



DairyNZ Submission: 2024 Vocational Education and Training Reforms

12 September 2024

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Executive Summary

DairyNZ is submitting as an industry organisation representing all of New Zealand's dairy farmers. Our purpose is to progress a positive future for New Zealand dairy farming through investment of farmer levy in research, policy, development and extension.

As a sector, dairy farming generates approximately \$26 billion in export returns, with \$16 billion shifted to the farm gate and into rural New Zealand. Our sector is reliant on the vocational education and training system to develop the skills and capability required to maintain and build this significant contribution to the economy and at the same time meet the requirements of our social licence to operate.

We have had extensive exposure to the vocational education and training system over time as previous co-funders of the Primary ITO and the former AgITO, and as owners of Category 1 PTE, Dairy Training Ltd. DairyNZ has been actively involved in the design process that established Te Pukenga and Workforce Development Councils. We agree that RoVE has not delivered on its design intent and that changes are required.

The reforms proposed by Minister Simmonds provide an opportunity to reset and future-proof the VET system to meet the needs of our sector. Specifically, we recognise the following:

- Strong industry leadership is required in determining need, funding programmes, and commissioning low volume but strategically economically important delivery.
- System design that minimises the conflicts of interest that have been evident in past iterations and creates the incentives for the VET system to work collaboratively to meet our needs.
- Standard setting, quality assurance and advice to TEC must remain as independent and specifically funded functions in the VET system to create the tension required to drive improved outcomes.



- Funding for VET in the dairy sector must recognise the diversity of learning needs in the sector, support innovation in qualification and programme design, and enable the sustainable delivery of programmes via the most appropriate mode of provision to meet the needs of farm businesses and learners, be it ITP, PTE or WBL format.
- Reforms must ensure that implementation provides for bipartisan, long-term stable regulatory and funding arrangements, which encourage investment in the system by employers, learners and providers resulting in a reliable skills 'pipeline' to be developed in our sector.

In making change it is also important to acknowledge the positives that have evolved and not reverse those settings that are serving the sector well. These positives include independent standard setting and quality assurance.

The proposals largely represent a structural reform. This is a necessary first step, however, we note that a wider system review, including the respective roles of NZQA and TEC will be needed to overcome many of the barriers that the industry struggles with, such as the time it takes to bring a product to market, and the supply side led provision targeted at volume rather than strategic need.

Our observation is that many of the issues in the current VET system come back to the allocation of funding and the incentives and disincentives this creates. Working in consultation with other parts of the food and fibre sector, we have come to the conclusion that a new approach to funding is required. This new approach must enable the Government's substantial investment in food and fibre VET to be allocated strategically, with industry involvement, to drive innovation and sustainable delivery, and with the explicit goals of meeting the industry's skill needs that will allow us to play a full part in the economic growth and wellbeing of New Zealand.

It is highly unlikely that a generic approach will work for our sector. We need a bespoke approach that recognises the issues and opportunities in our sector and supports the Government's aspirational goal of doubling exports (by value) in ten years.

DairyNZ looks forward to the opportunity to discuss reform proposals in more detail with Government and to form a meaningful partnership to build capability for the betterment of our people, our sector and for New Zealand.



Response to Consultation Questions

Proposal 1: Creating a healthy ITP network that responds to regional needs

Question 1: Do you agree with the consultation document's statements on the importance of ITPs? Why or why not?

We agree that ITPs are an important part of the vocational education system but must be viewed as part of an integrated system that includes work-based learning (WBL) delivered by employers and PTE's, which is how the majority of learners in the dairy sector engage with VET.

