



# Seizing the opportunity to create a more industry-responsive and internationally competitive skills system

Toi Mai submission to the Education and Workforce Select Committee on the Education and Training (Vocational Education and Training System) Amendment Bill

## Executive summary – the Bill needs significant changes if the VET system is going to succeed, especially for the creative and digital technology sectors

The Government has released its proposed legislation to reform the vocational education and training (VET) system to ensure it provides industries with a skilled workforce. The proposed legislation focuses on strengthening industry involvement in qualification design and improving regional qualification delivery. A key part of the proposed legislation is replacing workforce development councils with new industry skills boards.

*The proposed legislation is unlikely to achieve its goals...*

Toi Mai Workforce Development Council (Toi Mai) is concerned the proposed legislation will not achieve its goals as it is currently drafted, especially for the creative and digital technology industries – the industries likely to underpin the next phases of New Zealand's economic growth.

*...while entrenching a broken system*

The structural changes proposed in the Bill risk entrenching a broken VET system with misaligned incentives, fragmentation and a 'one size fits all' approach to skill development.

*The skills system is slow, but it could be faster and more responsive if we act now*

There is a lag effect to the skills system. Changes to skill development now take years to manifest as skills in industry, so we need to make sure it's ready for our future economy and industries now.

Industries likely to underpin our future economy will continue be hamstrung if we keep relying on old approaches to qualifications and credentials that take years to develop and deliver.

*These reforms present an opportunity to strengthen our VET system and deliver skills our economy needs*

Rather than spending more time and money shifting the traditional standards setting functions and apprenticeship provision from one entity to another, these reforms present an opportunity to rethink how VET skills are designed and delivered through an internationally competitive skills system.

We propose the Government take a three-pronged approach to refreshing the skills system:

- develop a national skills strategy to ensure our system delivers crucial skills to our industries and economy.
- develop a deliberate approach to supporting and investing in innovative and future high-growth industries.
- establish a national skills agency with responsibility for coordinating, developing and funding the new approach to building skills in the vocational education and training system.

*Further changes are required to strengthen the Bill – regardless of direction*

We have additional recommendations to improve specific provisions within the Bill to better support the creative and digital technology industries:

- ensure all models of employment and work can access work-based learning in the new system (i.e. go beyond traditional employer / employee models and include self-employed and other workers).
- reconsider the requirement for industry skills boards to have eight members to a smaller, less-top-heavy governance model – while recognising ISBs can access a range of expertise through engaging with industry and other stakeholders.
- consider if the balance of decision-making powers between the Minister and industry skills boards within the draft Bill appropriately reflects the Government's aim of restoring decision making to the regions and industry.
- ensure individual employee privacy is considered as part of the transition from workforce development councils to industry skills boards.

### **We have spent the last three years immersed in the VET system...**

Toi Mai Workforce Development Council was established (alongside the other WDCs) in 2021, with responsibility for standards setting and advice for the creative, cultural, technology and recreation sectors.

In 2021 the creative and digital technology industries were new to the vocational education and training system. Toi Mai has spent the last three and a half years building its understanding of our industries and the factors driving their access to a skilled workforce. This submission is informed by Toi Mai data insights and extensive engagement with industry and education providers.

Toi Mai WDC is available to discuss this submission with the Committee and can provide additional information where needed.

### **...and we have developed sophisticated insights into the factors affecting VET system performance**

Our [workforce development plans](#) focus on describing new and poorly understood industries and articulating their experiences in how people move through the formal education and training system and into our industries.

## *The VET system does not serve our industries*

Our fundamental insight is that the formal vocational education and training system is not fit for purpose – at least not for the creative and digital technology industries.

The formal training system (vocational and tertiary) is built to service traditional ‘legacy’ industries and forms of training. It is aimed at manual trades such as construction, retail and agriculture, or in university-trained professions such as accounting, law and medicine.

It does not suit New Zealand’s newer industries, whose needs are less geared towards qualifications and credentials and more towards rapidly evolving skills and practical, work-based learning and experience.

*The screen sector is a key part of our economy, poorly served by our formal training system...*

The screen sector is an excellent illustration of the challenges facing our industries.

Screen is a high growth sector, worth around \$5bn to our economy in 2023, including \$3.3bn from making and supporting film development, and growing at a rate of 8% a year, faster than the general economy at 3.2% (between 2015–2022).

New Zealand is a great place to make films and is an attractive destination for international productions. In turn, the film industry enhances the tourist industry through businesses like Wētā Workshop Unleashed and Hobbiton.

It is crucial that we provide effective training to ensure the screen industry can rely on a strong, reliable and skilled domestic workforce.

Of the 1,050 who graduated with one of the 100 current screen-related qualifications in 2022, **only 6% had worked in the sector by 2024.**

This reflects a general trend. Since 2010, there has been a steady decline in the number of graduates entering the screen industry. This isn’t a lag effect – only 12% of 2010’s cohort had entered the screen industry by 2024. Nor is this due to competition for graduates, as the screen sector continues to rely on immigration to support the industry.

