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DairyNZ  
Private Bag 3221  
Hamilton 3240

**Contact details**

Geoff Taylor  
Associate Investment Leader  
Ph: 027 278 1608  
email: [Geoff.Taylor@DairyNZ.co.nz](mailto:Geoff.Taylor@DairyNZ.co.nz)

By email: [vocationaleducation.reform@education.govt.nz](mailto:vocationaleducation.reform@education.govt.nz)

**Public consultation on: The reform of vocational education**

DairyNZ welcomes the release of the consultation document *Reform of Vocational Education* and the opportunity the proposals provide to have meaningful input into the structure, function, and funding of learning in the dairy sector. We concur that change is necessary to unlock the latent potential of vocational learning.

DairyNZ is submitting on behalf of the dairy farm production sector as the peak industry body, mandated by farmer vote. This submission is structured into three parts:

1. A description of DairyNZ and our commitment to dairy farmers and New Zealand.
2. Feedback on the reform of vocational education "RoVE" proposal including design principles for a learning ecosystem that meets our sector's needs and identifies key issues. We have chosen not to respond to all the questions raised, instead focussing on those that appear most critical.
3. An invitation to Government to join us and our primary sector partners to build on RoVE and co-design an education ecosystem that meets our sector's needs.

DairyNZ looks forward to the opportunity to discuss reform options, and this submission, in more detail with officials and form a meaningful partnership to build capability for the advancement of the people in our sector.

## 1. DairyNZ and our sector

### 1.1 Our role

DairyNZ is the peak industry organisation representing New Zealand's dairy farmers. Our purpose is to deliver a better future for New Zealand dairy farmers. We are mandated to support this purpose through a farmer vote to levy milksolids production.

Our work, which is funded by the levy and government investment, includes:

- Research and development to support adaptive on-farm management
- Leading the adoption of best practice farming through investment in extension networks and formal and non-formal training
- Promoting careers in dairying
- Advocating for farmers with central and regional government.

### 1.2 Our commitment

DairyNZ is committed to building great workplaces for New Zealand's most talented workforce as set out in the sector's strategy [Dairy Tomorrow](#). This commitment reflects the capability challenges faced by the sector in transitioning to a sustainable future. It is ambitious, and holds significant value for employers, employees and New Zealand if achieved.

Achieving this commitment requires a well-coordinated and high performing research, development, extension, and education system that considers workforce requirements across the sector, including:

- Definition of competencies required across the workforce
- Provision of appropriate learning opportunities to meet the needs of the sector
- Attracting talent to the sector from school or other workplaces
- Supporting transition into the sector
- Enabling life-long learning
- Appropriate recognition methods, suited to the sector.

DairyNZ is committed to underpinning this system through building workplaces that support capability development. Our agenda is set out in the [Sustainable Dairy Workplace Action Plan](#). This will not be easy to achieve and the sector needs time and space to evolve.

### 1.3 Current dairy sector vocational education provision

Dairy NZ has had significant exposure to the education sector over time through:

- Investing in the Primary ITO and its predecessor the Agriculture ITO
- Dairy Industry Partnership Group at Primary ITO
- TEC Agribusiness working group
- TEC Food and Fibre Industry Advisory Group
- JVAP project "Innovative delivery and assessment approaches to building management capability in the dairy and horticulture industry"
- Ownership of a private training establishment: "Dairy Training Ltd".

Inefficiencies in the current system prompted DairyNZ to lead discussions with TEC, Primary ITO and Wintec on the formation of “*Dairy Learn*” and a “*Dairy Delivery Hub*”, which very closely reflect the proposed functions of an Industry Skill Body (“ISB”) and a more broadly mandated Centre of Vocational Excellence (CoVE). Ultimately the issues identified as the drivers for RoVE, led to these projects stalling. However, our experience with that work has been instrumental in shaping this submission and we would welcome the opportunity to share thinking to date.

DairyNZ is a willing and able co-investor in capability development, channelling approximate \$1.7M per year into training through the Primary ITO and a further \$20M through other extension and development initiatives that support learning in the sector.

This investment contributes heavily to the performance of the sector and should be viewed by Government as a core contribution to learning by industry.

## 1.4 Our sector

Our sector is different to those that currently have well-functioning vocational education provision. It is made up of approximately 15,000 farm businesses spread from Kaitaia to Bluff, with a workforce of 22,000 employees and a further 13,000 self-employed individuals. We have a significant impact on New Zealand, generating \$17 billion in export revenue, 25% of NZ’s total earnings.

