, and very little engagement with the provider sector. Air New Zealand has its own training establishment for Pilots and Avionic Engineers and apart from some small aspects of the Chef qualification, all our trainees are trained on job.

## Working with Schools

ServiceIQ currently works with 357 secondary schools, and 25,000 students, to ensure they know about pathways into the vibrant and growing service sector, which for many, is a realistic and viable option. Our Gateway programmes, including The Warehouse Group-based Red Shirts and Blue Shirts In Schools Programme, Countdown-based Seeds Programme, McDonald's-based Oasis Programme, and our Māori Cultural Tourism Gateway Camps – are the largest in New Zealand and provide a vital link towards helping to address service sector skills supply and demand issues.

# Our Response to the VET Reform Proposal

To provide a meaningful and practical response to the Government's proposed VET reforms, we believe a clear, and agreed evidence-based problem definition, as well as quantified and clear measures of success, should be prerequisites to any reforms or major change programmes.

## The Current VET Problems

After our repeated requests for officials to provide us with a problem definition, officials finally provided the Government's VET Reform problem definition on Tuesday 2 April 2019, three days before the deadline for submissions. In addition to the problem definition, officials also restated the Government's proposed functional solutions to address problems in the VET system and provided what they consider to be measures of success for the proposed VET system.

ServiceIQ has, in the short time available, reviewed the Government's problem definition and distilled it into naturally occurring themes, covering System/Conceptual, Provider and ITO issues, which can be found in Appendix 5 (pages 29-30). The result of this distillation highlighted that 13 of the 19 key points made in the Government's problem definition were, in our opinion, mainly conceptually-based, high-level system thinking, with a considerable level of anecdotal- assumed information. Of the remaining six key points, three related to ITPs and three to ITOs. We believe our analysis of the Government's problem definition highlights that the most significant issues facing the current VET system, are those covered by the three ITP-related issues. ServiceIQ is also very surprised that the problem definition is 'silent' about the current significant financial challenges faced by many ITPs.

Prior to the receipt of the Government's problem definition, ServiceIQ had analysed all of the VET Reform documentation, including the Draft Regulatory Impact Statement, to arrive at our problem definition below, which we consider to still be accurate.

## ServiceIQ's Analysis of Issues behind the Proposed VET Reforms

1. Inadequate management and governance of some ITPs.
2. 'Economic-cycle' impacts on some ITPs' financial sustainability.
3. Declining number of ITO referrals and impacts of Immigration policy.
4. Impacts of a decade of falling ITP enrolments.
5. Perceived competition between ITPs and between ITPs and ITOs in terms of overlapping provision.
6. Perceived conflict between ITOs setting standards and arranging on-job training, and in some cases delivering on-job training and/or conducting assessment of on-job training.
7. Lack of robust and systematic skills leadership.
8. Lack of a robust and transparent process for recommending to the TEC where tertiary investment needs to be made.
9. Perceived barriers impacting students and trainees seamlessly accessing and moving between on-job training and off-job learning<sup>1</sup>.

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<sup>1</sup> On-job = workplace-based vocational training. Off-job = classroom-based theory-technical or knowledge-based learning.

## Measures of Success for any Change

ServiceIQ believes that before the VET system can be reformed, the Government must work with the key players, including industry, to both agree the success criteria and develop metrics to establish a baseline that can be used for measurement 5–10 years out from 2019.

We see the success criteria as follows:

1. A vocational education and training system that future-proofs the supply of labour and skill for a thriving New Zealand economy.
2. Increase in employer and employee participation in training and qualifications, resulting in more lifelong learners with the right skills, knowledge and qualifications.
3. Greater and more seamless access to fit-for-purpose vocational education and training for employers and learners.
4. A more joined-up and enduring vocational education and training system that keeps industry, employers and learners at the centre of the system.
5. A system that is strengthened by a funding model that resources for collaboration and eliminates previous drivers of competition.
6. Better return on investment for the New Zealand taxpayer.

## What we support in the VET Reform Proposal, and why

ServiceIQ supports the following aspects of the Minister's VET proposal, which with the right management, operational and delivery structure, would enhance overall vocational education and training in New Zealand.

- ▶ Strengthened strategic skills leadership and standard setting.
- ▶ Consistent industry standards across the vocational system.
- ▶ Financial stabilisation of publicly funded vocational education providers (ITPs).
- ▶ Unified-consolidated funding rates for on-job and off-job training.
- ▶ Funding strategically important delivery.
- ▶ Simplifying the vocational education system so it is more clearly understood and easier for employers and learners to engage with and navigate.
- ▶ Establishment of Centres of Excellence and Regional Skills Advisory Groups.

## What we do not support in the VET Reform Proposal, and why

ServiceIQ does not support the following aspects of the Minister's VET proposal, which we believe, based on employer feedback, will significantly weaken the foundation of vocational education and training in New Zealand, and result in the widespread disengagement of many employers from workplace-based industry training.

- ▶ Transferring responsibility for workplace training and apprenticeships to vocational education providers.
- ▶ Separating responsibility for industry standard-setting and the arrangement of industry training and apprenticeships.

**Note:** ServiceIQ has no strong views on the proposed formation of the NZIST, in full or part, other than the points above.

## Our advice and preferred course is to:

- ▶ separately prioritise and address the issue of ongoing ITP financial sustainability, as the first problem to be addressed.
- ▶ proceed with the Government's Proposal 3 to create unified-consolidated funding rates for on-job and off-job training.
- ▶ further extend the consultation period for at least six more months, with a view to working in concert with industry, ITOs and ITPs, to co-create a VET system that will have the best chance of producing enduring educational, wellbeing and financial benefits for industry, employers, learners, trainees and school-leavers, both now and in the future.

This would need to start with achieving an agreed quantified problem definition and measures of success between all the parties concerned, and an agreed timeline for review and implementation. Included as part of this process could be a joint Ministry/industry review of world best-practice VET models, such as those from Switzerland and Scandinavia.

