



## Education Report: Vocational Education and Training Boost package for COVID-19 Budget

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	16/04/2020	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1225715
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<b>Messaging seen by Communications team:</b>	No	<b>Round Robin:</b>	No

### Purpose of Report

The purpose of this paper is for you to:

- **Indicate** which initiatives in Appendix One you wish to take forward through:
  - Covid-19 **Budget process**
  - Out of cycle or any additional Budget process during 2020
  - Budget 2021
- **Note** that we will provide you with draft templates for the Covid 19 Budget initiatives on Friday 17 April.

### Summary

- 1 This paper provides advice and a set of initiatives for consideration as part of the tertiary education response to Covid-19, as input into the Covid-19 Budget. It is focussed on vocational education and training, planning and delivery.
- 2 You will receive a number of papers over the next week covering:
  - a. Planning for longer-term work in response to Covid19
  - b. Expanding student support in response to Covid-19
  - c. Accelerating aspects of RoVE such as set up of WDCs and transfer of training support to providers
  - d. Working together with Te Taumata Aronui to shape Government's response in the tertiary education system to Covid-19

3 Decisions as a result of the above papers will go into the Covid-19 process or other funding processes as required.

4 The current timeline for the Covid-19 Budget process is as follows:

21 April	Education Report – Minister notifies Secretary of Treasury of COVID initiatives being submitted
24 April	Letter to Secretary of Treasury due
24 April	Treasury CFIS system due date for COVID-19 entries
1 May	Treasury provides advice to Response Fund Ministerial Group on funding requests
4 May	Ministerial Group consideration
11 May	Cabinet considers COVID-19 response package

5 The initiatives and sub-initiatives we recommend in broad order of priority are:

a. RoVE set up costs for Workforce Development Councils (WDCs).

i. Funding has yet to be provided to set up WDCs (costed at \$46m in 20/21; \$54m in 21/22; and s 9(2)(f)(iv) ongoing). To create sufficient certainty, this funding would be needed in the Covid-19 Budget.

ii. We are also suggesting specific funding for Transitional Industry Training Organisations (TITOs) and WDCs once operating to undertake urgent planning with industry and providers to ensure industry voice is leading training content and mode.

b. Completing the initial funding allocation to set up NZIST (beyond the proportion of funding that Cabinet has already approved to cover its costs on day one) some of which can be used for priority work in affected regions and communities. This is high priority but will be progressed in a separate Cabinet paper [CAB-20-MIN-0140 refers].

c. Growth in demand for qualifications and shorter packages of learning such as micro credentials. We are working on forecasting the demand implications of the Covid-19 emergency. s 9(2)(f)(iv)

d. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- e. Support for group training schemes which have lost income (approximately \$11m per 1,000 apprentices - needed through Covid19 Budget) and seed funding for new ones (which can be considered later). Due to the strong industry facing aspects of these schemes, we could explore with MBIE whether provincial growth funding would achieve the outcomes needed for the vocational training system.
- f. Secondary/ Tertiary transitions and Adult and Community Education (ACE)

- 6 A careers advice budget initiative was included in the recent Covid-19 digital package proposal (METIS 1225533 refers).
- 7 s 9(2)(f)(iv) including initial focus of WDCs, would support redesign of programmes that allow off-job starts and on-job finishes as employment opportunities return. s 9(2)(f)(iv)
- 8 The current short-term arrangements for wage subsidies include apprentices where businesses are eligible. Engagement with the Ministry of Social Development on any possible further wage subsidy proposals will be ongoing but is subject to current time and resource constraints.
- 9 Treasury's guidance on the Covid-19 Budget is still evolving. Conversations with Treasury suggest that the Covid-19 Budget could be for very short term funding covering only out to the 2020/21 financial year. Initiatives in tertiary education commonly have a longer term outlook, and it is important that WDCs have sufficient funding certainty to engage staff with an eye to gaining full capability.

