

Education Report: **Further revisions to the June Cabinet paper outline, and supporting material**

To:	Hon Penny Simmonds, Minister for Tertiary Education and Skills		
Date:	15 May 2024	Priority:	High
Security Level:	In-Confidence	METIS No:	1328867
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Seen by the Communications Team:	No	Round Robin:	No

Purpose of Report

Following your discussion with officials on Tuesday 14 May [METIS 1328732 refers], this report provides you with further revisions to the Cabinet paper outline, a timeline, and a brief overview of the vocational education and training (VET) system to support discussions with your colleagues.

We have provided the same VET system overview with previous advice [METIS 1327530 refers].

Alignment with Government priorities

The June Cabinet paper will meet the Government's commitment in its Action Plan (1 April to 30 June) to take decisions to disestablish Te Pūkenga and consult on a proposed replacement model.

Annexes to this paper

- Annex 1: Further revisions to the outline of June Cabinet paper on disestablishing Te Pūkenga
- Annex 2: Timeline for Cabinet decisions, consultation, and legislation process
- Annex 3: An overview of the VET system

Recommended Actions

The Ministry of Education recommends you:

- a. **indicate** amendments you would like us to make to the revised Cabinet paper outline attached as **Annex 1**
- b. **note** that we will send you another version of the Cabinet paper outline by noon on Thursday 16 May, as agreed at the meeting on Tuesday 14 May

Noted

Proactive Release

- c. **agree** that the Ministry of Education release this paper only after full Cabinet consideration of the issues, and as part of a communications strategy associated with Government announcements on the proposed vocational education and training (VET) changes.

Agree / Disagree



Vic Johns
Policy Director
Tertiary and Evidence Group

15/05/2024

Hon Penny Simmonds
Minister for Tertiary Education and Skills

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Annex 1: Further revisions to the outline of June Cabinet paper on
disestablishing Te Pūkenga

Proactively Released

Annex 1 – Further revisions to the outline of June Cabinet paper on disestablishing Te Pūkenga

Title: Consultation options for Implementing our commitment to disestablish Te Pūkenga

Purpose

- This paper sets out the scope of options to be consulted on for the re-design of the Vocational Education and Training (VET) system. It seeks agreement to announce consultation following Cabinet taking decisions on the options outlined in the paper, and delegate final approval of the consultation document to myself and the Minister of Finance in July.

Executive summary

- [This will include a high-level description of the federation model]

Background/Problem definition

- Provider-based education and industry training are both critical and complementary components of a healthy VET system. In this paper, I propose changes to improve the effectiveness and efficiency of both aspects of VET.
- Demand for tertiary education and training is sensitive to changes in economic conditions. Historically, during periods of high unemployment, provider-based learner volumes increase, whereas in periods of low unemployment, industry training volumes increase. We need a system that is resilient and able to withstand and respond to these economic cycles.
- There have been long-term issues in the Institutes of Technology and Polytechnics (ITP) sector, particularly financial and academic sustainability. These issues have become worse under Te Pūkenga. The previous government's reforms have resulted in a system too focussed on centralisation, without showing improvement in the financial position of providers or delivering education that meets the needs of New Zealand's regions.
- Workforce Development Councils (WDCs) are another feature of the system that have overly complex governance arrangements, and they are not sufficiently focussed on their essential standards-setting function. Some industries, especially those made up of small to medium enterprises, do not have the same sense of engagement and ownership of industry training that they had under the previous industry training model.
- We need an affordable, sustainable, and efficient VET system that supports greater industry leadership and delivers on the skills New Zealand needs now and in the future.
- This will require difficult decisions, and given the financial challenges at many ITPs, we need to re-imagine/redefine what the ITP network and delivery may look like in future for some regions across New Zealand. These changes are inevitable and would have been necessary even under the centralised Te Pūkenga model.
- [Annex will be provided that describes VET]

Proposed process

- Subject to Cabinet's agreement to the proposals outlined in this paper, consultation materials will be finalised in mid-July. I propose that the Minister of Finance and myself be given delegated authority to approve consultation materials after consideration of further financial analysis, also available in July. Consultation will conclude six weeks following the release of the consultation document.