## Our goal is to:

- ▶ work with our government partners on a meaningful co-design process to co-create a joined-up VET system that keeps industry, employers and learners at the centre of the system – a system that is strengthened by a funding model that resources for collaboration and eliminates previous drivers of competition.

# The Road Ahead – Phasing Any Changes

ServiceIQ advocates that the Government consider one of two ‘system-level’ approaches to phasing the VET Reforms, referenced as follows:

1. **Incremental Approach**
2. **Parallel Approach**

## 1. Incremental Approach

**This is ServiceIQ’s recommended Approach.**

**Make incremental changes with focus on the most problematic parts of the sector first, i.e. those ITPs in financial distress, then progressively address other issues.**

The advantages of this approach are that it:

1. focuses energy and resources on areas most in need;
2. allows other parts of the sector to maintain momentum;
3. is the cheapest, most cost-effective option for New Zealand taxpayers;
4. targets and isolates poor performing institutions from high performing ones, and
5. allows ITOs to maintain an independent, unique role and relationship with employers and avoids significant disruption to solve more important issues.

The outcomes aligned to this approach are as follows:

- a) a bespoke and cost-effective solution to specific problems facing specific ITPs;
- b) continued momentum of high-performing ITPs and ITOs;
- c) removal of roadblocks / barriers facing small number of ITPs, and
- d) identify any other areas for further attention to be dealt with incrementally and inclusive of the industry over time.

For this approach we suggest the appointment of an industry/official working party to work through issues/ solutions.

### Incremental Approach – example

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1. Form industry/officials working party
  2. Agree problem definition and measures of success
  3. Agree action plan, process and timeline for addressing those ITPs in financial distress
  4. Agree action plan, process and timeline for next steps towards reform implementation
  5. Etc.. etc..
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## 2. Parallel Approach

**Establish working parties in parallel to assist with defining the problem, inform decision-making, issue resolution and design for the rest of the sector.**

The advantages of this approach are that it:

1. allows a pragmatic approach to solving problems of the ITP sector;
2. allows more time for diagnosing the core problems before moving to possible solutions;
3. recognises different roles, responsibilities and unique identities of ITPs and ITOs;
4. avoids confusing the underlying causes of problems facing ITPs;
5. enables positive progress of ITP reform as current proposal is too big and cumbersome;
6. protects “at risk” learners from dropping out of the system, particularly those who aren’t comfortable with classroom learning, and
7. ensures the voice of employers and trainees is heard and properly represented in the process.

The outcomes aligned to this approach are as follows:

- a) reduced cost and timeframes for reform process;
- b) bespoke and workable solutions for the two main parts of the sector;
- c) buy-in and support from industry and employers;
- d) enduring resolution to the funding issues of ITPs;
- e) keeps on-job learners engaged in lifelong learning and development, and
- f) raises New Zealand’s skill base, nationally and in regions.

For this approach, we suggest Government deals with the reforms in two separate, albeit parallel and connected/complementary workstreams – ITPs and ITOs.

### Parallel Approach – example

1. Form industry/officials working party	1. Form industry/officials working party
2. Agree problem definition and measures of success	2. Agree problem definition and measures of success
3. Agree action plan, process and timeline for addressing those <b>ITPs</b> in financial distress	3. Agree action plan, process and timeline for addressing <b>ITP-ITO</b> issues
4. Agree action plan, process and timeline for next steps towards reform implementation	4. Agree action plan, process and timeline for next steps towards reform implementation
5. Etc.. etc..	5. Etc.. etc..

## Transformational ‘Big Bang’ Approach

This attempts to address everything at once using an end-to-end approach, and appears to be how the Government is addressing the VET reforms. While it is very ambitious, we consider this approach to be too high risk due to the level of potential disruption to industry and possible detrimental impact to overall skills supply and demand, at a time when there is a growing skills shortage in most New Zealand industries.

### ‘Big Bang’ Approach Impacts

The following are real examples of why we believe the Government should consider an incremental approach, rather than a ‘Big Bang’ approach, to the proposed VET reforms. In support of our view, we reference the following excerpts from the ITP Roadmap 2020 Mergers of tertiary education organisations – approaches and implications, refer:

... *“international experience demonstrates that sensibly conceived and well-managed mergers, with due sensitivity being paid to cultural and human issues, can produce substantial longer-term benefits, both for individual institutions and higher education systems.” - Harman & Harman, 2003*

... *“merger processes are less likely to be effective when the primary driver is reducing costs or achieving a particular size and scale, where the savings of merging are overestimated, and the contributions of the new partner are undervalued.”*

Reference: <https://conversation.education.govt.nz/assets/RoVE/05b-B-18-00652-Attachment-C-Mergers-of-tertiary-education-organisations-....pdf>

### Example 1 of a ‘Big Bang’ Approach Impact

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The 2010 amalgamation of the Auckland Councils into the ‘Super City’ could be cited as an example, refer: “One IT project budgeted at \$71 million, ran a year late and \$100 million over budget (NZ Herald, 2014) and the 2014 wage budget was exceeded by \$50 million as the number of staff paid in excess of \$100,000 has risen by over 50 per cent in the past two years alone.”

Reference: <https://localgovernmentmag.co.nz/lg-magazine/collaboration-lg/bigger-better-amalgamation/>

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### Example 2 of a ‘Big Bang’ Approach Impact

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The recent review of Wellington Bus could be cited as another example of what happens when a whole-of-system approach is used instead of an incremental approach, refer:

From a governance perspective, the Greater Wellington Regional Council (GWRC) Councillors did not fully appreciate programme risks because the information provided to them was at an aggregate level and hence did not provide visibility on programme readiness at a local level. The collective capability of the public transport team and dedicated programme team was insufficient for the transformational nature of the changes required. Several elements of the programme were delivered late or insufficiently, with some elements of delivery outside of GWRC’s control. Risks were effectively managed and detailed contingency plans were developed, but this was insufficient in managing operator readiness. The bid and directly appointed unit assessment and operator plan assessment processes did not inherently identify major delivery challenges. Consultations focused on elements of the design rather than implementation.