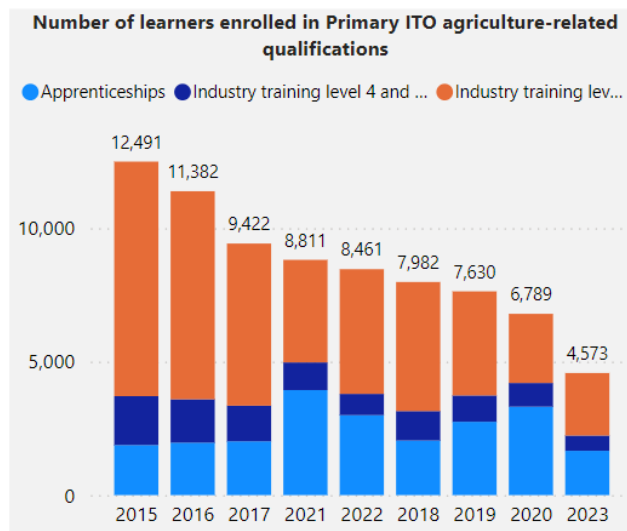
We are concerned that neither the current system nor the proposed federal model has a rural focus. We are a geographically diverse constituency with challenges round internet access, small workplaces (the average farm employs 2 staff), high need learners, and with learning focussed round practical skills. Provision and delivery of learning in a rural setting is variable, sometimes viable, but often not, meaning rural areas are most likely to be underserved, and ITPs in those regions have a uncertain path to sustainability.

We are concerned that the current proposals unduly favour sustaining ITP provision, which is not sufficiently dynamic to meet the needs of what are largely small rural businesses in our sector. Online provision is not a viable alternative for a wide range of reasons, such as access to internet, access to devices, the requirement of practical skill development and the relatively high learning needs of many of our participants.

In a properly configured system, ITPs have an important role to play in meeting the skill needs of industry, that role is necessary but not sufficient on its own.

Question 2: What do you consider to be the main benefits and risks of reconfiguring the ITP sector?

The proposals appear to favour a return to a past structure that resulted in problems for our sector such as fragmentation, harmful competition, conflicts of interest, disconnection from industry and financial unsustainability. This model was, and continues to fail our sector, as can be seen in the figure to the right.



We see a significant risk in overcommitting to regionalisation. Most vocations in New Zealand, including dairy farming, require similar if not identical graduate competencies from Kaitaia to Bluff. As a nationally oriented sector, reverting to a regional system, divided further by ITP, PTE and WBL provision lines will undoubtedly increase the transaction cost for our sector in engaging in VET. It will likely lead to confusion for farmers regarding what they are purchasing and possible devaluation of those qualifications as a result.

In the case of the on-farm dairy sector we have seen the number of providers decline significantly over time, with our own provider, Dairy Training Ltd, surviving as a result of its category 1 status, industry good orientation and support from DairyNZ as parent company. The proposal risks buttressing the ITP sector but at the expense of other types of provision.

Re-establishing governance and management structures for ITPs will reduce funding available to support learners in the system, with the funding proposals clearly indicating this will be at the cost of WBL. This will negatively impact the dairy sector, reducing the ability to grow the skill and capability required to run successful businesses.

Regional ownership of ITPs, either stand alone or as part of a federation is unlikely to lead to the sort of reform required to drive the sector to sustainability. Parochialism and self-interest will likely further delay critical decisions, which we saw under the previous model, where the majority of the ITP sector were recording losses, unable to make the hard decisions needed. Once again this will negatively impact funding to learners and the innovation required for the sector.



We believe another period of uncertainty and reform could further undermine employer and learner confidence and compromise performance of the VET system's core functions, potentially for years.

Stability of future regulatory arrangements will be important. While the current Government may believe the pendulum swung too far under RoVE, a complete reversal is not the answer. The VET sector needs to be able to capture the gains made, which include:

- Formation of WDCS and greater industry involvement in standard setting
- The UFS providing greater equity for WBL and enables innovation
- The Ako networks, although not fully enacted showed promise
- Shared services and programme development
- Rationalisation of programmes, and;
- Cost effective accessibility to fit for purpose capability development.

Question 3: Do you support creating a federation model for some ITPs? Why or why not?

It is unclear why a federation across all ITPs is not the best way forward to foster strategic coherence and to enable the sharing of back-office and other functions. This would not require continuing the undesirable features of Te Pūkenga, such as a head office, integrated leadership structures and common branding. In particular, a federation across all ITPs where surpluses are reinvested for the benefit of all New Zealand learners would seem to be appropriate.

Question 4: What are the minimum programmes and roles that need to be delivered by the new ITP sector for your region?

While we have national coverage as an industry, there are areas, such as the East Coast or urban Auckland, that do not have significant dairy production and therefore do not currently require coverage. The dairy sector's skill and capability needs are well understood by the current Muka Tangata and these are conveyed to TEC.