- I will report back to Cabinet on findings from consultation and final policy proposals (including policy approval for legislation) by November, with a Bill introduced in the first quarter of 2025, subject to Cabinet approval.
- Work towards creation of financially viable ITPs is already underway, with the cooperation of the Te Pūkenga Council, and will gain momentum in 2025, with the TEC appointing establishment advisory groups for a small number of viable ITPs, whose role would be to prepare for the establishment of the new entities and the decisions that would need to be made on day one.
- During 2025 Te Pūkenga would make further progress on preparing remaining ITPs for establishment, either as stand-alone ITPs or within a federation model. [An annex will provide further information about federation models in other jurisdictions].
- Legislation passed in late 2025, with full implementation from 1 January 2026.
- [A timeline diagram will be provided]

Current issues with Institutes of Technology and Polytechnics

- ITPs are important tertiary education providers in regions (and cities). They offer a wide range of delivery, including pre-employment and pre-trades training, foundation education, vocational education (including some managed apprenticeships), and degrees (with associated research).
- Over the past four years, Te Pūkenga has done little to address many of the issues which created financial stress for ITPs and has so far failed to provide financial stability to this part of the VET system. Because of the current, and previous, lack of viability of most of the ex-ITPs (now business divisions of Te Pūkenga), it is not possible to return to the 16 ITPs in the form that existed before the previous Government's reforms. The status quo is also not a viable option, due to the disconnect from regional industries and communities.
- The pathway to viability will require significant changes to the way the ITP network operates. Some ITPs will be able to manage their way back to viability if we return the funding system to what it was prior to 2023 and give them freedom to set their own business strategy. But others will need significant work before they are ready to be independent organisations, if they can be at all – hence the need for a federation model.
- Viability will likely require mergers with other ex-ITPs (e.g., Unitec Institute of Technology and Manukau Institute of Technology in Auckland), reducing areas of loss-making provision (it is estimated that most current provision is unprofitable), the sale of unused or underutilised assets, and looking at different delivery options for learning. For some ITPs, the expenditure reductions will need to be significant which will mean fewer programmes being offered, less face-to-face delivery, the closure of some regional campuses, rethinking delivery sites (e.g., the use of marae or other community facilities), and significant staff reductions.

Proposal to address these issues

- It is proposed to dis-establish Te Pūkenga and re-establish some regional ITPs with a robust pathway to viability, from the beginning of 2026. ITPs that are not yet financially viable will work within a federation model, centred around the Open Polytechnic, as they work through whether they can transition to become separate entities. More information on the use of federation models is included in Annex X.
- The productivity of a region and the wellbeing of its population relies on access to core VET provision. Students, employers and communities will continue to have access to VET provision in their region - at a minimum foundation, trades education (construction and

automotive), nursing, and any other specialist delivery relevant to the region. Much of this delivery is likely to be offered in online or blended modes, with some limited face-to-face delivery retained for key sectors e.g., making more use of innovative approaches such as delivery in community centres, schools and marae.

- Further work is needed to understand what provision will be possible in each region, how much of this will be face-to-face versus blended, and the degree of support needed from the Open Polytechnic. At a minimum, proposed changes to legislation should mandate that the Open Polytechnic make its distance delivery materials available for use by all ITPs to help the ongoing sustainability of the sector.
- In the new structure, ITPs could retain their own identities, and would have varying degrees of reliance on the Open Polytechnic, e.g., Tai Poutini would likely have most, or all of its back-office functions supported by the Open Polytechnic, with only blended delivery onsite. Whereas another ITP, such as Western Institute of Technology Taranaki or Northtec, might have a greater amount of student support and administration on campus, with the Open Polytechnic providing academic board, budgeting and quality assurance services.
- There will be costs associated with setting up stand-alone ITPs and developing the federation (e.g., capitalising new entities, dealing with potential residual debts, changing operating models, making staff redundant, developing new capability, and selling assets). Some of the costs of change can be met from within Te Pūkenga reserves (mainly from the work-based learning divisions), but are expected to exceed these, and an operating contingency of \$157 million has been approved through Budget 2024.
- This work will be undertaken within the fiscal envelope agreed by Cabinet with significant asset realisations across the country critical for less viable regional delivery options. Initial estimates by Te Pūkenga suggest that approximately 9(2)(f)(iv) could be realised through sale of assets that are surplus to delivery needs.