Vocational education in dairy farming faces a range of perennial challenges:

- Geographic dispersion
- Small firms with limited / weak people systems unable to effectively support training
- Poor broadband connectivity
- A high value placed on face to face interaction
- A low value placed on formal training and no regulatory requirement for it
- Demand for ‘just in time’ learning rather than qualifications
- High regional dependency on temporary work visa migrants
- An industry training funding model (STM) that fails to meet cost of delivery.

Due to these challenges, DairyNZ takes on a representative role for the many small businesses in the sector and acts as industry voice on learning needs.

It must be recognised that formal training is only a part of the skills ecosystem. While 7,700 people were involved in formal training through the Primary ITO in 2017, a far greater number of learning hours are carried out through non-formal and extension programmes, and through the efforts of dedicated business owners providing on the job learning. We therefore fully appreciate the value that employers provide in the vocational education system and support any proposal that continues to encourage the active participation of employers.

## 1.5 Investing in the future

To deliver on the sector strategy, *Dairy Tomorrow*, our people will require upskilling. We believe there is an opportunity to grow participation in learning, and for that to be of benefit to the sector, business owners, employees, and NZ Inc. The scale of that return is estimated to be:

- At a farm business level, formal learning is estimated to provide a return on investment of seven to one.

- At an industry level, farm profitability varies considerably, with a standard deviation of approximately \$900/ha once factors other than farm team skills are accounted for. Reducing this spread through a more effective learning system offers a return to industry with flow on effects to the community prize of over \$1B per annum.

To capture these benefits, changes are needed. The RoVE presents a unique opportunity to reshape the system. It is too important to the future of our sector to get this wrong and if we are to meet the expectations of our own strategy and the New Zealand public to transition our businesses to a new level of performance, it is urgent, and we must act now.

DairyNZ is ready to devote time and effort to working with Government to help shape an appropriate solution, and to co-invest to achieve jointly valued outcomes.

## 2. Feedback on the RoVE proposal

Leaders from dairy, sheep and beef, horticulture, and arable sectors all agree that RoVE presents a significant opportunity for the food and fibre sector, but also conclude that diving into a detailed system design within the six-week window presented by the RoVE consultation period was unrealistic. A one-sided design process would also be at odds with the sector's desire to create a true partnership with Government.

Therefore, our approach to submitting on RoVE has been to:

- i. Jointly develop and agree a set of principles to guide the development of a new system
- ii. Identify key issues in the proposals where we are concerned if we do not comment, silence may be mistakenly seen as tacit approval. Silence should not imply acceptance.

The following sections expand this approach.

### 2.1 Design principles for a primary sector learning ecosystem

Sector leaders are concerned that neither the current situation or that proposed by RoVE will fully meet our sector's needs. Rather than focus on detail, it is helpful to keep the end goal in sight.

Therefore, DairyNZ, Beef & Lamb NZ and HortNZ have developed a jointly held set of principles to help guide the design of a future learning ecosystem. Those principles are:

- a. **Leadership by industry:** It is essential that there is strong industry leadership on programme objectives, design, delivery and assessment.
- b. **Industry leadership must be enabled by Government partnership:** The new approach should be set up as an industry and Government partnership, with joint governance and oversight to achieve mutually valued outcomes.
- c. **Multi-year, outcomes-based funding:** A shift away from the current formulaic funding system to a multi-year, outcomes based funding agreement between the sector and Government is required to provide certainty for co-investment.

- d. **A whole of primary sector approach:** Scale is required both in terms of available employment opportunities, and for the successful delivery of training and development services.
- e. **A whole of workforce approach:** The primary sector faces challenges in both attracting talent and developing the right talent. This exists from initial employment right through to management, leadership and ownership and requires a comprehensive set of services, broader than just education, that address these challenges in a connected way.
- f. **A whole of 'career' approach:** The system must address schooling, pre-employment, tertiary education, on the job learning, ongoing professional development, and transition to management, leadership, and ownership. This must acknowledge other forms of learning outside the formal system and integrate with the R&D, innovation, and extension system to meet the needs of lifelong learners.
- g. **A range of customer-centric delivery options:** The sector would need to offer a range of customer-centric delivery options, which meet differing needs of potential students, potential employees, new and experienced employees, managers, and owners/farmers.
- h. **A single, co-ordinated approach:** The primary sector's needs are too specialised and are of insufficient scale for a competitive model to work. There is a need for a single, co-ordinated approach, which aligns and builds on services from education, the sector and Government. Such a co-ordinated approach must allow flexibility to test and evolve the system to meet the needs of customers (students, employees, owners, farmers).