Reference: <https://www.metlink.org.nz/assets/Uploads/Implementation-Review3.pdf>

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# ServiceIQ VET Reform Variations

Further to recommending that the Minister consider an incremental approach to the reforms, ServiceIQ offers one VET Reform ‘Variation’ for the Minister’s consideration. This defines a different endpoint to the current Government Reform proposals.

## ServiceIQ VET Proposal Variation 1

This is ServiceIQ’s **recommended VET Reform Variation** and is the option that **best aligns with employer feedback**. One other Variation is attached in Appendix 1, [pages 17–19](#).

### Concept

This variation assumes the Government proceeds with the formation of the New Zealand Institute for Skills and Technology (NZIST), in full or part, and the introduction of a Unified Funding System. The proposal advocates the retention of Industry Skills Organisations (ISOs) – formerly Industry Training Organisations – instead of Industry Skills Bodies. It also advocates the formal reinstatement of ‘structured’ and funded Skills Leadership into ISOs as well as high-quality and consistent advice from ISOs to TEC on VET investment purchasing decisions. Underpinning the proposal is a new VET Charter, with a set of agreed goals and rules of engagement between ISOs, NZIST, PTEs and Wānanga that give effect to a streamlined work-integrated and learner-centric VET system.

### Function–Structure–Process

ISOs would undertake structured and funded skills leadership for the entire VET system and, based on the intelligence they gather, and in consultation with Regional Skills Advisory Groups, would advise the TEC on purchasing decisions. ISOs retain standard setting, qualification development, workplace-based programme development, on-job arranging training (not delivery) and training support and would arrange the procurement of off-job training where appropriate. ISOs would also arrange (not conduct) assessment and would conduct pre-and-post moderation in the workplace, at providers and schools.

NZIST (ITPs), as well as PTEs and Wānanga, would undertake classroom-based and distance learning programme development, conduct classroom-based learning delivery and arrange (not conduct) assessment. All classroom-based programme development and learning delivery would need to align to the relevant ISO’s national and regional workforce development strategies and action plans, that give effect to a streamlined work-integrated and learner-centric VET system.

Centres of Excellence would be established to develop core-curricula for high-quality specialist programmes. Regional Skills Advisory Groups would also be established to inform an ISO’s skills leadership function in terms of regional workforce development strategies and action plans. Regional Skills Advisory Groups would not advise TEC on investment decisions.

All ISOs, NZIST, PTEs and Wānanga would be required to have a joined-up strategy and action plan around Talent Supply and Transitions to address labour market demand, including School-To-Work Transitions, as well as a strategy and action plan around Māori, Pasifika and Literacy, Language and Numeracy, to address parity of educational achievement.



## **Funding**

A Unified Funding System would be established to create an environment between ISOs, NZIST, PTEs and Wānanga that gives effect to a streamlined work-integrated and learner-centric VET system.

