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Reform of Vocational Education
Tertiary Education Commission
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Submission on the Reform of Vocational Education

The Institute of Directors (IoD) appreciates the opportunity to comment on the Government's [discussion document](#) on the reform of vocational education in New Zealand. These reforms are part of a series of significant educational reforms including the review of Tomorrow's Schools, which we also submitted on. The discussion document sets out proposals aimed at establishing a unified, coordinated, national system of vocational education including:

- creating a new institution (with the working title of 'the New Zealand Institute of Skills & Technology') that would bring together 16 Institutes of Technology and Polytechnics (ITPs) as a single entity. This would be governed by a Council, with Councillors appointed by the Minister of Education
- redefining the roles of education providers (ie ITPs, Wānanga and private training establishments) and Industry Training Organisations (ITOs) and
- implementing a unified funding system.

'Vocational education' is education and training that has a special emphasis on the skills, knowledge and attributes required to perform a specific role or work in a specific industry. Approximately 240,000 learners undertake vocational education each year.

The IoD's submission focuses mainly on the proposal to create the New Zealand Institute of Skills & Technology and related governance matters. Notwithstanding our comments here, the IoD may make further and broader comment as the review progresses.

Summary

Given the importance of vocational education to New Zealand, we support the Government reviewing the system to ensure it is fit for purpose and can respond to the challenges of the future. However, we have concerns about the review and the extent of the proposed changes including:

- the discussion document doesn't sufficiently cover what is broken, what is working well, or why the Government believes the proposed changes will be effective in addressing identified problems/challenges
- there is no estimate of costs of the proposed changes (or other options that were considered)
- the proposal that the New Zealand Institute of Skills & Technology be operational by 1 January 2020 is likely to be problematic given the extent of the proposed changes and impact on stakeholders
- whether the appropriate balance between national and regional interests has been struck under the proposal to create the New Zealand Institute of Skills & Technology
- the Council of the new Institute is likely to face significant challenges in sufficiently discharging its governance responsibilities under the proposals given the large portfolio it will be required to oversee. If the Institute is established with a Council, it is critical that the Council consists of highly capable and professional directors with the right mix of

knowledge, skills and experience, and that there is a transparent and robust board appointment process.

About the Institute of Directors

The IoD is a non-partisan voluntary membership organisation committed to driving excellence in governance. We represent a diverse membership of over 9,000 members drawn from listed issuers, large private organisations, small and medium enterprises, state sector organisations, not-for-profits and charities. Our members also serve on boards of education providers and industry bodies.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good corporate governance.

Summary of the proposed changes

The Government has set out proposed changes to the vocational training system to ensure it can meet current and future challenges and deliver better outcomes for New Zealanders. The three main proposals are:

- **create the New Zealand Institute of Skills & Technology** bringing together 16 ITPs into one single entity. This would be governed by a Council (with councillors appointed by the Minister of Education), overseeing a single combined management team and balance sheet to manage capital and operational budgets, staffing, and student and learning management systems. 'Regional Leadership Groups' would be established in each region to advise the national office and Tertiary Education Commission (TEC) on the region's training needs
- **redefine the roles of education providers and industry bodies** by replacing existing ITOs with 'Industry Skills Bodies'. Responsibilities of these bodies would include providing skills leadership (eg planning for future needs), setting skill standards and approving programmes across the system, setting or moderating end of study assessments, and contributing to curriculum development, and providing advice to the TEC on industry needs. Vocational education providers would be responsible for providing all education and training, including supporting all workplace training
- **establish a unified funding system.** The Government is still working through the details but has indicated that the new funding system may include a consolidated set of funding rates (for on-job and off-job provision), funding for strategically important training that comes at a higher cost (eg in remote regions), funding for new Industry Skills Bodies, continued industry/employer contributions to the cost of training, and continued fees to learners in some cases.

The Government has indicated that it would like the New Zealand Institute of Skills & Technology to be in place from 1 January 2020.

General comments

Talent management and workforce capability are key issues for organisations in New Zealand. For the third year in a row, directors (61%) have identified a tight labour market as a top barrier to national performance in the 2018 IoD/ASB [Director Sentiment Survey](#). Concerns about workforce skills and capability feature strongly as well with the largest proportion of directors (28%) identifying this as the biggest risk facing their organisation. Sixty-six percent of directors also said that their boards had discussed the impact of technology, automation and/or artificial intelligence on their organisation, workforce and future skills needs in the last 12 months.