In many cases ITPs are not a viable provider and the primary mode of delivery is WBL or through PTEs. However, there are areas where ITP's could usefully contribute to our skills pipeline, for example through provision of provider based pre-entry training and block courses that utilise some of the skills and facilities that ITPs hold. WBL provides no opportunity to cater to such an audience as their trainees must be in work. A hard separation of the ITPs and WBL is likely to make this an unworkable proposition and is a further risk to the system.

The funding system needs to enable and incentivise the most suitable mode of provision (including 'hybrid' provision, if appropriate).

An organisation is needed at the heart of the system that, as well as setting standards, can commission and broker key food and fibre VET programmes that will never otherwise be sustainable in a volume-based funding model.



Question 5: What are the critical factors needed (including functions and governance arrangements) to best support a federal model?

The participants in the federal model should share a range of functions and resources, including IT systems and programme content. Shared governance arrangements would also be desirable to minimise diversion of funds away from learners. Most importantly, the federation should act with a common strategic purpose, which should include meeting the skill needs of industry (especially in each ITP's home region), avoiding duplication and unhelpful competition, and acting in alignment with other parts of the VET system.

Proposal 2: Establishing an industry-led system for standards-setting and industry training

Question 6: Which option do you prefer overall? Why?

The on-farm dairy sector is not convinced that either option will meet our needs, but lean toward Option B for the following reasons:

- The separation of standard setting and arranging training in the current system has created a level of focus on standards and a tension that we believe will ultimately drive a better match between supply and demand, with better quality outcomes for learners and industry. We have seen advancement of thinking and approaches to qualification structure, standard setting and quality assurance under the WDCs. This separation and specialisation in standard setting must be maintained.
- Coupling arranging of training and standard setting results in conflicts of interest and provides too much power in the value chain. We have historically seen, and suspect we will revert to:
 - a. Industry voice being ignored, with standards and provision deviating significantly from industry need. For example, qualifications had become longer, when industry is asking for shorter more targeted programmes. The impact of this is clearly demonstrated in falling participation rates. However, it is acknowledged this behaviour was, to a large extent, a response to insufficient funding to deliver in a complex sector.
 - b. Increased burden of training put onto the employer who is often not equipped to provide that training.
 - c. The arranger of training dictating off-job training provision, specifying what training and what rate they will pay for the training to off job providers. In some cases, they also provide the course material and assessment. This is harmful to PTE viability, it stifles innovation in delivery and choice for learners.
 - d. Bundling of funding for arranging training and standard setting on a volume basis has previously led to underinvestment in standard setting and we find our industry in the



position where qualifications are not reflecting what industry needs and employers and learners are disengaging. A significant overhaul of the funding system is required.

To avoid these issues, it is our recommendation that standard setting and quality assurance must maintain separation from arranging training and provision and be funded directly.

We also recommend that establishing legislation requires high accountability of the standard setting function to industry, including dispute resolution mechanisms.

Regardless of whether Option A or B is progressed there are a number of other points raised in the proposal that we believe require focus for the system to work. These include:

Communication and data sharing

The natural feedback loops noted as a positive under the ITO model should be available to the VET sector regardless. Ultimately all parts of the system are trying to uplift learners and through them, New Zealand businesses. Careful thought should be given to how the legislative framework can incentivise/compel all parties to work together for the benefit of the learner.

Lack of innovation & responsiveness

The critique has been levelled throughout the proposal that regional responsiveness has decreased over recent years. While there are many contributing factors, we believe programme endorsement and approval processes are a significant cause of this.

We recommend that NZQA and TEC investigate how they can empower trusted Category 1 providers, to develop and deliver programmes to meet qualifications without the need for overly bureaucratic and duplicative programme approval processes. This will be particularly relevant for qualifications where NZ Skill Standards clearly define the learning outcomes required. Enabling innovation will be particularly important to meet the changing needs of new generations of learners.

Coverage

DairyNZ believes that Food and Fibre sits comfortably as a standalone ITB or SSB and would caution against increasing span of coverage, as this would dilute specialist industry knowledge, lowering credibility with industry.

