

In Confidence

Office of the Minister of Education

Chair, Cabinet

## **Update on progress towards reform of vocational education**

### **Proposal**

1. This paper provides an update on the progress of two items on my Education Work Programme: an approach to a programme of change for the institutes of technology and polytechnic (ITP) subsector, and for vocational education more generally [SWC-18 MIN-0004].
2. The paper also informs Cabinet that I intend to seek its agreement in early 2019 to consult publicly on significant change. To manage the expectations of the sector, which has been involved in both work streams, I propose that officials update it before Christmas. This update will indicate when (subject to Cabinet consideration) they can expect to be consulted about the Government's position but will not indicate the content of change proposals.

### **Background**

3. In February 2018, Cabinet agreed to an Education Work programme [SWC-18 MIN-0004 refers]. Changes within the vocational education system will impact on other parts of the broader education system. This presents a number of opportunities to align different parts of the education system. Officials are working across the education work programme to identify and maximise opportunities for alignment.
4. I reported to Cabinet in March 2018 [SWC-18-MIN-0017 refers] on a programme of change for the VET sector that involved:
  - 4.1. Investigating how the ITP sector could operate more as a system and gain efficiencies through scale (the ITP Roadmap 2020 project); and
  - 4.2. Undertaking a review of the VET system to clarify how the skills system could best support our skill needs across the system as a whole.
5. These reviews were partly about addressing issues with the status quo, and partly about preparing for the future. As I reported to you in March, ITPs are under considerable financial stress due to declining enrolments, high fixed costs, and funding that does not reflect their cost structures. In part this has been caused by the design of the vocational education system.
6. In the medium and longer term, disruption in the nature of skills demand is coming and we need our skills supply system to be able to respond to the needs of learners and industry as this happens.

## **Update on progress**

7. The TEC has undertaken considerable work with the sector on the drivers of the financial stress in the ITP sector, has confirmed the general picture set out in my March Cabinet paper, and has proposed options for structural reform to the ITP sector.
8. I have also received policy advice on issues with the vocational education and training system. Many industries are increasingly frustrated at their inability to manage their pipeline of skilled workers, and not all learners are getting the outcomes they deserve. There is an unhealthy tension between industry training organisations (ITOs) and vocational education providers where they compete over funding rather than collaborating to get the best results for learners and employers.
9. The two projects have progressed over the course of 2018 and are now at a point of convergence in thinking. The ITP sector is a core component of the skills supply system in New Zealand, and needs to be placed on a viable footing where it is responding and adapting to the need for skills. The wider vocational education system is essential to the quality and responsiveness of the skills learners and employers need. This includes the roles and functions of the different bodies within the system and the funding system that supports it.

## **Possible direction of travel is significant reform – I will report back with proposals in early 2019**

10. I am considering fundamental reform to the vocational education system so that it can adapt quickly and effectively to the changes that are coming in the world of work.
11. I will report back early in 2019 seeking Cabinet's agreement to consult on specific proposals for reform. These proposals are likely to include:
  - Reform to the structure of the ITP sector to create a robust and responsive system delivering to regions and industries.
  - Role and/or function reform, to create clear, complementary roles for vocational education organisations.
12. After consultation in early 2019, I expect to report back to Cabinet mid-year with further advice and more detailed proposals. Detailed engagement with the tertiary education sector and stakeholders on design and implementation would follow.

## **This means combining the two existing projects Cabinet noted in March 2018 into a single Reform of Vocational Education work programme**

13. I intend now to combine the two different projects that officials and TEC staff have been running during 2018, the vocational education and training system review and the ITP Roadmap 2020 project. I intend to communicate the combined programme of work from now on under the title of Reform of Vocational Education.

## **Consultation**

14. The Ministry of Education drafted this Cabinet paper. The Treasury provided comment on the Cabinet paper. The Department of Prime Minister and Cabinet,

Tertiary Education Commission, Ministry of Business, Innovation and Employment, and New Zealand Qualifications Authority were informed in advance. The above-named agencies are part of the governance structure of the combined Reform of Vocational Education work programme.

15. Several other agencies have an interest in this work and will be consulted on the more substantive paper to be provided early in 2019.

### **Financial Implications**

16. There are no financial implications from this paper. s 9(2)(f)(iv)

### **Legislative Implications**

17. There are no legislative implications from this paper. I have submitted a legislative bid to support any proposals that Cabinet agrees to proceed with following consultation.

### **Impact Analysis**

18. There are no impacts from this paper. Impact analyses will be prepared for reform proposals in early 2019.

### **Human Rights, gender and disability implications**

19. There are no human rights, gender or disability implications from this update.

### **Publicity**


20. Officials will immediately communicate with tertiary education organisations (including industry training organisations) with an update about the ITP Roadmap and vocational education and training system review projects. This communication will explain that the two projects have been combined into a single “Reform of Vocational Education” work programme, and indicate that the Government will consult publicly from around February 2019. It will not signal any direction for the reform to take before Cabinet has considered options early in 2019.

### **Proactive Release**

21. I intend to proactively release background papers from the two work streams of the reform of vocational education at the time that consultation on proposals begins. I propose to proactively release this Cabinet paper, and the Cabinet paper intended for early 2019 considering the substantial reform, as part of this information release.

### **Recommendations**

The Minister for Education recommends that Cabinet:

1. **note** that in March 2018 I committed to reporting back to the Cabinet Social Wellbeing Committee no later than December 2018 with a proposed way forward on reforms to the Institutes of Technology and Polytechnic subsector, process, and the direction of any associated policy changes [SWC-18-MIN-0017 refers]
2. **note** that this work proceeded during 2018 as two work streams: the ITP Roadmap 2020 project and the vocational education and training system review
3. **note** that the two work streams referred to in note 2 will be combined as a single work programme under the title of “Reform of Vocational Education”
4. **note** that work on this combined work programme is continuing, and that I will report to Cabinet early in 2019 with substantive reform options for public consultation
5. **note** that these options could include fundamental reform, including structural reform and reform of the roles and functions in the vocational education system, so the system can contribute strongly in response to the changing future of work
6. s 9(2)(f)(iv)  

7. **note** that, subject to Cabinet agreement, I will look to consult publicly early in 2019, starting around February
8. **note** that officials will communicate immediately with the vocational education and training sector to:
  - 8.1. inform them that the ITP Roadmap project and vocational education and training system review are now a single Reform of Vocational Education work programme
  - 8.2. update them that they can expect consultation to start early next year, possibly around February.

Authorised for lodgement  
Hon Chris Hipkins  
Minister for Education