## Recommended Actions

The Ministry of Education recommends you:

- a. **agree** to us developing bids initiatives and sub-initiatives in the following table for you to submit for Covid-19 Budget:

Initiative	
Organisational funding of WDCs, including earlier stand-up	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE
Funding for TITOs and WDCs to undertake early projects and planning for Covid recovery with providers and industry	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE
s 9(2)(f)(iv)	
Funding demand for education and training including: <ul style="list-style-type: none"><li>• micro credentials and other short learning packages</li><li>• Apprenticeships and other qualifications-based training</li></ul>	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE

s 9(2)(f)(iv)	
Short-term support to keep current group training schemes viable	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE
An additional 1,000 Trades Academy places	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE
Increase the number of Ministry regionally-based Principal Advisor Secondary Transition (PAST) roles by 7 full time roles a year (ongoing).	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE

b. s 9(2)(f)(iv)

c. **agree** to initiatives and sub-initiatives in the following table for out-of-cycle funding or any further 2020 Budget process:

<b>Initiative</b>	
Funding NZIST	<input checked="" type="checkbox"/> AGREE / <input type="checkbox"/> DISAGREE
s 9(2)(f)(iv)	

d. s 9(2)(f)(iv)

s 9(2)(f)(iv)

e. s 9(2)(f)(iv)

f.

  
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 Hon Chris Hipkins  
**Minister of Education**

16/04/2020

18/4 / 2020

## Background

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1. You have requested a Budget package for an “Apprenticeship boost”. Subsequently you asked for us to use a wider scope than apprenticeships. A possible package of initiatives which could be a “VET Boost” or “Vocational package” is attached.
2. You are also due to receive an overview paper about planning for longer-term work in response to Covid19, a paper on expanding student support, and one on accelerating the Reform of Vocational Education. This report draws out many of the issues including the need for a sharp focus on employment in the overall response, and the need to ensure the response addresses the likely disproportionate impacts the emergency will have on already underserved groups e.g. Māori and Pacific learners. In summary:
  - a. To best serve New Zealand’s recovery from the coronavirus pandemic, the tertiary education and training system will need to reorient itself.
  - b. The tertiary sector will likely need to meet the needs of many displaced workers and people retraining in new jobs, and of more young people who may face more difficult prospects entering the labour force.
  - c. This will require flexible approaches to education, training and careers advice.
  - d. People from groups who already experience, or are at risk of, poorer education and employment outcomes are likely to be disproportionately affected by the economic and social disruption of Covid-19.
3. In late 2019, you announced initiatives to support the rollout of the Reforms of Vocational Education (RoVE) including a promotional campaign, promoting connections between schools and employers, a brokerage service and additional trades Academy and Gateway places.

## Discussion

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### ***We want to mitigate harm to people and help prepare them for a better future***

4. In making investments, key objectives are:
  - a. Preserving jobs from short-term impacts to the extent possible
  - b. Maintaining attachment to the labour force including helping displaced workers find jobs (i.e. where it has not been possible to preserve jobs as part of training responses)
  - c. Meeting employers’ skills needs, and those of the country, including in minimising pressure on the health, welfare, education and other key systems. Ensuring continued upskilling of existing labour will put New Zealand in a more robust position as well as improve our resilience.
  - d. Cost-effectiveness, recognizing that in the short term it may be necessary to make broad investments and accept some level of deadweight loss, but that in the future it will be necessary to wind this back.
5. Since groups that are already disadvantaged in labour markets are likely to be even more disadvantaged in times of economic downturn, it is important that the response

contains a focus on creating opportunities for these learners, including an ability to provide flexible funding for providers and WDCs to respond.