Given the importance of vocational education to New Zealand, we support the Government undertaking a review to ensure the system is fit for purpose and can respond to the challenges of the future. However, we have concerns about the review and the extent of proposed changes including:

- **evidence and analysis:** the discussion document doesn't sufficiently cover what is broken, what is working well, or why the Government believes the proposals will be effective in addressing problems/challenges. Given the amount of change proposed and importance of a well-functioning system we encourage the provision of more robust evidence and analysis to support any changes
- **cost:** there is no estimate of the costs of the proposals (or other options considered) in the discussion document. We expect that there will be significant transition and other costs including for education providers and ITOs
- **timing:** the seven week consultation period on the discussion document was too short to ensure meaningful consultation, and the proposed 1 January 2020 timeframe for the new Institute to be in place is also likely to be problematic given the extent of proposed changes and impact on key stakeholders. The proposals would require significant change for education providers and industry bodies, and could disrupt learners and employers. Given the importance of the review to New Zealand, it is important that sufficient time is taken
- **balance:** it is essential that New Zealand's vocational education system serves both national and regional interests. We are concerned that there may not be an appropriate balance between these interests under the proposals, with the potential for regional interests to be unduly impacted. There are considerable risks with shifting leadership and governance away from the regions on such a large scale (eg in terms of local knowledge, connection and accountability) and with substituting 'Regional Leadership Groups' as advisory bodies.

Establishment of the New Zealand Institute of Skills & Technology

The proposal to create the new Institute bringing together the 16 ITPs into a single entity is a major change to the current system. The new Institute will be governed by a Council overseeing a single combined management team. There is a lack of detail around operational matters, for example how delivery will occur in regional campuses.

The Four Pillars of Governance Best Practice (IoD, 2018) sets out the core role of boards including to:

- set, drive and oversee strategy
- oversee risk and monitor performance and conformance matters and hold management to account
- foster high ethical standards and set the tone for a healthy organisational culture
- ensure a high standard of compliance with regulatory environments.

The Council is likely to face significant challenges in sufficiently discharging its governance responsibilities under the proposals given the large portfolio it will be required to oversee.

The ITPs have unique features and no one strategic and operational framework is likely to fit each body/campus. A key part of strategy is implementation, and getting this right in the regions will be a challenge, especially with a single combined management team. Ensuring efficiency, flexibility and responsiveness to the regions are other challenges of the proposed model.

There may also be constraints on the Council in overseeing and monitoring the Institute given the scope of operations and stakeholder obligations. This is a large undertaking for one Council, and the increasing responsibilities of directors should also be taken into consideration (eg health and safety, cybersecurity, and culture and conduct).

Another challenge will be to ensure the Institute doesn't get subsumed in bureaucracy, and that the Council doesn't become weighed down by compliance matters rather than focusing on performance and the needs of learners and other stakeholders.

It is proposed that the Institute will be guided by a charter set out in legislation. It is essential that the role and responsibilities of Council and other key stakeholders are clearly defined.

Board composition is a major consideration for the effectiveness and performance of boards. It is critical that the Council consists of highly capable and professional directors with the right mix of knowledge, skills and experience (including considerable governance experience in the education sector).

The director appointment process is a key part of ensuring a balanced board. There needs to be a transparent and robust appointment (and reappointment) process based on high quality analysis of the knowledge, skills and experience the board requires now and in the future. The board chair should have a core role in this process.

Conclusion

Given the importance of vocational education to New Zealand, we support the Government reviewing the system to ensure it is fit for purpose and can respond to the challenges of the future. However, we have concerns about the review and the extent of the proposed changes including around evidence and analysis (including costs), the consultation period and the planned timeframe to implement changes, and whether the appropriate balance between national and regional interests has been struck under the proposal to create the New Zealand Institute of Skills & Technology. The Council of the new Institute is also likely to face significant challenges in sufficiently discharging its governance responsibilities under the proposals given the large portfolio it will be required to oversee.

We appreciate the opportunity to comment on behalf of our members and we would welcome the opportunity to discuss this submission.

Yours sincerely



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