Consultation will focus on the option of re-establishing the stronger parts of previous ITP sector as standalone entities and creating a federation model for the remainder of the system.

- I am intending to consult on the idea of establishing a federation model under the Open Polytechnic to address the financial sustainability issues across the sector. The federation model will feature a two-tiered governance structure, enabling local decision making on clearly defined matters, with overarching decisions on academic and financial viability made by the overarching federation governance entity, which would have representatives from the regional entities on it. This is similar to the federation of California universities.
- The key decision is the number and scope of ITPs to be re-established as stand-alone entities and how they are to operate. Financial modelling to date has focused on whether the individual business divisions within Te Pūkenga could be viable as stand-alone ITPs, and what consolidation options might work. Early indications are that 4 – 5 ITPs could initially be financially viable (number to be confirmed as 2025 forecasting becomes available). The ITPs that we consider could be viable include 9(2)(g)(i)
- Proposed changes to Education and Training Act 2020, coming into force on 1 January 2026, will enable ITPs to move in and out of the federation, based on clearly defined criteria. This flexibility will allow ITPs within the federation, that demonstrate they can be viable, to transition to be stand-alone entities. It will also ensure that there is a backup option for stand-alone ITPs who may be struggling to maintain viability. A threshold for triggering

transition into the federation model will be developed to prevent ITPs getting too far down the track to non-viability and avoiding the need for costly Crown bailouts.

- The new system will evolve over time and will need to be dynamic enough to adapt to changes in community support, industry engagement, and economic conditions.
- Funding changes discussed later in this paper will also support the redesigned system.
- The proposed option will be evaluated against the status quo using the following criteria:
 - Responds to local communities and economies
 - Supports system sustainability
 - Delivers to the needs of learners and employers
 - Minimises implementation time and costs.

Work-based learning and standards-setting

- I propose to disestablish the existing Workforce Development Councils (WDCs) and establish an industry-led system for standard setting and industry training. We need a system where there is coherence between provider-based and industry training, but also one that is agile and fundamentally delivers what employers need. It also needs to be able to think about the long-term needs of industry and ensure continuity for the learners and programmes in Te Pūkenga's work-based learning subsidiary.
- Standards-setting and industry training are closely linked activities, which both require industry buy-in for success. There are three key functions here:
 - industry standards-setting – developing skills standards, qualifications and micro-credentials that meet industry and workforce needs, and ensuring the quality of related programmes.
 - arranging training – including developing training programmes, enrolling learners and establishing training agreements, providing pastoral care, and organising for assessment to occur.
 - delivering training – primarily through structured 'on job' learning in the workplace that is 'delivered' by an employer. Some programmes supplement with this with specific components delivered 'off job' by ITPs or Private Training Establishments.
- Possible options for the future of work-based learning and standards-setting involve considering how these functions can be grouped together to best achieve both industry responsiveness and educational quality.
- The industry training system should reflect the needs of industry. Under the current system, there is WDC representation for sectors that do not have a history of training apprentices and trainees (e.g., some creative industries and information technology). In re-designing this part of the system, we should consider what industry representation is necessary, and where responsibility for the standards-setting function could be transferred to the New Zealand Qualifications Authority.
- However, the new system will need to be flexible enough to respond to changes in industry demand, so that where an industry currently engaged in industry training demonstrates a need for these functions, there is a pathway for them into industry training. This is particularly important for emerging industries such as information technology.
- We also need to ensure that the problems that existed in the pre-RoVE industry training system are not reintroduced, e.g., there was limited cooperation between provider-based organisations and industry training, resulting in a lack of alignment between pre-employment programmes and employment/progression to industry training, and standards-setting activity was inconsistent across ITOs.

