

Cabinet Paper material Proactive release

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A Redesigned Vocational Education and Training System: Options for Work-based Learning

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Author: Committee Secretary

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Material redacted

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Office of the Minister for Vocational Education

Cabinet Social Outcomes Committee

A redesigned vocational education and training system – Options for work-based learning

Proposal

- 1 This paper proposes changes to work-based learning following targeted consultation. This is a part of the broader redesign of the vocational education and training system.

Relation to government priorities

- 2 The Government has committed to disestablish Te Pūkenga and restore local and industry decision-making in the vocational education and training (VET) system.

Executive Summary

- 3 I am reporting back to the Social Outcomes Cabinet Committee (SOU) on the results of targeted consultation with key industry stakeholders on two options for the future of work-based learning, as agreed by Cabinet in December [SOU-24-MIN-0174].
- 4 As part of the December paper I noted that further decisions will be needed on:
 - 4.1 changes to funding to support both the transition to the new vocational education and training system and ensure its long-term viability (approved on 31 March 2025);
 - 4.2 changes and transitions for work-based learning (this paper); and
 - 4.3 the final number and form of polytechnics (to come in June) and the final number and form of Industry Skills Boards.
- 5 This paper seeks decisions on the future of work-based learning (apprenticeships and traineeships). This learning occurs, and is assessed, mostly on-the-job in the firm where someone is employed. Eighty percent of this learning is currently arranged by Te Pūkenga through its Work-based Learning (WBL) divisions. Te Pūkenga will be disestablished in 2026, so decisions on the future of this learning are required.
- 6 I consulted on two options for a future work-based learning system in January and February 2025. Following this consultation, I propose to implement an independent work-based learning model, in which providers (such as private organisations, polytechnics, and wānanga) manage all aspects of apprenticeships and traineeships. This option was preferred by the majority of stakeholders.
- 7 Decisions are also required on transitioning from the current work-based learning model in Te Pūkenga to this new independent model. A transition period is needed because it will take time for industries and providers to take on responsibility for work-based learning.

- 8 I have identified two options for managing this transition:
- 8.1 Original Transition Option: The WBL divisions will move out of Te Pūkenga from 1 January 2026 and into a Schedule 4A Company with shareholding Ministers and industry governance. This will be a transitional holding entity while WBL divisions are re-established as standalone, industry-led providers, if they decide to do this. This was the transition option presented during consultation in 2024 and 2025. I do not consider that this reflects the strong industry feedback for industry ownership and responsibility.
- 8.2 Modified Transition Option: The learners in WBL divisions would form part of the new Industry Skills Boards from 1 January 2026, who would manage these learners for up to two years, while new work-based programmes were established by industry-led private providers, polytechnics, and Wānanga. This has not been consulted on, but reflects the strong feedback from industry for control and responsibility by industry.
- 9 The core trade-off in this decision is between:
- 9.1 a Crown-led process that provides continuity and certainty for learners, firms, and industries (the Original Transition); or
- 9.2 an industry-led process that enables new providers, subject to them having capability, capacity, and willingness.
- 10 The modified option also avoids the need to create an additional entity by utilising the Industry Skills Boards to manage the transition process. But it will require Industry Skills Boards to have expanded functions for two years, similar to the previous Industry Training Organisations.
- 11 My preference is to implement the Modified Transition option. I consider that this provides more space for innovation and improvements in work-based learning to emerge, and that using Industry Skills Boards to manage transition will be more efficient for the Crown. This also gives industries, rather than the Crown, responsibility and control over who offers their work-based learning.
- 12 The chosen transition option will be implemented through legislation I intend to introduce in May. In the Modified Transition, some additional provisions would be required to support the temporary training role of Industry Skills Boards.
- 13 I intend to announce these decisions following Cabinet agreement to one of the options in this paper.

Background

- 14 Work-based learning is important for New Zealand's skills pipeline. It tends to match industry cycles, with demand rising as the economy grows. A strong work-based learning system will support increased productivity, increased employment opportunities, and this Government's growth agenda.

- 15 The majority of New Zealand's work-based learning is currently arranged through Te Pūkenga's nine WBL divisions.¹ Appendix 1 outlines the distribution of learners across these divisions. Te Pūkenga will be disestablished in 2026, requiring decisions now on the future of this learning.
- 16 In December 2024 SOU, with power to act, agreed to conduct targeted consultation with key industry stakeholders on their preference between two options for the future of work-based learning, and invited me to report back no later than April 2025 on the preferred model [SOU-24-MIN-0174].

Analysis

Consultation demonstrated a clear preference for Independent Work-based learning

- 17 Consultation on two options for work-based learning occurred from 27 January to 21 February 2025:
- 17.1 Independent Work-based Learning (also known as Option B), in which private providers, polytechnics, and Wānanga would manage all aspects of an apprenticeship or traineeship.
- 17.2 Collaborative Work-based Learning (also known as Option C), in which work-based learning would be split into 'educational' and 'pastoral care' functions, with different organisations managing each function.
- 18 In total, 204 submissions were received from a range of invited and non-invited stakeholders. 171 submissions favoured the Independent model, 16 favoured the Collaborative model and 17 gave no clear preference. Appendix 2 summarises consultation results, including by industry sector and organisation type.
- 19 I am proposing to implement the Independent Work-based Learning model. This is strongly supported by consultation results.

Pathways for implementing this model

- 20 There are choices on how to implement this work-based learning model. As Te Pūkenga is being disestablished, decisions are needed on where its work-based learning will move to. I am presenting two options:
- 20.1 Original Transition: The WBL divisions will move out of Te Pūkenga from 1 January 2026 and into a Crown company established under Schedule 4A of the Public Finance Act 1989 (the Schedule 4A company). This transitional entity would exist for two years, during which the divisions would be re-established as standalone, industry-led providers.
- 20.2 Modified Transition: The learners in WBL divisions would be moved to the new Industry Skills Boards from 1 January 2026. The Industry Skills Boards would manage these learners for up to two years, while new work-based

¹ A small number of private providers account for approximately 20 percent of work-based learning.

learning programmes were established at industry-led and other private providers, polytechnics, and Wānanga.

- 21 Industry Skills Boards are being established under the vocational redesign to replace Workforce Development Councils. They will be industry-led statutory bodies with responsibility for a defined group of sectors (e.g. Building and Construction, or Food and Fibre). They will develop New Zealand's vocational qualifications and credentials, ensure consistency and quality of training for industry, have a workforce analysis and planning function, and provide advice to the Tertiary Education Commission on funding vocational education in their industries. The Modified Transition would also give them a training function for two years.
- 22 Under both options, private providers, polytechnics, and Wānanga can develop new work-based learning programmes. Decisions on transition options only affect the work-based learning divisions and programmes currently within Te Pūkenga.

Main features of the Original Transition process

- 23 Under the Original Transition process the WBL divisions would move out of Te Pūkenga and become divisions of the Schedule 4A company. The divisions would maintain their existing programmes and learners, and continue managing programmes as they currently do. The Schedule 4A company would have shareholding ministers and could also include industry governance.
- 24 Over 2026 and 2027, officials at the Ministry of Education, the Tertiary Education Commission, and the New Zealand Qualifications Authority would work with industry and other stakeholders to re-establish the divisions as standalone, industry-led providers of work-based learning. This could include specialist providers or polytechnics taking on some WBL division provision if that was appropriate. However, the intent would be to re-establish the divisions in as continuous a form as possible.

Main features of the Modified Transition process

- 25 My preferred approach is for Industry Skills Boards to take responsibility for the work-based learners enrolled with Te Pūkenga on 31 December 2025. Assets and staff from WBL divisions would exit Te Pūkenga and move to these Boards.
- 26 The Industry Skills Boards would only manage apprentices and trainees for a two-year period, during which private providers (including industry providers), polytechnics, and Wānanga would develop programmes to replace those being managed by Industry Skills Boards.
- 27 Some new programmes – especially for smaller niche sectors – may take time to emerge. The Industry Skills Boards would therefore be able to continue enrolling learners in the former WBL division programmes where no alternative provider was available. Where a comparable work-based programme existed at one or more providers, an Industry Skills Board would cease enrolling new learners.
- 28 The Industry Skills Boards' ability to manage apprentices and trainees would expire at the end of the transition period. Six months before this date I would expect them to

actively work with providers so that learners could move to a private provider, polytechnic, or Wānanga. A Board might also be approved to manage an earlier transition of learners (and associated resources) to an industry-led provider.

Any future state for the WBL divisions will require trade-offs

- 29 The main trade-off in these options is between:
- 29.1 a Crown-led process that gives the Government more strategic oversight over the future of apprenticeships and traineeships, and that provides continuity and certainty for learners, firms, and industries (the Original Transition).
 - 29.2 an industry-led process that provides more space for new providers of work-based learning to emerge, including industry providers modelled on WBL divisions, which relies on the capability, capacity, and willingness of providers and industries to ensure continuity (the Modified Transition).
- 30 I consider that the Modified Transition option is preferable because new work-based learning providers (including industry providers modelled on WBL divisions) will provide more opportunities for innovation. This option gives industries – via their Industry Skills Boards – the power and responsibility to determine the future of their work-based learning programmes. Under the Original Transition option, the Crown would be responsible for determining the destination of work-based learning and managing the shift of this to providers.
- 31 There is also a trade-off between the number of entities, and organisational focus. The Modified Transition does not require a new entity to be created to manage transitions. However, it requires Industry Skills Boards to manage an additional function for two years, similar to the former Industry Training Organisations. This may reduce their ability to focus on their core standards-setting work – although the previous Industry Training Organisations carried out both functions
- 32 The Original Transition ensures that there is a clear distinction between standards-setting and work-based learning from Day One. However, it will require a new temporary entity to be created. I am concerned that this would add complexity and create a risk to the Crown by establishing a new entity for which shareholding ministers would be liable. This would include needing to manage the closure of any divisions that could not be re-established as standalone providers, decisions which I see as being better dealt with by industry.
- 33 Analysis of the potential benefits and risks of each transition approach can be found in Appendix 4.

Implementation

- 34 I am confident that both transition options will enable fast establishment of Industry Skills Boards and a rapid transition of learners in WBL divisions. This will enable the new model for work-based learning to be implemented from 1 January 2026, rather than the 1 January 2027 date described in my December 2024 Cabinet paper.

- 35 Under either option, the transition period will last from 1 January 2026 to 31 December 2027. In the Original Transition this will be the life of the Schedule 4A company that ‘holds’ the WBL divisions. In the Modified Transition this will be period during which Industry Skills Boards manage some training.
- 36 Table One sets out key milestones and activities from mid-2025 until the end of the transition period under each option.

Table One: Implementation timeline

Timeframe	Activities (Original Transition)	Activities (Modified Transition)
April 2025 to December 2025	Establishment of the Schedule 4A transitional entity and developing transition plans for WBL divisions.	Planning the establishment of Industry Skills Boards and transition plans for work-based learning
April 2025 onwards	Polytechnics, private providers, and Wānanga begin developing new work-based programmes.	
1 January 2026	The WBL divisions (including assets, learners, and programmes) move into the Schedule 4A transitional entity. ²	Workforce Development Councils are disestablished. Industry Skills Boards are established, using relevant assets and staff from WBL divisions and Workforce Development Councils.
		Learners attached to Te Pūkenga’s WBL divisions shift to an appropriate Industry Skills Board, which begins managing their programme.
1 January 2026 onwards	All providers, including WBL divisions, are enrolling learners into work-based programmes. The Crown works with industries and other stakeholders to re-establish WBL divisions as standalone providers.	Polytechnics, private providers, and Wānanga are enrolling learners into new work-based programmes. Industry Skills Boards are enrolling learners where this is needed to cover gaps in work-based programmes offered by new providers.
1 July 2027 to 31 December 2027		ISBs actively transition any remaining learners to programmes at providers.
1 January 2028 onwards	WBL divisions have moved out of the Schedule 4A transitional entity and are re-established as standalone providers. Schedule 4A company is wound up.	Industry Skills Boards are no longer able to manage apprenticeships and traineeships

² The WDCs are disestablished and ISBs established on this date, but this does not affect workplace-based learning.

Cost-of-living Implications

37 There are no cost-of-living implications arising from this proposal.

Financial Implications

38 The proposals in this paper will be delivered within the current funding envelope, including the Te Pūkenga Disestablishment and Transition Operating Contingency.

39 Under the Modified Transition, the Industry Skills Boards will receive the ring-fenced funding that Industry Training Organisations brought into Te Pūkenga (currently estimated at approximately \$15m), and non-cash assets and resources associated with the WBL divisions and Workforce Development Councils (e.g. computer infrastructure). As this involves assets being transferred out of Crown ownership, this will have a small impact on the Crown's operating balance. This impact will be finalised ahead of the establishment of Industry Skills Boards by Orders in Council.

Legislative Implications

40 Legislation to implement proposals agreed in December 2024 is scheduled to be introduced in May. Decisions, as detailed in the recommendations, are now needed to enable the Parliamentary Counsel Office to include the preferred model in the draft Bill introduced to the House.

Impact Analysis

Regulatory Impact Statement

41 A Regulatory Impact Statement (RIS) has been prepared and is attached to the Cabinet paper as **Appendix 3**.

42 The Ministry of Education's Quality Assurance Panel has reviewed the Regulatory Impact Statement produced by the Ministry of Education (dated 31 March 2025). The panel considers that, because of constraints imposed on consultation and the challenges of accurately assessing the status quo, it partially meets the Quality Assurance criteria. Despite this, the analysis is sufficient to support decision-making in that it identifies the available options, illustrates the risks of the proposed approach and puts forward a strong case for an alternative option that may better manage risks.

Climate Implications of Policy Assessment

43 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal, as the threshold for significance is not met.

Population Implications

44 The population implications of proposed changes to the VET system were addressed in my June 2024 Cabinet paper [CAB-24-MIN-0234].

45 In June 2025, the Minister for Social Development and Employment and I will jointly report back to SOU with interim analysis on how the VET Redesign changes –

including those for work-based learning – are expected to impact learners, the implications for disadvantaged learners and the Jobseeker Government Target, and the continued operation of Trades Academies and vocational learning in secondary schools [SOU-24-MIN-0174].

Human Rights

46 These proposals do not have human rights implications.

Use of external Resources

47 A programme manager has been contracted to the Ministry of Education since June 2024 to lead the VET redesign work programme.

Consultation

48 The following agencies were consulted on drafts of this paper: the Department of the Prime Minister and Cabinet, the Treasury, the Public Services Commission, the Ministry of Business, Innovation and Employment, the Ministry of Social Development, the Ministry for Primary Industries, the Ministry of Health, Health New Zealand, Ministry of Disabled People, Te Puni Kōkiri, the Ministry for Pacific Peoples, the Ministry for Women, the Ministry of Justice (Te Arawhiti – The Office for Māori-Crown Relations), the Ministry of Transport, the Department of Corrections, Education New Zealand, the Tertiary Education Commission and the New Zealand Qualifications Authority.

Communications

49 I intend to announce the finalised model and transition process for work-based learning once Cabinet has considered and accepted this paper. A rapid announcement will give employers, current and potential work-based learners, industries, providers, and Workforce Development Councils certainty about the future state for this part of the sector.

Proactive Release

50 I intend to release this paper within 30 days of it being considered by Cabinet and once the preferred model has been publicly announced, subject to any redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Vocational Education recommends that the Committee:

Reporting back

- 1 **note** that in December 2024, The Cabinet Social Outcomes Committee:
 - 1.1 agreed to retain the existing work-based learning model in the first instance, pending targeted consultation with key industry stakeholders on Option B vs Option C, and;

- 1.2 invited the Minister for Tertiary Education and Skills to report back no later than April 2025 on the preferred work-based learning model, with changes to be either included in the relevant Bill at introduction or progressed via a second phase of legislation [SOU-24-MIN-0174];
- 2 **note** that the paper considered by SOU in December 2024 included two options for consultation:
 - 2.1 Option B (similar to current arrangements) with Industry Skills Boards established as separate standards-setting entities and Te Pūkenga's work-based learning divisions becoming standalone work-based learning entities;
 - 2.2 Option C, with Industry Skills Boards established as separate standards-setting entities, along with responsibility for national training coordination and pastoral care functions;
- 3 **note** that I have conducted targeted consultation on Option B and Option C, including the process for transition, as requested under SOU-24-MIN-0174;
- 4 **note** that the majority of submissions from consultation preferred the Independent Work-based Learning model;
- 5 **agree** to implement the Independent Work-based Learning model (Option B);

Preferred transition approach for work-based learning

- 6 **note** that there are two options for the transition process to an Independent Work-based Learning model:
 - 6.1 the Original Transition process (as consulted on);
 - 6.2 the Modified Transition process (as preferred by the Minister);
- 7 **note** that under the Original Transition process:
 - 7.1 A Crown company will be established under Schedule 4A of the Public Finance Act 1989 to temporarily hold Te Pūkenga's work-based learning divisions;
 - 7.2 Te Pūkenga's work-based learning divisions will shift to this Crown company from 1 January 2026 and operate as divisions of that company offering work-based learning programmes;
 - 7.3 The negotiation and transfer of work-based learning divisions from this Crown company to standalone industry-led providers would be progressed over 2026 and 2027;
 - 7.4 The Crown company is intended to be wound up on 31 December 2027, or earlier;
- 8 **note** that under the Modified Transition process:

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- 8.1 existing work-based learning enrolments within Te Pūkenga as at 31 December 2025 will transfer to Industry Skills Boards for two years (until 31 December 2027);
- 8.2 new enrolments from 1 January 2026 will be mainly into new and existing private training establishments (including those established by industry), polytechnics, or Wānanga as suitable new programmes emerge at these providers;
- 8.3 Industry Skills Boards will be able to continue enrolling learners in programmes where there are gaps in provision offered by providers, as in some cases new work-based learning programmes may take time to emerge;
- 8.4 Industry Skills Boards will actively transition any of their remaining work-based learning enrolments to programmes at polytechnics, private training establishments or Wānanga from 1 July 2027 to 31 December 2027, and this may occur earlier with Tertiary Education Commission approval;
- 8.5 Industry Skills Boards' ability to manage training will end on 31 December 2027, and all remaining enrolments with Industry Skills Boards will end;
- 9 **note** that under the Modified Transition process temporary legislative provisions are needed to give Industry Skills Boards the function and responsibility for arranging training for learners, including the ability to charge fees, and to support the transition of current Work-based Learning division staff, assets, and learners to Industry Skills Boards;
- 10 **agree** to a transition process for the Independent Work-based Learning model which is EITHER:
- 10.1 Original Transition process consulted on with industry;
- OR
- 10.2 Modified Transition process (developed as a response to industry feedback for control and responsibility);
- 11 **note** that the Education and Training (Vocational Education and Training System) Amendment Bill which would implement the model agreed in recommendation 10, holds a category 2 priority on the 2025 Legislation Programme (a priority to be passed by the end of 2025);
- 12 **authorise** the Minister for Vocational Education to issue drafting instructions to the Parliamentary Counsel Office for a Bill amending the Act to implement the decisions here.

Hon Penny Simmonds

Minister for Vocational Education

Appendices

Appendix 1 – Work-based Learning within Te Pūkenga

Appendix 2 – Summary of Submissions Report

Appendix 3 – Regulatory Impact Statement

Appendix 4 – Comparing Risks and Benefits across original and modified transition options

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Appendix 1: Work-based Learning in Te Pūkenga

There are nine work-based learning division brands within Te Pūkenga, two of which operate as a single group. Table One below provides the preliminary number of learners and Standard Training Measures (STMs) in each division in 2024.

These numbers are provisional, have not been approved for public release, and are subject to change. ‘All Te Pūkenga VET enrolments’ includes domestic learners in work-based and provider-based vocational programmes. It excludes degree-level and post-graduate students.

Table One: Provisional learner distribution across Te Pūkenga WBL divisions (2024)

Division	Examples of coverage	Apprentices and Trainees	Standard Training Measures
BCITO (Building & Construction ITO)	Carpentry; flooring; stonemasonry	9(2)(ba)(i)	
Careerforce	Community and social services; health		
Competenz	Engineering; manufacturing; forestry		
Connexis and EarnLearn	Civil infrastructure; electricity supply; water industry		
	Plumbing, gasfitting & drainlaying; electrical engineering; regulatory practice		
HITO (Hair & Beauty ITO)	Hairdressing; barbering; beauty therapy		
MITO (Motor ITO)	Automotive; transport & logistics; extractives		
Primary ITO	Food and Fibre sectors		
ServicIQ	Hospitality; retail; tourism; travel		
All WBL divisions			
All Te Pūkenga VET enrolments			

Apprentices and Trainees refers to individuals who have enrolled with a Te Pūkenga division. As one person can enrol in more than one programme in a year the number of individual people enrolling in work-based learning across Te Pūkenga is smaller than the sum of enrolments in each individual division.

Standard Training Measures (STMs) measure the amount of learning undertaken by a person in a work-based learning programmes. An Equivalent Full Time Student (EFTS) is the comparable measure used for provider-based programmes. One STM represents 120 credits of learning that equals a standard course load for one year for a full-time student. A learner enrolled in a 60 credit programme could account for a maximum of 0.5 STMs. As most vocational programmes are smaller than 120 credits, and learners in work-based programmes are effectively studying on a part-time basis while they work, the average number of STMs per learner is significantly below one.