***The Reform of Vocational Education is well underway, and certainty needs to be provided for organisations affected by the reforms***

6. The passage of the RoVE legislation has meant that the NZIST is now established, industry training organisations have become transitional ITOs, and a general two year transition period has begun. However, funding to support the transition has not yet been secured, except for some day 1 funding for the NZIST.
7. You have broad options of pausing the reforms or moving forward with them, and prioritising and boosting those aspects that will be most important to address the Covid-19 emergency and the economic and social challenges it gives rise to. The reforms were designed to provide for continuity of vocational education and training while the RoVE changes took place.
8. We recommend moving forward, accelerating the establishment of WDCs and utilising Regional Skills Leadership Groups (RSLGs) when they are established. Transitional ITOs, and WDCs once set up, would work with providers on developing training solutions for learners and employers. NZIST is in a good position to play a strong role for learners immediately. It can work with industries in planning for their recovery in conjunction with the WDCs, so that this is sequenced well and training pathways are designed to support recovery (e.g. by re-sequencing off and on-job training or moving where possible to simulated or distance options). We are suggesting some funding to boost this planning and change management. NZIST has the opportunity to harness the combined experience across its network to develop nationwide or regional responses as required.

***The system will need to support short and longer term needs***

9. We anticipate that the system will need to support the following:
  - a. Short term skill needs driven by Covid-19. These are likely to focus on short bites of learning, such as micro credentials, small clusters of existing standards, or portions of existing programmes (e.g. single courses), which can be currently hard to gain funding and approval for, and is not well aligned with student support settings.
  - b. Growth in skill needs for wider Government priorities, or industries that might experience growth during the recovery. This includes funding demand growth, and could include greater flexibility to allow people to change occupation without having to go through entire training pathways where skills overlap or repeat prior learning.
  - c. Keeping existing apprentices and trainees in the education and training system where possible, e.g. where their jobs are at risk or no longer exists, so they remain attached to labour markets and can contribute to the kick-start of the economy, including:
    - i. ensuring funding is available where they enrol with providers, e.g. into initial block courses or other short or re-sequenced training arrangements, with the aim to finish in in-work arrangements, and ensuring affordability for apprentices

- ii. considering interim support for group training schemes – companies which employ apprentices and place them with host firms (for a fee that covers wages and costs, thus removing risk to firms and supporting apprentices into employment with a qualification) – as most are likely to lose viability<sup>1</sup> until the industries they work with have recovered sufficiently
  - iii. brokerage of existing trainees into new jobs in industry or outside their industry where their skills are transferable
  - iv. providing incentives to reduce the risk of labour market detachment for learner groups that historically have poorer access to employer networks.
- d. Support the economic kick-start after the Covid-19 comes under control through:
- i. an immediate focus on industry skills planning including powering up WDCs/ use TITOs, alongside other bodies or groups such as construction accord, Food and Fibre Plan, Forestry and Wood Processing Workforce Council etc. This would be in collaboration with NZIST and other providers, and would aim to understand when sectors will start growing again so providers can prioritise – this means a bid to fund WDCs but also to fund TITOs to do work in the meantime that they can hand over to the WDCs once the WDCs are established.
  - ii. quickly strengthening careers advice and brokerage services (some brokerage may emerge from NZIST and WDCs as they begin to work closely with firms)
  - iii. strong collaboration with industries and employers (and unions) by WDCs/TITOs and NZIST and other providers to develop training responses as needed to support re-start when it happens, with funding for projects to support this (e.g. like Engineering E2E), and funding support for providers to deliver the training.
  - iv. s 9(2)(f)(iv)
  - v. Ongoing interagency work to ensure training systems and active labour market policies are aligned
10. The system needs to be adaptable - cognizant of learner starting points, of pathways to employment and of how economic structure is changing. Support needs to drive solutions to the problems Covid poses, for example:
- a. How distance delivery for VET can be utilized if more social distancing is our medium term future

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<sup>1</sup> Many group training schemes are currently eligible for wage subsidies, but run on tight margins and their client businesses are in many cases seeking to return apprentices during the downturn

- b. Developing/ making available short learning products to help learners transition to new learning environments (e.g. at home for any extended period of Covid response)
- c. Shorter, intensive provider-based training serving a number of related industries such as construction/infrastructure, informed by industry needs (not qualifications)
- d. Greater use of micro-credentials or single courses (reduce current barriers to these) – but with expectation of re-engagement in training system over time