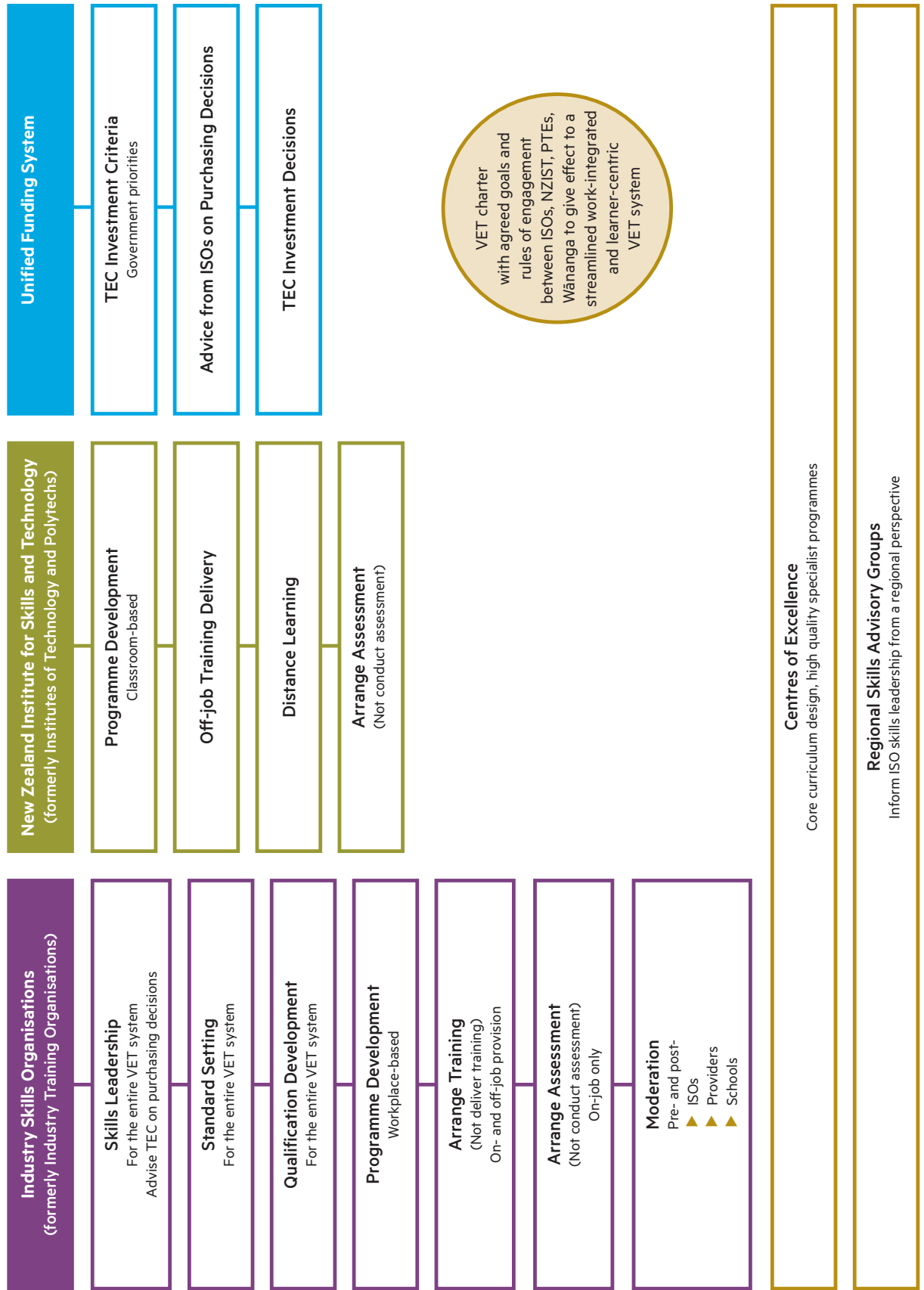
## **Benefits**

The reinstatement to ISOs of a structured and funded Skills Leadership function along with Centres of Excellence, Regional Skills Advisory Groups, VET Charter with agreed goals and rules of engagement across the tertiary system, and a Unified Funding System, will create a platform for the development of a high-trust and collaborative VET system that puts the learner and the employer at the centre of the system.

## **Outcomes**

The outcomes will be a more demand-driven and regionally relevant provision of tertiary education. Greater cooperation across the system will result in a joined-up VET system underpinned by an overarching VET Charter that puts the learner and the employer at the centre of the system.

# New Zealand Vocational Education and Training System – Variation 1



# Appendices

## Appendix 1: ServiceIQ VET Proposal Variation 2

ServiceIQ management discussed another alternative variation for the Minister's consideration, and further development. Although not our recommended variation, we believe it is a worthy alternative to the current Proposal, should the Minister choose to disregard our preferred Variation 1.

### ServiceIQ VET Proposal Variation 2

#### *Concept*

This proposal assumes the Government progresses with the formation of the New Zealand Institute for Skills and Technology (NZIST) in full or part, and the introduction of a Unified Funding System. The proposal advocates the retention of Industry Skills Organisations (ISOs) – formerly Industry Training Organisations, in lieu of Industry Skills Bodies. It advocates a 'structured' and funded Independent Skills Leadership function run by a new Skills Leadership Council, that would provide high-quality and consistent independent advice and recommendations to the TEC on VET investment purchasing decisions. Underpinning the proposal is a VET Charter with a set of agreed goals and rules of engagement between ISOs, NZIST, PTEs and Wānanga that give effect to a streamlined work-integrated and learner-employer-centric VET system.

#### *Function–Structure–Process*

The Skills Leadership Council (SLC) would undertake structured independent skills leadership for the entire VET system and, based on the intelligence it gathered; and in consultation with Regional Skills Advisory Groups, would advise the TEC on purchasing decisions. Part of the SLC would include current ISO staff whose function it is to work on national and regional workforce development. ISOs retain standard setting, qualification development, workplace-based programme development, on-job training (not delivery) and training support, and they would arrange the procurement of off-job training where appropriate. ISOs would also arrange (not conduct) assessment and would conduct pre-and-post moderation in the workplace, at providers and schools.

NZIST (ITPs), as well as PTEs and Wānanga would undertake classroom-based and distance learning programme development, conduct classroom-based learning delivery and arrange (not conduct) assessment. All classroom-based programme development and learning delivery would need to align to the relevant Skills Leadership Council's national and regional workforce development strategies and action plans for the industry concerned, that give effect to a streamlined work-integrated and learner-employer-centric VET system.

Centres of Excellence would be established to develop core-curricula for high-quality specialist programmes. Regional Skills Advisory Groups would also be established to inform the work of the Skills Leadership Council in terms of regional workforce development strategies and action plans.

All ISOs, NZIST, PTEs and Wānanga would be required to have a joined-up strategy and action plan around Talent Supply and Transitions to address labour market demand, including School-To-Work Transitions, as well as a strategy and action plan around Māori, Pasifika and Literacy, Language and Numeracy, to address parity of educational achievement.

### ***Funding***

A unified funding system would be established to create an environment between ISOs, NZIST, PTEs and Wānanga that gives effect to a streamlined work-integrated and learner-employer-centric VET system. For example, the TEC would publish its Investment Criteria, for any given investment period, in consideration of the independent investment advice/recommendations of the Skills Leadership Council. A new group (possibly semi-autonomous, by including external members) would be established in the TEC called the Tertiary Investment Advisory Group, who provide advice and make recommendations to the TEC Board on VET investment decisions.