Te Tāhuhu o
te Mātauranga
Ministry of Education

The future of Work-based Learning

Summary of Submissions



Te Kāwanatanga
o Aotearoa
New Zealand Government

Te Tāhuhu o te Mātauranga | Ministry of Education

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Glossary

Apprentice/ Trainee	An employee engaged in work-based learning who develops competence through their work. An apprentice is undertaking a larger and longer learning programme , often in a traditional trade.
Equivalent Full Time Student (EFTS)/ Standard Training Measure (STM)	A unit used to quantify learning for funding and monitoring purposes. One EFTS represents a learner taking on a standard full-time course load for a year; an STM is the same concept but is used for work-based learning . Part-time students and work-based learners complete less than one EFTS/ STM per year.
Industry Skills Board (ISB)	The new entities that will take over the standards-setting functions of Workforce Development Councils .
Industry Training Organisation (ITO)	The industry-owned bodies that used to do standards-setting and manage most work-based learning . They were disestablished in 2020, with their standards-setting functions shifting to WDCs and their work-based learning functions moving to work-based learning divisions of Te Pūkenga or PTEs .
Institute of Technology or Polytechnic (ITP)	A publicly-owned provider of vocational education and training and applied higher education. These were disestablished in the 2020 reforms, and will be re-established over 2026.
Moderation	Ensuring consistency in assessment across different assessors. Internal moderation is managed within a provider , while external moderation is conducted from outside (e.g. by a standards-setter).
Private Training Establishment (PTE)	A privately-owned education provider . There are many PTEs offering a range of programmes, including foundation, vocational, and higher education.
Programme	A structured course of learning that a learner enrolls in and, when successfully completed, leads to a qualification . In vocational education and training these are usually made up of multiple standards .
Programme Endorsement	A standards-setting process whereby an organisation attests to NZQA that a provider's programme is appropriately designed and relevant to industries.
Provider	An ITP , Private Training Establishment , Wānanga , Te Pūkenga , or a university that designs programmes , enrolls learners, and awards qualifications .

Provider-based Learning/ off-job learning	Vocational learning that takes place mainly at a provider . This might involve some workplace experience but is mainly taught and assessed by tutors through classes, online, and in simulated work environments.
Qualification	The credential that a learner receives once they have successfully completed their programme , such as the NZ Certificate in Automotive Engineering or the NZ Diploma in Forest Management.
Standard	A specific group of knowledge, skills, and/ or attributes, against which a learner can be assessed as competent. For example, <i>Install ceiling framing</i> or <i>Provide basic emergency care</i> . Further information is available at www.nzqa.govt.nz
Standards-setting	A collection of system-level functions that ensure vocational education and training is relevant and credible. These functions include developing qualifications and standards that providers use to design programmes , and quality assuring their use.
Wānanga	Education institutions characterised by Mātauranga Māori, te reo Māori, and tikanga Māori. The specific characteristics of Wānanga are set out in section 398D of the Education and Training Act 2020.
Work-based Learning (WBL)/ on-job learning	Vocational learning that takes place mainly in the firm where a learner is employed, like an apprenticeship . In some cases this might involve attending some classes or online work, but most learning happens through work.
Work-based Learning divisions	The parts of Te Pūkenga that focus on providing work-based learning . Each is based on a former ITO that moved its programmes , learners, and assets into Te Pūkenga.
Workforce Development Councils (WDC)	The current standards-setters in vocational education and training, set up during the 2020 Reform of Vocational Education. There are six of these, each of which has coverage for a broad group of industries.

Executive Summary

Context

Over 2024, the Government considered options for the future design of New Zealand's Vocational Education and Training system. This included a public consultation on high level proposals during August and September of that year.

In December 2024, the Government confirmed its decision to disestablish Workforce Development Councils (WDCs) and Te Pūkenga. Legislation, preparation, and implementation of these decisions will now be progressed. The new system and new structures will be operational from 1 January 2026.

However, due to the complexity of the work-based learning system, along with its critical importance to the economy and the Government's Going for Growth strategy, decisions were taken to further consult this year on two options for work-based learning. This is to ensure decisions are taken with full visibility of all risks and concerns.

Final decisions are expected in April 2025.

Consultation Process

Because the Government had previously publicly consulted on the future design of New Zealand's vocational education and training system, it was decided that this second round of consultation be limited to a targeted group of key stakeholders. This was to ensure consultation was focused on those with significant interest and stakes in the final design, including large employers, peak bodies and industry organisations. However, no interested parties were prevented from submitting and all submissions have been considered.

On 21 January 2025, Hon Penny Simmonds, Minister for Vocational Education, released the *Options for the future of Work-based Learning* consultation document which set out two options the Government is considering.

Consultation ran for four weeks from 21 January – 27 February 2025.

Stakeholders were invited to submit views on the proposals via email.

Methodology

- All submissions were filed and logged in Excel.
- The consultation asked four questions. A team reviewed and analysed submission responses, logging them into Excel.
- These summaries of responses were then further analysed and coded thematically.

Submitters

The Ministry received 204 unique submissions on the proposals.

60 submissions were received from targeted / invited stakeholders.

86 submissions came from industry representatives including industry organisations, professional bodies, unions, peak bodies and WDCs.

40 submissions came from businesses.

36 submissions came from Tertiary Education Organisations.

15 submissions came from charitable trusts working in communities (NGOs).

11 submissions came Government Agencies, Crown Entities, and Local Governments.

19 came from other submitters, largely individual submitters.

Key findings

Headline results and common themes

The majority of submitters stated a preference for the **Independent model** with 171 submissions (84%).

16 submitters (8%) preferred the **Collaborative model**.

17 submitters (8%) were uncertain either way.

Common themes from across submitters' responses to support their preferences included:

Benefits for the Independent model:

- Minimal disruption
- Most like the status quo which is a positive, and maintains current relationships and skilled staff
- Single point of contact
- Simplicity
- Will allow for tailored support to learners (including underserved learners)

Risks for the Independent model:

- Increased competition could impact financial viability across the sector
- Risk of disconnect between ISBs and employers/industry
- Reduction in delivery

Benefits for the Collaborative model:

- Dedicated focus on pastoral care

- Improved feedback loop to ISBs
- Regional focus will better meet local employment needs
- More financially sustainable for ITPs

Risk for the Collaborative model:

- More complex with employers, providers, ISBs, and learners all needing to be involved across all aspects
- Split of pastoral care responsibilities and duplication
- Regional focus makes national consistency more difficult
- Negative impact on smaller/niche industries

Overview

Introduction

Over the course of 2024, the Government considered the options for the future design of New Zealand's Vocational Education and Training system. As part of this, the government consulted with the public during August and September. Following that consultation, the Government took decisions in December 2024 on disestablishing Te Pūkenga and Workforce Development Councils. In place would be a reestablished network of institutes of technology and polytechnics ('polytechnics') and Industry Skills Boards. The December Cabinet paper setting out the proposals is available here: [55 - VET Legislative Framework.pdf](#)

However, Cabinet decided to further consult on future arrangements for work-based learning. This report summarises the submissions received from that short (four week) targeted consultation.

Replacing Te Pūkenga

Te Pūkenga's polytechnic business divisions will be replaced with a new network of Institutes of Technology and Polytechnics (ITPs). Standalone ITPs will need to be financially and academically viable, while a federation structure will support those that face challenges in operating as fully standalone entities.

The work to decide which ITPs can be set up, what changes are needed to make them viable, and which ones will need federation support has already started. The new ITPs will be set up in 2026, once legislation has been passed. Te Pūkenga itself will be disestablished by the end of 2026, including its work-based learning divisions. The consultation sought sector feedback and input on preferences for work-based learning arrangements (apprenticeships and traineeships) in the future.

Replacing Workforce Development Councils

The WDCs will be replaced with new Industry Skills Boards (ISBs). The ISBs will take on some functions that WDCs currently perform, including investment advice to the Tertiary Education Commission (TEC).¹ More information on ISBs is in the information box on pages 6 and 7.

The number of ISBs is yet to be determined. To ensure each one is of sufficient scale and viability there likely won't be more than eight, and each one won't necessarily cover the same collection of sectors that WDCs currently do. In addition, the New Zealand

¹ Workforce Development Councils will continue until the replacement ISBs are established and take over their functions.

Qualifications Authority (NZQA) will take on standards-setting for some industries, although every sector that currently has work-based learning will be covered by an ISB.

There will be further consultation on the number and industry coverage of ISBs in the first half of 2025.

Final decisions are expected in April 2025.

Public consultation

Two possible models for work-based learning were identified and then consulted on. Work-based learning covers the apprenticeships and traineeships that industry training organisations used to arrange.²

The first model is Independent Work-based Learning. The second model is Collaborative Work-based Learning. The Minister for Vocational Education identified this as a possible new model following stakeholder engagements during the 2024 consultation.

Each model has different implications for what happens to the Work-based Learning divisions of Te Pūkenga (some of the former ITOs), and the learners and programmes they manage. It also has implications for other providers – ITPs, private training organisations, and Wānanga – who currently offer, or might want to offer, work-based programmes. And the final decision will also affect the role of ISBs.

The Minister for Vocational Education, the Ministry of Education and the Tertiary Education Commission held a range of online webinars with invited stakeholders. These included:

² There are other types of work-based learning, such as placements and practicums. This consultation relates to apprenticeships and traineeships undertaken by people learning in the workplace in which they are employed (see Glossary).

Construction – Monday 3 February 11am to 12.15pm

Stakeholder name
Registered Master Builders Association
Master Electricians
Master Link
Master Plumbers
NZ Specialist Trade Contractors Federation
NZ Certified Builders Association
NZ Construction Industry Council
Fletcher Building
Building and Construction Training Fund

Food and Fibre - Monday 3 February 12.45pm to 2.00pm

Stakeholder name
NZ Apples & Pears Inc
Horticulture NZ
Beef + Lamb NZ
Dairy NZ
Federated Farmers
NZ Forest Owners Association
Seafood NZ
Rural Contractors NZ
Pan-Sector Collaboration Group of the Forestry & Wood Processing Industry
Racing NZ
NZ Ethical Employers
Fonterra
New Zealand Winegrowers
Dairy Companies Association of NZ

Manufacturing – Tuesday 4 Feb 9am to 10.15am

Stakeholder name
Composites Association of NZ
Plastics NZ
Furniture and Cabinetmaking Association
Meat Industry Association
Advanced Manufacturing Aotearoa
Manufacturing NZ

Stakeholder name

NZ Manufacturing Alliance

Social services, community, and healthcare – Tuesday 4 Feb 10.45am to 12noon**Stakeholder name**

NZ Aged Care Association

Te Pou

Social Service Providers NZ

Home and Community Health Association

NZ Defence Force College

Te Whatu Ora

Platform Trust

Tourism, Retail, Creative, and Services – Tuesday 4 Feb 1pm to 2.15pm**Stakeholder name**

Hospitality NZ

Retail Association of NZ

Tourism Industry Association

Restaurant Association

NZ Māori Tourism

Hairdressers Association of NZ

WeCreate

Recreation Aotearoa

Foodstuffs

SkyCity Management Limited

Transport, Automotive, and logistics – Tuesday 4 Feb 3.00pm to 4.15pm**Stakeholder name**

Ia Ara Aotearoa Transporting NZ

Motor Trade Association

Aviation NZ

Air NZ

NZ Marine Industry Assn

Port Industry Assn

NZ Airline Pilots Assn

Marine Transport Association

KiwiRail

Pan-sector Stakeholders - Wednesday 5 Feb 9.30am to 10.45am

Stakeholder name
Business NZ
Employers and Manufacturers Association
Chambers of Commerce
NZCTU

Work-based learning PTEs & Te Pūkenga WBL Exec Directors - Monday 10 Feb 9am to 10.15am

Stakeholder name
MAST Academy
Te Mahi Ako
Ignite & ICE
Strategi
ATNZ
Vertical Horizons
Hato Hone St John
Builders Academy (formerly G&H)
Skills 4 Work
NZ School of Welding (BoP School of Welding)
NZ School of Education
MITO
Service IQ
Careerforce
HITO
Connexis
BCITO
Primary ITO
Competenz
Te Pūkenga

VET Consultation meeting with the Forest Industry Contractors Assn & Retail Meat NZ - 18 February 7:30pm

Stakeholder name
Forest Industry Contactors Association
Forest Protection Services Group NZ
Skipps Logging
Retail Meat New Zealand
Forest Industry Contactors Association
Forest Protection Services Group NZ
Skipps Logging
OFM Ltd
Tombleson Logging

VET Consultation with Apprentices & MATES in Construction – 19 February 6:00pm

Stakeholder name
MATES in Construction

Methodology

The Ministry received submissions via email. These were predominantly as attachments although some submitters provided their responses in the body of an email.

All submissions were logged in excel and submissions stored in the Ministry's online filing system. Submissions were then allocated across a team of analysts who read each submission and identified key themes in the responses to each of Question 2, 3 and 4, and coded them accordingly. Question 1 was framed as a binary preference question.

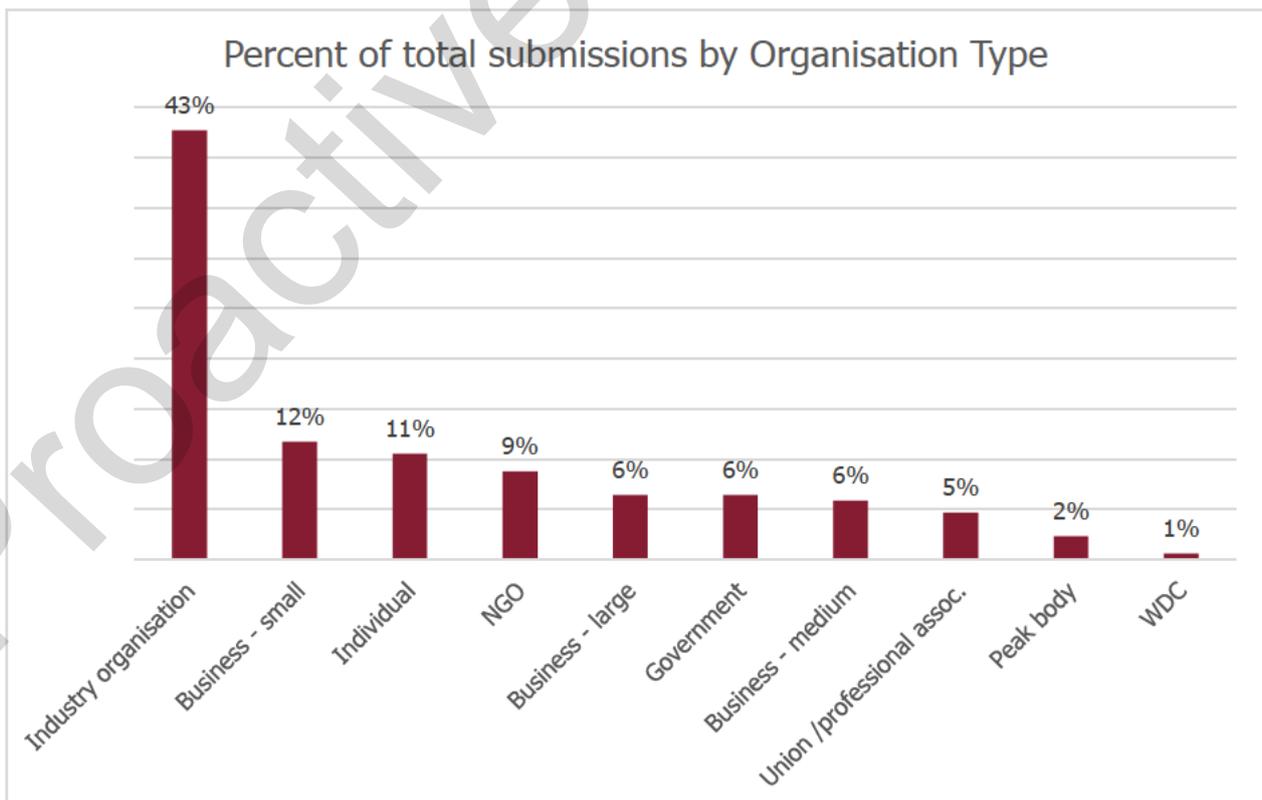
Subject matter experts from the Ministry of Education also provided input on the analysis of submissions.

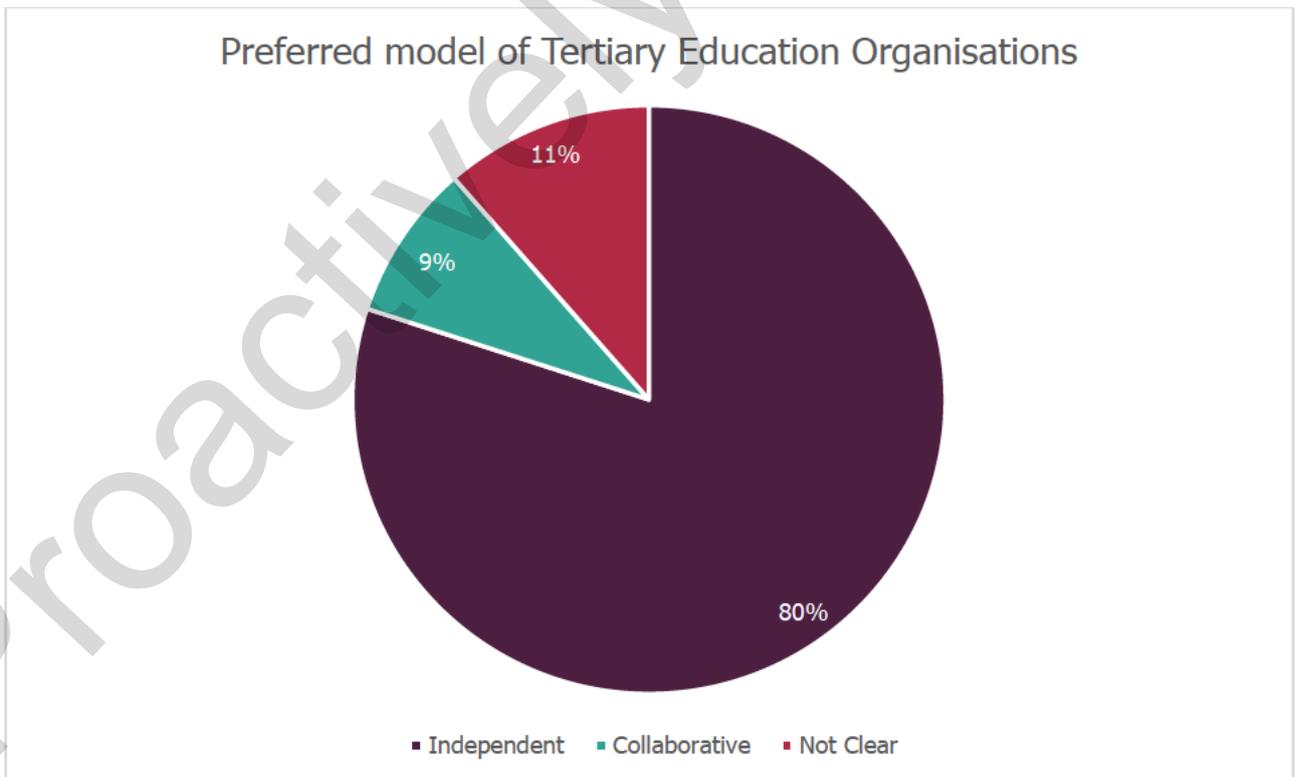
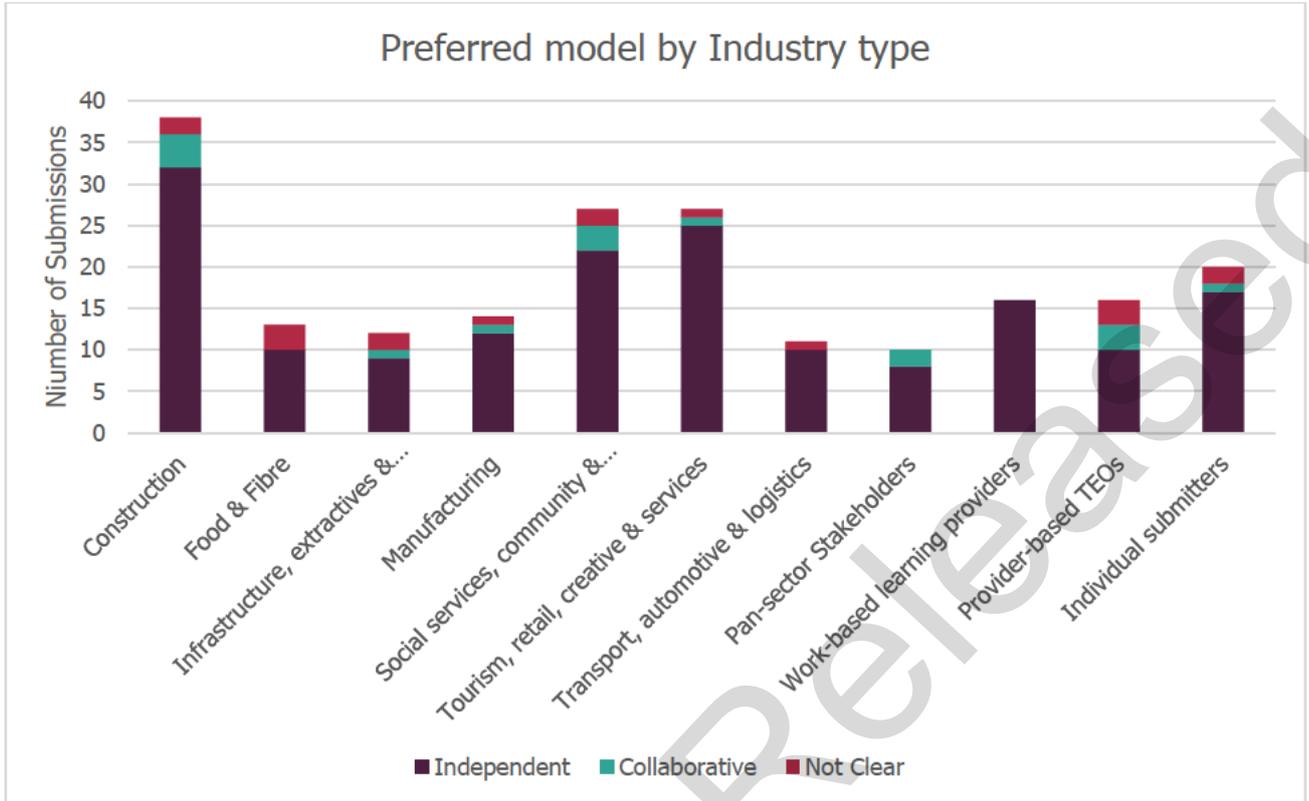
Illustrative quotes from submissions have been used throughout this report where permission was granted.