The data reinforces what industry told us. Current funding incentivises longer, class-based courses, leading to education providers offering training that is out of step with the requirements of the screen industry – which tends to prefer shorter, work-based learning.

*...and its experiences are illustrative of the creative and digital technology industries experience of the VET system*

The experiences of the screen sector extend to the wider creative and digital technology industries.

Many New Zealanders are leaving training with skills they can’t use, which forces our industries to find other ways to source the skills they need, including:

- importing skills from overseas (45% of the tech workforce is on a work visa)

- remedial training (the screen sector funding its own on-the-job training to compensate for formal system skills gaps).

The failure in our system has flow-on effects to our industries:

- learners find it difficult to identify or access relevant training to enter or develop their careers.
- under-investment in pockets of our population contributes to under-utilisation. This is especially evident in the very low numbers of Māori, Pacific and regional learners in existing technology qualifications and the digital technology workforce.
- businesses moving overseas to access larger talent pools.

*There are three main factors limiting the VET system's ability to support our industries*

There are many factors involved in shaping the formal training system's inability to provide relevant skills to our industries, though our research suggests there are three main factors at play:

- our national focus on credentials and other qualifications creates pressure for learners to get higher-level qualifications than may be needed by industry.
- high self-employment in our sectors limits access to work-based learning (around 65% in parts of the creative sector).
- the way funding is allocated incentivises longer, class-based courses.

*The proposed reforms will do little to address these challenges*

In essence, the current formal training system is failing to deliver skills our industries need, and the marginal structural reforms proposed in the Bill will only entrench the issues facing the system.

### **The proposed reforms reinforce an unresponsive skills system that is mired in the past**

Section 370 of the Bill sets out the goals of the proposed industry skills boards (ISBs), which can be summarised as supporting the VET system to deliver training so support industry can have a skilled workforce. These are similar goals to the workforce development councils when they were established.

Our assessment is that Bill will not achieve its stated objectives, particularly for the creative and digital technology industries.

*The VET funding system continues to incentivise training programmes that are based on old delivery models*

Shifting the standards setting provisions from one entity (workforce development councils) to another (industry skills boards) may shift a few deckchairs, but it does not address the underlying flaws in the vocational education system that do not provide for non-traditional apprenticeship and other work-based learning models.

The creative and digital technology industries are very keen to work with the formal education system to offer work-based learning, but the current models and support for employers are cumbersome, and the system still assumes that the apprenticeship model that works for electricians and plumbers will work for computer programmers and camera operators. It doesn't.

*The VET funding system continues to incentivise providers to offer qualifications and other courses based on student volume*

A key feature of the VET system is its volume-based funding. Government funding for providers remains largely based on how many learners they support and the nature of the subject, while funding is higher for longer courses.

This means qualifications critical to industry growth and success, and our economy, may not be offered if they don't attract enough funding for providers to offer them.

*Providers struggle to offer training for lower-funded programmes – such as outdoor recreation*

For example, adventure and nature-based activity are key parts of our tourism industry. It is a growing industry, with the workforce increasing 90% between 2013 (1,449 FTE) and 2023 (2,736 FTE).

This industry relies on a well-trained and sustainable supply of skilled outdoor recreation workers, and the industry's need for workers is only going to increase with Government's goal of doubling tourism export revenue by 2034.

However, providers struggle to offer training for those wanting to work in outdoor recreation. Funding rates have failed to keep pace with the rising costs of training, meaning courses are less viable – with some providers ceasing training altogether as they cannot make enough money to make it worthwhile.

In other words, **the incentives within the VET system can work against national priorities.** This reinforces the tension in the system between the skills industry need and the willingness of providers to offer courses to develop those skills.

The Bill does not address this tension, limiting its effectiveness and chances of success. Any reforms that maintain volume-based funding as the main feature of the VET funding system are likely to deliver core skills many of our industries, and our economy, need.

**We need a new approach to skills that responds to industry needs and enables an innovative and world-leading economy**

The worlds of business, export and work is changing so fast, a system revolving around traditional qualifications and apprenticeships won't keep up.

Rapid innovation and technological change (for example, the increasing use of artificial intelligence, robotics and quantum computing) requires the upskilling of the entire workforce if we are to remain internationally competitive. Our skills system will need to be flexible, responsive and adaptive to ensure industry can continue to adapt and innovate.

## *The VET skills system is slow...*

It can take years to develop and deliver a qualification. Even micro-credentials – the ‘snack-sized’ credentials that support short, focused skill development – take time to develop, be registered on the qualifications framework and be funded. This is all before a provider can develop a training programme to support it.

In other words, technology is changing faster than the time it takes for a learner to enrol in a related qualification – let alone develop one.

There is a lag effect to the skills system. The current structures of the vocational education and training system are fragmented, cumbersome and overly bureaucratic. It can take up to three years to develop and deliver a qualification:

- **developing a qualification** – takes at least six–12 months (workforce development councils, industry skills boards or NZQA responsible).
- **developing standards** to support the qualification (where appropriate) – takes 12 months (workforce development councils, industry skills boards or NZQA responsible).
- **listing** on the qualification framework – takes around three months (NZQA responsible).
- **delivery** of qualifications to learners – can take between one or two years depending on where TEC is in its funding cycle (TEC responsible) and currently disincentivises the use of standards.