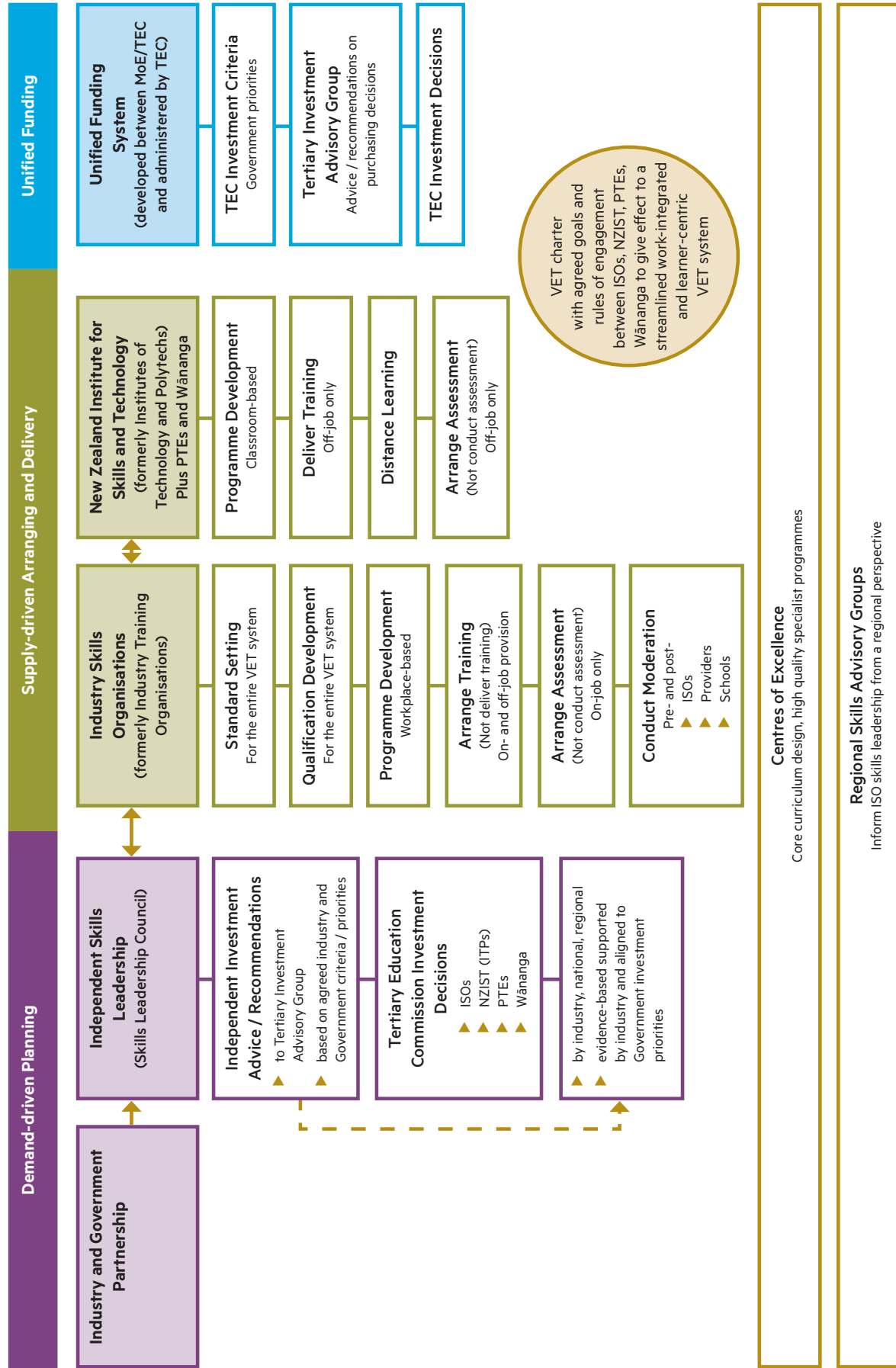
### ***Benefits***

Having Skills Leadership sit with an independent Skills Leadership Council, along with Centres of Excellence, Regional Skills Advisory Groups, VET Charter with agreed goals and rules of engagement across the tertiary system, and a Unified Funding System with a semi-autonomous Tertiary Investment Advisory Group – will create a strong platform for the development of a high-trust and collaborative VET system that puts the learner and the employer at the centre of the system.

### ***Outcomes***

The outcomes will be a more demand driven, accessible and regionally relevant provision of tertiary education. Greater cooperation across the system will result in a joined-up VET system underpinned by an overarching VET Charter that puts the the learner and the employer at the centre of the system.

# New Zealand Vocational Education and Training System – Variation 2



## Appendix 2: Assessment of VET Proposal and Variations against Key Criteria

ServiceIQ's management team has completed a multi-rater analysis, based on its understanding of the intent and operation of the reforms and on direct feedback from its industries. It is based on their feedback from industry of the strengths, weaknesses, opportunities and threats of the Government's proposed VET reforms.

The rating for Table 1 uses 1–5, with 1 being very low (-) and 5 being very high (+).

**Table 1**

Criteria	Government's VET Reform Proposal	ServiceIQ VET Variation 1	ServiceIQ VET Variation 2
Employer Focused	2	4	2
Industry Supported	1	4	3
Trainee- Centric	3	3	3
Cost Effectiveness	2	4	3
Enduring System	3	4	3
<b>TOTAL</b>	<b>11</b>	<b>19</b>	<b>14</b>

The rating for Table 2 uses 1–5, with 1 being very low (+) and 5 being very high (-).

**Table 2**

Criteria	Government's VET Reform Proposal	ServiceIQ VET Variation 1	ServiceIQ VET Variation 2
Disruption to Industry-Economy	4	1	2
Risk to Industry-Economy	4	1	2
<b>TOTAL</b>	<b>8</b>	<b>2</b>	<b>4</b>

**Disruption** is defined as the potential impact on the skill supply and demand for industry and employers, and the related social and wellbeing impacts, both regional and national, that could occur because of a slowing down of the VET system to accommodate what would be a significant change process over several years.

**Risk** is defined as the potential impact on business productivity, profitability and NZ Inc. that could occur because of a slowing down of the VET system to accommodate what would be a significant change process over several years.

### Summary

The Government's VET Reform Proposal is **most unlikely** to result in an employer focused, industry supported, trainee centric, cost effective and enduring model for vocational education in New Zealand, and **most likely** to result in significant disruption and risk to industry and the economy.

## Appendix 3: Employer Voice – Feedback Summary from Employer Meetings and Summits

The following are direct quotes from employers and Industry Associations at meetings held by ServiceIQ consulting on the VET reforms.

### 1. Current proposal lacks data-supported rationale, analysis, problem definition and quantifiable benefits of VET reforms.