Overview of submissions

The Ministry received 204 unique submissions on the options for the future of work-based learning. All these submissions were received via email.

Quantifying submitters





Question One: Which of the two models – Independent or Collaborative work-based learning – does your organisation prefer?

This was a binary question asking submitters to choose either the Independent model or the Collaborative model. Substantially more submitters chose the Independent model over those who chose the Collaborative. A number selected neither.

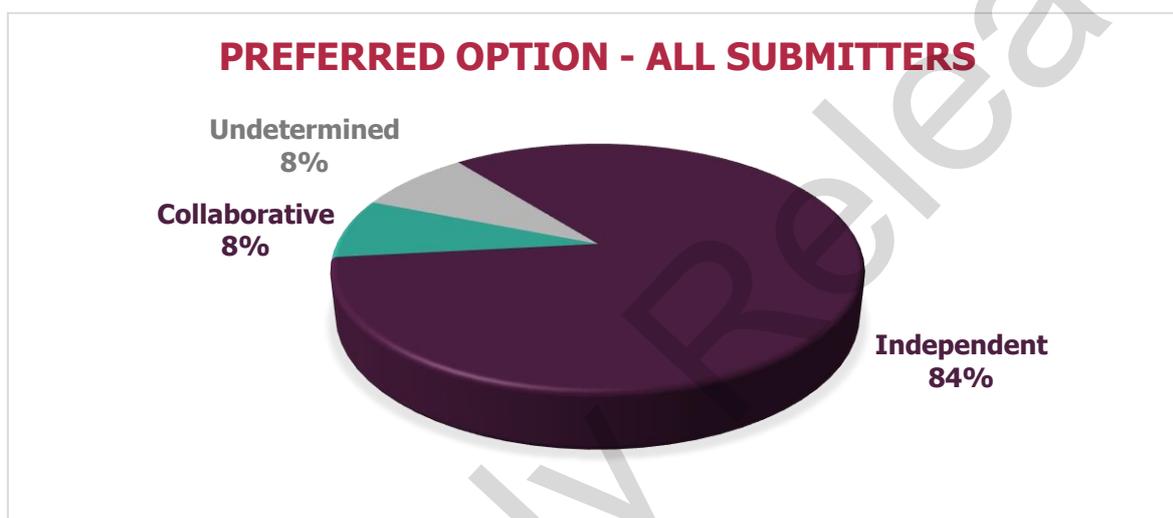


Table 1: All submissions - Preferred submitter option

Preferred Option	Independent	Collaborative	Not Clear	Total
Invited Consultation Groups (targeted)	50	5	6	61
Other Submitters (non-targeted)	121	11	11	143
Total	171	16	17	204

Table 2: Tertiary Education Organisations - Preferred submitter option

Provider ³	Independent	Collaborative	Not Clear	Total
Invited Consultation Groups (targeted)	16	0	0	16
Other Submitters (non-targeted)	12	3	4	19
Total	28	3	4	35

³ Providers have been defined as Institutes of Technology and Polytechnics (ITPs), Work-based learning divisions of Te Pūkenga (WBL Divisions), Wānanga, Private Training Establishments (PTEs), PTE representative bodies (Peak Bodies) and Government Training Establishments (GTEs).

Table 3: Organisation by type (Targeted and non-targeted) - Preferred submitter option

Organisation type	Independent	Collaborative	Not Clear	Total
Peak body	4	0	0	4
Industry organisation	61	3	9	73
Union /professional assoc.	4	2	2	8
Business - large	10	1	0	11
Business - medium	8	1	1	10
Business - small	19	0	1	20
NGO	13	2	0	15
Government	7	3	1	11
WDC	1	0	0	1
Individual	17	1	0	18
Total	144	13	14	171

Table 4: Industry by type (Targeted and non-targeted) - Preferred submitter option

Industry sectors	Independent	Collaborative	Not Clear	Total
Construction	32	4	2	38
Food & Fibre	10	0	3	13
Infrastructure, extractives & engineering	9	1	2	12
Manufacturing	12	1	1	14
Social services, community & healthcare	22	3	2	27
Tourism, retail, creative & services	25	1	1	27
Transport, automotive & logistics	10	0	1	11
Pan-sector stakeholders ⁴	8	2	0	10
Work-based Learning providers ⁵	16	0	0	16
Provider-based TEOs ⁶	10	3	3	16
Individual submitters	17	1	2	20
Total	171	16	17	204

⁴ Pan-sector stakeholders represent organisations that sit across a number of industries. These include representative bodies, iwi, regulators and regional development bodies.

⁵ WBL divisions, PTEs (registered and unregistered), and Peak Bodies that enrol learners who mainly study in the workplace with employers.

⁶ ITPs and PTEs that enrol learners who study mainly in a campus.

Question Two: Why will your preferred model work best for employers and learners in work-based learning?

&

Question Three: What does your organisation think are the main benefits, costs and risks of each option for employers and learners in your industry?

Approach

Questions 2 and 3 of the consultation explored the reasoning behind submitters preference for one model over the other. The questions asked submitters to provide the reasons for their choice, the benefits they identified of the respective models, and any costs and risks associated with each.

Following analysis of the submissions received, we have collated and summarised the responses to Question Two and Three together. This is because there was considerable overlap and repetition, including many submitters referring back to their responses to Question Two as their response for Question Three.

In analysing the submissions, we identified recurring themes. For this section, we have summarised the submissions under the top themes for each model, but also noting that there were some overarching themes across all submissions. For the Independent model, these themes were much more evident. Top themes in submissions that preferred the Independent model were mentioned in over 40 or more submissions. Because of the limited number of submissions supporting the Collaborative model, the corresponding top themes in these submissions were evident across a range of 2 to 10 submissions.

There were strong themes across all submissions

Regardless of the preferred model the three strongest themes across the submissions were:

Disruption, complexity and change fatigue

Submissions from across the sector, including employers, industry associations, providers and individuals, make it clear that the sector have very real concerns that planned changes will disrupt the system again. Many requested that **minimising the impact of changes** is prioritised and that this informs and drives decisions and implementation plans.

The importance of pastoral care for learners

Putting up two models with different pastoral care approaches has highlighted that across VET all stakeholders highly value pastoral care and want to see a focus on it. While not all parties agreed on what model would best deliver pastoral care, there was unilateral agreement on the need for it, as well as significant support for the consideration of greater prescription and setting of expectations to be incorporated in new work-based learning arrangements.

Industry voice as essential to the VET system

Employers and industry organisations were clear in their desire to see the VET system be industry-led and responsive to industry. The specific feedback covered the full range of VET functions from governance of key organisations (for example, ISBs or providers), to standard setting functions through to provision. Some felt that they wanted more voice than the current system offered, while others were concerned that the voice they currently had through the WDCs might be lost.

The majority of submitters favoured the Independent Model.

The overriding driver for support for the Independent model appears to be a desire for a simpler system and a transition that minimises disruption. The other strong themes in support of the Independent model were around consistency of training and standards, and the view that this model would allow for better industry input and influence in the sector. Other themes mentioned (in lower frequency) were the expected lower costs and administration for both employers and learners, better competition between providers (encouraging improved quality and responsiveness), better support for learners, and ensuring a clear role for ISBs.

The main concerns around the Independent model were provider competition (risking the viability of some providers) and the potential disconnect between employers/industry and ISBs.

A simple, easy to navigate VET system

A simple model was seen as easier for both learners and employers to navigate and there were concerns that the Collaborative model would introduce unnecessary complexities.

Underpinning this theme of 'less complexity' were preferences for a simpler transition, less disruption for learners and employers, having a single point of contact, and an easier model to navigate post transition. A simpler model was seen as likely to have less costs and administrative pressures for employers. Having a single point of contact was considered important for both employer and learners. Employers were concerned about

inefficiencies that may result from having multiple contacts for both their own organisations as well as the providers and ISBs.

*Prefer the Independent Work-based learning model for the simplicity in how work-based learning would be organised, and clear lines of communication for the student and an employer. **Restaurant Assn***

*Looking at the Collaborative model from an employer's perspective we see additional time needing to be spent by the employer to interact with both providers and the ISB. This would be especially burdensome on small employers. **WeCreate***

*Recognising the risks that an overly complex infrastructure training model risks industry disengagement, including poor trainee and apprentice outcomes, labour shortages, project delays, weakened national resilience and potential negative impacts on national consistency of training. **Infrastructure Sector (Civil Contractors NZ, Water NZ, Electrical Networks Aotearoa, Electrical Engineers Associations, MinEx, Straterra)***

Less disruption for both learners and employers

Reducing disruption to the sector and its learners was considered important. Many submitters mentioned wanting to stay with a model that is closest to the status quo, while others specifically stated they want to continue working with their current provider who is meeting their needs. There is concern that more system change could disrupt learners' outcomes and that key personnel in the relevant agencies would be lost.

Minimising disruption to trainees, no doubt the most important issue.

National Assn of Steel Framed Housing

*Will provide the smoothest transition, and for both learners and employers it will provide greater continuity from the current model to the next, reducing the risk of disengagement from these groups. **NZ Manufacturing Alliance***

*Our preference is to maintain the status quo. We have a positive working relationship with Toitū te Waiora, the WDC representing education, and see no justification for the disruptive and costly changes proposed. **Te Rito Maioha (PTE)***

*...after six years of uncertainty we risk losing industry-trained professionals who are the trusted advisors to the learner and employer; they too may simply opt out. **Competenz***

Simpler transition

Overall the Independent model was considered to offer a simpler transition. There are concerns that a more complex transition will impact the completion rates of learners and potentially stop employers engaging with training.

... a smoother transition with less disruption... NZ Pork

The Independent Model provides a seamless transition for apprentices and employers, minimizing disruption while keeping training focused on industry and learner needs. NZ Construction Industry Council

The Independent model offers the benefit of an easier, quicker, and potentially less costly transition process for learners. It ensures training can be delivered in a manner suitable to each industry, with appropriate on-the-ground support. Primary ITO

National consistency of training

The consistency of training across New Zealand was of particular importance to employers who operate at a national level. National employers also talked about the complexity of working with a different entity in each region and the increased administrative burden that would result. They noted that, in addition to maintaining relationships with multiple providers, under the Collaborative model a national employer would also likely need to have a relationship with more than one ISB for pastoral care, exponentially increasing the complexity.

National consistency of training was also a concern for some employers operating in a single geographic area. These employers asked that the skills learned in each region would be the same and to the same standard.

A regional approach does not work well for a national organisation - do not want to deal with different organisations in each region. Green Cross Health

[The Independent model] provides consistency of formal training nationally and is sector specific. Primary ITO

Industry input to the ongoing VET system

Many submitters felt that the Independent model could deliver a system that was more industry driven and better responded to industry needs. Some of the narrative underpinning this centred on the expectation that the Te Pūkenga work-based learning divisions could become industry owned.

Industry-Led Training: Vocational education must be driven by actual industry needs, with governance led by industry representatives. Concrete NZ

*It [the Independent model] allows employers to shape training that is closely aligned with our real industry needs. **Foodstuffs***

*The IWBL model enables industry stakeholders to take a strategic role in shaping vocational training, ensuring it remains relevant and directly aligned with business needs. By closely embedding learning within familiar real-world work environments, industry can assess whether training supports both the technical functions of the trade and the long-term success of employers and employees. **Motor Trade Assn***

Employer choice through allowing competition

The potentially higher levels of competition engendered through the Independent model received a mixed response. Some submitters saw this as a benefit as it could ensure providers were motivated to respond to their needs.

*...gives employers choice on who to work with that best meets the needs of their business and workforce. **Business NZ***

*Having multiple options with Training Providers will ensure a level of competition and reduce complacency with delivery to apprentices and employers. **Faulkner Construction***

*Employers and industries should have a choice to engage with the training provider that best suits them and their learners' needs. Suppliers should be consistently seeking industry engagement to make sure their offering is relevant. **Employers and Manufacturing Assn***

Keeping the role of ISBs clear

Clarity of role for the ISBs was seen as much better supported under the Independent model. Some submitters regard the incorporation of pastoral care into the ISBs as confusing and diluting the ISB role. There were also comments that a role for ISBs that focused on standard setting functions gave them a higher level of objectivity than one that had them working with learners and employers directly.

*ISB should be independent from training delivery and focus solely on standards setting, moderation, and workforce planning to maintain training standards and quality control. **Crane Assn NZ***

Submitters raised potential risks for the Independent Model

Privatisation

Supporters of the Collaborative model had concerns about the Independent model leading to a full privatisation of the VET system (with concerns about the Te Pūkenga work-based learning divisions potentially becoming privately owned).

*Do not support the current Te Pūkenga WBL divisions become individual Private Training Establishments (PTEs). **NZDF***

*NZNO opposes the work-based learning proposals because of the move to privatisation in the tertiary education sector that this clearly signals. **NZ Nurses Organisation***

*Option 1 opens up our vocational education sector to increased privatisation. We do not support the privatisation of tertiary education as it is likely to lead to profits being prioritised over quality provision, higher costs and reduced accessibility for learners, diminished responsibility for upholding Te Tiriti o Waitangi, decreased support for rural areas and niche industries, and a sector underpinned by fragmentation and competition for funding. **TEU***

Financial viability of ITPs

In submissions that supported the Collaborative model, there was concern around the financial sustainability for ITPs and some submissions saw the Collaborative model as a solution to this (though several of these submissions came from entities or individuals who would directly benefit from polytechnics growing).

*It is our view that the Collaborative Work-based Learning Model is more conducive to long-term sustainability as it will, among other factors, enhance the financial viability of our ITPs, thereby fulfilling a primary objective of the government. **TEU***

Support for the Collaborative model

Support for the Collaborative model focused on the benefits of ISBs being closer to industry (therefore supporting better industry voice), focused on pastoral care, supporting a more sustainable ITP network, and more regional focus.

ISBs closer to industry

The stronger connections between ISBs and industry were the most highlighted benefit of the collaborative model.

*Will enable ISBs to play a more central role in supporting the workforce and will support them to ensure that work-based learning programs align with current and future industry needs. **Building Performance and Engineering, Building System Performance, Ministry of Business, Innovation & Employment (MBIE)***

Though this was the most cited benefit it is worth noting that the occurrence of this theme is still smaller and number than most of the uncommon themes in the independent model due to the small number of summitters supporting the collaborative model.

Better industry support

Like those that supported the independent model, some collaborative model submitters thought that this model would better meet industry needs. Some also thought that the model would lead to better learning outcomes and/or pastoral care.

This model encourages industry-driven decision-making and offers the necessary structure for learners to receive the most relevant and practical training.

Scaffolding Rigging and Access NZ

This approach offers greater engagement between ISBs and learners, employers and industry, promoting alignment between training and workforce needs. The model also provides necessary oversight of providers and training delivery.

Master Plumbers

Risks of the collaborative model

The separation of pastoral care from learning

The separation of pastoral care from learning support was seen as a negative by many submitters. There were concerns that this approach would mean that the learner was less well supported and that their outcomes would suffer. There was also comment that this model would be more complex for employers and learners to navigate. There were overarching comments about ensuring pastoral care was well defined and that expectations on the organisation delivering it were clearly set.

The Collaborative Work-based Learning Model is less likely to provide a holistic approach due to the separation of education and pastoral care which could have negative repercussions for accessibility, equity

and inclusion. In our view, it is imperative that the new system is inclusive and provides equitable opportunities for all learners. **SkyCity Entertainment Group**

Splitting the pastoral care between multiple agencies would be confusing, expensive and likely won't meet the needs of learners and industry, especially as no definition of pastoral care exists. It wouldn't be unrealistic to assume that in a drive to reduce costs, pastoral care gets reduced to a phone call or the occasional email. **SiteSafe**

The Collaborative Work-based Learning Model is less likely to provide a holistic approach due to the separation of education and pastoral care which could have negative repercussions for accessibility, equity and inclusion. In our view, it is imperative that the new system is inclusive and provides equitable opportunities for all learners. **Vertical Horizons (PTE)**

[The Independent model] reflects that pastoral care is integral to training delivery. **National Kitchen and Bathroom Association NZ**

Uncertain ITP readiness for WBL

Concerns were raised about the capability of ITPs to directly take on work-based learning under the collaborative model. These included the suitability of resources, the entrenched learning semesters and the general flexibility of these institutions in the context of work-based learning delivery. The amount of time and workforce planning required for ITPs to shift to this new way of working were also identified as being barriers to the success of the Collaborative model.

Do not support the Collaborative model as do not want programmes moved to a Polytech(s). **Window and Glass Assn**

Do not want Polytech model - polytechs are focused on people in classrooms and sector wants in-work learning. **Civil Contractors NZ**

The introduction of regional ITPs will be detrimental to the construction industry. **Faulkner Construction**

Possibility of higher costs and fees

Submitters made a range of comments concerning the costs and fees that are important to the ongoing sustainability of work-based learning. While increased costs to employers were a concern for both models (due to the reduced funding signalled for work-based learning), there were specific concerns raised that the

Collaborative model would be more expensive to run and that it would be employers and learners who would be expected to meet additional costs.

*Currently MAST is functioning in what is equivalent to the independent model, this is working well for our specialist industry and we are not confident that removing the pastoral care element would benefit anyone. It would create more costs, complexity, uncertainty, reduce productivity and remove funding from MAST. **Composites Assn NZ***

*There is significant concern that under the Collaborative model, training apprentices would be more expensive and therefore prohibitive to many employers. **Association of Wall and Ceiling Industries***

*The proposed split of funding between ISB's and providers for this devolution of pastoral care is unknown as there is no cost analysis provided and therefore the effects on the learner and provider are unknown. Any loss of funding could make delivering the programmes above unsustainable from the providers perspective. **Hato Hone St John***

Low volume provision with industry importance

A range of submissions included concerns for low volume provision (either in niche industries or remote locations). Comments suggest that, while these industries do not feel fully supported in the current model, they have concerns that this could be worse in the future under a Collaborative model.

*[The Independent model] provides a better pathway for training niche industries whose training takes place on a national basis rather than a regional one. **NZ Manufacturing Alliance***

*We are particularly concerned that smaller apprenticeship programmes (e.g., concrete tiles, metal tiles, and membrane roofing) may face reduced funding, which could result in their gradual phase-out. This would be a significant loss to the roofing industry, as these trades are integral to our sector and require specific expertise. **Roofing Assn NZ***

*[Under the Collaborative model] ITPS may deem smaller programmes financially unviable, despite specialist trades' vital contributions to the economy. **National Kitchen and Bathroom Assn***

*Volume based funding does not work for industries, such as the food and fibre sector, with a generally lower number of in-work learners that are regionally and remotely spread, and where a number need additional learning support to enable skill and credit achievement. **Seafood NZ***

A number of submitters had either no preference for model or actively supported neither model.

Some submitters did not express a preference for either option.

The key concerns raised were regarding possible privatisation (as also covered under the Collaborative model feedback), and a strong preference to maintain the status quo (or as close as possible) and not cause further disruption.

Submitters raised risks that apply to both models.

Funding, fees and levies

Reduced funding was considered a significant risk to skill supply and quality of training. There were concerns across both models that the planned changes for VET would result in increased costs to both learners and employers.

There was discussion about the introduction of industry levies and the risk that these would result in some employers moving out of credentialed industry training.

*The Manufacturers Alliance does not support the introduction of training levies without substantial consultation and without this it should not be included in the proposed legislation that will be required to stand up the new system. Any levies introduced at a later stage should only be considered as the means to manage the 'free-rider' problem, and not compensate a lack of government funding. **NZ Manufacturing Alliance***

Diminishing the industry training sector by reducing funding and shifting greater cost on to employers (likely to result in less firms engaged in formal training). Businesses already bear the significant cost of industry training, factoring in productivity issues of unskilled workers; meeting the cost of additional fees and training; meeting the cost of workplace mentoring and administration of work-based training.

Business NZ

*The main risks of further changes will be diminishing the industry training sector by reducing funding and shifting greater cost on to employers (likely to result in less firms engaged in formal training); increasing the rate at which employers are choosing to purchase off-shore or unaccredited training due to perceptions of higher quality and better value for money; and creating greater lethargy and lack of responsiveness in the education sector as it focusses on government and change processes rather than meeting industry need. **Business NZ***

Across all submissions there were a number of ideas and opinions expressed that fell outside the consultation questions.