The industry training system may also benefit from centralised services to achieve financial efficiencies, for example, cybersecurity, insurance, and procurement of fleets. The TEC is already able to arrange bulk purchasing for Tertiary Education Institutions in certain areas. This could potentially be extended to standards-setting and arranging training organisations, depending on the final model chosen. This would be designed to align with the efficiency benefits of the federation model.

I propose that consultation be carried out on two options:

- **Establish Industry Training Boards (ITBs), similar to the previous ITOs.** ITBs would be responsible for standards-setting and arranging training, but with requirements to ensure greater collaboration with providers and a clearer delineation between their role in work-based training and providers' delivery of off job training. ITBs would initially be made up of some staff from WDCs (mainly those responsible for standards setting), and the providers currently offering apprenticeships and traineeships (the WBL business unit in Te Pūkenga and Private Training Establishments currently delivering industry training).
- To support continued focus on the standard setting function, under this option, a base grant to fund standards setting, qualification development, and strategic workforce analysis could be provided separately from volume-based funding for arranging training.¹
- **Replace WDCs with a small number of more focused, industry-specific standards-setters and continue to permit all providers to offer industry training.** The new standards -setting entities would be focused on developing qualifications, micro-credentials and standards in response to industry needs, and would also carry out a focused strategic workforce analysis and planning function. Under this option, ITPs, Private Training Establishments and Wānanga would be able to offer industry training, subject to meeting quality criteria, although building their capability to do so may take time.
- Early engagement with industry has indicated the value of retaining a workforce planning function in the new system. I propose that both options include this as one of their key functions, alongside standards-setting. This will not be the broad industry skills leadership function currently carried out by WDCs, but a pared back role, focused on supporting strategic workforce analysis and planning. This could include activities such as labour market analysis, forecasting, and developing plans to support training investment and workforce pipelines.
- [Insert Diagram showing organisation of industry standard-setting, arranging training, and delivering training functions under the pre-RoVE model, current model, and both future options].
- The proposed options would remove unnecessary bureaucracy and create the opportunity for a more efficient system focused on the functions that industry find most valuable.
- It is very likely there will be different views between, and potentially within, industries on the best model. Some sectors and employers prefer the previous model of Industry Training Organisations (ITOs) as it historically served them well, while others prefer the new WDC model due to a perceived greater focus on qualification development needs.

¹ Under the previous ITO system, ITOs chose how to fund their standards-setting activities from the volume-based funding they received for arranging training. A separate, base fund for these activities would enable closer monitoring and accountability of these functions and avoid some of the unevenness in standards-setting experienced in the previous ITO system.

- No one model is likely to please all industry stakeholders. The benefits of each model are likely to differ depending on the nature of the industry and the size of the employer, and perceptions will be shaped by how well a stakeholder was served in the prior system.
- Options will be evaluated against the following criteria:
 - Encourages employer buy-in to the system
 - Enables flexible and relevant responses to industry skill needs
 - Supports successful learner outcomes
 - Promotes an integrated, sustainable, and clear system
 - Ease and length of transition.
- Key benefits and risks of each option are:

	Key benefits	Key risks
<ul style="list-style-type: none"> • Option 1 (ITBs) 	<ul style="list-style-type: none"> • Effective feedback loops between industry training and standards-setting, • Employers have a stronger connection to standards-setting, making it easier for smaller and niche sectors to influence this function. • Smaller number of entities involved in industry training can support greater consistency for employers and learners - provides a one-stop shop for employers. 	<ul style="list-style-type: none"> • ITBs have an effective monopoly over industry training which could lower quality over time. • Requires differentiating between arranging and delivery activities, which can be difficult in industry training. • Standards-setter is also in competition with non - industry training providers for potential VET learners, which creates potential conflicts of interest.
<ul style="list-style-type: none"> • Option 2 (Independent industry standards-setters and all providers able to offer industry training) 	<ul style="list-style-type: none"> • Removes the need to differentiate between arranging and delivering training. • Increased competition and choice for employers. • Smaller potential for conflict of interest between standards-setting and industry training activities. 	<ul style="list-style-type: none"> • Standards setting may become removed from industry, especially for smaller and niche sectors. • Creates a bigger change for providers and ex-ITOs (who would need to transition to become Private Training Establishments), which could initially be challenging. • May fragment funding for industry training across the system exacerbating viability issues.

Funding system changes

- The funding system for VET (the Unified Funding System implemented in 2023) is designed specifically to support the structure of the current system. As the institutions are reformed, the funding will also need to be reformed. In particular:

- The funding rates for provider-based (including online) delivery will need to return to a level closer to pre-2023 rates to support the financial position of the new ITPs. This change would be fiscally neutral as it would be funded via the reallocation of current strategic funding, and potentially some of the funding aimed at supporting learner success.
- Changes will be needed to work-based learning rates to reflect the final model for work-based delivery. This can be consulted on at a high level alongside the structural options.
- Some funding will need to be set aside from work-based learning funding to pay for industry skill standards-setting. This cost is estimated to be around 9(2)(f)(iv) depending on the number of entities established.
- I propose to make some initial changes to provider-based funding rates from 1 January 2025, providing greater certainty about funding settings and helping to support the viability of ITP provision. Provider based rates can be increased by about 10% using strategic component funding only. This would not require any initial changes to the learner component (most of which is targeted to disabled learners and low prior achievement learners). The change should also be less operationally complex for TEC and providers to implement, given that it is relatively late in the year to adjust funding rates. This change will require an operational level consultation before the end of September.
- [Further detail to come on how much funding would shift in 2025; this would be fiscally neutral]
- Final funding settings for both provider-based and work-based delivery, are proposed to be implemented from 1 January 2026, with the main decisions to be made in November 2024 alongside structural reform decisions.
- I also propose that new funding settings include enhanced financial levers to support desired behaviours, e.g., an internationalisation fund to support the growth of international VET student numbers across all regions, and a fund to support industry engagement, with the requirement to meet key performance indicators. The new settings may also include a base grant to ITPs to support viability of the core provision needed in each region.

Beginning change in 2024 and 2025

- Te Pūkenga already has work underway to prepare for disestablishment and return decision-making to the regions. Work to date includes appointing regional leaders, returning national staff back to their former business divisions, and delegating greater decision-making powers to local leadership. Te Pūkenga has also established a disestablishment working group and appointed specialist advisors to support the disestablishment process.
- Te Pūkenga and the business divisions will also undertake cost out and asset realisation work to support returning ITP divisions to financial viability.
- Further change can begin in 2025, with TEC appointing establishment advisory groups to support viable entities to prepare to be stand-alone.
- A significant amount of further work would also be needed in 2025 to assess whether other ITPs can be viable or not as independent organisations or would perform better as part of the federated organisation. I understand that Te Pūkenga has begun to make long overdue changes to the sector to improve viability over the remainder of 2024 and 2025 to give entities the best chance of being viable at the beginning of 2026. This process will involve staff reductions, reducing programme offerings, and preparing to right size institutions for

the number of learners they have. This will likely be met with some resistance from stakeholders and generate publicity but is needed if we are to have a sustainable VET system.

- Full implementation of the new legislative and funding arrangements in 2026 is necessary to allow time for consultation and legislative reform.
- It is important to note that change will be ongoing as the new online and blended learning institution establishes a financially viable mix of national and regional provision.
- Other work will be considered on pathways within the system, including the effectiveness of the transition from pre-employment programmes to employment and industry training.