- ▶ Not enough analysis of what is actually going wrong, or right, in the current system. Seems to be based on a political desire for centralisation (central control) as a solution to something that Government still can't define the problem.
- ▶ Polytechs have been failing for years. Polytech graduates are not fit for purpose. Polytechs are broken not ITOs. ITOs have been through restructure eight years ago and aren't broken and don't need to be fixed. Why are ITOs being dragged into a Polytech problem-fight?
- ▶ Feels like Government is going back to the 80s and can't see this working for industry with an education focus. Government needs to understand that ITOs are not broken.
- ▶ Need to still understand what the Government wants to achieve.
- ▶ Lack of clear rationale or the 'why' behind the Government's reforms.

### 2. Preference to work with a single entity – ITO one-stop-shop for their training needs; employers do not want to lose the strong relationships developed with ITOs and do not want to deal with multiple organisations and more bureaucracy.

- ▶ Employers don't want to have to deal with two different organisations (Polytech-ISB).
- ▶ Wouldn't want to engage in any new VET system that could result in a change to the way training is currently arranged and delivered.
- ▶ Concern at loss of relationship with ServiceIQ – quals are about relationships first.
- ▶ ServiceIQ has played a key role in promoting the service industries and career pathways and employers would be concerned that this might be lost under the new system.

### 3. Perceived diminished level of service to employers and trainees-apprentices from Polytechs, and concern over skills and capability of providers to meet industry needs.

- ▶ Unlikely that Polytechs will have time and resource to provide the same level of service that ITOs currently provide.
- ▶ Felt that Government doesn't understand the commercial realities of running a business and how their proposal will actually work, or not work, in the workplace. Ideological policy not grounded in reality with risks that outweigh benefits.
- ▶ Government is asking for greater workplace involvement but is putting more controls around employers on-job training systems, which is counter intuitive.
- ▶ Concern is whether the new structure and Polytech-Provider staff will have the skills to understand an employer's business and requirements.
- ▶ Concerned about the actual level and quality of support to replace the ServiceIQ support. Employers get best results when their support person understands their business and sector.

#### 4. Unlikely adoption of new VET system by employers and trainees.

- ▶ Employers know more about their training needs than polytechnics ever will. Polytechs are not up to date with employer needs and classroom-based is not realistic. Government's desire for a seamless experience for students-trainees is not realistic. Looks like the only seamless aspect will end up being a rigid standard!
- ▶ Employers are dealing with 18-75-year-olds and try and tell a 75-year-old to go to Polytech! Many on the job trainees get their first qual at work and wouldn't want to do a qual if it meant going back to a classroom setting, even if in a blended learning situation, especially if the education system has already failed them – which is the case for many.

#### 5. Preference for a staged approach to the VET reforms; what employers want is the co-creation of a workable and enduring system for VET reforms.

- ▶ Government should have given the ITO sector the opportunity to work through a solution with Polytechs in partnership not kept in dark.
- ▶ Concern that any future structure might be designed by academics instead of practical ground-up as it is at present.
- ▶ All the things the Government wants to achieve such as lifelong learning could actually be eroded by introducing the new VET system.
- ▶ Sort out the Polytechs first and build trust with industry to work through an enduring solution.
- ▶ Believe Government could achieve VET reform objectives, including eliminating competition, through adjusting the funding levers, rather than what looks like a risky path of the reforms that could result in wide-scale employer disengagement.
- ▶ Government needs to place much more value on the on-job training that employers offer to New Zealanders. Polytechs are trying to emulate this in their programmes by having a component of workplace-based learning.

#### 6. Confusion over who is the VET reforms customer – Government, Employer, Learner, Trainee?

- ▶ Concern that the ISB's 'industry view' may not reflect the views and needs of individual employers.
- ▶ Employers ability to influence outcomes would be watered down under the VET reforms and their current training system could be eroded due to the split of functions between ISBs and the NZ Institute.
- ▶ Sounds good on face of it, but clear in the detail that it is Government-led, not employer-led.
- ▶ Concern that employers won't be seen as customers, but instead Government will be seen as the customer.
- ▶ ServiceIQ understands that business and their employees are the key customer and provides a good one-stop shop with tangible and measurable results.



## 7. Concern over the idea of centrally developed qualifications and programmes vs. the current ITO system.

- ▶ Quals are most effective when specific to the workplace, so wouldn't be keen on a generic type qual developed by an ISB intended for wide-scale use.
- ▶ Could lose some of the personalisation-contextualisation in terms of the existing quals and programmes being fully relevant (at a granular level) to employers.
- ▶ Concern that to raise standards across the board you run the risk of aligning to the lowest common denominator, rather than strive for excellence.
- ▶ Don't want to be told to work to a Government formulated template. Issue with academic approach vs workplace approach – needs to be a workplace evidence-based approach and not an educational approach – not sure Polytechs can do it.

## 8. The current disconnect between Polytech focus vs. ITO-Employer focus will broaden under the reforms.

- ▶ Polytechs are business focused on selling qualifications and courses. Providers are not industry focused and don't currently have a mandate to deliver skills for industry, just to provide courses – chasing the dollar.
- ▶ Providers talk about turning out work-ready graduates and work with industry, however, they are too broad and lack subject matter expertise, so students that graduate have more generic skills – not always suited to industry.
- ▶ A big problem with Polytechs was them understanding or relating to the reality of workplace-based learning – including the workplace requirements for students, and beyond that, the overall quality of learning.

## 9. Likelihood of unnecessary complexity around workplace assessment.

- ▶ Wouldn't want to have to deal with Polytech-ISB workplace assessors as it would create another layer of complexity as employers currently have workplace assessors or contracted assessors who understand the specific needs of their businesses.
- ▶ Wouldn't want a third-party in their businesses training (or assessing their staff) outside of current arrangements.
- ▶ Unclear how capstone assessments will work for specialist occupations such as air traffic control or aviation engineering. Question as to whether the Assessor Qual 4098 would still be done via ServicelQ?