Further information about ISBs is wanted

The ISBs were one of the aspects of the VET system most commented on. Submitters had strong ideas about the scope of each ISB (with many industries wanting their own ISB) and ISB governance with a strong preference for industry, not government, governance. Many thought ISBs should be industry owned. There was a stated desire that ISBs will work closely with industry and employers around standard setting.

Provider monitoring is a concern

A handful of submitters made comment that the system needed to support more monitoring of providers and impose consequences when they did not deliver what industry wanted. It was suggested that ISBs were best placed to lead this aspect.

NZQA role in VET Standards setting

There was also a consistent narrative of concerns that NZQA was not well placed to own, develop and maintain vocational qualifications, regardless of the mode of delivery.

*NZQA should not be the default backup for qualifications outside ISB coverage, as its core role isn't qualification development. Industry wants a less complex and more responsive VET system, assigning standard-setting to NZQA could create inconsistent service for industries and confusion about who is responsible for what. **Manufacturing Alliance***

Pathways from school to industry are valued

Several submissions commented on the importance of maintaining the vocational pathways and secondary-tertiary transitions work. It was noted that this content was not explicitly covered in the consultation and there was concern that this suggested it was not a priority.

*It is essential that the role of vocational pathways advocacy is explicit in the functions of the Industry Skills Boards (ISBs) or made clear where that function resides, if it is not to be part of ISBs. **Advanced Manufacturing Aotearoa***

*[The Independent model] Better aligns with our own Te Waharoa-Gateway to the Trades programme. This programme creates opportunities for iwi members not only to forge a pathway into the trades but to become qualified and prepared for business ownership. **Waikato Tainui***

Apprentices have mixed experiences

The Minister for Vocational Education also met with a group of former (and one current) apprentices in construction trades, organised through the *Mates in Construction* initiative. This discussion covered the participants' personal experiences of being an apprentice, and the ways in which they felt that their apprenticeships could have been improved.

Key themes from this meeting included:

- There could be better structure and clarity ('what's learnt when') in apprenticeships.
- Apprentices should have clear ways to progress at a constant pace through their whole programme, including through off-job learning.
- There should be better support and advocacy structures for apprentices, and strong pastoral care supports, particularly in the initial years of an apprenticeship.
- The employment and work conditions for apprentices need to be addressed, including better programme design that ensures better on-the-job experience.
- That good apprenticeships currently seem to rely strongly on individual good employers and training advisors.

A written submission was received from a current building apprentice where they noted concern that the learner voice was missing from the current reform process. They also asked for national consistency of training that is industry-led, and minimisation of disruption, to be prioritised.

Question Four: What will be the critical factors in making transitions work for your industry?

Not all submissions answered Question 4. Those that did respond to this question often interpreted it quite broadly, and some content was less relevant to transition but more relevant to either the choice of model (questions 2 and 3) or the set-up, make-up and role of ISBs.

Of those that responded with their most important considerations for transition, by far the most common focus was on minimising disruption. While comments primarily focussed on disruption for learners, there was also recognition of the potential for disruption to impact employers and providers as well as contributing to workforce shortages. Many submissions reflected the high degree of disruption the vocational training system has already experienced over the past five years and that this was one of their reasons for selecting the change that would least disrupt the system.

*Seamless transfer is an imperative to minimise collateral damage to Trainee & Employer numbers. **Flooring National Advisory***

*The vocational education system has been through significant structural changes in recent years, and this constant disruption has led to a lack of confidence in the system's ability to deliver the training and skills needed by industry. **Restaurant Assn***

*"A transition that prioritises employer involvement, maintains training accessibility, and ensures minimal disruption for apprentices will be critical." **Master Plumbers***

Communication came through as another strong theme. Submitters wanted to both know what the plans were for change as they were developed and to have good information about the roles and related actions and processes once they are stood up. This theme ties in with comments made about all stakeholders needing to understand the players in the system and specifically what their role responsibilities are. This was highlighted as especially important for learners to understand as confusion on who to approach for what could impact their learning success.

*Clear Communication: It will be important for the transitional process that there is clear communication on the next steps, when they are to be taken, and who is involved. **Foodstuffs***

*Communication throughout the process, from the results of the current feedback, proposed legislative changes, through to the implementation of the changes from the ISB, Polytech's (in whatever form), PTEs, employers and trainees. Industry associations who are acting on behalf of their members need to be in the communication loop to ensure that their respective members are kept up to date and providing input to applicable consultations. **National Assn Steel Framed Housing***

There was considerable commentary around funding and fund setting. The strongest message on funding was that submitters wanted clarity on the proposed funding models and levels to enable them to plan. Lower funding and potentially higher costs to employers or learners was also a distinct concern. While providers also had concerns about lower funding rates, from employers and industry organisations' perspective it was that lower funding rates for providers may result in specific training being unsustainable or of reduced quality. There was also specific mention of specific funding for the transition being an element that would support its success.

*Cost transparency. Any changes to funding should be communicated early to allow organisations to plan and adjust accordingly. **Worksafe***

*We've heard from both providers and employers that the funding system is still very much driven by volume, so any changes to funding need to ensure that the behaviour changes that will result are aimed towards delivering quality. **Employers and Manufacturers Assn***

The other dominant theme was regarding the ongoing involvement of industry and employers in the VET system. These comments ranged from wanting involvement in the decision making and design of new work-based learning models and funding, to industry ownership of the current Te Pūkenga Work-based learning divisions. Although not the subject of this consultation, there was also comment on the role of industry in relation to ISBs.

*Enabling industry to lead on skills and building in appropriate levers, accountability, transparency and reporting mechanisms will be critical to the success of further changes. **Business NZ***

*New system should incorporate high levels of engagement with employers and industry bodies, to ensure the sector is providing a valuable pipeline of skilled graduates who can enter the workforce without the need for retraining. **Restaurant Assn***

There were smaller numbers of submissions on a range of more specific issues. Six submitters specifically called for consideration of low volume but critical provision in the design of the system.

*That sufficient funding is allocated to the transition and on-going vocational education system and recognition that some sectors will require additional funding to support low volume high value training in regions around New Zealand. **Dairy NZ***

*Small and specialised industries must not be overlooked in the transition process. **Energy Skills Aotearoa***

One identified feature of a successful transition is the simplicity of the design of the system. Submitters were wanting a simple system that would be easy to navigate and believed this would help all stakeholders adapt more quickly.

*Managing and co-ordinating training services would be a significant consideration for us to ensure an efficient transition. We are concerned about the potential challenges and complexities of separating education and pastoral care in transitioning to a Collaborative Work-based Learning Model. **SkyCity***

There was a mix of opinion around whether and how the market should be opened up to new work-based learning providers. Some submissions welcomed increased competition.

*We are strongly opposed to any restraint on new organisations offering industry training Programmes. **Minex***

*BusinessNZ does not support a moratorium on new programmes during the transition period. The system should be incentivised to innovate, particularly given rapid technology developments affecting some industries, and reserving the right of a moratorium by government will likely stifle innovation and further degrade confidence in the system to be able to respond. **Business NZ***

Others wanted more constraints on competition to support a successful transition or raised concerns that too many providers would result in a loss of financial viability.

*We support a moratorium on new work-based learning providers while the new system beds in. **Te Whatu Ora***

*Consideration needs to be given to the number of new entrants to WBL. There are risks to viability when there are too many providers. **Hanga-Aro-Rau***

Similarly, comments around the timeline for the transition varied. Some promoted a shorter transition to end uncertainty and disruption. Others wanted a longer and/or phased transition to better stabilise changes. There was consensus that submitters wanted to know the timeline that was planned.

Given the significant investment required it is inconceivable that the proposed 12 months will be sufficient time for transition, putting the industry at significant risk in the interim.

Civil Contractors NZ, Water NZ, Electrical Networks Aotearoa, Electrical Engineers Associations, MinEx, Straterra (joint submission)

*Changes should be phased in so businesses and industries can adjust rather than having to make big shifts all at once. **Skills4Work (PTE)***

*Assurances that this will be speedy. We can't undergo another couple of years of uncertainty. **Home and Community Healthcare Assn***

A range of other transition factors were mentioned in smaller numbers. These included ensuring a focus on under-served learners, consideration for where in the system vocational pathways will sit, how the new system can support Te Tiriti o Waitangi and include Māori governance, as well as manage the risk of lost knowledge and key staff.

Appendix A Consultation questions

The consultation invited submitters to provide answers to the following **four questions**:

- 1. Which of the two models – Independent or Collaborative work-based learning – does your organisation prefer?**
- 2. Why will your preferred model work best for employers and learners in work-based learning?**
- 3. What does your organisation think are the main benefits, costs and risks of each option for employers and learners in your industry?**
- 4. Both models will involve a transition process but this will be different for each. What will be the critical factors in making transitions work for your industry?**

Appendix B Organisations and groups that made submissions

Organisation or group name	Category
24/7 YouthWork Trust	NGO
Access Community Health Uru Ātea	Business - large
Advanced Textiles Association New Zealand	Industry organisation
Advancing Manufacturing Aotearoa	Industry organisation
Aged Care Association NZ	Industry organisation
Alibarbers	Business - small
Allied Professions Leadership Team / Capital, Coast and Hutt Valley (Te Whatu Ora)	Government
Āpōpō – Infrastructure Asset Management Professionals	Industry organisation
Architectural Aluminium Joinery National Advisory Group	Industry organisation
Association of Wall & Ceiling Industries	Industry organisation
ATNZ	Provider
Aviation NZ	Industry organisation
BCITO	Provider
Bettjemans (Grant Bettjeman)	Business - small
Brackenridge	NGO
Brick and Block National Advisory Group (BCITO)	Industry organisation
Brosnan Construction	Business - medium
Building and Construction Training Fund	Industry organisation
Building Performance and Engineering, Building System Performance, Ministry of Business, Innovation & Employment (MBIE)	Government
Business Events Industry Aotearoa	Industry organisation
Business NZ	Industry organisation
C.F King Contracting	Business - small
Careerforce	Provider
Chartered Accountants ANZ	Union /professional assoc.
Civil Contractors NZ, Water NZ, Electrical Networks Aotearoa, Electrical Engineers Associations, MinEx, Straterra (joint)	Peak body
Clark Construction Services (Aaron Lewis)	Business - small
Claud Switzer Memorial Trust	NGO
Cleaning Systems	Business - medium
CMP Construction	Business - large

Organisation or group name	Category
Competenz	Provider
Composites Association of New Zealand (CANZ)	Industry organisation
ConCOVE	Industry organisation
Concrete New Zealand	Industry organisation
Connexis (Bay of Plenty)	Provider
Connexis and Earnlearn (Joint)	Provider
Cook Construction Brother	Business - medium
Cool-Safe	Business - large
Craig Stinson	Business - small
Crane Association NZ	Industry organisation
Dairy NZ	Industry organisation
Dunedin Monumental Masons	Business - small
Edenvale Home & Hospital	Business - small
Elite Wool Industry Training	Provider
Employers and Manufacturers Association	NGO
Energy Resources Aotearoa	Industry organisation
Engineering New Zealand	Industry organisation
Exercise NZ	Industry organisation
Exterior Cleaning Industry Association (ECIA)	Industry organisation
Faulkner Construction	Business - medium
Federated Farmers	Industry organisation
Federation of Commercial Fishermen, the New Zealand Maritime Transport Association, and the New Zealand Shipping Federation (Joint)	Union /professional assoc.
Fire and Emergency New Zealand (FENZ)	Provider
Floor NZ and Allied Trades Institute	Industry organisation
Flooring National Advisory Group	Industry organisation
Fonterra	Business - large
FoodStuffs	Business - large
Forest Owners Association (FOA) and Forest Industry Contracts Association (FICA)	Industry organisation
Forestry and Wood Processing Group	Industry organisation
Generating Real Industry Pathways	Business - small
Gisborne Glass	Business - small
Glass and Glazing Institute of NZ (GGINZ)	Industry organisation
Glover Memorials	Business - small
Green Cross Health	Business - large
Greenaways	Business - small

Organisation or group name	Category
Hair & Barber New Zealand	Industry organisation
Hanga-Aro-Rau	WDC
Hato Hone St John	Provider
Hauora Hokianga	NGO
HERA	Industry organisation
HITO	Provider
Home and Community Health Association	Industry organisation
Horticulture NZ	Industry organisation
Hospitality NZ	Industry organisation
Ia Ara Aotearoa Transporting New Zealand	Industry organisation
Independent Tertiary Education New Zealand (ITENZ)	Peak body
Institute of Quarrying	Industry organisation
Isaac Group	Business - large
IT Professionals and Tech Users Association TUANZ (joint)	Industry organisation
Kimihia Home & Hospital	Business - medium
KiwiRail	Business - large
Live Life Disability Support (Nelson Marlborough DHB)	Business - small
Manukau Institute of Technology (MIT) and Unitec (joint)	Provider
MAST Academy	Provider
Master Brick & Blocklayers	Industry organisation
Master Builders and Certified Builders	Industry organisation
Master Electricians	Union /professional assoc.
Master Plumbers	Union /professional assoc.
Meat Industry Association (MIA)	Industry organisation
Milano Tiling	Business - small
MinEx	Industry organisation
MITA Consulting	Provider
MITO	Provider
Motor Trade Association (MTA)	Industry organisation
National Association of Steel framed Housing	Industry organisation
National Kitchen and Bathroom Association NZ	Industry organisation
Nelson Marlborough Institute of Technology (nmit)	Provider
New Zealand Air Line Pilots' Association (NZALPA)	Union /professional assoc.
New Zealand Construction Industry Council	Industry organisation
New Zealand Council of Trade Unions (NZTA)	NGO
New Zealand Defence Force (NZDF)	Government
New Zealand Nurses Organisation	Industry organisation
New Zealand School of Food & Wine	Provider

Organisation or group name	Category
New Zealand Stonemasons Association	Industry organisation
New Zealand Winegrowers	Industry organisation
Newlands Auto Electrical	Business - medium
NorthTec	Provider
NZ Arboricultural Association	Industry organisation
NZ Association of Registered Beauty Professionals	Industry organisation
NZ Beef and Lamb	Industry organisation
NZ Concrete Contractors Association	Union /professional assoc.
NZ Ethical Employers	Union /professional assoc.
NZ Heavy Haulage Association	Industry organisation
NZ Manufacturing Alliance	Industry organisation
NZ Marine Industry Association	Industry organisation
NZ Security Association	Peak body
NZ Transport Agency Waka Kotahi (NZTA)	Government
NZPork	Industry organisation
NZSE College (New Zealand Skills and Education Group)	Provider
NZTech	NGO
Offsite NZ	Industry organisation
Open Polytechnic	Provider
Otago Polytechnic	Provider
Painting & Decorating National Advisory Group	Industry organisation
Patient Management Services - Te Toka Tumai Auckland (Te Whatu Ora)	Government
Paul McLellan-Smith	Business - small
Plastics NZ	Industry organisation
Platform Trust	NGO
Port Industry Association	Industry organisation
Presbyterian Support Northern	NGO
Primary ITO	Provider
PrintNZ	Industry organisation
Priority One Tauranga Moana	NGO
Quality Tertiary Institutes (QTI)	Peak body
Racing New Zealand	Industry organisation
Red Stag Timber	Business - medium
Restaurant Association New Zealand	Industry organisation
Retail Meat New Zealand	Industry organisation
Retail NZ	Industry organisation
Risk Management Group (NZTI)	Provider
Roofing Association of New Zealand (RANZ)	Industry organisation
Rotorua Lakes Council	Government
Ryder Salon	Business - small
Scaffolding, Access and Rigging NZ	Industry organisation

Organisation or group name	Category
Seafood New Zealand	Industry organisation
ServiceIQ	Provider
Site Safe NZ	Industry organisation
Skills 4 Work	Provider
Skills Active Aotearoa Group	Provider
Skills Group	Provider
SkillWise	NGO
SkyCity Entertainment Group	Business - large
Smart Trade Solutions	Provider
Southern Group Training Trust	Business - small
Southern Institute of Technology (SIT)	Provider
SPCA NZ	NGO
Specialist Trade Contractors Federation	Union /professional assoc.
Steel Construction New Zealand (SCNZ)	Industry organisation
Stoneworks	Business - small
Strategic Leadership Forum (refrigeration, air-conditioning and heat pump sector)	Industry organisation
Tamahere Aged Care	Business - medium
Taranaki Pine	Business - medium
Taranaki Skills Group	Government
Te Pou	NGO
Te Tāwharau Māori Cacus	Provider
Te Wānanga o Aotearoa	Provider
Te Rito Maioha Early Childhood New Zealand	Provider
Terraforma Stonemasonry	Business - small
Tertiary Education Union (TEU)	Industry organisation
The Kitchen Business	Business - small
The Lean Hub	Provider
The New Zealand Initiative	NGO
Total Timba Joinery	Business - small
Tourism Industry Aotearoa	Industry organisation
Travel Agents' Association New Zealand	Industry organisation
Unison	Business - large
UP Education	Provider
Ventia	Business - large
Vertical Horizon NZ	Provider
Vocational Engineering Education NZ (VEE.NZ)	Industry organisation
Waikato-Tainui (Te Whakakitenga o Waikato)	NGO
Watercare	Government
WeCreate	Industry organisation
Window and Glass Association NZ	Industry organisation
Workforce Planning and Development, Health New Zealand Te Whatu Ora	Government
WorkSafe	Government

Organisation or group name	Category
WorkSafe (Corporate)	Government

Proactively Released



**Te Tāhuhu o
te Mātauranga**
Ministry of Education

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Regulatory Impact Statement: Vocational education and training redesign - Work-based learning policy decisions

Decision sought	<i>Arrangements for provision and delivery of work-based learning</i>
Agency responsible	<i>Ministry of Education</i>
Proposing Ministers	<i>Minister Simmonds, Minister for Vocational Education</i>
Date finalised	<i>31 March 2025</i>

Earlier decisions have been made on changes to the vocational education and training (VET) system overall, including to disestablish Te Pūkenga and the Workforce Development Councils (standards setting bodies). Decisions remain outstanding regarding the future delivery of work-based learning. This Regulatory Impact Statement (RIS) therefore identifies and evaluates the options for the delivery of work-based learning to inform these decisions.

All options considered have regulatory impacts because disestablishing the current arrangements includes the existing regulatory framework and necessitates a new regulatory framework for work-based learning. The options identified consider both:

- the greater emphasis placed on regional and industry responsiveness by the Government; and
- any consequential implications for system wide standards setting in vocational education.

The VET system is supported by Government funding and regulations, to reflect the public benefits of credentialed training and the potential for market failure. This means that without Government intervention through regulatory settings and funding in the market for VET and work-based learning, the system would not provide training in sufficient quantities to realise the public benefits of transferrable skill acquisition and a pipeline of skilled workers.

The objectives for work-based learning regulation are:

- a) To strengthen regional decision-making and industry involvement, to improve responsiveness to local communities, conditions, and workplaces.
- b) To support learner success, career pathways, and equitable access to all forms of VET.
- c) To ensure the system structure and settings are sustainable and deliver quality, coherence, consistency, efficiency, and value for money for now and into the future.
- d) To be implemented quickly, providing certainty for learners, staff, providers, communities and industries.
- e) To honour Te Tiriti o Waitangi and support Māori-Crown relationships.

Two options for work-based learning delivery were consulted on and are assessed against the counterfactual and criteria based on the above objectives. A primary consideration for stakeholders was the disruption and costs of transition from the existing work-based learning system arrangements to the new system, noting that disruption is inevitable as the previous system is being disestablished. A subsequent variation of one of the two options is the Minister's preferred option (developed after consultation).

Summary: Problem definition and options

What is the policy problem?

The problem definition for the overarching changes to the Vocational Education and Training (VET) system was set out in a RIS considered by Cabinet on 18 December 2024. The current proposals follow on from these earlier decisions to disestablish Te Pūkenga and the Workforce Development Councils, and consequentially alter the regulatory framework for VET. There are no non-regulatory options available given these previous decisions, as matters such as the decoupling of work-based learning divisions from Te Pūkenga will need to be reflected in the amending legislation.

This analysis concerns the options for the future delivery of work-based learning, which is a subset of the wider VET system. In line with the Government's 100-day plan, Cabinet took decisions to disestablish Te Pūkenga and Workforce Development Councils, with greater weight placed on regional and industry responsiveness in the future VET system. Decisions are now needed on how best to transition work-based learning to the new system. However, the options considered also have implications for standards-setting in vocational education, which is a system-wide function.

Government funding and regulations for work-based learning reflect the public benefits of credentialed training and the potential for market failure. While the private returns of training are substantial, without government intervention in the market through funding, regulation of qualifications and public institutions to provide training, the external benefits of transferrable skill acquisition are less likely to be realised. Workplace learning is an especially critical pathway for some trades (such as construction). It develops skills in authentic settings and can be highly cost-effective given that physical teaching resources are provided by the relevant firm.

Government interventions consist of a legislative framework (setting up organisations to undertake system functions, with associated governance and accountability settings), funding to help deliver on that objective, and regulatory powers relating to quality assurance. Without these interventions, there is likely to be an undersupply of trained workers, negatively impacting the skills pipeline in key industries. This undersupply will be caused through a lack of ability to distinguish workers' level of skill and competence in the market.

This would result in a loss of transferrable skills within industries over time, and therefore a lower standard of mentorship and training of future trainees in industries by people who have been trained, because of this loss.