Next steps

- Subject to Cabinet's agreement to the proposals outlined in this paper, and approval of the final consultation document in July, I will instruct officials to carry out consultation on the future structure of the VET system.
- I will report back to Cabinet with the findings from consultation and final policy proposals (including policy approval for legislation) by late November.

Risks and mitigations

Cost of Living Implications

Financial Implications

Legislative Implications

Impact Analysis

Regulatory Impact Statement

Climate implications

Population implications

Human rights

Use of external resources

Consultation

- High level overview of the consultation process and timing; key messages for initial announcement.

Communications

Proactive Release

Recommendations

Annex 2 – Timeline for Cabinet decisions, consultation, and legislation process

Proactively Released

Annex 2 – Timeline for Cabinet decisions, consultation, and legislation process

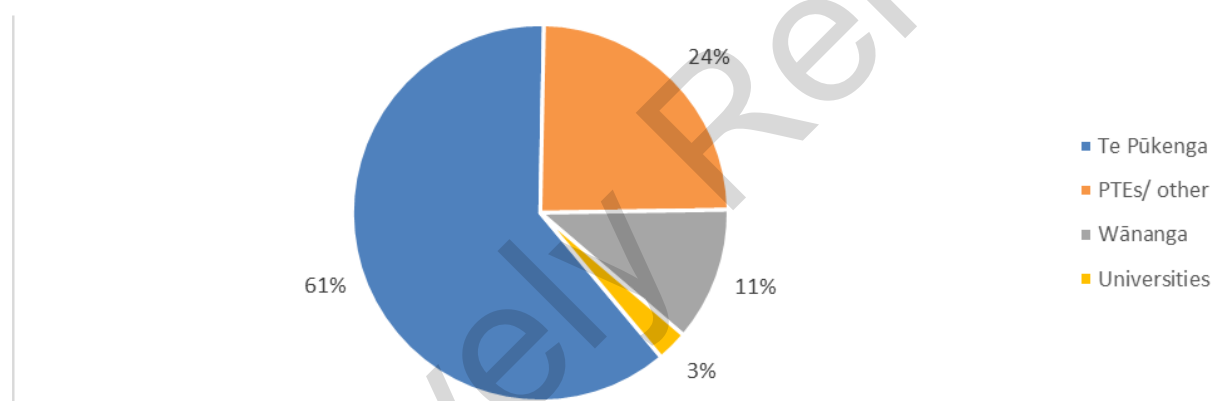
Date	Milestones
2024	
Wednesday 5 June – Monday 10 June	Ministerial consultation for Cabinet paper seeking agreement to consult. <i>Note that the standard 10 days for Ministerial consultation have been shortened</i>
Thursday 13 June	Lodgement of Cabinet paper seeking agreement to consult
Wednesday 19 June	Consideration by the Cabinet Economic Policy Committee (ECO)
Monday 24 June	Confirmation by Cabinet; announcement this week to begin consultation
Friday 18 July	Consultation material approved by Minister(s) (delegated) (Timing may be earlier, depending on approval process)
Monday 22 July	Consultation paper published
Friday 30 August	Consultation ends (6 weeks after publication of consultation document)
Friday 20 September	Submissions analysis completed (3 weeks)
Friday 18 October	Final policy settings agreed by Minister
14 November	Lodge Cabinet paper – including agreement to instruct Parliamentary Counsel Office (PCO)
20 November	Consideration by ECO
25 November	Consideration by Cabinet
2025	
Ongoing	Te Pūkenga continues to prepare for the transition, including cost-reductions and asset realisations.
Late March 2025	Paper to Cabinet seeking agreement to introduce the VET Bill
Late March 2025	Introduction and First reading of the VET Bill
April to August 2025 (inclusive)	Select Committee (four months) – note that ETAB 2 Bill may also be considered by Select Committee at this time
Early August 2025	2nd reading
Mid to late August 2025	Committee of the Whole House
Mid to late August 2025	3rd reading
Late August or September 2025	Royal Assent
1 January 2026	Legislation comes into force

