



# Registered Master Builders Association of New Zealand Incorporated

## Redesign of the vocational education and training system

September 2024

## **The Registered Master Builders Association submission on the redesign of the vocational education and training system.**

The Registered Master Builders Association (Master Builders) welcomes the opportunity to submit to the Ministry of Education on the *Redesign of the vocational education and training (VET) system*.

### **About Master Builders**

The Master Builders represents over 3,000 commercial and residential builders and are the leading sector advocates on the built environment. Our members have been building the places where New Zealanders live, work, and play since 1982.

Our sector is a key contributor to the New Zealand economy. For the year ended March 2023, the construction sector contributed 6.4 per cent of the country's real Gross Domestic Product (GDP) amounting to over NZ\$17.6 billion. It also employed nearly 308,500 people (or 10.7 per cent of the country's total workforce) in the year ended June 2023<sup>1</sup>.

We are working hard to lead the change our sector needs by ensuring we have the regulatory systems and processes in place to build faster and better. We are supporting our members to grow their capability and business acumen to ensure a strong and healthy sector; to innovate and make the most of new technologies so we meet the climate change challenge; and to attract, train and retain skilled talent. We are proud to be New Zealand's best builders.

At Master Builders we are committed to transforming the sector and rebuilding our economy. We are focused on building better homes, communities and workplaces, and ultimately better lives for all New Zealanders. We want to ensure that the houses that we build now are well-built, accessible, affordable, and appropriate to the needs of our ever-changing society. We are building a better New Zealand.

Our members are supported on the ground by 23 branches across 6 regional hubs:

Branch hub	Serving
Auckland	Auckland and Northland, Coromandel
Midlands	Waikato, Tauranga, Whakatāne, Rotorua, Taupō
Central North Island	Taranaki, Whanganui, Hawkes Bay, Manawatū, Gisborne
Cook Strait	Wellington, Wairarapa, Nelson, Marlborough, West Coast
Canterbury	Canterbury, Ashburton and South Canterbury
Southern	Otago, Central Otago, Gore, Southland

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<sup>1</sup> MBIE Building and Construction Trends Annual Report 2023.

## 1. Introduction

- 1.1 The construction industry in New Zealand is a critical sector that underpins the nation’s economic growth and infrastructure development. As one of the largest employers, our industry relies heavily on a well-trained, skilled workforce to meet the increasing demands for housing, commercial buildings, and public infrastructure.
- 1.2 Master Builders welcomes the opportunity to provide feedback on the redesign of the VET system. Our submission focuses on ensuring that the VET system is robust, industry-aligned and capable of producing the skilled workforce required to meet the challenges of the construction sector now and in the future.
- 1.3 As we look to the future, it is clear that the vocational education system must be more adaptable and forward-thinking than what we have now or have had in the past. The construction industry is poised to face significant changes in the medium-term, driven by advancements in technology, shifting regulatory requirements, and the growing emphasis on sustainability and climate resilience.
- 1.4 To meet these challenges, we need a VET system that not only delivers high-quality training but is also flexible enough to respond quickly to evolving industry demands. It is essential that the new system be designed to equip our workforce with the skills necessary to thrive in a rapidly changing environment, ensuring the construction sector remains innovative, competitive and capable of supporting New Zealand’s economic growth.
- 1.5 While Master Builders supports Proposal 2B, which aligns most closely with the specific needs of the construction sector for several reasons, there are some core industry needs that the Government should consider in the ongoing redesign of the vocational education and training system to ensure that the system continues to fulfil its role in supporting the construction industry and the broader economy. These are listed below.

## 2. Overview of industry needs

- 2.1 The Construction industry requires a VET system that:

Core need	Rationale
<b>Puts the trainee at the centre of learning</b>	The system must prioritise the needs of trainees, ensuring they receive high-quality, industry-relevant education that prepares them for, and leads to, employment in the construction sector.
<b>Provides for national consistency</b>	It is critical that the system delivers nationally consistent outcomes across the country, while maintaining flexibility to address regional needs. While regional responsiveness is important, the system must maintain nation constancy in training, quality and standards to ensure all learners are equally prepared, regardless of location.
<b>Has a separate standard setting body</b>	The construction industry requires a system where the development of the standard is independent to those who deliver the training.

	This separation ensures that the entities responsible for standard setting can focus purely on what the industry needs without being influenced by the operational challenges of delivery.
<b>Has the ability to deliver different models</b>	The system must allow for different training delivery models including flexible learning options (e.g. full qualifications, micro-credentials, on-job and off-job), to meet the diverse needs of the construction sector.
<b>Enables a competitive environment</b>	The vocational education system needs to be competitive. The current monopoly system isn't working, and has proven not to be working in many other sectors (e.g. banking and energy). Competition drives improvements in quality, innovation and responsiveness to industry needs. It ensures that providers continually enhance their programmes to meet the evolving demands of the industry, offering flexible and innovative training options.
<b>Is industry-driven in governance</b>	Governance and decision-making within the VET system must be driven by industry needs, ensuring that training aligns with real-world demand (including with a future focus) and that industry has a strong voice in the system.