## 2.2 Our key issues

### 2.2.1 The role of levy mandated industry bodies

- The proposals are mainly silent on the role of industry groups in vocational education. Industry groups, or at least DairyNZ, have an important role in building capability and capacity in the sector.
- Industry bodies, like DairyNZ, know its sector well, and is mandated to represent its sector through a Commodity Levy Act vote. It is best placed to lead, doing so through creation and implementation of industry strategies such as *Dairy Tomorrow*.
- Industry bodies invest in a range of programmes that contribute to attracting and building capability in the sector. This includes investment in the Primary ITO, applied research, development of services, tools, and resources to assist farmers, and provision of non-formal learning programmes and extension services. These investments help drive sector performance and need to be supported/integrated into an individual's learning journey, alongside formal education, throughout their career to recognise and cater to different learning needs.
- DairyNZ recognises that workplace practices are one of the key enablers of a functioning vocational education system. Employers providing learners with the opportunity to participate in learning, supporting them and recognising the value through terms and

conditions is critical. DairyNZ invests significantly in this area, with the [Sustainable Dairy Workplace Action Plan](#) setting out the agenda. This is supported by stakeholders, such as Federated Farmers, Dairy Women's Network, NZYF, PrimaryITO, MPI, MBIE and WorkSafe NZ.

- The structure and governance of ISBs, NZIST and CoVEs, must enable active partnering with industry bodies, such as DairyNZ, allowing each to play to its strengths.
- Industry bodies have the capability to be appropriate hosts for some of the functions required for effective delivery of vocational education, such as learning needs analysis or brokering learning, where DairyNZ has a natural synergy with its Extension team.

### 2.2.2 Skills leadership

- We support the concept of a primary industry ISB, subject to appropriate governance and accountability regimes being put in place to ensure that the ISB is accountable and responsive to industry levy bodies.
- The provision of a mandate for skills leadership by government to an ISB through legislation should not be construed as mandate from industry, and could very possibly place the ISB in direct conflict with the industry.
- ISB recognition must be based on sound governance and accountability to industries for which they have coverage. A five-year recognition window is appropriate, but industry also requires mechanisms to influence performance in the interim should things go wrong.
- We do not believe it is appropriate for the Primary ITO to transition directly to be the ISB. The scope of activity in an ISB, the competencies and industry focussed culture required are significantly different to that in the Primary ITO. We recommend a new organisation is formed, acknowledging that many of the staff will transition to that organisation, and a transition plan is required to minimise loss of good staff.
- We believe the mandate for skills leadership, regardless of what body performs this function, should extend to include comprehensive workforce planning, from attracting new entrants to meet demand, through to continuing professional development for those supporting farm businesses. This would require advice to TEC, secondary-schools, universities and professional bodies and involve setting standards for vocational education provision.
- This mandate does not diminish the responsibility of individual industry bodies, such as DairyNZ, Beef & Lamb NZ, or HortNZ, to represent their sectors. The reach of these organisations through their respective sectors, coupled with a mandate from a levy vote, mean that they are uniquely placed to influence and facilitate change within the sector.
- Regional leadership from NZIST should augment the role of the ISB, rather than have a direct role in advising TEC, at least for the primary sector, where a relatively small regional footprint in some areas could see industry needs being inadvertently overlooked.

- We support the role of the ISB in monitoring quality of provision through needs analysis of skill gap closure rather than by capstone assessments, which are more suited to a highly regulated environment.

### 2.2.3 NZ Institute of Skills & Technology

- DairyNZ supports the need to address the issues for which the New Zealand Institute of Skills and Technology “NZIST” has been mooted. However, we are unsure how industry will be able to interact with NZIST and hold the delivery side of the system to account.
- The strategic importance of the primary sector, its uniqueness as a dispersed sector of small businesses and its relatively small footprint in the existing ITPs mean that alternative ways of dealing with our sector should be considered. We believe an extended mandate for a Centre of Vocational Excellence, combined with industry involvement in governance, is one way that tension can be managed. Positioning or hosting of CoVEs within the system is an issue for further discussion.
- We support the concept of a CoVE and believe the proposed functions should be extended to include:
  - a. Development of programmes and resources to standardise delivery
  - b. Maintaining regional and industry links to ensure that programmes are responsive to changing business environments
  - c. Supporting learner experiences/journeys
  - d. Supporting tutor development
  - e. Innovation of delivery
  - f. Links to R&D in the sector
  - g. Integrating formal and non-formal delivery in conjunction with industry bodies
  - h. Contracting/directing of providers for delivery into the sector
  - i. Responsibility for sector transition programmes, such as Gateway and Trade Academies
  - j. Moderation of providers
  - k. Attraction of talent to the sector
- We believe it is important to maintain some tension in provision and submit that private training enterprises or workplace trainers should still have a role to play.