Proactively Released

Annex 3: An overview of the Vocational Education and Training (VET) system

1. Vocational Education and Training (VET) is education that is closely tied to careers and work. It includes traditional trades, but also areas such as information technology, health and community care, and service industries. Where Foundation Education often includes broad 'employability' skills, VET provides specific skills and knowledge for specific jobs and careers.
2. Higher Education (Bachelors degrees and above) is not generally seen as part of VET, even where there is a strong connection to particular professions (e.g., nursing). Further, VET providers generally also offer Higher and/or Foundation Education. In 2022, Te Pūkenga was New Zealand's second-largest provider of degree-level education.
3. All parts of the tertiary system, including universities, can offer VET. Secondary Schools can also deliver VET (e.g., through Trades Academies, Gateway Programmes, or the use of Vocational Pathways). Figure One shows VET delivery by tertiary sub-sector (in equivalent full-time students (EFTS)), based on provisional 2023 data.

Figure One: Provisional share of VET EFTS by sub-sector; 2023¹



4. In any VET system, VET programmes can be delivered through two main modes²:
 - a. In 'off-job' or **provider-based** modes, a student enrolls in a course at a provider like Te Pūkenga or a Private Training Establishment (PTE) and attends classes there (or learns in a simulated workplace environment).
 - b. In 'on-job' or **work-based** VET a learner – generally referred to as an apprentice or trainee – is employed, and they learn in and through their daily work (via assessed programmes structured around gaining specific skills and knowledge). This may be supplemented by off-job elements delivered as night classes or block courses through providers such as the former ITPs.
5. Provisional data for 2023 indicates that on-job learning made up 45% of all EFTS in VET; 58% of vocational EFTS at Te Pūkenga and 38% of those at PTEs.⁴ Wānanga and

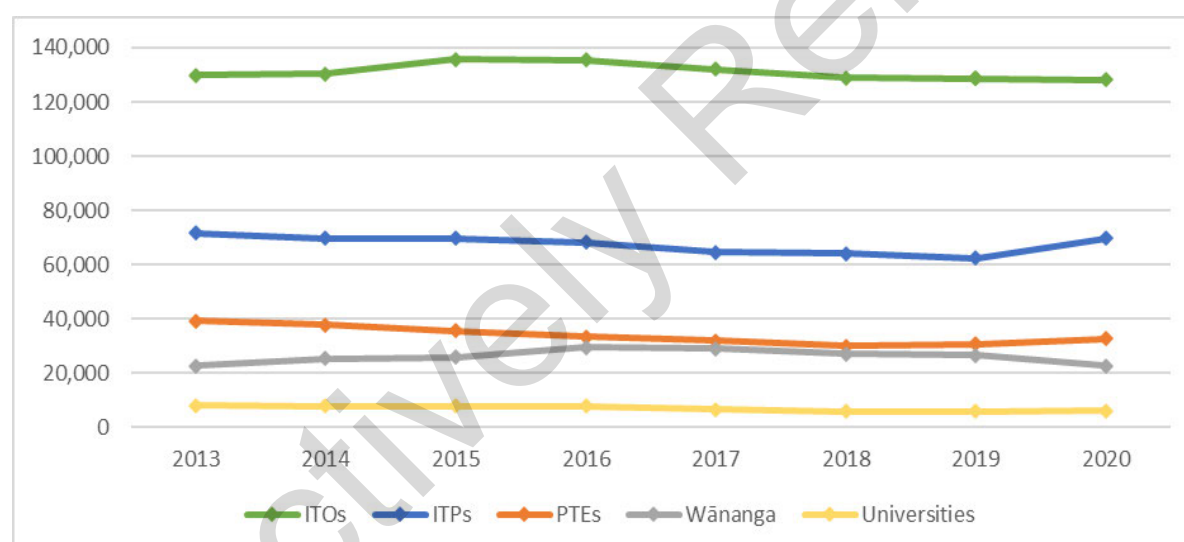
¹ This is interim data that has not yet been finalised or confirmed as ready for release; it is subject to change.