### ***Links between secondary school and VET systems***

11. In response to anticipated higher secondary school retention rates and in order to steer more students into vocational education and training we propose to increase the number of Trades Academy places from 2021 by 1,000 places a year ongoing. This will give schools more options to meet the needs of their students during the expected economic downturn, building the pipeline of those beginning vocational education and training. It will also ultimately help with New Zealand's recovery by building up its skilled workforce. It will be important to ensure that initial vocational learning opportunities secondary school students undertake are closely connected to post-school education and employment opportunities, including in priority industries, as the economy rebuilds.
12. As RoVE changes are implemented, including more opportunities for provider-based provision that includes work-integrated learning, we will work to ensure this extends to Trades Academy provision, so secondary students can benefit from more work-integrated learning in the new system. We want to ensure that WDCs work with schools to develop industry-relevant packages of learning for secondary school students that are directly connected with post-school vocational education.
13. Alongside increasing Trades Academy places we propose increasing the number of Ministry regionally-based Principal Advisor Secondary Transition (PAST) roles. Currently there are 12 permanent roles, and 7 fixed-term roles to 30 June 2020. We propose seeking funding to continue these 7 from July 2020 ongoing. PAST roles provide critical specialist support through a relationship management approach, focusing on learner achievement, retention and transition, and those not in education, employment or training (NEETS) through:
  - a. provision and support for student achievement, retention and transition monitoring;
  - b. brokering of relationships between education providers and communities to facilitate and develop new secondary transition partnerships and networks (including to facilitate the implementation of additional Trades Academy places); and
  - c. connection to cross-agency initiatives that support improved youth transitions into further training, education and employment.
14. The continuation of the fixed-term roles beyond 30 June 2020 will be especially crucial to supporting schools and TEOs keep secondary students engaged in education, support their achievement and successful post-school transitions during the expected economic downturn and as the economy rebuilds.



***The attached table has suggested initiatives and when they might be considered***

15. The Treasury has advised that the Covid-19 Budget should be for targeted, one off and immediate responses to Covid-19, but that there will be further opportunities later in the year for further initiatives.
16. The attached table makes suggestions about initiatives that therefore could be funded through the Covid-19 process and ones that could be considered later. However, we consider that WDCs should be funded as early as possible to contribute industry voice to a powered up planning environment. To attract the skills required for this, WDCs would require a longer term funding outlook than the 2020/21 year. Some elements of WDC set up can be deferred; for example it is important to set up governance and industry input into skills leadership - planning and industry input can be expedited e.g. by ensuring early hiring of staff with specific roles to develop Covid 19 responses with industries and providers.

**Next Steps**

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17. We will input into the Treasury's Covid-19 Budget process as set out in the table in paragraph 3.
18. Many of these initiatives should have input from partners, industry and other stakeholders (e.g. iwi, Te Taumata Aronui) at the next (design) phase. You are due to receive a briefing on how officials will determine with Te Taumata Aronui how we can work together to shape Government's response in the tertiary education system to Covid-19 [METIS 1225609 refers].
19. This upcoming advice might look at how officials and Te Taumata Aronui could collaborate on how Government's response in the immediate and medium-term reflects Māori Crown relationships, responds to the needs of, and supports success for, Māori, and recognises the expected and potential impacts for Māori learners and their communities.
20. Officials and the TEC will engage with industry, and with other agencies such as MBIE and MSD on the details of the initiatives you decide to go forward with, at the appropriate stage. We are also continuing to align the tertiary education response with welfare and labour market responses, but do not yet have full alignment across agencies.

## Annex 1: Proposed initiatives

The assessment criteria for initiatives are:

- Preserving jobs from short-term impacts to the extent possible
- Maintaining attachment to the labour force including helping displaced workers find jobs (i.e. where it has not been possible to preserve jobs as part of training responses)
- Meeting employers' skills needs, and those of the country

The Treasury advised us of phasing they were using in response to Covid 19, which the table uses as follows:

- 1st phase (immediate needs until we are low status)
- 2nd phase (kick start the economy)
- 3rd phase (bigger shifts)