Reduced industry leadership in work-based learning was identified as part of the problem definition reported to Cabinet in December 2024. To better retain the benefits of having a structured and formalised training system, there are some important elements the system needs:

- it meets the needs of industries, employers and learners (trainees/ apprentices)
- it is sustainable and workable
- it mitigates risks of a drop in employer and learner participation or outcomes as the current system shifts to a new one.

What is the policy objective?

The Government has decided to disestablish Te Pūkenga. In doing so, the objectives are:

- To strengthen regional decision-making and industry involvement, and improve responsiveness to local communities, conditions, and workplaces.
- To support learner success, career pathways, and equitable access to all forms of VET.
- To ensure the system structure and settings are sustainable and deliver quality, coherent, consistent, efficient, and value for money programmes for now and into the future.
- To implement the changes quickly, to provide certainty for learners, staff, providers, communities and industries.
- To honour Te Tiriti o Waitangi and support Māori-Crown relationships.

Nine divisions responsible for delivering work-based learning for a wide variety of industry sectors reside within Te Pūkenga¹. A key objective of the reforms is to secure a future model that can support the continued supply of the work-based learning currently offered through Te Pūkenga, and that meets the needs of employers, learners and industries.

Key metrics of success, during the transition and in the final state, include:

- Numbers of providers taking up work-based learning as part of their missions
- Numbers of trainees and apprentices reflects demand for skilled workers.
- Maintaining or improving credit achievement rates and completion of training.

Indicators for the progress of the transition will need to be developed. The Tertiary Education Commission (TEC), working with Te Pūkenga, will operationalise the transfer of work-based learning divisions to become part of the Industry Skills Boards (ISBs). The ISBs will set up the internal systems needed to govern and manage them. The TEC and New Zealand Qualifications Authority (NZQA) will have responsibility for monitoring the performance of the ISBs, while enabling new providers, e.g. Institutes of Technology and Polytechnics (ITPs) (once established), to progress to delivery of work-based learning.

Metrics for participation in and progress for work-based learning will include Standard Training Measures reported to the TEC, and credit and qualification achievement. These are standard reporting measures through the Industry Training Register.

What policy options have been considered, including any alternatives to regulation?

The “do nothing” option is to continue operating the work-based learning divisions within Te Pūkenga alongside the Private Training Establishments who also deliver work-based learning in the market. These divisions would keep their existing branding and industry focus and would continue to arrange and deliver training in workplaces using industry standards set by ISBs (after 1 January 2026). This is not a viable option in the long-term because the decision

¹ In work-based learning much of the teaching and learning is undertaken by employers training their apprentices and trainees; ‘delivery’ includes various types of educational and pastoral support including arranging off-job learning.

has been made to disestablish Te Pūkenga, meaning they would cease operating from 1 January 2027 at the latest, and with no replacement.

Therefore, this option is not feasible. However, for the purposes of analysis we could assume the Te Pūkenga divisions were continued unchanged, with no planned transition.

Two options were consulted from 27 January to 21 February 2025:

- **Independent Work-based Learning (Option 2A)** In this model, the work-based learning divisions in Te Pūkenga would be shifted to a separate transitional entity and then, over time, transition further into separate providers with either industry or other private ownership. ISBs would only carry out standards-setting and associated functions – they would not have a role in arranging or delivering work-based learning. Work-based learning providers outside Te Pūkenga would not be directly affected by these changes. This was presented as Option B in the 2024 consultation.
- **Collaborative Work-based Learning (Option Three)** In this model all apprenticeships and traineeships – both those in and outside Te Pūkenga - would require both a provider to manage the education of the learner, and an ISB to provide pastoral care. The work-based learning divisions of Te Pūkenga would be closed, with their programmes and learners moving to each of the ITPs that are established out of Te Pūkenga (or in some cases to a PTE or Wānanga). Their assets and staff would be split across a provider and an ISB.

The results from consultation showed the majority of submitters stated a preference for the Independent model with 170 submissions (84%) supporting this option. 16 submitters (8%) preferred the Collaborative model while 17 submitters (8%) were uncertain either way.

During consultation, the Minister also engaged in meetings with key stakeholders including regulated parties (current providers of work-based learning). These meetings have also helped the Minister to develop her preferred option (which was therefore not consulted on):

- **Independent Work-based Learning (modified transition, Option 2B)** In this model, the work-based learning divisions in Te Pūkenga would be moved to ISBs for two years to allow existing learners to maintain their training arrangements. During this time providers would develop work-based learning programmes and enrol most new learners. The work-based learning divisions within ISBs would stop operating at the end of the two-year period.

Minimising disruption for both employers and learners to the greatest practical extent emerged as a key theme in consultation, along with a desire for simplicity and efficiency in the system and nationally consistent training and qualifications. Change fatigue, due to the system being in an ongoing state of reform since at least 2019, was a strong sentiment expressed by a large number of submitters.

The Minister's preferred option is a variation of the Independent Work-Based Learning option that was consulted on. The variation between the two is due to a different approach to the transition outlined in the consultation document². Most notably, the work-based learning divisions are not being established as standalone providers and are intended to transition out

² [Work-based Learning consultation document.pdf](#), pages 9-10

of the system as provider capacity to deliver work-based learning is developed over the 2-year period

Ultimately under this approach, new and expanded work-based learning programmes will be offered by providers only (ITPs, PTEs and Wānanga). The transition approach for Option 2B was not consulted on. The Ministry's preferred option is Option 2A, largely due to the lower risk levels during the transition period for the original model, and the higher level of complexity of the transition for Option 2B. The Ministry's concerns include the need for continued industry involvement when industry have not been given the opportunity to provide feedback on Option 2B and are reporting change fatigue. Further analysis of the costs and benefits would be needed to assess these against the modified transition.

What consultation has been undertaken?

Consultation was undertaken between 27 January and 21 February 2025. A series of meetings were held with sector representatives, hosted by the Minister for Vocational Education, the Ministry of Education and the TEC. The options consulted on were the Independent and Collaborative models as described in the section above. The Minister has since made modifications to the transition process outlined in the consultation material. Changes have not yet been tested with the sector.

Minimises implementation time, complexity, and costs

The majority of submitters supported the Independent model. The most cited reason was reduced complexity.

A simple model was seen as easier for both learners and employers to navigate. There were concerns the collaborative model would introduce unnecessary complexities. Having a single point of contact was considered important for both employers and learners. Employers were concerned about inefficiencies that may result from having multiple contacts for both their own organisations as well as the providers and ISBs.

Minimising disruption to the sector and its learners was also considered important. Many submitters mentioned wanting to stay with a model that is closest to the status quo, while others specifically stated they want to continue working with their current provider who is meeting their needs. There is concern that more system change could disrupt learners' outcomes and that key personnel in the relevant agencies would be lost.

Overall, the Independent model was considered to be a simpler transition. The proposed modified version of this option has more complexity than that described in the consultation document. This modified version, however, is significantly less complex than the Collaborative option.

The Minister has noted a concern that work-based learning divisions have not sufficiently changed and improved their training models since entering Te Pūkenga. The original transition model, (consulted on) could maintain the power of the existing work-based learning divisions in the market to the extent that new and innovative delivery from ITPs, PTEs, and Wānanga may not be able to compete even if they offer a better experience for learners and employers. The Minister's option for the transition (described in the RIS as the modified transition) could therefore support the development of work-based learning more generally through greater provider innovations, but at the cost of some additional complexity.

However, these considerations relate to the Minister's proposed two-year transitional period rather than the end state. The end state is the same under each version in that

providers will be responsible for work-based learning. The direct line from work-based learning divisions to new providers under option 2A, compared to option 2B (which transitions out of the work-based learning divisions over two years), is likely to mean the initial mix of providers in the end-state are different.

Responds to industry needs and encourages employer buy-in

Employer buy-in to the work-based learning system is crucial because employers are party to training agreements, undertake the on-job training and bear many of the costs of training (cash and in-kind). National consistency of training across New Zealand was of particular importance during consultation to employers who operate across New Zealand. Some employers who operate in a single geographic area were still concerned about national consistency, and that the skills learned in each region would be the same and to the same standard. National (or multi-regional) employers also talked about the complexity of working with a different entity in different regions and the increased administrative burden this would bring. They noted that on top of multiple providers, a national organisation would need to have a relationship with more than one ISB around pastoral care under the collaborative model, making the situation more complex.

Many submitters felt that the independent model could deliver a system that was more industry driven and could better respond to industry needs. Some of this feedback appeared based on the expectation that the Te Pūkenga work-based learning divisions could become industry owned.

There were concerns raised about the capability of ITPs to directly take on work-based learning. Concerns covered the suitability of resources, the entrenched learning semesters and general flexibility issues. There was some discussion of the amount of time and workforce planning required for ITPs to shift to this new way of working, and that would be a barrier to the success of the collaborative model. This is likely to apply to the modified independent work-based learning model as well, although submitters were not consulted on this. Many of these concerns can be addressed by providers developing suitable operating models for their work-based learning based on meeting employers' specific needs. In addition, some ITPs have experience of delivering strongly work-integrated programmes in partnership with local employers in the form of managed apprenticeships.

The higher levels of competition that the Independent model suggests got a mixed response. Some submitters felt that this was important to ensure providers were motivated to respond to industry needs. In contrast, some supporters of the Collaborative model saw having ITPs as the main provider of work-based VET would ensure a more financially stable environment (where competition could jeopardise this).

Results in a sustainable system, where roles and avenues for coordination are clear

While increased costs to employers were a concern for both models (due to reduced funding signalled for work-based learning) there were specific comments that the Collaborative model would be more expensive to run, and that employers and learners would bear the brunt of additional costs.

Some submitters saw the incorporation of pastoral care into the ISBs as confusing and diluting the ISB role. There were also comments that a role for ISBs that focused on standard setting functions gave them a higher level of objectivity than one that had them working with learners and employers directly.

Supports learners to succeed

The separation of pastoral care from learning support in the Collaborative model was seen as a negative move by many submitters. There were concerns that this approach would mean that the learner was less well supported and that their outcomes would suffer. There was also comment that this model would be more complex for employers and learners to navigate.

Support for the Collaborative model or neither model

The smaller number of submissions supporting the collaborative model highlighted many similar expected benefits from the model. Like those that supported the independent model, some collaborative model submitters thought that this model would better meet industry needs due to improved feedback loops for ISBs and the potential for the more regional focus to better meet local needs. Some also thought that the model would lead to better learning and/or pastoral care.

In submissions that supported the Collaborative model or neither model, there were two areas of concern. One related to financial sustainability for ITPs and some submissions saw the Collaborative model as a response to this. The second concern related to the independent model leading to a full privatisation of the VET system (with particular concerns about the Te Pūkenga work-based learning divisions potentially becoming privately owned).

Is the preferred option in the Cabinet paper the same as the preferred option in the RIS?

Based on the assessments in this RIS, the Ministry has found that the Minister's preferred option (Option 2B) has a more complex transition than Option 2A. Due to constraints in the analysis, the costs and risk levels which the Ministry anticipates might be incurred cannot be accurately modelled when comparing both independent models (Option 2A and 2B). However, the Ministry expects that these cost and risk differences may be significant, therefore the Ministry recommends Option 2A.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

This RIS captures the policy decision-making for a smaller part of the wider VET redesign work. The previous RIS considered in December 2024 included a cost-benefit analysis, available here: [55 - VET Legislative Framework.pdf](#)

The Ministry's concerns are that:

- the transition proposed in the Minister's preferred option will be more complex.
- industry have not been given the opportunity to provide feedback for the preferred option.
- Some of the details that would be needed to assess the (consulted) Independent option were not agreed with the Minister as the focus shifted to the modified option.

- there may be some risk in tying standards-setting to provision for the two-year transition period, as ISBs take on a similar dual role to the previous Industry Training Organisations, before they become solely standards-setters.

However, due to constraints on analysis and potential for variation of the end-state of the system, the costs and risk levels are difficult to calculate.

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The end-state of the Minister's preferred option aligns with the end-state of the preferred option of submitters in both the 2024 and 2025 consultation. This may encourage industry involvement in the long term because it aligns with industry views; however, it is difficult to quantify because it has not been tested.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

Key costs and benefits are difficult to model here due to the constraints on time and analysis. This policy problem is a smaller element of the larger VET system redesign, for which the Ministry has conducted a cost-benefit analysis as a part of the RIS considered in December 2024³.

There will be operational costs associated with the transition process, however decisions have yet to be made on the number of entities that will exist at the end-state of each option. The amount of funding available to ISBs may also be subject to change, based on other funding decisions in the VET system.

The Ministry is aware of transitional risks, such as standards-setting being tied to provision in the Minister's preferred option, increased complexity of roles and responsibilities, and a lack of consultation on the preferred option (Option 2B). However, due to the short timeframes for analysis and uncertainty around the number of entities during the transition, the risk levels cannot be assessed.

These potential risks are the key points of difference in comparison to the Ministry's preferred option (Option 2A), which has not been included due to the low levels of evidence supporting risk assessment for either transition.

While we know Option 2B is more complex during the two-year transition, we have not had the time to accurately assess the cost and risk involved.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

The proposal will be implemented using empowering legislative provisions. The legislation will include provisions to enable programmes, micro-credentials and training arrangements, and associated assets to transfer to successor organisations, and be the basis for an offer and acceptance process relating to staff transitions.

³ [55 - VET Legislative Framework.pdf](#)

Staff with relevant skills are intended to transfer to the ISBs from the work-based learning divisions of Te Pūkenga and in some cases from the disestablished Workforce Development Councils. Much of this will be facilitated by legislative provisions which will, to the extent possible, avoid the need for negotiations over employment and other agreements where there is an equivalent position and staff are wanted by successor organisations. Staff required by successor organisations (ISBs) would be made offers of employment on 'no less favourable terms' and would have the opportunity to accept or decline the offer.

The WBL divisions will become distinct business divisions within the ISB, which will help manage possible conflicts of interest between standard setting and training delivery functions, and risks that the ISB loses focus on its long-term core functions while temporarily hosting WBL divisions.

Trainees and apprentices that are currently enrolled with Te Pūkenga's work based learning divisions will be able to complete their programmes. Those who are still enrolled with the ISB at the end of the transition period can be moved to a new provider. Providers will be encouraged to build up their capability to manage work-based learning as quickly as possible, and will be permitted to enrol work-based learners from 1 January 2026.

The actual willingness, capacity, and capability of providers to develop new programmes on the timeline for the intended transition is a key unknown. The key implementation risks are:

- That insufficient provider capacity is in place by 1 January 2026, and ISBs have to take on more trainees than anticipated. This is proposed to be mitigated by early transfer of existing programme material and other associated intellectual property (IP) within Te Pūkenga's work-based learning divisions to ITPs, so that work-based learning can be integrated into planning by the Establishment Boards for the new ITPs when developing their programme offer.
- That ITP Establishment Boards need to plan for taking on work-based learning when the implementation timeline for standing up the ITPs is compressed. This will be mitigated by the support TEC and other agencies will provide the Establishment process, and by the early sharing of programme material and other associated IP within Te Pūkenga.
- That employers do not understand where to go to enrol new apprentices and trainees from 1 January 2026. This is mitigated by clear communication about future arrangements, and the WBL divisions working with the employers on their books about future choices.
- That employers disengage from the system if the service from providers is initially of a lower standard than employers expect. Providers will be taking on work-based learning in some cases at the same time as being established. While the underlying Te Pūkenga business division provides a strong starting point for new ITPs, new governing Councils will be in place, and a lack of experience in WBL could mean initial drops in service levels in some cases. This is mitigated by clear communication by providers about the longer-term advantages they will bring to WBL and establishing relationships between providers and employers in regions or nationally.

Limitations and Constraints on Analysis

In December 2024, the Government confirmed its decision to disestablish Workforce Development Councils (WDCs) and Te Pūkenga. Legislation and implementation of these decisions will now be progressed. The new system and new structures are intended to be operational from 1 January 2026. This means that any analysis going forward will be limited by decisions that have already been made, specifically that Te Pūkenga's work-based learning business divisions will ultimately be disestablished or sold.

The analysis is also constrained by the lack of final decisions about which ITPs will be established out of Te Pūkenga, how financially strong they will be, and their capacity to invest in the capability they will need to deliver work-based learning from 1 January 2026. It is further constrained by a lack of information as to the capacity of the future ISBs to deliver their intended functions, including how many there will be, their industry coverage, and the alignment of their corporate footprint and assets with any future additional functions.

Finally, the analysis is constrained by the short period for consultation, its sequencing (consultation for key details such as industry coverage of ISBs will take place after Cabinet considers the future of work-based learning), and the limited number of groups that were consulted with. However, the Government has worked to ensure that key industry voices that have previously engaged in the Vocational Education and Training redesign were included in targeted consultation.

While the targeted consultation revealed significant interest from industry and other stakeholders and resulted in a strong level of information to base decisions on, the Minister's preferred option differs from what was consulted on in terms of the transition. We therefore are constrained by a lack of information about how industry views the specific transition proposed, especially the implications of phasing out the WBL divisions over a two-year period instead of allowing for them to form the corporate basis for future providers to be set up, which was possible under the description of the Independent work-based learning option as consulted. Because of the emergence of the modified transition for the independent WBL option, we have not had Ministerial agreement to aspects of the implementation of the original transition.

These constraints significantly limit our ability to assess the impacts of the modified transition option in detail. The Ministry has tried to mitigate some of these risks and constraints by drawing on the consultation feedback that can be applied generally, e.g. it provided information about a desire to avoid further disruption and that a simple transition is likely to be preferred by industry. More information will be available later in 2025 about the likely strength of ITPs, and the two-year transition period while the WBL divisions are with ISBs provides a backstop for gaps in coverage.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:



Katrina Sutich
General Manager, Tertiary Policy
1/04/2025

Quality Assurance Statement

Reviewing Agency: Ministry of Education

QA rating: Partially meets

Panel Comment:

The Ministry of Education's Quality Assurance Panel, has reviewed the Regulatory Impact Statement produced by the Ministry of Education (dated 31 March 2025). The panel considers that, because of constraints imposed on consultation and the challenges of accurately assessing the status quo, it partially meets the Quality Assurance criteria. Despite this, the analysis is sufficient to support decision-making in that it identifies the available options, illustrates the risks of the proposed approach and puts forward a strong case for an alternative option that may better manage the risks.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. The Regulatory Impact Statement (RIS) for the proposed Vocational Education and Training (VET) reforms as a whole, dated 27 November 2024, contains further background. This analysis focuses on the options for Work-Based Learning, which was part of Decision 2 of the previous RIS. Cabinet decided to undertake additional consultation on options for the delivery of Work-Based Learning, and these options are the subject of the current analysis.

The work-based learning system delivers public benefits for industry and New Zealand

2. Work-Based Learning (WBL) is vocational training delivered on-the-job, primarily in the workplace, sometimes supplemented with off-the-job training. Apprenticeships are the most common form of WBL, although it also encompasses other sorts of trainee arrangements. In the current system, most WBL is provided by Te Pūkenga through its WBL divisions.
3. WBL is distinct from work-integrated learning – that is provider-based training that may incorporate some forms of on-the-job experience but is not delivered as part of an employment relationship. At present Te Pūkenga's WBL programmes operate as separate business divisions, alongside the 15 former Institutes Technology and Polytechnic business divisions.
4. While a range of training occurs in the workplace (including training that does not necessarily lead to a credential such as onboarding and health and safety training), the system under consideration here is different. This relates to formalised and structured training, undertaken under a training agreement entered into by learners and employers, with the intention that the training results in a qualification or credential on the New Zealand Qualifications Framework. This ensures consistency of skills across an industry, and that training covers all the skills required to operate as an industry practitioner, and not only those relevant to the specific workplace the trainee is in.

5. Government funding and regulations reflect the public benefits of credentialed training and the potential for market failure. While the private returns of training are substantial, without government intervention in the market through funding, regulation of qualifications, and public institutions to provide training, the external benefits of transferrable skill acquisition are less likely to be produced.
6. The key elements of the current regulatory system include:
 - a. the Crown Entity (Te Pūkenga) that delivers work-based learning through its WBL divisions, the funding system operated by the TEC, the quality assurance system operated by NZQA, and the independent function of standards setting that sits currently with Workforce Development Councils (WDCs) and will transfer under the current Cabinet agreements to newly established Industry Skills Boards (ISBs).

Cabinet has agreed to disestablish Te Pūkenga and consult on options for how work-based learning should be managed

7. In December 2024, Cabinet (through the Social Outcomes Committee (SOU) with power to act) agreed to progress legislation to disestablish Te Pūkenga and replace it with regional Institutes of Technology and Polytechnics (ITPs). WBL is being considered as a separate workstream, although the disestablishment of Te Pūkenga means the main provider in the market will no longer exist after 2026. SOU agreed to retain the existing WBL model in the first instance, pending targeted consultation with key industry stakeholders on two options for its future. The Minister for Tertiary Education and Skills (now Minister for Vocational Education) was invited to report back to SOU by April 2025 on the preferred WBL model. SOU also agreed to amend the Education and Training Act 2020 (the Act) to provide for the establishment of new ISBs by Order in Council as non-Crown statutory boards and Tertiary Education Organisations.
8. Consultation on the future of the vocational education and training system as a whole, occurred between 31 July and 11 September 2024. Following consultation, the Minister proposed a hybrid of the two options being consulted on. A RIS covering the proposal to disestablish Te Pūkenga, the options for replacing it, and an analysis of the interests of Māori in relation to the Treaty of Waitangi | Te Tiriti o Waitangi, was appended to the Cabinet paper in December 2024. An earlier initial RIS was produced in June 2024 to support the June Cabinet paper seeking Cabinet agreement to consult on options for the future vocational education and training system.