Wider opportunity for PTEs to offer apprenticeships

It is pleasing to see that PTES would appear to be given the opportunity to arrange apprenticeships under Option B, although we believe this should also be possible under Option A. To enable this, the definition of apprenticeship should move to the WDC successor body and be set in conjunction with industry. Providers who offer apprenticeships must meet those standards.



Question 7: What are the main features and functions that Industry Training Boards (Option A) need to be successful?

DairyNZ does not support Option A.

However, if this is the path followed, measures to avoid previous conflicts of interest must be introduced. These may include:

- Administrative and/or structural separation between the standard-setting and arranging functions.
- Separate funding specifically for standard setting functions
- Better-defined requirements for industry governance, and involvement in delivery of functions such as endorsing/sign-off on standards.
- An effective dispute resolution pathway for industry should conflicts reemerge.

Question 8: Under Option A, how important is it that Industry Training Boards and non-Industry Training Boards be able to arrange industry training? Why?

DairyNZ does not support arranging training and standard setting being combined under Option A.

Question 9: What are the main features and functions that industry standards-setters (Option B) need to be successful?

The features and functions of industry standard setters must include requirements to:

- Set standards and develop qualifications to meet sector needs. The standard setting function must cover all work based and work integrated learning carried out by ITPs, PTEs and WBLs to enable cohesion across the system and reduce some of the potential competitive tensions that may arise.
- Moderate assessment and assure quality in a way that lifts standards across providers
- Access and collate government, provider and industry data and insights to inform current and future skill needs and learning modes.
- Provide funding advice to TEC. The advice provided to TEC by Muka Tangata has ensured the voice of our sector is received by TEC unfiltered by a provider.
- Report on learner performance across the sector and use this to support providers to improve outcomes.
- Strategically invest in initiatives to innovate and better meet the needs of the sector
- Maintain industry governance, with requisite skills provided by people from within the sector.

Question 10: Are there any key features of the Workforce Development Councils that need to be retained in the new system?

DairyNZ's view is that the WDC functions provided a minimum set for effective standard setting and should be maintained.



The one area of contention is programme endorsement, which is a duplicate of the NZQA programme approval role. This duplication slows down innovation. In many respects the WDC is in a better position to assess the ability of a programme to meet the graduate outcomes in a qualification, due to their specialist knowledge and proximity to the learner and provider. Vesting this role wholly with the WDC should be considered.

Question 11: Are there any key features of how the previous Industry Training Organisations worked that should be re-introduced in the new system?

There are no unique features of the ITO model that have been lost and need to be reintroduced. However, effective arranging of training, which is central to the ITO model, is critical to the quality and sustainability of WBL and the system would be seriously undermined by the degradation or loss of this function through the reforms.

It is unclear that arranging training can exist as a stand-alone activity and it most likely fits with providers. There is a risk for our sector that providers do not invest sufficiently in arranging training, our experience is that training needs to be 'sold' as farmers are busy and coming to them is an important part of arranging training.

Question 12: What are the possible benefits and risks of having a short moratorium on new industry training providers while the new system is set up?

There is merit in this concept as we do want the transition to be a success. However, there is a risk that the emergent WBL entity will create a position of market dominance that any new entrant will be unable to compete with.

It is critical that a level of 'competition' is enabled and designed for in a transition process. In any transition phase, existing providers could be offered a portion of the market, most likely a geography, or a set of qualifications, where they could establish themselves as an arranger and provider of training should they have the capability and desire to do so. This would provide for a level of competition that would hopefully encourage innovation.

An alternative model is that the emergent WBL entity becomes a true broker of learning and therefore a service provider to Te Pukenga and other TEOs.

It should also be noted that in our sector PTE's are often subcontractors to WBL's to deliver off job training, often with non-compete clauses that restrict the PTE from developing their own offering. Should a WBL be transitioned to be a PTE, it is possible/likely they would internalise that role and potentially drive the remaining PTEs out, therefore creating a monopoly position and reduce innovation in programme delivery and choice for the learner and employer.

Proposal 3: A funding system that supports stronger vocational education



Question 13: To what extent do you support the proposed funding shifts for 2026?

DairyNZ does not support the proposed funding shifts because they will disadvantage workplace-based learning on which the sector relies. The funding differential (to the detriment of workplace-based learning) was one of the major problems of the pre-2020 system.