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

3.1 *Under Proposal 1, the government proposes to disestablish Te Pūkenga and re-establish national ITPs that are financially and educationally sustainable. A federation model, anchored by Open Polytechnic is suggested to support ITPs that require academic and financial assistance. The aim is to maintain regional access to vocational education while ensuring financial sustainability.*

3.2 Master Builders have concerns about the proposed federation model and its potential impact on the effectiveness of vocational education and training, particularly in the construction industry.

3.3 One of the primary challenges with the federation model is the risk of consolidating underperforming ITPs. Grouping these institutions together may not lead to improved outcomes. Instead, it could perpetuate existing issues if high performance is not adequately incentivised. It is important that any federation model included mechanisms to encourage and reward excellence, rather than simply combining institutions with a history of underperformance without addressing the root cause of their struggles.

3.4 Another concern is the lack of influence that ITPs within a federation model may have over funding decisions. For the construction industry, it is vital that funding models are responsive to its specific needs. Resources should be allocated effectively to support training that is directly relevant to industry. If ITPs within the federation cannot influence how funds are distributed, there is a risk that the training provided will not align with industry demands, potentially undermining the workforce development efforts that are critical to the sector's growth.

3.5 Moreover, the importance of maintaining national consistency in vocational education cannot be overstated. Allowing ITPs to develop their own programs can lead to a lack of national consistency. This fragmentation can result in diverse outcomes that do not align with the best

interests of New Zealand Inc. The model, which might drive providers to differentiate themselves, does not necessarily support the best outcomes for the sector as a whole. It may lead to varied standards and inefficiencies, ultimately failing to address the sector's overarching needs and goals effectively.

#### **4. Proposal 2A – Establishing an industry-led training system for standard-setting and industry training (establish a small number of Industry Training Boards, similar to the previous Industry Training Organisations)**

*4.1 Under Proposal 2A, the government proposed the establishment of statutory Industry Training Boards (ITBs), which would be responsible for both arranging industry training and setting industry standards for vocational education. These boards, which would have governance that includes both industry representatives and some ministerial oversight, would assume responsibility for work-based programs and learners currently managed by Te Pūkenga. This approach aims to create a more direct link between industry needs and training provisions.*

4.2 Master Builder has concerns about the weaknesses associated with this model, particularly the potential for conflicts of interest. When the same entity is responsible for both setting standards and arranging training, there is a risk that the focus might shift from maintaining high standards to maximising enrolment. This was a notable concern under the old Industry Training Organisation (ITO) model, where financial incentives sometimes took precedence over quality assurance, leading to compromises in the standard of training provided. Another critical issue is the risk to national consistency. ITBs might prioritise the needs of larger trades or industries that bring in more revenue, potentially neglecting smaller but essential trades. This could result in significant inconsistencies in training quality and standards across different regions and trades, undermining the uniformity that is crucial for maintaining high standards across the construction sector.

4.3 Lastly, the integration of these functions could reduce the industry's voice in shaping standards and training quality. If financial pressures dominate decision-making, there is a risk that the long-term needs of the industry may be overshadowed by short-term financial goals, diluting the influence that industry stakeholders have over the direction and quality of vocational training.

#### **5. (Preferred) Proposal 2B - Establishing and industry-led training system for standard-setting and industry training (replace Workforce Development Councils with a small number of more focused, industry-specific standard-setting bodies)**

*5.1 Under Proposal 2B, the government proposes the creation of statutory bodies with governance that includes both industry representatives and some ministerial oversight, tasked specifically with setting industry standards. Under this model, Te Pūkenga's Work-Based Learning division would be restructured into new education organisations dedicated to specific industries, allowing for more focused and specialised training solutions.*

5.2 Master Builders supports Proposal 2B, which advocates for the establishment of independent statutory bodies responsible for standard-setting, distinctly separate from the delivery of

training. This Proposal aligns most closely with the specific needs of the construction sector for several reasons.