## 10. Issue with loss of industry voice through the ISB role in recommending procurement of training with TEC deciding.

- ▶ The choice around third party (training procurement) means the choice has been taken away from industry and given to TEC. TEC's procurement choices may be made on cost rather than quality, which will undermine and erode industry needs.

### 11. VET reforms silent on talent supply and school transitions.

- ▶ High employment so focus investment on industry training not provider training. Also more important than ever to link with schools to meet future labour and skill demand and already have a good system with ServicelQ – concerned this focus might be eroded or discontinued under the reforms.
- ▶ Using ServicelQ quals and programmes definitely helps attract employees and retain existing employees. Concern that use of current ServicelQ programmes may not be same as what ISBs recommend.
- ▶ Linkage between school students undertaking work experience not evident in reforms.

### 12. Likelihood of inherent hidden-unintended costs to employers and loss of training IP.

- ▶ Inherent hidden additional cost that industry is likely to end up paying.
- ▶ Can see it could eventually impinge on employer IP. If the flow goes back the other way (employer to Government) then Government inadvertently becomes the owner of employer's IP, which means employers lose their IP and competitive difference in the market by offering their own specific and unique training.
- ▶ Likely to be a massive cost to Government in exiting Polytechs leases etc. which will most likely be hidden under 'reform' costs.

### 13. High likelihood of employers disengaging under the new VET system.

- ▶ Any attempt under the proposed VET system to rationalise quals, such as having to align to a generic ITP developed qual, then employers would probably disconnect from the qualification framework.
- ▶ Government want to be the customer of employers to deliver training, but employers don't have to and can-will withdraw from the training system and do inhouse training.
- ▶ Employers are less likely to retain staff if they can't upskill them on-job as they do now, so need to keep the current training environment.
- ▶ No value to VET reforms if on-the-job training becomes costly or too complicated for the trainee or employer – could result in business and employee disengagement from training.
- ▶ At the end of the day employers will disengage from credentialed training if it changes to a more classroom-education focus. Employers have a business to run! ServicelQ has a value-add offering specific to an employer that may be lost under the reforms.
- ▶ Employers can train and credentialise people without qualifications if necessary and may withdraw from the new VET system if it encroaches their current raining regimes.
- ▶ Many employers can't see their trainees going to Polytechs for learning. ServicelQ arranged training is a good fit as is. Some employers won't bother with credentialed training if it needed to be done via a Polytech.
- ▶ Biggest issue is risk of industry disengagement in industry training under the new system. Most employers don't need credentialed training in their workplace. Biggest threat is that employers will say 'out of here' if there is too much bureaucracy and/or the new system is too complex.
- ▶ Could be more cost to employers and employees and tax payer with more activity in polytechs. Employers will likely disengage from the system if employer cost increase.
- ▶ Possible reduction in VET learners and disruption that could have significant impacts to whole economy for a long time.

#### 14. Concern over consultation approach and timeframe for submissions.

- ▶ Timeframes and lack of information is astonishing. Concern about possible changes with lack of information in proposal. No discussion with trainees or employers. No information on the impact on trainee and/or cost to the employer.
- ▶ Concern over Government's rushed timeframe. Government has made up their mind to push this through to try and manage a financial problem with Polytechs.
- ▶ Great concern from employers over the consultation process and lack of detail in the proposal, which raises a big concern over what the final product will look like. Don't want to see the current on-job training and assessment system and process dissected into different parts.
- ▶ Still struggling to understand exactly how it will work for industry, especially specialist or niche industries. Proposal talks a lot about employer needs and a system that is employer-led, but in total only around 20 or so employers consulted.
- ▶ Very little industry-employer consultation and lack of procedural fairness in consultation process.
- ▶ Still not a lot of detail to provide feedback on and still unclear what it's going to mean for businesses.

# Appendix 4: Employer Voice – Feedback Summary from SME Surveys

## Survey of SME employers

This data is from an online survey sent to SME employers. The data does not include responses from large employers, industry associations that provided feedback at the ServiceIQ Summits or in one-on-one meetings.

### In summary

SME employers agree with our larger service sector employers. The majority – 82% – say that it is vital or important that they deal with only one organisation for their VET needs (from standard setting to arranging training). When this is explored, the majority agreed that training quality and service would be worse, as would the ability to innovate and be responsive to their needs. Training would also be more difficult to undertake; incur more admin, cost and time; be less reliable, useful and have less business value. When asked to evaluate the outcome, 64% said that the proposed changes would impact their training, including less training and dropping credentialed training altogether.

SME employers say that ITO training can and does meet their needs (69% say it can and 55% that it does). While this indicates that there is room to improve with ITO training, the figures show that provider training also needs to improve, but overall, cannot and does not meet their needs (28% can and 18% does). The figures also show that SMEs consider that thier employees will be worse off (49% worse off v 17% better off).

### Dealing with only one organisation is important or vital

<b>Vital</b>	<b>26%</b>	<b>82%</b>
<b>Important</b>	<b>56%</b>	
Neutral	14%	
Not important	2%	4%
Totally not important	2%	

We asked: “How important is dealing with one organisation for your on-job training (e.g., setting standards, creating training programmes, arranging training and assessment, and awarding certificates of national qualifications)?”