### 2.2.4 Funding

- The significant investment made by Government in capability development for our sector is welcomed and appreciated, but restrictive rules-based funding can at times drive agendas that frustrate industry efforts. It is critical that industry aspirations are enabled by Government through negotiated co-invest for jointly valued outcomes.
- The RoVE proposal intimates that funding of functions such as the ISB by industry creates accountability. Unfortunately, this has not been DairyNZ’s experience under the current structures. Strong industry governance and performance indicators agreed by Government and industry are the only way to achieve this.

- Formulaic rules around funding do not meet the needs of our sector. Small, geographically dispersed, hands-on businesses require new approaches to funding that recognise issues such as:
  - a. Learning happens in multiple ways, especially informally on the job. Credentialing this learning is important to learners and employers, and enables assessment irrespective of mode of learning.
  - b. Learning in some regions is not going to attract large numbers of participants, but must be financially viable for both employers and providers.
  - c. Programmes must be flexible enough to change in response to emerging issues.
  - d. Staff on temporary work visas contribute significantly to the sector and their community. This contribution is enhanced by continued access to funding.
  - e. Face to face off-job learning is a critical part of wellbeing for isolated farmers.
- Funding will also need to be reviewed more frequently to keep pace with cost and avoid the run-down in responsiveness and quality that we are seeing now, and which has led to RoVE.
- Eroding margins have forced moves to reduce cost through initiatives such as distance provision and pushing more responsibility for training back onto employers. A drive for efficiency is admirable, but efficiency cannot be allowed to trump quality outcomes.
- DairyNZ believes support for the learner and their employer/trainer is required from outside the business to ensure that learning is carried out to the required standard.

### 2.2.5 The requirement for policy and rule reform

- The RoVE is largely seen to be a structural review, with a redistribution of functions aimed at bringing solvency to the sector. This is necessary, but not enough. A flexible, outcome focussed policy environment, able to respond to individual sector needs is required. Without this, innovation will be stifled, learners will not achieve their potential and the effectiveness of the dairy sector will be severely restricted.
- Too often industry bodies hear that it is TEC, NZQA or MoE rules that make meeting the needs of learners in our sector impossible. Effective reform should aim at removing that excuse.



### 3. A vision for the future and an invitation to Government

The Dairy Tomorrow strategy provides the dairy sector vision for the future, however, our ability to achieve that vision is highly dependent on the capability developed within the sector. The design and implementation of an effective learning system underpins the vision.

An effective learning system will:

- Create an engaging learning experience for the learner and support them to achieve their potential in the sector.
- Contribute to attracting the talent we need.
- Help the sector transition to a world leading, sustainable future.
- Contribute to the wellbeing of New Zealand and New Zealanders.

Many of the issues our sector experiences as barriers to engaging with the formal system are catalogued in the RoVE documentation. These emanate from a system designed to deliver volume learning in urban areas, and in a rules-based environment that is not fit for purpose for our sector. Other barriers arise from the structural elements unique to our sector.

It is highly unlikely that a generic model will work for our sector. We require a bespoke approach that addresses the above issues.

DairyNZ, alongside our primary sector partners, would like to invite Government to join with us to build on the intent of RoVE and design and implement a fit for purpose primary sector capability development ecosystem. The partnership would jointly govern and invest in a learning ecosystem aimed at achieving agreed outcomes valued by all parties.

#### DairyNZ is a willing and able investment partner

DairyNZ has a remit to invest in achieving outcomes related to building a talented workforce. We believe that joint investment alongside TEC for agreed objectives is an effective means of generating accountability to the sectors in all parts of the system. We also regard co-investment as a means of sharing risk and reward, and in development of innovative approaches to building capability within the sector.

Our preferred approach is a negotiated co-investment with TEC to deliver outcomes that we jointly value. A negotiated agreement must be long term and must provide the flexibility for experimentation, success and failure, to develop and deliver solutions that work for our sector. Through materially raising the level of skill in our sector we will simultaneously reward the learner and the business owner and increase the wellbeing of New Zealand.

We would welcome the opportunity to discuss ways in which TEC can work directly with industry and invest in areas of mutual interest outside of standard funding mechanisms.

## Conclusion

Thank you for the opportunity to contribute to this consultation. DairyNZ congratulates Minister Hipkins on taking a bold step forward with these reforms and we are very much looking forward to meaningful change for the benefit of our sector, and New Zealand as a whole.

Once again, we would welcome the opportunity to continue to be involved in further discussions around the future vocational education for our sector.

Please contact Geoff Taylor, Associate Investment Leader, on 027 278 1608 or [Geoff.Taylor@DairyNZ.co.nz](mailto:Geoff.Taylor@DairyNZ.co.nz) if you have any questions regarding this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Mackle', written over a large, light-colored oval shape.

**Dr Tim Mackle**  
Chief Executive  
DairyNZ