Initiative	Sub initiative and additional detail	Phase of response	Interdependencies	Overall impacts	Estimated cost
Acceleration of RoVE	Funding to set up WDCs governance and basic set up (e.g. by 1 July) – with key mission to work with industries to get their voice strongly reflected, for handover from TITOs of industry projects (see below) where required  Rapid set up to include element of shared staff across two or more WDCs	1st 2 <sup>nd</sup> to 3rd  Propose Covid19 Budget	Development of transition plans under RoVE Act  Note risk that industry voice may not be able to prioritise training system – so work to ensure non-priority industries can come into the frame later without loss of long-term influence	For WDC setup and initial work:  Attachment to labour force and employer skill needs – strong.  Protecting jobs – less relevant (strongest for recovering industries)	\$46m in 20/21; \$54m in 21/22; and § 9(2)(f)(iv)
	TITO (and/or WDCs) funding for: • Work designed to maximise: ○ Retention of learners ○ Relevance of their learning pathways ○ Establish strong working relationships between TITOs (then WDCs) and providers Examples include: ○ Projects involving industries (including groups such as construction accord) and providers to develop local and industry responses ○ Work with providers to make alternative arrangements for apprentices who have lost jobs (e.g. to pick up enrolments and train to cover short term gaps with goal to deliver back into jobs) ○ Design with providers pathways demanded by industry (e.g. initial short block courses to lead to work-based training arrangements) ○ Review existing standards and programme components for fitness to be used for micro credentials and other short learning bites ○ Accelerate transition to WDCs and providers taking on training arrangements, with a focus on the transfer of standard setting and building new capability quickly	1 <sup>st</sup>  Propose Covid19 Budget	Development of transition plans under RoVE Act  Note risk that industry voice may not be able to prioritise training system – so work to ensure non-priority industries can come into the frame later without loss of long-term influence	High priority. Some choices and scalability in detailed elements	\$1.5 million per year per project for industry planning projects (assume 10 across sector)  \$1m one-off for review of standards and programme components

	<p>Funding for NZIST for:</p> <ul style="list-style-type: none"> <li>• next-stage set-up costs not in recent Cabinet decisions</li> <li>• capacity to support industries' training needs (including delivering on work of TITOs and WDCs in conjunction with providers above)</li> </ul>	<p>2<sup>nd</sup>, may begin in 1<sup>st</sup></p> <p>Cabinet noted this was going to off-cycle decision</p>	<p>NZIST planning on model and intentions with current funding allocation (i.e. integration between this and core capability needs)</p> <p>Ideally specific proposal would be developed by NZIST in consultation with regions and industries (including TITOs and WDCs)</p>	<p>Attachment to labour force and employer skill needs – strong.</p> <p>Protecting jobs – less relevant (strongest for recovering industries)</p> <p>High priority. Some choices and scalability in detailed elements</p>	<p>May be able to be funded from RoVE contingency (\$90m) – subject to NZIST core capability needs</p>
<p>s 9(2)(f)(iv)</p>					
<p>Greater use of micro-credentials and other short learning</p>	<p>Just-in-time skills in priority sectors (e.g. health and safety and hygiene skills to lessen risks of further outbreaks) and then longer term for recovery</p> <p>Investment by government is justified. But longer term it may not be.</p> <p>Supported by necessary administrative changes – further advice to come</p> <p>Fees free training for all vocational provision (possibly for limited period)</p>	<p>1st &amp; 2<sup>nd</sup></p> <p>Propose Covid19 Budget</p>	<p>Providers and TITOs to identify standards and elements of programmes fit for purpose</p> <p>TITO/ WDC/ other industry led response planning</p> <p>Construction sector accord needs, Food and Fibre Plan, Forestry and Wood Processing Workforce Council and similar bodies</p> <p>Quality of information on transferable skills clusters</p> <p>Unified funding system framework (including the right incentives to recognise current skills)</p>	<p>Attachment to labour market and meeting employer needs – very strong</p> <p>Protecting jobs – less relevant</p> <p>Funding for demand –high priority</p>	<p>s 9(2)(f)(iv)</p> <p>Fees free policy decisions with forecast change</p>