Specifically:

- Removal of the Strategic Component fund, coupled with discontinuation of funding for the Food and Fibre CoVE, reduces the opportunity for small players (those who are not able to bundle funding at the scale of an ITP or ITO) to innovate and meet niche needs in small but important sectors.
- Removal of the Learner Component disadvantages people in rural areas, where learning needs are often more acute, and especially if they are enrolled with a small provider.
- The proposed bundling of these components into SAC funding will increase funding to ITPs, but this will occur at the expense of WBL and is no guarantee of sustainability in the ITP sector, which has failed to right-size itself over the last four years.
- The signalled intention to carve standard setting out of WBL funding alone seems illogical when the standard setting is a function applied to ITP and SAC provision as well as WBL.

As a more generic principle, the bundling of funding components has led to underperformance of the VET system for the dairy sector in the past, for example a lack of focus on standard setting, resulted in longer more complex qualifications when industry was asking for shorter more practical options. Bundling blunts signals and is also more suited to larger institutions, not the smaller more agile providers required in the dairy sector.

Question 14: What benefits and risks need to be taken into account in these changes?

Re-directing funding away from workplace-based learning (which is the dominant delivery format for much of the dairy sector) risks worsening the disconnect between employers, learners and the VET system. This will create long term skills issues for the dairy sector and hamper our ability to contribute to New Zealand's economic wellbeing.

High delivery cost sectors, such as dairy, have been supported by specialised agriculture rates. This has enabled increased specialist delivery to enhance management capability, and we recommend such rates are continued.

Question 15: How should standards setting be funded to ensure a viable and high-quality system?

Standard-setting is an important systemic and non-volumetric enabling function for the VET system that should be funded independently as a core function of the system.

Question 16: How should the funding system best recognise and incentivise the role that ITPs play in engaging with industry, supporting regional development and/or attracting more international students to regions?



The funding system should not incentivise these activities because they are the foundational licence to play for an ITP. Providing high-quality learning experiences necessitates engagement with employers and industry. This should be in place.

Described another way, such incentives may be characterised business development incentives. This risks unfairly enabling the ITPs to compete with other TEOs in the region. If incentives are to be made available, they should be available to all TEOs

Question 17: What role should non-volume-based funding play, and how should this be allocated?

Implementing a strategic approach to funding VET learning in the dairy sector and the wider food and fibre sector, is the single most important and effective intervention that is available to Government to improve the system and to ensure that it meets the needs of learners and businesses. Such a strategic approach must be enabled by non volume-based funding.

Concluding Questions

Question 18: Could there be benefits or drawbacks for different types of students (e.g. Māori, Pacific, rural, disabled, and students with additional learning support needs) under these proposals?

Work based learners in general would appear to be disadvantaged by the proposal, with a significant shift of funding away from WBL to SAC funding and classroom-based learning.

Learners in the dairy sector heavily favour workplace-based learning.

The proposals, through discontinuation of the learner component, will further disadvantage our learners, specifically our Māori learners, those with diverse needs and those in more remote areas. The funding system needs to retain the means to promote and support achievement by diverse learner groups, especially Māori, who could benefit from flexible and innovative programmes and modes of delivery.

Question 19: Could there be benefits or drawbacks from these proposals for particular industries or types of businesses?

DairyNZ sees it as unlikely that the proposals will meet the needs of the dairy sector because they:

- Favour classroom-based learning at the expense of workplace-based learning, which is the dominant mode and better suited to the needs of the sector.
- Retain a volume-based funding system that makes it difficult to deliver low volume but strategically important VET programmes.
- Disadvantage Māori and other diverse learner groups.
- Do not address the underlying problems of the VET sector such as harmful competition, cyclical demand, high-cost campus footprint, and industry relevance.



- Contribute to ongoing flux and uncertainty for the VET sector, which could result in significant loss of capability.
- Will not enable development of the skills and capability needed to meet the government's goals for the food and fibre sector and the wider New Zealand economy.

Question 20: Are there other ideas, models, or decisions for redesigning the vocational education system that the Government should consider?

DairyNZ would like to see a VET system that has moved away from a volume-based funding system and that puts the needs of industry at the forefront of all decision-making.

---end of submission---