² These modes are not always exclusive. A provider-based programme might include time in a local firm, while some on-job programmes involve night classes or block courses (often to cover theory elements, specialised skills, or high-risk areas of work). They may also both include online elements.

universities do not currently offer work-based VET. The 11 PTEs that currently offer work-based learning programmes make up approximately 5% of all TEC-funded PTEs.

6. Prior to the 2020 reforms, work-based VET was managed through the industry training system. This was based on Industry Training Organisations (ITOs) - private bodies that industries could set up to oversee training in their sector. The ITOs were able to 'arrange' training, which included enrolling apprentices and trainees and overseeing the work-based components of their programmes. But they could not deliver any off-job training; ITOs were required to contract providers to deliver this. As well as being able to arrange work-based training, ITOs had standards-setting power for their industry (see below). Figure Two shows vocational enrolments in ITOs and the different sectors delivering provider-based VET from 2013 to 2020.
7. This system was disestablished in the 2020 reforms. All providers were given the ability to offer work-based VET, and ITOs' standards-setting function was transferred to the new WDCs. Most of the apprentices, trainees, and programmes that ITOs managed were transferred into a dedicated Work-Based Learning subsidiary of Te Pūkenga, although some shifted into PTEs. Separate funding for what had been industry training was abolished and integrated to the Unified Funding System.

Figure Two: Number of VET learners by sub-sector; 2013 - 2020



Provider-Based Learning

8. Provider-based programmes look very similar to other forms of education. Learners are part of a group of students who work through a set curriculum together, mainly learn in classrooms and simulated environments such as workshops, are taught by the provider's staff, and are all assessed together at specific points in their course.

Work-Based Learning

9. In work-based VET, learning occurs as part of a person's employment. The education provider designs a programme, provides resources and support to the learner (and sometimes the employer), monitors progression, and assesses whether a learner is competent and can receive a credential or qualification. However, it is the firm that 'teaches' them on a day-to-day basis, according to expectations laid out in a training agreement between the learner, employer, and provider. Employers benefit in return as the apprentice is part of their workforce and contributes to the firm's productivity.

10. This structure means that work-based VET relies on strong buy-in by individual employers to be successful. Because learning occurs during work, the design of these programmes reflects specific industries, and the details are often personalised to a particular employer and learner. This is mainly due to the nature of different work environments; a farm, a mechanic's garage, and working on the electricity transmission grid are very different settings that require different training approaches for both the learner and employer.

Funding and Financial Support

11. Both provider-based and work-based VET receive public subsidies. However, funding rates per learner are generally lower in work-based VET, as the education provider does not need physical infrastructure like classrooms or teaching staff (though they often maintain a large field staff to support learners and employers).
12. Like other students, learners in provider-based programmes can access student financial support (loans and allowances). Because learners in work-based VET are in paid employment, they are not eligible for student loans and allowances. However, they are eligible for the Fees-Free programme and the Apprenticeship Boost Initiative pays employers who take on eligible apprentices. Employers are also often able to pay the Training Minimum Wage rates to their apprentices and trainees.

Standards-Setting and Workforce Development Councils

13. Standards-setting is an especially important element of the VET system. Firms need assurance that someone with a qualification related to a job genuinely has the skills needed to be a competent employee. An unskilled worker can both affect firm productivity and, in some areas, cause serious harm to themselves and others.
14. In our current system, standards-setters create qualifications (e.g., the Level 4 Certificate in Carpentry) and skills standards, while providers develop their own programmes and curricula. Standards-setters also play a role in quality assurance. This allows for flexible delivery, while giving employers confidence that graduates have the requisite skills and knowledge. Industry involvement in standards-setting provides assurance that VET products are built with an understanding of industry needs and work contexts.
15. Workforce Development Councils (WDCs) currently fulfil this role. There are six WDCs, established by the previous government, with each covering a broad industry sector such as Food and Fibre or Construction and Infrastructure. As noted above, before the 2020 reforms standards-setting was the responsibility of ITOs.