Without further decisions the work-based learning system will be at risk once Te Pūkenga is disestablished on or before 1 January 2026

9. The 2025 consultation on options for the future of WBL set out a transition process that transferred the WBL divisions from Te Pūkenga to a successor organisation. If this was not to occur, i.e. the status quo pathway was to continue, the training arrangements for approximately half of VET learners, over three-quarters of work-based learners, and for some occupations/ qualifications almost all formal training in New Zealand would stop.

Other relevant documents

June 2024 VET Redesign RIS: [Regulatory Impact Statement: Vocational Education and Training System Redesign](#)

August-September 2024 Vocational Education and Training reforms consultation documents: [2024 Vocational education and training reforms - Ministry of Education](#)

18 December 2024 Cabinet paper with RIS attached: [55 - VET Legislative Framework.pdf](#)

27 January - 21 February 2025 Work-based Learning targeted consultation documents: [2025 Work-based learning reforms – targeted consultation - Ministry of Education](#)

What is the policy problem or opportunity?

10. In 2023, there were 250,000 learners in VET, including 128,000 apprentices and trainees and some 67,000 provider-based learners across the former ITPs. Private Training Establishments (PTEs) and Wānanga are also important parts of the VET sector.⁴ Public funding for this sector comprises around \$900 million per annum.⁵ 2024 numbers will be publicly confirmed after April 2025.
11. The Government needs to make decisions on the structure of WBL as a part of the new VET redesign to ensure that provision can be maintained throughout the transition period as well as in the future. The overall policy problem was integrated into previous RIS's and is summarised below.

Reduced industry leadership in work-based learning

12. One of the key elements of the previous reforms was the greater integration of work-based and provider-based delivery of WBL, with tertiary providers (primarily Te Pūkenga) taking over the delivery of WBL, including entering into training agreements with learners and employers. Te Pūkenga is a Crown Entity and Tertiary Education Institution (TEI) – an education provider rather than a body that is in any sense 'owned' by industry. The previous Industry Training Organisations (ITOs) were private bodies that were recognised by the Minister on the basis of criteria including clear demonstrated support from industry for them to take on the functions of an ITO.
13. The reported experience of some industry stakeholders (primarily those who were well served by the ITO model), has been a loss of responsiveness to industry needs and a general perception that industry has less influence in delivery of training for apprentices and trainees. This feedback is not consistent across industry sectors, and overall volumes of work-based training have been strong in recent years, particularly in the immediate aftermath of the COVID-19 pandemic.
14. Some of these concerns are likely to reflect a general dissatisfaction in the performance of Te Pūkenga, including the limited progress in implementing a new operating model that integrates WBL. While there is scope in the current model for other providers (such as PTEs and Wānanga) to offer WBL in the future, thereby providing competition and choice for employers, this has largely yet to occur other than for those ITO training functions that transitioned to PTEs rather than Te Pūkenga.

⁴ [05 - Vocational education & training | Education Counts](#) – see link to spreadsheet called "Participation in Vocational Education and Training Programmes"

⁵ [Funding allocations | Tertiary Education Commission](#)

15. However, such a loss of responsiveness risks employers (and with them the employees they would otherwise enrol into training programmes) dropping out, as the training no longer represents value for money to firms. Employers invest in training arrangements through fees (these are also often charged to trainees) and through in-kind costs such as devoting senior staff capacity to training or retaining non-core equipment so that trainees can learn aspects of their occupation not covered by their specific workplace. Declining engagement with, and investment in, formalised training reduces the public benefits of training.
16. Even if a more competitive landscape does evolve over time, offering employers choice and encouraging provider responsiveness, this would not address the loss of the 'ownership' that some sectors felt they had under the previous training system – that is the sense that the training system is operated by industry, for industry, in the interest of industry priorities. While this concern is at least in part about perception, it does present risks to industry confidence in the training system, which is critical to its success.

What objectives are sought in relation to the policy problem?

17. We have identified the following objectives, based on the current Government's stated priorities, and informed by the purposes of the Act:
 - a. To strengthen regional decision-making and industry involvement, to improve responsiveness to local communities, conditions, and workplaces.
 - b. To support learner success, career pathways, and equitable access to all forms of VET.
 - c. To ensure the system structure and settings are sustainable and deliver quality, coherence, consistency, efficiency, and value for money for now and into the future.
 - d. To be implemented quickly, providing certainty for learners, staff, providers, communities and industries.
 - e. To honour Te Tiriti o Waitangi and support Māori-Crown relationships.

What consultation has been undertaken?

18. As noted previously in the document [Page 5], consultation on the redesign of the entire vocational education and training occurred in the August and September 2024. Government decisions were then made in December 2024.
19. The Government has also undertaken additional targeted consultation on options for the arrangements for the provision and delivery of WBL. This consultation occurred from 27 January 2025 to 21 February 2025 and was targeted to those key industry representatives who had previously submitted in the 2024 consultation.
20. The consultation covered two possible models for WBL. The first model was Independent WBL (Option 2A). The second model was Collaborative WBL, which the Minister for Vocational Education identified as a possible new model following stakeholder engagements during the 2024 consultation (Option 3).

21. Stakeholders were then invited to submit views on the proposals via email. "The Ministry received 60 submissions from targeted stakeholders, and another 143 from stakeholders who had not been specifically invited to participate in the consultation:
 - a. 83 submissions came from industry organisations including peak bodies, professional associations and unions.
 - b. 24 submissions came from businesses
 - c. 27 submissions came from NGO, government and WDCs.
 - d. 23 came from other stakeholders, including individuals.
22. Participants strongly preferred the Independent model, with 170 submissions outlining it as the preference for the WBL system going forward.
23. The Minister developed a variation to the Independent WBL model (Option 2B) in response to feedback from some industry groups through stakeholder meetings held during the consultation period. As consultation was already underway this option was unable to be tested, however, in the medium-term it results in the same separation between standards-setting and work-based learning as Option 2A. The primary difference is what happens during the 2-year transition period.

Section 2: Assessing options to address the policy problem

The arrangement and support of work-based learning (WBL)

24. This analysis considers options for the arrangement and support of WBL.
25. WBL supports skills taught mainly by employers in the normal course of work, so that trainees gain the skills they need to operate independently as industry practitioners or as productive employees. The system is designed to be flexible so that it can account for different industry contexts, so it is key that the organisations arranging and supporting WBL understand specific workplace needs and have the trust of the employers who do most of the training. If the transition to the new system is costly for employers, there is a risk that they leave the system, which in turn will impact their apprentices and trainees.
26. This analysis is limited to work-based learning WBL and does not extend to provider-based learning or standards-setting. This analysis is also limited to sub-degree delivery and does not consider any change to policy settings applying for degree and above delivery. There is no proposal to expand WBL to the degree and above levels at this time.

What criteria will be used to compare options to the status quo?

27. We have used the following criteria for analysing which options are most likely to meet the objectives in previous documentation, and they have been preserved for consistency of analysis; these represent a combination of the separate criteria used to evaluate standards-setting and WBL options in the consultation RIS:
 - a. Responds to industry needs and encourages employer buy-in.
 - b. Supports learners to succeed.

- c. Results in a sustainable system, where roles and avenues for coordination are clear and conflicts of interests are minimised.
- d. Minimises implementation time and costs.
- e. Gives effect to Te Tiriti and supports Māori-Crown relations.

What scope will options be considered within?

- 28. In December 2024, the Government confirmed its decision to disestablish WDCs and Te Pūkenga. Legislation, preparation, and implementation of these decisions will now be progressed. The Minister intends that the new system and new structures are operational from 1 January 2026. This means that any analysis going forward will be limited by decisions that have already been made.
- 29. The Government has made decisions (subject to legislation being passed by Parliament) that the provider-based educational business of Te Pūkenga will be taken up by newly established ITPs (or other providers if necessary).
- 30. The Government has also decided that standards setting will be undertaken by ISBs. These decisions were analysed in Regulatory Impact Analyses considered by Cabinet on 19 June 2024 and 18 December 2024. This current analysis is confined to the final significant aspect of the VET system changes, namely how WBL – especially that currently managed by Te Pūkenga - is delivered in the future. This includes the extent to which ISBs will have extended functions relating to pastoral care of learners, and e the role of providers in the delivery of WBL in the future. Options for this were consulted on in January / February 2025.
- 31. Te Pūkenga currently manages WBL through its WBL divisions. The programmes they offer – and the learners enrolled in them – will need to transition to new entities; if they do not then these programmes will end. Learners would need to transition to another programme if one is available or exit the VET system.

What options are being considered?

Option One – Counterfactual

- 32. Te Pūkenga is responsible for the majority of WBL⁶. Te Pūkenga (and other providers of WBL) enter into training agreements with both the employer and employee which set out how the apprenticeship will proceed. It is responsible for both arranging the workplace-based on-the-job training and any training that occurs in provider-based off-the-job settings.
- 33. At present Te Pūkenga's WBL programmes operate as separate business divisions, alongside the 15 former ITP business divisions.⁷ While plans are in place to separate functions within WBL between programme development and learner/employer support, Te Pūkenga has stopped work on developing a plan to integrate WBL with provider-based and online delivery (in response to Government policy).

⁶ Approximately 20 percent of WBL is currently delivered by PTEs, while Te Pūkenga delivers the rest. This largely consists of former ITO programmes and learners that did not transition into Te Pūkenga (or only did so temporarily)

⁷ Two of the previous 16 ITPs, WeITec and Whitieria, are treated as a single business division.

34. While the ability for additional providers to enter this market has been limited during the transition to Te Pūkenga, the intention was that additional providers would be able to enter the market and compete with Te Pūkenga and the existing PTEs, offering choice for employers and learners. For example, Māori-owned or operated businesses may seek out WBL options from 'by Māori, for Māori' providers such as Wānanga.
35. Due to the interdependent nature of the VET system, continuing without a decision in this space after decisions have already been made by Government to disestablish Te Pūkenga and create ISBs may have serious consequences for students currently enrolled in WBL, including potentially exiting the VET system entirely.

Option 2A – Independent Work-based Learning model (Original Transition)

36. Independent WBL was consulted on as 'Option B' in August and September 2024.
37. WBL for an industry would be managed in many cases by a single provider (a former WBL division of Te Pūkenga, ITP, private provider, or Wānanga). In this model, ISBs are not directly involved in arranging work-based programmes.
38. A provider would enrol an apprentice or trainee and manage all aspects of their programme. This includes programme design, assessing competence, awarding standards and qualifications, and supporting the learner to complete their programme.
39. Unlike the previous ITOs, a provider could offer both work-based and provider-based programmes. Where a work-based programme had off-job components like block courses or night classes they would not be required to sub-contract that provision – though they might still choose to do so. The former WBL divisions of Te Pūkenga would transition into a final end-state via a separate transitional entity, giving interested industries and other parties a two-year period to work through their final form (or wind them up).
40. Vocational education programmes – provider-based, work-based, and those that combined both – would still need to be endorsed and quality assured by the ISB that developed the qualification.

Option 2B – Independent Work-based Learning model (Modified transition)

41. Under this model the final end-state for standards-setting and WBL will be the same as for Option 2A. However, it varies from Option 2A (as it was consulted on) due to the difference in how the transition will be handled:
42. Work would be led by Te Pūkenga and the TEC, and establishment groups or provisional Boards once these are in place for ISBs, to identify which ISBs take on which WBL division undertakings. We anticipate this will be largely aligned to the industry coverage assigned to each ISB but is contingent on the final ISB arrangements re coverage. Legislative provisions would then facilitate the change in the organisation responsible for the WBL (from Te Pūkenga to an ISB).
43. Planning work will need to be done on how to set up the corporate aspects of the WBL business division, including how it will be best to arrange balance sheets, any delegations, and any reporting systems that might be needed internally. The TEC and NZQA will work

through any approvals and monitoring arrangements that will be needed in advance of 1 January 2026.

- a. During this period, industries would be encouraged to consider establishing an industry-endorsed PTE that could take on WBL programmes in the future.
- b. At the implementation point, the relevant staff and assets of Te Pūkenga would transition into the newly established ISBs. This would be into a discrete business unit that, while still part of the ISB, exists within the ISB specifically to manage the WBL activity.
- c. The ISBs will begin operation and decisions made by the establishment or provisional Boards (depending how these are set up, which is still to be determined) can be formalised on day one.

Two-year Transitional Period

44. Legislation would give ISBs the ability to manage WBL programmes for a limited transitional period (up to two years). As a general principle, the Minister has proposed that ISBs would only enrol new learners in cases where there is not yet an alternative option for them during this period, although this may be a significant number of learners initially. Towards the end of the transitional period, ISBs are likely to be focussing on planning to wind up their remaining WBL divisions and are unlikely to be focussing on taking on many new learners.
45. In a small number of cases an ISB might receive approval to transfer learners and staff to a provider, e.g. a PTE that industry wants to establish.
46. At the end of the transitional period the ability of ISBs to manage training would cease. Learners managed by the ISB will need to have moved to a provider or end enrolment.

Option Three Collaborative Work-based Learning model

47. The Collaborative model distinguishes between 'education' elements – designing a programme, enrolling learners, assessing competence, and awarding standards and qualifications – and 'pastoral care' elements – supporting an apprentice or trainee to complete their programme. A provider would be responsible for the education side of an apprenticeship, while the relevant ISB would deliver pastoral care.
48. For example, a building apprentice would enrol in a local provider's programme, which was endorsed by the ISB for the construction sector. A learning agreement would be signed between the apprentice, their employer, the provider, and the ISB; this would set out the obligations and commitments of each party. During the apprenticeship, the ISB would provide non-academic support to help the apprentice complete their programme. The provider would assess the apprentice, provide academic support, and award standards and the final qualification.
49. Both the provider and the ISB would monitor the apprentice's progress and put in place interventions to overcome any obstacles or problems they are having. The provider would be responsible for designing the overall apprenticeship programme and organising 'off-job' elements like block courses or night classes. An ISB's standards-setting function means that they would have responsibility for ensuring that these programmes were fit for purpose from an industry perspective.

Further options analysis

50. Operational differences between each of the options can be found in Appendix A – WBL Comparative Options Analysis Table.

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How do the options compare to the counterfactual?

	Counterfactual	Option Two – Independent work-based learning model		
		Original transition option (Option 2A) – Direct transition for WBL divisions via Schedule 4A company	Modified transition (Option 2B) – ISBs becoming temporarily responsible for WBL during two-year transition period	Option Three – Collaborative WBL model
Responds to industry needs and encourages employer buy-in	0	<p>++</p> <ul style="list-style-type: none"> Industry preferred option indicated through two consultations. ++ Based on existing arrangements of industry groupings from previous and current system so likely to reflect industry wants and understand needs. + Organisations can be owned and controlled by industry, so industry has greater agency. + Crown company may allow for more flexibility for transition period through simpler and more commercially aligned governance settings. + Ensuring continuity of relationships and current arrangements for industry and learners may offset some change fatigue. + However, continuity may fail to highlight already existing gaps between industry and the WBL system. - Minimising the number of organisations a potential employer would have to engage with was strongly preferred among submitters from consultation January / February 2025 – this option most strongly supports that sentiment. + Risks of lowering national consistency with multiple provider programmes (mitigated by ISB endorsement of programmes). - ISBs will have strong industry leadership under all options. + 	<p>0</p> <ul style="list-style-type: none"> Medium-term it results in the same system settings as the industry preferred option. + Has not been consulted on with industry, therefore the Ministry cannot speak to industry buy-in during the transitional period. There is also risk of long-term industry disengagement. -- Potential for fewer industry bodies to own and deliver WBL. This may be taken up by ITPs and PTEs, some of the latter which could be linked to industry bodies. 0 Governance settings for standards setting may not be well-aligned with governance requirements for WBL. - Continuity of relationships and current arrangements for industry and existing cohort of learners. + ITP network will become more responsive to industries over time as WBL business is integrated. + Phasing out of WBL divisions breaks with any poor practices that have developed in the system. + Heightened risk of lowering of national consistency with multiple provider programmes (mitigated by ISB endorsement of programmes.) - Potential for higher transaction cost during transition if employer has apprentices enrolled in both ISB and provider at the same time. - Large employers could have apprentices enrolled across multiple organisations depending on their year of enrolment. - ISBs will have strong industry involvement under all options. + 	<p>--</p> <ul style="list-style-type: none"> Most industries indicated that this is not their preferred option during consultation, with several saying it may drive employers' disengagement with the system. -- A direct feedback loop from employers and apprentices/trainees to the ISBs through the split pastoral care function could potentially increase the industry responsiveness of standards-setting. + Split of roles will increase administrative burden on employers and is likely to reduce their buy-in. -- Heightened risk of lower consistency nationally with multiple provider programmes (mitigated by ISB endorsement of programmes). - ISBs will have strong industry involvement under all options. +
Supports learners to succeed	0	<p>+</p> <ul style="list-style-type: none"> Supports an integrated model for on-job and off-job (campus-based) learning by allowing all providers to offer both types of learning, thereby improving flexibility for learners. + Less complex / more intuitive for learners with greater security of continued access due to simpler transition. + 	<p>0</p> <ul style="list-style-type: none"> Supports an integrated model for on-job and off-job (campus-based) learning by allowing all providers to offer both types of learning, thereby improving flexibility for learners. + Transition period could involve different apprentices enrolled with different organisations reducing peer support / possibly different arrangements. - 	<p>+</p> <ul style="list-style-type: none"> Focus on pastoral care function may have potential positive impacts for learner success. ++ Gives learners more options to ensure they are getting the learning and support they need (by having a third party). ++

		<ul style="list-style-type: none"> • Industry bodies likely to strongly promote industry skills but may have breadth of educational capability, e.g. to support learners with literacy and numeracy needs. + • Transition period could involve different apprentices enrolled with different organisations reducing peer support / possibly different arrangements. - 	<ul style="list-style-type: none"> • Settings during the 2-year transition provide an open market for new entrants creating more choice for learners. + • During transition ISBs may not be sufficiently focused for learner success due to short-term responsibilities. - 	<ul style="list-style-type: none"> • If accountabilities are not completely clear, learners are not in position to resolve this. - • Supporting learners in workplaces will be new for many ITPs, and will likely require building staff expertise. - • Separate pastoral care roles has only previously been tested in limited New Zealand contexts (e.g. Modern Apprenticeship Coordinators). 0 • Current learners will very likely need to adapt to unfamiliar new models, relationships, and staff, which increases risks of disengagement. -
<p>Results in a sustainable system, where roles and avenues for coordination are clear</p>	<p>0</p>	<p>0</p> <ul style="list-style-type: none"> • No more or less sustainable than status quo were it to continue. 0 • While WBL divisions have proven viability and are sustainable, they are also vulnerable to economic cycles. 0 • Clear definition of roles for ISBs and ITPs in WBL. + • The impact of a number of new providers on the rest of the VET system is unknown but they will be competing for a single pool of learners. 0 • Number of providers and level of competition in the end-state of the system is unknown. This may lead to greater entry and exit to the system than other options. - • Encourages industry engagement in building a strong and sustainable system. + 	<p>0</p> <ul style="list-style-type: none"> • Medium-term results in the same policy environment as original transition option. 0 • The system may look different due to greater variance during the transition period from the status quo. However, this may not necessarily be either positive or negative. 0 • End-state has clear definition of roles for ISBs; however, transition period has potential for loss of clarity around roles and coordination. 0 • Provides a clear role for ITPs, PTEs, and Wānanga in WBL. + • Increased risk for losing employers and trainees from the system if the transition costs are too high and too complex. - • Number of providers and level of competition in the end-state of the system is unknown. This may lead to greater entry and exit to the system than other options, with associated costs from this. - • Encourages industry engagement in building a strong and sustainable system. + 	<p>--</p> <ul style="list-style-type: none"> • Transitioning WBL learners to ITPs will increase financial viability of the re-established polytechnic network (and federation) and supports development of their work-based learning capacity. • Shared roles could potentially cause duplication, blur accountability and create a disconnect between pastoral care, education. • ISBs' pastoral care function creates access to a potential source of income, but also creates new costs that must be met by Government subsidies rather than fees. • ISBs do not have control over enrolment planning decisions, which could create difficulty in modelling demand and necessary resourcing of their pastoral care function. • Splitting public funding for WBL between 'pastoral care' and 'academic' organisations increases the risk of insufficient resourcing for both functions.
<p>Minimises implementation time, complexity, and costs</p>	<p>0</p>	<p>+</p> <ul style="list-style-type: none"> • Least complex transition. ++ • Some complexity in establishing WBL divisions as standalone entity, although limited additional costs (above those incurred in being established out of Te Pūkenga). - • Allows for transition to be staged more easily (two step transition). + 	<p>-</p> <ul style="list-style-type: none"> • More complex transition, with ISBs needing to manage a dual role for two years in a similar way to the previous ITOs, before becoming solely standards-setters. - • Results in fewer entities being created due to both independent models requiring ISBs, with the modified transition not requiring a Crown company to be created. However, this comes with increased complexity of roles for 	<p>--</p> <ul style="list-style-type: none"> • Most complex transition. -- • Complex transition for learners, employers, the new ITP network, and ISBs. - • Significant effort needed to ensure role clarity at an operational level. -- • Complex employment transfers and job resizing to reflect shift in role functions and responsibilities. -