Fund training places in qualifications (traineeships and apprenticeships and increasingly provider based with work-integrated learning)	<p><i>Apprenticeships and other training in priority industries</i></p> <p>Fees free to all learners under consideration. s 9(2)(f)(iv)</p> <p>NZIST / other providers pick up enrolments and train to cover short term gaps with goal to deliver back into jobs</p> <p>s 9(2)(f)(iv)</p>	<p>1<sup>st</sup>, implement and expand 2<sup>nd</sup> &amp; 3<sup>rd</sup></p> <p>Propose Covid19 Budget</p>	<p>Framework for wage subsidies</p> <p>Development of more flexible pathways (including shorter training arrangements in above initiative)</p> <p>s 9(2)(f)(iv)</p> <p>Construction accord planning and any framework to link training to government procurement</p> <p>Link to earlier RoVE initiatives from 2019</p>	<p>Attachment to labour market and meeting employer needs – strong through work integrated arrangements</p> <p>Protecting jobs where opportunities re-open after business recover</p> <p>Funding for demand –high priority</p>	<p>Training costs higher due to fees free. We don't yet know the effect of recession on baselines</p> <p>s 9(2)(f)(iv)</p>
	<p><i>Apprenticeships and other training in industries along their own recovery paths</i></p> <p>Fees free to learners under consideration. s 9(2)(f)(iv)</p> <p>NZIST / other providers pick up enrolments and train to cover short term gaps with goal to deliver back into jobs (with training agreements) or support change in training pathway if that isn't feasible</p>	<p>2<sup>nd</sup> &amp; 3<sup>rd</sup></p> <p>Part of appropriations changes</p>	<p>TITO/ WDC/ other industry led response planning</p> <p>s 9(2)(f)(iv)</p> <p>Link to earlier RoVE initiatives from 2019</p>		
Support for Group Training Schemes	<p>Short term support for Group Training Schemes to maintain their viability during the period of uncertainty (e.g. while there are insufficient host employers and while training continues e.g. via more provider involvement)</p> <p>s 9(2)(f)(iv)</p>	<p>1<sup>st</sup></p> <p>Propose Covid19 Budget</p>	<p>Longer term wage subsidy eligibility for firms</p>	<p>Most relevant to protecting jobs, and attachment to labour market</p> <p>Medium to high priority</p>	<p>Any support or expansion of GTS approximately \$11m p.a. per 1,000 apprentices (assumes \$5 per hour subsidy top up for wages)</p> <p>s 9(2)(f)(iv)</p>
Increase the number of Trades Academy places from 2021	<p>Increase the number of Trades Academy places by 1,000 places a year from 2021 (ongoing), to enable more schools students undertake initial vocational education during the expected economic downturn so they are set up for post-school education and employment opportunities as the economy rebuilds in the medium-term.</p>	<p>2<sup>nd</sup></p> <p>Funding required by July 2020</p>	<p>Alignment with regional economic opportunities as per current allocation criteria</p>	<p>Most relevant to meeting employer needs and labour market attachment through industry involvement in design and allocation criteria</p> <p>Medium priority</p>	<p>Estimate for 1,000 additional Trades Academy places: approximately \$7 million per annum (costings to be updated based on 2021 Trades Academy funding rates)</p>
Supporting secondary transitions	<p>Increase the number of Ministry regionally-based Principal Advisor Secondary Transition (PAST) roles by 7 full time roles a year (ongoing) for specialist support through a relationship management approach, focusing on learner achievement, retention and transition, and those not in education, employment or training (NEETS).</p>	<p>2<sup>nd</sup></p> <p>Funding confirmation required by May 2020 for implementation from 1 July 2020.</p>			<p>Estimate \$1.0 million per annum for 7 FTEs.</p>
Adult and Community Education including night classes	<p>Informal education for adults to gain skills while working in changing industries to allow them to transition while minimising time out of workforce</p>	<p>2<sup>nd</sup> &amp; 3<sup>rd</sup> phase</p>		<p>Attachment to labour market through people preparing for career change while in existing work</p> <p>Medium priority</p>	<p>5-year cost \$15.9m</p>