- 5.3 One of the most significant advantages of Proposal 2B is the clear separation of standard-setting from delivery. This separation is important for maintaining the independence and accountability of the qualification and standards that guide the industry. By ensuring that the body responsible for setting these standards operates independently from those delivering, we can avoid any potential conflicts of interest that might otherwise compromise the quality of education. This independence is essential for maintaining the integrity of qualifications, particularly in the construction industry, where meeting stringent safety and regulatory compliance requirements is core.
- 5.4 Furthermore, Proposal 2B supports national consistency and quality assurance across the VET system. By dedicating a specific body solely to the task of standard-setting, this model can ensure that training outcomes are uniform across all regions and institutions, whether delivered by ITPs, PTEs, Wānanga or other providers. This approach mitigates the risk of fragmented training outcomes, ensuring that all learners receive education that meets industry expectations, regardless of where or how they are trained. Such consistency is critical for the construction industry.
- 5.5 In addition to promoting consistency, Proposal 2B encourages flexibility and innovation in training delivery by allowing multiple providers to compete in the education marketplace. Competition should be enabled through “co-opetition” (a blend of co-operation and competition) – where you work with your competitor to achieve the best outcomes. This competitive environment fosters innovation, as training providers strive to offer the best possible programmes to attract students. For the construction sector, this means access to a diverse range of training approaches and methodologies, all designed to meet the specific needs of the industry. This co-opetition is essential for driving improvements in training quality and ensuring that providers remain agile and responsive to the evolving demands of the construction industry. In this space, Master Builders supports keeping the functions from our Workforce Development Council – Waihanga Ara Rau.
- 5.6 Finally, Proposal 2B offers crucial protection for smaller trades and specialised occupations within the construction industry. While the smaller trades are not members, they are incredibly important for the construction system sector, underpinning a lot of the work our members do. The separation of standard-setting from training delivery ensures that these smaller trades receive the attention and resources they need, preventing them from being overshadowed by larger, more profitable trades, as might occur under a combined model like Proposal 2A. This inclusivity is vital for maintaining a diverse and skilled workforce across all areas of the construction industry, ensuring that every trade, regardless of size, can thrive and contribute to the sector’s overall success.

## **6. Proposal 3: A funding system that support stronger vocational education system**

- 6.1 Under Proposal 3, the document discusses changes to the funding system, proposing shifts to restore funding rates for provider-based education and prioritise standards-setting functions. These changes aim to support the new structure of vocational education and ensure the financial viability of ITPs and private providers.*
- 6.2 Master Builders does not support the proposed funding shifts, as they disadvantage work-based learning, which is the construction industry heavily relies on.
- 6.3 We also believe the proposed changes to the funding system raise several concerns for the construction industry, particularly regarding their potential impact on national consistency, and specialised training.
- 6.4 Work-based learning, especially through apprenticeships, is the cornerstone of the construction sector's workforce development. This hands-on training is crucial for ensuring that workers are not only competent and safe but also fully prepared to meet the complex and demanding challenges of the industry. We are concerned that the proposed shifts in funding may lead to a reduction in investment in on-the-job training by taking some focus away from Providers involved in work based training. Such a move could undermine the effectiveness of apprenticeships and other work-based learning programmes, which are essential for maintaining the high standards of skills and safety the construction industry requires. Any reduction in funding for these programmes could result in a less prepared workforce, with potential consequences for both industry productivity and worker safety.
- 6.5 Another issue is the need for adequate funding to support national consistency in training outcomes. The construction industry relies on an approach to education and training that ensures all workers, regardless of where they are trained, meet the same high standards. Adequate funding must be allocated not only for the development and maintenance of industry standards but also for quality assurance and moderation processes that ensure these standards are met consistently across the country. We do not agree to the proposal to fund standard-setting solely from reallocating work-based learning funds. Such a funding model could weaken the overall quality of vocational education across the sector, as it might divert resources away from essential activities that ensure consistency and quality.
- 6.6 Furthermore, the funding system must recognise and support the specialised training needs of smaller trades and specialist occupations within the construction industry. These areas often require targeted investment to maintain the high quality training necessary to meet industry standards and regulatory requirements. Specialised trades are critical to the overall function and success of the construction sector, and their training needs cannot be overlooked. The funding model should be designed to ensure that these smaller but essential trades receive the resources they need to thrive, thereby supporting the diverse range of skills required across the industry.
- 6.7 The proposed changes to the funding system pose significant risks to the construction industry by potentially reducing support for work-based learning, undermining national consistency, and

neglecting the specialised needs of smaller trades. It is crucial that any changes to the funding model are carefully considered to ensure they do not compromise the quality and effectiveness of vocational training in the construction sector.

## **7. Concluding remarks**

7.1 Master Builders believes that the proposed VET reforms, particularly under Proposal 2B, provide the best framework for supporting the construction sector's needs. However, we urge the government to carefully consider the implications of the proposed funding changes, ensuring they do not compromise the quality and effectiveness of vocational training. A well-supported, industry-aligned VET system is essential for maintaining a skilled and capable workforce, which is critical to the continued success and growth of New Zealand's construction industry.

7.2 We thank you for the opportunity to make this submission.

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