		<ul style="list-style-type: none"> • Relatively straightforward implementation of ISBs. + • Transition is marginally more likely to preserve the weaknesses (along with the advantages) of current practice than the modified one. - • Provision separated from standards-setting reduces system-wide risks if individual WBL divisions are non-viable. + • Industries and employers have expressed change fatigue throughout consultation and a desire for simplicity, efficiency and flexibility. This option minimises further consultation and industries have said that it is a primary reason for preferring this option. + • Strong reliance on industry engagement and capability going forward when compared to original transition. 0 • Results in some residual risk to the Government as it will retain decision-making power over the Schedule 4A company as the transition winds down. - 	<p>ISBs when they are first being established which may shift focus away from standards-setting functions. 0</p> <ul style="list-style-type: none"> • Heightened level of risk as provision is tied to standards-setting during transition. If an ISB is economically non-viable it is still essential to VET system. - • If ITPs proactively recruit staff from WBL divisions, then ISBs may struggle with temporary responsibilities. - • Strong reliance on industry engagement and capability going forward when compared to original transition. 0 • Strong TEC monitoring and governance will be needed to ensure the transition away from ISB temporary roles runs smoothly. - 	<ul style="list-style-type: none"> • Costs are not well understood for new functions as split between providers and ISBs, which makes designing funding settings difficult. - • May affect the time, complexity, and costs required to establish new ITPs. - • Would require significant additional consultation with industry regarding detailed design and implementation when sector has communicated significant consultation fatigue. - -
<p>Overall assessment</p>	<p>0</p>	<p>(+3)</p> <ul style="list-style-type: none"> • This option is likely to have strong industry buy-in (as indicated by consultation). + • No more or less sustainable than previous ITO system. 0 • Least complex transition. + • More likely to retain capability for easier transition to industry-owned PTEs. + • Simpler system for learners but may not take full advantage of education provider involvement in WBL. - • Strongest support from industries in both 2024 and 2025 consultation. + • Some residual risk to the Government because it is ultimately responsible for Schedule 4A company. - 	<p>(+1)</p> <ul style="list-style-type: none"> • Results in the same system settings as the preferred option in consultation in the medium-term. + • More complex transition than original independent model, however still significantly less complex than collaborative model. 0 • May result in more provider involvement in WBL space when compared to original independent model. + • May better address existing concerns about performance of current system by shifting away from legacy organisations. + • End-state is the same as supported by industry, however transition has not been tested. -- 	<p>(-4)</p> <ul style="list-style-type: none"> • Provides a feedback loop and a focus on pastoral care providing advantages to learners and a link between standards and workplace context. + • Significant complexity for employers dealing with multiple organisations, which could result in some disengagement from the system. -- • Some advantages for learner experiences. + • Highly complex transition with significant unknowns regarding costs. -- • Very low support from industries in 2025 consultation. --

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

51. Based on our own analysis and feedback from industry consultation, the Ministry prefers the original Independent WBL model (Option 2A) when compared to the modified transition model (Option 2B).
52. The Ministry's preference for Option 2A is largely due to the lower risk levels during the transition period for the original model, and the higher level of complexity of the transition, including the need for continued industry involvement when they have not been given the opportunity to provide feedback on Option 2B and are reporting change fatigue. However, further analysis of the costs and benefits would be needed to be assessed against the modified transition. This would include:
 - a. Option 2B not creating an additional Crown entity as in Option 2A, and
 - b. Option 2B potentially being more likely to address concerns about current practices in the system.
53. While Option 2B does result in the Crown creating fewer entities overall, the new entities will be more complex to manage over the transition period, and will temporarily have dual functions, roles, and responsibilities. The increased complexity of ISB roles for the transition period generates some risk for the Government. However, it should be noted that under Option 2A the Crown does also hold some risk in that it is ultimately responsible for the new Crown entity it creates.
54. The Ministry has also received advice from other agencies that a schedule 4A company, as described in Option 2A, would present less risk to the Crown than the transition described in Option 2B. They cited the following reasons:
 - a. Establishing and disestablishing a Schedule 4A company can be done without the need for legislation.
 - b. A minority ownership (of up to 49%) can be transferred to external parties, i.e. industry.
 - c. A specialist team with the appropriate skills and experience (for example, in change management, due diligence, commercial negotiations) can oversee the orderly transfer of work-based learning WBL divisions to industry (including staff, data, IT systems and learners).
55. In contrast, the transition approach requires the ISBs to procure and source those skills and experience individually. This will likely be less efficient and less effective. It was identified that the level of due diligence and oversight required of each ISB director over the transition period may warrant extending the number of hours each director is appointed for.
56. ISBs' standards-setting function is essential to the overall VET system. This means that if their WBL divisions become unviable during the transition period, the Government would need to intervene into the ISBs (and may need to inject funding) due to the criticality of their standards-setting function to the VET system. Given the short time frame of the transition, this is a limited risk, but it is significant should it occur.
57. In the case of Option 2A, if an individual WBL division is non-viable it would have a similar effect on the system as a PTE, ITP, or Wānanga dropping provision. While it is always a

choice for the Government to provide funding to ensure continued viability, not doing so does not represent a risk to the core system.

58. Option Three (Collaborative WBL model) is not recommended by the Ministry. During the consultation period, there were significant concerns from industry about the cost, complexity, and sustainability of this option.
59. While Option Three did put focus on the pastoral care element of WBL for learners, the split of accountabilities created major concerns about system sustainability. The transition for this option would also be the most complex.
60. There was very low support from industry for Option Three. Some industry representatives explicitly told the Government that this option would cause them to disengage from the WBL system.

Te Tiriti o Waitangi Analysis

61. As a partner to Te Tiriti, the Crown has a duty to actively promote and protect Tiriti rights and interests and to develop education settings in a way that supports Māori-Crown relationships. This duty is recognised in section 4(d) of the Act which records one of the education system's purposes as being 'to establish and regulate an education system that honours Te Tiriti o Waitangi and supports Māori-Crown relationships'. Te Tiriti analysis supports the Crown to uphold our obligations to Māori by actively considering how the proposed reforms might impact Māori.
62. The Ministry's Te Tiriti o Waitangi analysis has not significantly changed from the RIS that was released in October last year. To read further, it can be found here (Annex 5): [55 - VET Legislative Framework.pdf](#)

Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?

- 63. The Minister’s preferred option in the Cabinet paper has the same policy settings as the preferred option in the RIS for the end-state. However, the transitional pathway the Minister is proposing is not the same as the Ministry’s preferred transitional pathway. This may result in significant differences in the final configuration of the overall system which makes it difficult for the Ministry to model potential risks. The primary difference is that the modified transition option is more complex and untested, meaning a higher a level of risk. There is potential for fiscal risk to the Crown should there be viability issues during the two-year transition period for the modified transition option preferred in the Cabinet paper, as ISBs manage existing WBL divisions and learners. There is likely to be a point where the costs of servicing the WBL function are a significant drain on ISB resources and capacity.
- 64. This assessment is marginal given that the Minister’s preferred option has the same policy settings as the option the Ministry prefers in the RIS. The impact of the transition pathway on the likely mix of providers that will remain is not well understood, including the extent of the benefits should it be successful and the likelihood that providers will be acceptable to industry if the WBL divisions do not form part of the provider mix.
- 65. Submitters from industry have been vocal about the risks of change fatigue and the need to minimise disruption, which the original transition scores higher on. There is also some potential that ISBs will experience viability risks resulting from the phasing out of WBL.
- 66. However, the Ministry’s preferred option is more likely to preserve current practices than the modified one, and the modified pathway is an opportunity to address existing weaknesses. Under either option, future work should be undertaken to better understand learner and employer experience and develop options to optimise this.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups <i>(identify)</i>	Comment <i>nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Learners	Learners are not expected to experience a change in monetised costs. Existing learners will remain enrolled with their current WBL division as it shifts into the relevant ISB. Any fee changes are likely to be as a result of business-as-usual cost	Low	Medium

	pressures rather than this regulatory change.		
Employers	<p>The potential costs to employers are similar to that of learners. There is a variety of ways fees are paid in the WBL system, e.g. in some cases the learner (who are employees) pay, while in other employers do.</p> <p>The in-kind costs employers contribute to WBL will remain similar as well.</p> <p>Employers may experience an increase in transaction costs on a temporary basis if they have apprentices and / or trainees with both an ISB and a provider at the same time, due to one having enrolled before 31 December 2025 and another after 1 January 2026.</p>	Medium	Medium

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<p>ISBs and former WBL divisions</p>	<p>ISBs are statutory bodies that are part of the Crown. For a transitional period, ISBs will have functional responsibility for overseeing former WBL divisions as well as their standards-setting functions. ISBs will require stronger internal accountability systems during this period due to the increased financial risk of taking on WBL.</p> <p>ISB income from TEC funding and fees will decrease as new providers enter the market. This may affect viability as ISBs become responsible primarily for smaller and more financially challenging programmes. ISBs will need to have working capital that allows them to manage variances in income from forecast.</p> <p>Depending on the extent to which the industry coverage of ISBs cuts across WBL divisions in some areas, this will complicate the intention to transfer WBL divisions either through splitting WBL divisions among the ISBs, or by housing WBL divisions in ISBs which do not exactly match the industry coverage. In the latter case, this may require active collaboration with other ISBs.</p> <p>They will also need to work with industry on the final form of the WBL undertakings they are overseeing, which will create some cost.</p> <p>ISBs will be new organisations established on 1 January 2026. As such, the work referred to above can be useful for them to establish or cement working relationships with the industries they will need in order to discharge their long-term core functions.</p>	<p>Capitalisation and setup costs have not yet been determined. However, we expect all costs to be able to be met within the existing contingency funding.</p>	
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<p>Te Pūkenga</p>	<p>The Government has decided to disestablish Te Pūkenga from 1 January 2026. The regulatory impact of this proposal, including transitioning its WBL divisions out, are a part of this earlier decision. The option preferred by the Minister should minimise the resources Te Pūkenga will need for this, compared to the Collaborative model that was consulted on, because it is expected to be a relatively simple transfer rather than planning multiple types of complex transitions to both ITPs and ISBs.</p> <p>Te Pūkenga will need to expend some resource to collate WBL intellectual property and make it available to ITP divisions.</p> <p>Industry may challenge Te Pūkenga’s right to distribute programme elements that industry view as its own property</p>	<p>Some compliance costs in staff resources and expert advice on intellectual property rights.</p>	<p>High</p>
<p>TEC</p>	<p>TEC will need to resource oversight of the initial transition from Te Pūkenga into ISBs and provide additional monitoring of ISBs in the transitional period compared to the level we can expect in the end-state period. TEC will need to spend resource on identifying people who can be appointed to ISBs under all options, but the preferred option may require a different set of skills and experience for appointments covering the transitional period, potentially leading to a greater turnover once the transition is over.</p> <p>The consultation on the number and coverage of ISBs which TEC will be required for the setting up of ISBs as a standard setting body but will be relevant to which ISB receives which WBL division(s).</p>	<p>Costs for TEC to implement the changes have not been determined. It is not expected that funding additional to what has been set aside by Cabinet will be required.</p>	<p>High</p>

<p>NZQA</p>	<p>NZQA will need to provide quality assurance of the WBL training activities as they do now. Any transition plan will need to be consulted with NZQA so it can advise on the adequacy of ISB systems to ensure quality requirements are met.</p> <p>If WBL divisions are relatively intact with current management remaining in place, this could be relatively straightforward.</p> <p>NZQA also has a role in monitoring the ISBs and this will be more intensive during the transitional period.</p>	<p>Intention is that costs will be recovered through NZQA fees charging to ISBs. 9(2)(ba)(i)</p>	<p>High</p>
<p>Industries</p> <p><i>For fiscal costs, both increased costs and loss of revenue could be relevant</i></p>	<p>Industries have been reporting a degree of change fatigue, as they use resources to comment on proposals and input their views into decisions about the future of the system. The preferred option assumes active industry engagement, and in some cases bearing the monetary costs of setting up and registering a PTE, acquisition of systems for learner management and reporting, and staff in advance of it making a return from training activities. In many cases however the required systems will exist in the WBL division now, although staff capability at the point of transition is unknown.</p> <p>Industries may have sunk costs in the WBL divisions as they originated in industry bodies that were ITOs before the RoVE reforms of 2019/20.</p>	<p>Medium</p>	<p>High</p>
<p>Other providers (including future ITPs)</p>	<p>For providers that do not come out of WBL divisions, acquiring systems for learner management and reporting, and developing programmes would be an upfront cost. In some cases, some of these costs might have been acquired gratis through Te</p>	<p>9(2)(ba)(i)</p>	<p>High</p>

	Pūkenga while providers were a part of that organisation. Generally, the preferred option results in an open market for training provision, so providers have a choice about whether this cost is borne.		
Total monetised costs	Funding decisions have not been made yet, therefore both costs and benefits are difficult to monetise.	-	-
Non-monetised costs	Costs are highly uncertain overall and will depend on the detailed design of the WBL/VET network.	Medium	High
Additional benefits of the preferred option compared to taking no action			
Learners	Learners may benefit from greater connection to local and industry skills needs and from a more responsive VET system.	Medium	Low
Employers	Employers may see improved responsiveness from providers, which will have incentives to develop relationships with them. ITPs will be incentivised to engage effectively with employers and industries on provider-based learning. There will be more choice for them in regions that can sustain multiple providers.	Medium	Low
ISBs and former WBL divisions	Clarity of roles for pastoral care. Clarity of end-state roles for the wider system.	Medium	Medium
Other providers (including future ITPs)	Providers will have greater access to markets for funded WBL. Once the new system is mature, this will give providers stronger relationships with industry and employers in their communities and a framework within which they can deliver on the desired role of meeting industry needs. This assumes their regions support sufficient	Total allocation for WBL (across all providers) varies year to year: 2023 - \$301,116,441.06 2024 - \$369,087,433.68 2025 - \$322,265,614.15 (Year in-progress so allocations will continue to change + known	

	viable programmes after they have re-sized their capital footprint and operations.	<p>upcoming mergers of work-based providers).</p> <p>This funding is currently in the system and is based on enrolments. During the transition, enrolment volume may change.</p> <p>Funding proposals include a 10% reduction in WBL funding rates – however this may differ depending on targeting. Total amounts for 2026 will be dependent on enrolment volume.</p>	
Total monetised benefits	Funding decisions have not been made yet, therefore both costs and benefits are difficult to monetise.	-	-
Non-monetised benefits	Overall benefits difficult to quantify and highly dependent on a judgement about whether a decentralised model is likely to be significantly more effective in meeting community and employer needs.	Medium	<i>low</i>

67. This cost benefit analysis is not able to accurately capture the difference between transition models due to the high number of unknowns in the future VET system. The Ministry knows there are monetary costs for TEC and ISBs during the transition period. However, due to the uncertainty surrounding the number of new entities and how they will be set up, costs for other parties cannot be accurately modelled until policy decisions are finalised.
68. Financial costs are largely on Crown bodies, the ISBs, and agencies such as the TEC. These have yet to be fully modelled. A key mitigation is that there is a contingency set aside to contribute to the costs of disestablishing Te Pūkenga, and the current proposal is an aspect of that. The modelling so far suggests that there is low risk of the funding set aside for the VET changes overall being exceeded. Any financial costs incurred by industry who respond to the proposals by setting up a PTE for WBL for their industry is discretionary to them. There is a potential non-monetarised transaction cost during the transition period for employers that have trainees with more than one organisation. This is mitigated by the short-term nature of this transitional arrangement.
69. TEC monitoring and governance will also be needed to mitigate risks and ensure the transition period for ISBs runs smoothly, including setting up and exiting from temporary roles.

Section 3: Delivering the Minister's preferred option

How will the proposal be implemented?

70. There are a number of activities required to have an operational WBL system in place which is ready to enrol new learners and transfer existing work-based learners where possible by 1 Jan 2026.
71. Responsibility for implementation will sit jointly between the Ministry and Cabinet, TEC, and Te Pūkenga. TEC and Te Pūkenga will be largely responsible for ensuring that the WBL system is operational on 1 January 2026, while the Ministry will be producing advice for Cabinet decisions later in 2025 related to the network of ITPs.
72. Generally, this is the implementation timeline as understood on March 27, 2025:
 - a. WBL intellectual property to be shared with ITPs (ASAP)
 - b. TEC will then issue guidance to Te Pūkenga to inform WBL decisions going forward (first half of 2025)
 - c. Cabinet decisions will determine ITP network following further advice as well as the number and coverage of ISBs (June 2025)
 - d. Establishment Advisory Groups (EAGs) will be created (July 2025)
 - e. Te Pūkenga will plan WBL placements to prepare for the transition (July to October 2025)
 - f. Dependent on industry and ITPs, legislation passes, and TEC approves WBL division to ISB transfers (October/November 2025)
73. Intellectual property related to WBL that has been developed by the Te Pūkenga WBL divisions will need to be collated and made available to the Te Pūkenga ITP divisions in the first half of 2025. There may need to be considerations for situations where industry has an interest in intellectual property, such as contractual obligations or situations where it has been co-developed with industry and Te Pūkenga WBL divisions.
74. TEC will convene meetings with industry to get a preliminary view of industry's aspirations regarding their future role in the delivery of WBL, and issue guidance to Te Pūkenga in the first half of 2025 on readiness requirements going forward, including:
 - a. Quality assurance
 - b. Reporting
 - c. Educational capability
 - d. Systems capability
75. The Ministry will produce advice for further Cabinet decisions related to the ITP network, and the Minister will announce further decisions about the new VET system mid-2025.

76. Following announcements, EAGs will be created for each new ITP consisting of three members. These people will have an overview of WBL decision processes but will primarily be involved in 'Day One' activity planning for new ITPs. This includes recruitment of CEs.
77. EAGs will also be created for ISBs. These people will primarily be involved in 'Day One' activity planning for new ISBs. This includes recruitment of CEs.
78. Te Pūkenga will then work with its regional business divisions, regional advisors and industry to plan the transition for WBL placements while progress is monitored by TEC. PTEs may also prepare transition plans to shore up potential gaps that Te Pūkenga identifies.
79. Once legislation is passed, the change process can commence for Te Pūkenga staff and learners shifting to other organisations. TEC can formally review transition plans and either approve them or work with Te Pūkenga and/or PTEs on filling potential gaps in provision, and communicate decisions to learners, employers and sector so that they know how to navigate the new system.

How will the proposal be monitored, evaluated, and reviewed?

80. The Ministry of Education, TEC, and NZQA will work together to establish a monitoring and evaluation framework for these changes. This will include both implementation and transition objectives (looking at the process for transitioning to the new system) and medium to long-term objectives for the VET system (building on frameworks established for the monitoring of the VET system post-RoVE). We note that, depending on the complexity of the final model, the transition period may be lengthy and that it may be some time before we are in a position to assess the end impact of any changes.
81. We expect that the shorter-term monitoring activities will be led by the TEC, informed by its regular monitoring of providers (with particular focus on the ITPs during the transition period) as well as monitoring of how successful funding levers are at managing any role conflicts within ISBs, and in promoting collaboration and industry engagement by ITPs.
82. For the medium to longer-term outcomes, monitoring and evaluation (3+ years) will build on frameworks developed for RoVE, updated to reflect a greater focus on local and industry responsiveness. Monitoring would likely include looking at:
 - whether the system is more responsive at identifying and responding to employers' and community needs
 - impacts on labour market outcomes for learners
 - any impacts on the profile, reputation and credibility of vocational education
 - the financial viability and sustainability of WBL provision
 - whether the change has had a positive impact on Māori and Pacific learners, and disabled learners and learners with additional support needs
 - how well the VET system honours Te Tiriti and supports Māori-Crown relationships.
83. We expect that both the Ministry of Education and the TEC will undertake this medium to longer-term monitoring. A key data source will be the Integrated Data Infrastructure.

84. It will be difficult to attribute changes in outcomes to these reforms, particularly because the implementation of RoVE changes has yet to flow through into outcomes and because of the level of general disruption created by the two substantial structural changes to the sector in a relatively short period of time. The current proposal is also part of a wider reform proposal that will need to be considered as a totality.
85. Given that the changes are being progressed quickly and that this constrains the options that can be progressed, we expect to undertake a follow-up review of system settings for VET within three years of enactment.

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Appendix A WBL Options Comparative Analysis Table

The following table highlights functional differences between both variations of Option Two, as well as the collaborative Option Three for Work-Based Learning.