*A split system would be worse on every measure*

	Better	Same	Worse	Don't know
Quality of training	14%	23%	<b>32%</b>	31%
Quality of service	9%	23%	<b>43%</b>	25%
Ability to innovate	16%	23%	<b>43%</b>	18%
Responsiveness to need	13%	15%	<b>46%</b>	26%
Difficulty to undertake	5%	13%	<b>46%</b>	36%
Cost of training	6%	11%	<b>46%</b>	37%
Reliability	9%	20%	<b>30%</b>	41%
Your time it takes	4%	15%	<b>57%</b>	24%
Usefulness to your business	13%	21%	<b>34%</b>	32%
Value to your business	13%	22%	<b>31%</b>	34%
Amount of admin	4%	15%	<b>43%</b>	38%

We asked: “The proposal is for ITOs like ServiceIQ to be replaced with Industry Skills Bodies that would set standards etc, and separate training providers to undertake training in your workplace. How would such a ‘split system’ affect your on-job training?”

*Splitting standards from arranging will significantly impact (reduce) training take-up*

Will affect	<b>64%</b>
Won't affect	36%

We asked: “The Government proposes splitting training from the standards setting, programme development etc functions that ServiceIQ/ITOs undertake. Would not having a ‘one-stop shop’ affect your organisation’s involvement with on-job training? If so, how?”

The comments (“how”) indicated significant negative impact (eg, more work required, more time taken, less essential understanding, reduced service levels, move to training without credentialing).

*ITOs can, and do, meet needs better than training providers; providers consistently fail to meet expectations*

	ITOs		Training providers	
	Can meet needs	Do meet needs	Can meet needs	Do meet needs
Not at all	0%	0%	0%	12%
A little	8%	11%	20%	21%
Somewhat	23%	34%	52%	49%
<b>Very much</b>	<b>53%</b>	<b>41%</b>	28%	18%
<b>Totally</b>	<b>16%</b>	<b>14%</b>	0%	0%

We asked: “To what degree do you think a training provider can (and does, if applicable) understand your organisation’s needs? What degree do you think your ITO (ServiceIQ) can and does this?”

*Employees will be worse off, say employers*

Much better off	9%	17%
Slightly better off	8%	
No change	34%	
<b>Slightly worse off</b>	<b>23%</b>	<b>49%</b>
<b>Much worse off</b>	<b>26%</b>	

We asked: “Will your employees who are in on-job training be better or worse off under the proposal?”

*The risk is high and the benefit is low*

Little or no risk/large benefits	6%	22%
Some risk/benefits outweigh	16%	
Equal risk and benefit	29%	
<b>High risk/benefits don’t outweigh</b>	<b>39%</b>	<b>49%</b>
<b>Extreme risk/few or no benefit</b>	<b>10%</b>	

We asked: “To what degree do you think the proposed reforms are riskier than any benefits they might deliver? For example, businesses like yours not using training that leads to national qualifications?”

## Appendix 5: Government's VET Reform Definition Statement – received on 2 April 2019

split (by ServicelQ) into System/Conceptual, Provider and ITO issues

### System/Conceptual Issues

1. Vocational education system could be working better as a whole to meet the needs of learners, workers and industry.
2. If the reforms did not also cover the roles and functions currently undertaken by ITOs then the potential for transformative change would be greatly reduced.
3. We have two vocational education systems, which have drifted apart from the high-quality, intensive work-based learning that we want.
4. Time has come for a wholesale re-examination of the policies that have created this problem.
5. Divided system means that the needs of industry and learners are not coherently addressed.
6. Two systems are often competing rather than collaborating.
7. Learners are confused about how to enter the system and progress within it, particularly between on- and off-job training options.
8. Providers focus on the needs of learners, and industry training organisations on the needs of employers.
9. Ability of ITOs to influence and shape provider-based delivery to ensure that it meets the needs of their industry is relatively modest.
10. Need a system where it is easier than it is now for learners to have their skills developed and assessed in the workplace, and where off-job training has much stronger connections with up to date workplace practices and technology.
11. If ITOs were given greater influence over what providers do, including influence over what got funded, while also benefiting financially from the scale of Industry Training activity, then it would be hard to avoid conflicts of interest.
12. Need to create an integrated system that better meets the needs of both learners and employers by ensuring provider-based and work-based training work together.
13. In the industry training system, there is a drift towards direct delivery of learning.

### Provider Issues

1. Employers are concerned that learners aren't coming out of the system with the skills to do the job, and that learners are often kept in off-job learning for longer than they need to be.
2. On the ground providers still do things their own way, which isn't always the way industry wants.
3. Too often learners are coming out of education providers with qualifications but without the skills that employers need in the workplace.

### ITO Issues

1. Some training arrangements do not seem to have the level of learning content, pedagogical support or pastoral care that we think learners need.
2. Industry Training system is relatively narrowly-focused with take-up by just 15% of employers, which in part is because ITOs tend to focus on setting standards in areas where they arrange training, rather than across all the training requirements of the industry.
3. In many cases our smallest firms struggle to connect effectively to the Industry Training system.

## Government's Proposed Functional Solutions, to address problems in the current VET system

1. **Industry Skills Bodies** (ISBs) set up with strong, consistent oversight of skills needs, a real skills leadership role, and standard-setting across the whole system.
2. **Institute of Skills and Technology** (IST), and other Vocational Education Providers, would provide education for the whole 'supply chain' of workers, outside and inside employment and, the IST with reach into every community, would ensure quality education is widely available and collaborate with ISBs to achieve it.
3. **Employers** would work with providers on their current and future workforce.
4. **Learners** would benefit from learning better connected to work and a seamless system when moving in and out of work.
5. **Centres of Vocational Excellence** (CoVEs) would be collaborative ventures that would have a critical mass of currency with industry practice, pedagogical skill and technological expertise to lift quality across the system.

## Government's Measures of Success for the proposed new VET system

1. Employers and industry guide the vocational education system and find it easier to engage with to meet skill needs.
2. Qualifications and credentials are valued by industry and draw on the expertise of national leaders in their field.
3. Programmes are consistent, meet industry and regional need, and give learners confidence about their value.
4. The system provides for support for unique learning and pastoral needs and flexible learner pathways.
5. The system encourages and incentivises providers and employers to collaborate to ensure the right mix of training.