	Option 2A – Independent model (original transition)	Option 2B – Independent model (modified transition)	Option 3 – Collaborative model
What happens to Te Pūkenga Work-based Learning divisions?	<ul style="list-style-type: none"> This model would involve two steps to manage the future of the WBL divisions currently in Te Pūkenga: Step one – disentangling WBL from Te Pūkenga: <ul style="list-style-type: none"> The divisions would be moved as a group out of Te Pūkenga and into a standalone transitional WBL provider. One model for this could be a ‘Schedule 4A’ company under the Public Finance Act 1989, that has shareholding Ministers and operates in most respects like a private organisation. This step can happen before Te Pūkenga itself is disestablished, and it removes the divisions from ties to the Te Pūkenga structure and timeline. There would be very little impact on the learner or employer experience. This transitional body would be recognised as a PTE, and take on the programmes, learners, and assets of the WBL divisions. Each division would continue operating as a distinct part of the organisation, as they currently do within Te Pūkenga. Most of these divisions’ current staff would be offered employment in the same division within this new entity. Step two – Negotiating with industry about what each WBL division will look like going forward: <ul style="list-style-type: none"> Once this shift has occurred, step two would involve the Government negotiating with industry how each division could be re-established as an independent private provider. For example, a group of industry stakeholders may establish a charitable trust to acquire a given division’s assets and programmes, take on relevant learners, and begin operating as a standalone PTE. <ul style="list-style-type: none"> During the transitional period described above, the governance and management of the transitional body would be accountable for the use of funding, and the 	<ul style="list-style-type: none"> Non-cash assets and learners from the WBL divisions will under this option be lifted and shifted to form the baseline resources of an appropriate ISB, along with most of their staff. To address specific industry gaps in the work-based programmes that ITPs, PTEs, and Wānanga can offer on 1 January 2026 and in the short term, ISBs could enrol new learners if necessary. However, they would not be permitted to develop any new programmes; only ITPs, PTEs, and Wānanga could do this. <p>86. Each ISB would only manage these learners for a two-year period over which they will phase out. During this time new work-based programmes and providers would emerge, including industry-led PTEs. To facilitate the development of new work-based programmes, Te Pūkenga will make the relevant intellectual property (e.g. programme structure, delivery, learning, and assessment materials) of the WBL divisions available to its ITP divisions of Te Pūkenga. (Much of this is Te Pūkenga’s material, although it often originated from work with industries under the earlier pre-Te Pūkenga system.)⁸ At the end of the two-year period, the WBL business divisions of ISBs would no longer exist.</p> <ul style="list-style-type: none"> Work would be led by Te Pūkenga and the TEC, and establishment groups or provisional Boards once these are in place for ISBs, to identify which ISBs take on which WBL division undertakings. We anticipate this will be largely aligned to the industry coverage assigned to each ISB. Legislative provisions would then facilitate the change in organisation responsible for the WBL (from Te Pūkenga to an ISB). Planning work will need to be done over how to set up the corporate aspects of the WBL business division, including how it will be best to arrange balance sheets, any delegations and any reporting systems that might be needed internally. The TEC and NZQA will work through any approvals and monitoring arrangements that will be needed in advance of 1 January 2026. 	<ul style="list-style-type: none"> The WBL of Te Pūkenga would have their programmes, including Trades Academy and Gateway, and the apprentices and trainees they manage transferred to a regional ITP, or in some cases a PTE or Wānanga. Assets associated with education and training, such as learning resources, would also be moved to these providers. Assets associated with pastoral care would move to the relevant ISB. While the intention would be for most programmes and learners to shift to a local regional provider, in some cases an ITP in another region may need to take on those learners, or a PTE or Wānanga could take over responsibility. This would likely be the case for smaller and specialised programmes. Depending on their role, staff currently employed in the WBL divisions could be offered employment in either the provider that takes on a programme or as part of the pastoral care workforce at an appropriate ISB.

⁸ Te Pūkenga will need to work through what is required for any material that remains owned wholly or in part by other parties

	<p>educational performance of learners in the same way as other PTEs in the system. It would operate much as WBL does in Te Pūkenga now, including enrolling new learners and pursuing relationships with employers new to the system.</p> <ul style="list-style-type: none"> • It would by its nature be different to most other TEOs in that, like Te Pūkenga, it will begin life as a dominant provider for WBL specifically. As such the TEC will need to provide keen oversight as organisational failure would have significant consequences for the performance of the system. A level of capitalisation will need to be provided for in this and the modified permutation below. • The Government would not intend to see a return to the industry training environment of the early 2000s, where there were a large number of small organisations of uncertain viability. It would instead ultimately expect to agree a transition of up to eight industry divisions as standalone entities, corresponding largely to the current WBL divisions in Te Pūkenga. 	<ul style="list-style-type: none"> • During this period, industries would be encouraged to consider establishing an industry-endorsed PTE that could take on WBL programmes in the future. 	
<p>What would happen to other providers of Work-based Learning?</p>	<ul style="list-style-type: none"> • Other providers of WBL would not be directly affected by implementing this model. In some cases, an ITP, private provider, or Wānanga could end up receiving learners, programmes, and assets from the transitional WBL entity. Providers such as ITPs, Wānanga and PTEs would be able to develop their own WBL programmes and develop relationships with employers and enrol learners, so long as they met the requirements for quality assurance and funding. 	<ul style="list-style-type: none"> • Under this option, WBL can continue to be offered by any provider. New providers will be encouraged to enter the WBL market, and current PTEs offering WBL will be able to expand their programmes. • In some cases, industries will set up PTEs during this period. Such providers will need to meet the requirements for registration and accreditation from NZQA and to receive funding from the TEC, e.g. develop an investment plan, along with receiving endorsement from the ISB of the programme (that it will meet the needs of the industry). • Providers will need to invest in the systems and assets required to support and be funded for WBL. For example, providers need reporting systems such as the industry training register to allow them to report enrolments and progressions to the TEC, which is the basis of funding. For ISBs these will come over as part of the lift and shift exercise. Organisational trainee management systems will be needed as well, because work-based trainees are based in many places of employment rather than on campus or online. 	<ul style="list-style-type: none"> • The Collaborative model would apply to all providers of WBL, including private providers and Wānanga. Those who currently offer WBL programmes could continue doing so, but they would no longer be funded to provide pastoral care. They would also need to adapt their current programmes and training agreements to include the appropriate ISB as the provider of pastoral care. • To ensure stability, there may a case-by-case moratorium on new work-based learning providers until the new Collaborative WBL model took effect. Providers taking on programmes and learners from a WBL division of Te Pūkenga would be an exception to this.
<p>What would this mean for current employers and learners?</p>	<ul style="list-style-type: none"> • Employers and apprentices/trainees would in most cases continue to engage directly with only one organisation. • Current enrolments with a Te Pūkenga WBL division would remain with them through the transition process. Current training agreements would transfer along with the enrolment. 	<ul style="list-style-type: none"> • To the greatest extent possible, the transition process will operate in the background to minimise disruption for employers and learners. However, this will be unavoidable in some cases, particularly for employers that train multiple staff in an ongoing way. • Where trainees are already enrolled in WBL arrangements (have training agreements and are 	<ul style="list-style-type: none"> • Employers and apprentices/trainees would engage directly with, and receive support from, two organisations: the local education provider a learner is enrolled with, and the national ISB that provides them with pastoral care. • Current enrolments with a Te Pūkenga WBL division would shift to the designated provider, and this provider would take over assessing the learner and awarding credentials. An ISB would

	<ul style="list-style-type: none"> Learners could expect to see some changes to their programmes during transition, especially if their programme uses Te Pūkenga facilities for off-job training. However, the transition would be designed to minimise disruption to learners and employers. 	<p>achieving credits) as of 31 December 2025, their enrolment will be transferred to the relevant ISB as of the next day.</p> <ul style="list-style-type: none"> For employers this will mean it is likely that during the transitional period there is a chance that they will need to move to a new service provider, or there may be a period where some of their trainees are enrolled in the relevant ISB and some with a provider, where before they were all with the relevant WBL division. 	<p>take over providing the pastoral care. To reflect this, a revised training agreement between all four parties would be developed.</p> <ul style="list-style-type: none"> Learners and employers would see some changes to their relationships and possibly their programmes. However, the transition process would be designed to minimise disruption.
<p>What would this mean for Industry Skills Boards?</p>	<ul style="list-style-type: none"> ISBs would have a single role, like WDCs do now. They would develop qualifications, quality assure programmes for consistency and industry relevance, do strategic workforce analysis and planning, and provide investment advice to the TEC. Unlike the Collaborative WBL model, an ISB would not directly work with individual employers, apprentices, and trainees in the training process. They would retain the ability to develop and run a final capstone assessment for learners if industry believed this was necessary. 	<ul style="list-style-type: none"> ISBs will have a time-limited function of managing the training of existing trainees. For the transitional period, ISBs will be operating a temporary function that is significantly different in nature from its core standards- setting functions. These functions have operated together in the past, when ITOs set standards and made training arrangements. In this case, it means ISBs will be employing, for a period, two sets of skills: <ul style="list-style-type: none"> engagement with industry and employers over developing and maintaining standards, qualifications, and micro-credentials (including both relevant industry engagement and the technical work of writing these), endorsing and moderating programmes developed by providers, undertaking workforce analysis and planning for their industries, and providing advice to the TEC. support and assessment for trainees and apprentices in the workplace including ensuring that trainees are making progress, quality of experience is maintained, and administering any off-job training arrangements. During this transitional period, the ISB will be responsible for governing (through its Board) and managing a significantly higher level of budget and complexity of business than its steady state position will do. Each WBL business division is likely to be shifted across largely intact, and it will be important that as much existing management capability comes to the ISB as possible. The ISB will however need systems to be accountable for this temporary function and during this period the levels of financial accountability will be higher and risk greater. It will be important to have strategies in place to manage the situation where attrition is greater than expected and fixed costs still need to be met – without placing core standards-setting work at risk. 	<ul style="list-style-type: none"> ISBs would have a dual role, similar to the former but clearer and more tightly defined. They would be both standards-setters and directly involved in supporting learners through their training. However, instead of having a broad ‘arranging training’ function, they would focus specifically on supporting learners to succeed. An ISB would engage directly with employers and employees, creating a feedback loop to their standards-setting work. They could also use insights from these relationships in their quality assurance of providers. Each ISB would need to develop a viable business and service model for providing pastoral care. This could range from field staff to a comprehensive contact centre and online support, depending on cost, learner and employer characteristics, and what works for industry.

		<p>They will need to manage the risk that quality across the national network drops as enrolments decline. An ISB will also need to be able to address situations where financially stable programmes are primarily offered by ITPs, PTEs, and Wānanga, and the ISB is required to maintain programmes that historically rely on cross-subsidy. [There will need to be a degree of capitalisation to help to manage this – provided at establishment by the Te Pūkenga disestablishment Contingency in the absence of or additional Crown funding].</p> <ul style="list-style-type: none"> The ISBs will have some additional functions and increased power compared to ITOs, which could create conflicts of interest if it were business as usual in the final system. This will initially be heightened if providers in regions are not yet enrolling many WBL trainees. However, the time-limited nature of the connection between training and standard-setting means that ISBs do not have incentives to abuse functions such as endorsement of programmes or advice to the TEC on funding to advantage themselves. Any potential conflicts of interest look to be manageable. 	
<p>How would funding for Work-based Learning be organised?</p>	<ul style="list-style-type: none"> Organisations that offered WBL would continue to be funded by the TEC on a per-EFTS/STM basis. They would be able to charge student fees and generate income from any campus-based programmes and other sources. An ISB would only need funding to support standards-setting. It would receive some direct funding from the Government for this, could charge providers fees for quality assurance functions, and in some cases might be supported by an industry levy. 	<ul style="list-style-type: none"> ISBs incorporating WBL would continue to be funded by the TEC on a per-Standard Training Measure (STM) basis. They would be able to charge fees to employers and trainees (likely continuations of existing fee charging practices). This would be in addition to and separate from their funding sources for standards-setting (public funding, possible provider fees, and potential levies). This STM with PSC funding will decline over the two-year period as learners complete. There is a risk that the costs of operating the WBL aspect outweigh the income in the latter period of the transition. 	<ul style="list-style-type: none"> Each role in the Collaborative model would be directly funded by the TEC. The total per-EFTS/STM funding for each apprentice and trainee enrolment would be split between the provider and the ISB; there would not be additional funding. The Government would decide on an appropriate split of funding rates as part of further design work. Both providers and ISBs would have access to additional sources of income to support their work. They would each be expected to meet the costs of all their functions and systems from the total income they received. Providers would be able to charge student fees and generate income from any campus-based programmes and other sources as normal. An ISB would not be able to charge learners or employers fees for pastoral care but would receive public funding for its standards-setting activity, could charge providers fees for the quality assurance functions it performs (e.g. moderation or granting consent to assess), and in some cases might be supported by an industry levy.

Appendix 4: Comparing Risks and Benefits across original and modified transition options

		Option B: Independent Work-based Learning as end-state <i>(Industry Skills Boards (ISBs) are solely standard-setters; all providers can deliver work-based learning on their own)</i>	
		Original Transition Approach <i>(WBL divisions move to a holding entity before becoming independent/ industry-owned)</i>	Modified Transition Approach <i>(Industry Skills Boards take on work-based learners and programmes for two years)</i>
Short-term <i>(until 1 Jan 2028)</i>	Benefits and Strengths	<ul style="list-style-type: none"> • Maintains WBL divisions as ongoing providers, providing continuity and clarity for apprentices/trainees, firms, and industries. • Maximum clarity for ISBs' role from day of establishment. • Minimises disruption for learners and firms, which was a strong theme in 2025 consultation. 	<ul style="list-style-type: none"> • Industries control the transition of work-based learning, creating strong ownership, incentives and responsibility for how their workforces are trained, which was a strong theme in the 2024 & 2025 consultation. • Allows space for new work-based providers to emerge, while still supporting continuity for current apprentices/ trainees, firms and employers. • Uses already existing agreed structures (ISBs) to house WBL division learners, avoiding the need to establish an additional entity. • ISBs receiving WBL division assets (e.g. ICT) will reduce some establishment costs.
	Risks and Weaknesses	<ul style="list-style-type: none"> • Requires establishing a new entity to transfer and operate the WBL divisions from 1 January 2026 until they can transition to industry ownership. • The Crown coordinates and manages the transition of work-based learning, recognising the Crown's interest and public benefits in a strong and viable work-based learning system, but this does not reflect industries strong desire for industry control. • Because the Crown will control transitions and manage the re-establishment of WBL divisions, it will be held liable if industry does not take ownership of a division. • Financial risk to the Crown transitioning WBL divisions out of the transition entity will need to balance industry priorities against managing smaller and less financially strong programmes with less ability to cross-subsidise. • High continuity for WBL divisions may replicate poor practices and relationships, not just positive ones. • ISBs need to be viable on standards-setting funding alone, absent levies or fees for quality assurance. 	<ul style="list-style-type: none"> • Dual functions for ISBs – managing training and standards-setting – during the two-year transition period. • Financial risk to ISBs, and to a lesser extent, the Crown, may emerge if they must manage smaller and less financially strong programmes with less ability to cross-subsidise from larger programmes. • Industries may see this as Option A, which wasn't supported in 2024, due to the (temporary) dual function for ISBs. • The modified transition approach for WBL divisions (integrated into ISBs then replaced by new providers) is untested with industries. • The Crown has less ability to steer the future of work-based learning if this proves necessary but this reflects the strong desire from industry to have industry control.
Longer-term	Benefits and Strengths	<ul style="list-style-type: none"> • Clear roles and responsibilities, with ISBs focussed on relevance and quality, and providers focussed on development, delivery, and assessment. • Most likely to maintain national access to small and niche programmes due to scale of re-established WBL divisions. • Returns WBL divisions to pre-Te Pūkenga state of independence and industry ownership. 	<ul style="list-style-type: none"> • Clear roles and responsibilities in the end-state, with ISBs focussed on relevance and quality, and providers focussed on development, delivery, and assessment. • End-state of ISBs as solely standards-setters has majority industry support (as per <i>short-term benefit</i> for original transition approach). • Enables WBL divisions to return to pre-Te Pūkenga state of independence and industry ownership of work-based learning while also allows space for new and innovative models to emerge. • Industries, rather than the Crown, can determine the final coverage of new work-based learning providers, including replicating WBL divisions if they want to.
	Risks and Weaknesses	<ul style="list-style-type: none"> • Greater number of future actors in the VET sector (up to eight standards-setting entities, up to eight former WBL divisions, and new polytechnics). • Continued dominance of some WBL divisions may make it difficult for new providers and work-based learning programmes to emerge in those areas. • May undermine polytechnic network if re-established WBL entities diversify into other delivery. • Crown controls the future transition of WBL divisions into partial or full industry ownership, including setting coverage and considering what would happen if industry will not or cannot take ownership of a division. • Smaller and niche WBL programmes at particular risk from 1 January 2028 if no providers consider the provision of these programmes is economic. 	<ul style="list-style-type: none"> • Assumes many new providers will choose to enter the market across the country to replace WBL division programmes, when this is unknown. • Unknown future number of actors in the VET sector (up to eight standards-setting entities, new polytechnics, and unknown number of additional industry-based PTEs). • May undermine polytechnic network if re-established WBL entities diversify into other delivery. • Smaller and niche WBL programmes at particular risk from 1 January 2028 if no providers consider the provision of these programmes is economic.

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Cabinet Social Outcomes Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

A Redesigned Vocational Education and Training System: Options for Work-based Learning

Portfolio Vocational Education

On 9 April 2025, the Cabinet Social Outcomes Committee (SOU):

Work-based learning model

1 **noted** that in December 2024, SOU:

- 1.1 agreed to retain the existing work-based learning model in the first instance, pending targeted consultation with key industry stakeholders on Option B vs Option C, and;
- 1.2 invited the Minister for Tertiary Education and Skills to report back no later than April 2025 on the preferred work-based learning model, with changes to be either included in the relevant Bill at introduction or progressed via a second phase of legislation;

[SOU-24-MIN-0174]

2 **noted** that the paper considered by SOU in December 2024 included two options for consultation:

- 2.1 Option B (similar to current arrangements) with Industry Skills Boards established as separate standards-setting entities and Te Pūkenga's work-based learning divisions becoming standalone work-based learning entities;
- 2.2 Option C, with Industry Skills Boards established as separate standards-setting entities, along with responsibility for national training coordination and pastoral care functions;

3 **noted** that the Minister for Vocational Education has conducted targeted consultation on Option B and Option C, including the process for transition;

4 **noted** that the majority of submissions from consultation preferred the Independent Work-based Learning model (Option B);

5 **agreed** to implement the Independent Work-based Learning model;

Transition approach for work-based learning

- 6 **noted** that there are two options for the transition process to an Independent Work-based Learning model:
- 6.1 the Original Transition process (as consulted on);
 - 6.2 the Modified Transition process (as preferred by the Minister);
- 7 **noted** that under the Original Transition process:
- 7.1 a Crown company will be established under Schedule 4A of the Public Finance Act 1989 to temporarily hold Te Pūkenga's work-based learning divisions;
 - 7.2 Te Pūkenga's work-based learning divisions will shift to this Crown company from 1 January 2026 and operate as divisions of that company offering work-based learning programmes;
 - 7.3 the negotiation and transfer of work-based learning divisions from this Crown company to standalone industry-led providers would be progressed over 2026 and 2027;
 - 7.4 the Crown company is intended to be wound up on 31 December 2027, or earlier;
- 8 **noted** that under the Modified Transition process:
- 8.1 existing work-based learning enrolments within Te Pūkenga as at 31 December 2025 will transfer to Industry Skills Boards for two years (until 31 December 2027);
 - 8.2 new enrolments from 1 January 2026 will be mainly into new and existing private training establishments (including those established by industry), polytechnics, or Wānanga as suitable new programmes emerge at these providers;
 - 8.3 Industry Skills Boards will be able to continue enrolling learners in programmes where there are gaps in provision offered by providers, as in some cases new work-based learning programmes may take time to emerge;
 - 8.4 Industry Skills Boards will actively transition any of their remaining work-based learning enrolments to programmes at polytechnics, private training establishments or Wānanga from 1 July 2027 to 31 December 2027, and this may occur earlier with Tertiary Education Commission approval;
 - 8.5 Industry Skills Boards' ability to manage training will end on 31 December 2027, and all remaining enrolments with Industry Skills Boards will end;
- 9 **noted** that under the Modified Transition process temporary legislative provisions are needed to give Industry Skills Boards the function and responsibility for arranging training for learners, including the ability to charge fees, and to support the transition of current Work-based Learning division staff, assets, and learners to Industry Skills Boards;
- 10 **agreed** to the Modified Transition process, developed as a response to industry feedback for control and responsibility, for the Independent Work-based Learning model;

Legislative implications

- 11 **noted** that the Education and Training (Vocational Education and Training System) Amendment Bill, which would implement the model agreed in paragraph 10, holds a category 2 priority on the 2025 Legislation Programme (a priority to be passed by the end of 2025);
- 12 **authorised** the Minister for Vocational Education to issue drafting instructions to the Parliamentary Counsel Office for a Bill implementing the decisions under SOU-25-MIN-0046;

Financial Implications

- 13 **noted** that moving work-based learning out of Te Pūkenga to Industry Skills Boards will have an impact on the Crown's balance sheet at the point that assets are moved outside the Crown;
- 14 **authorised** the Minister of Finance and the Minister for Vocational Education to manage the fiscal impact, including consideration of the use of the Te Pūkenga Disestablishment and Transition Operating Contingency.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Winston Peters
Hon David Seymour
Hon Nicola Willis
Hon Simeon Brown
Hon Erica Stanford
Hon Paul Goldsmith
Hon Louise Upston (Chair)
Hon Dr Shane Reti
Hon Mark Mitchell
Hon Tama Potaka
Hon Matt Doocey
Hon Nicole McKee
Hon Casey Costello
Hon Penny Simmonds
Hon Karen Chhour
Hon Nicola Grigg
Hon Scott Simpson

Officials present from:

Office of the Prime Minister
Officials Committee for SOU
Office of the Minister for Regulation
Office of the Minister of Education
Office of the Minister for Vocational Education



Cabinet

Minute of Decision

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Report of the Cabinet Social Outcomes Committee: Period Ended 11 April 2025

On 14 April 2025, Cabinet made the following decisions on the work of the Cabinet Social Outcomes Committee for the period ended 11 April 2025:

SOU-25-MIN-0046 **A Redesigned Vocational Education and Training System: Options for Work-based Learning** CONFIRMED
 Portfolio: Vocational Education

Out of scope	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Out of scope



Rachel Hayward
Secretary of the Cabinet

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