Industries likely to underpin our future economy will continue to be hamstrung if we keep relying on old approaches to qualifications and credentials that take years to develop and deliver.

Changes to skill development now take years to manifest as skills in industry, so we need to make sure it's ready for our future economy and industries now.

The Bill's emphasis on traditional qualifications and apprenticeships risks underserving industries with rapidly evolving skill requirements or those relying on creative and digital skills.

*...but it could be faster and more responsive if we act now*

The reforms present an exciting opportunity to boost our skills system by making our vocational education and training system more responsive and adaptive to the skills requirements of all our industries – not just our creative and digital technology industries.

We should seize the opportunity to tackle the fundamental drivers of the vocational skills system and create an industry-responsive and internationally competitive skills system.

**We propose a more coordinated approach to equipping our economy and innovative industries with the skills they need**

New Zealand urgently requires a coordinated and responsive skills system to unleash the economic and productive potential of the creative and digital technology industries.



We propose the Government take a three-pronged approach to refreshing the skills system:

- develop a national skills strategy to ensure our system delivers skills our industries and economy needs.
- develop a deliberate approach to supporting and investing in innovative and productive industries.
- establish a national skills agency with responsibility for coordinating and developing the approach to building skills in the vocational education and training system.

## Recommendation 1: develop a national skills strategy

*A national skills strategy would ensure we are focusing on the skills that will shape our economy over the coming decades*

New Zealand's change in demographics is placing increased pressure on our economy. By 2040, around 25% of New Zealand's population will be over 65 years of age. This population is expected to be supported by a diminishing proportion of working-aged people.

In the absence of drastic changes in population projections, we need to ensure that New Zealand can afford to meet the costs of this aging population and has capacity to invest in wider economic and national priorities. We need to grow the economy and equip tomorrow's workforce with the right skills to power it.

We won't get there with our current approach to skills, nor with the proposed reforms.

*We need a deliberate approach to ensure the system delivers the skills we need*

If we want to capitalise on the potential of industries and grow the economy, we need targeted, strategic investment to grow the skills that will power them. We need a deliberate approach to ensuring that the system delivers the right investment to the right places.

*A skills strategy would provide the deliberate approach to shape how we develop and deliver skills*

Stronger coordination within the education sector and wider government is needed. A skills strategy would help to provide direction for the education and training system, directly supporting the capabilities to secure our economic future.

A good skills strategy would provide a framework for considering investment decisions, prioritisations and institutional structures based on sound analysis and evidence across government and industry.

*International experience supports having a skills strategy*

Other countries such as Australia and Singapore have utilised skills strategies as a strong and intentional means for economic growth. The best contemporary model to refer to, however, is the UK, which has just this month (June 2025) established a new entity Skills England, underpinned by a skills strategy to equip the British national workforce with the skills to power economic growth and support people to get better jobs faster.

## Recommendation two: develop a deliberate approach to supporting and investing in innovative and productive industries

The creative and digital technology industries have significant potential to underpin our next stage of economic growth and boost our economy to afford the future presented by our changing demographics.

These industries require more active support and investment if they are to accelerate their productivity even further and realise their economic potential.

What is needed is a commitment to creating an intentional future where innovation, technology, creativity, arts and culture are recognised not as ‘nice to haves’ but ‘need to haves’, integral elements of a thriving society and economy.

New Zealand’s primary industries currently feed around 40 million worldwide. Even if this figure were to double, it is a drop in the ocean compared to the many billions of consumers that access knowledge, skills, utilities and entertainment on their mobile devices. New Zealand must lift its ambitions to think about how to reach markets in the billions not millions.

*Other countries are already doing this...*

Countries are deliberately positioning creative industries as core economic drivers rather than peripheral sectors. The UK has recently announced that its key priority sectors for growth over the next ten years are:

Industry	Related priority sectors
Arts and entertainment	Creative
Information technology	Digital and tech
Construction	Construction
Health and social work	Health and adult social care
Professional services	Professional and business services

This approach is supported by structured, data-driven investment approaches with carefully tracked outcomes. Key examples include:

- Creative State Victoria (Australia): Strategic \$288 million investment has helped creative sectors contribute \$40.5 billion to Victoria’s economy, growing at 4.8% a year.<sup>1</sup>
- UK Creative Clusters Programme: £56 million investment created over 5,500 jobs and supported 460 startups across nine regional clusters.<sup>2</sup>

The most innovative approaches refuse to silo creative industries, instead integrating them strategically as ‘whole economy’ outcomes, interwoven with tourism, export, sustainability and technology sectors to create powerful multiplier effects.

<sup>1</sup> [Budget delivers \\$288 million boost to the creative state | Creative Victoria](#)

<sup>2</sup> [Clusters-Booklet-Story-So-Far-V12-web.pdf](#)



...and we should, too

Through deliberate action and strategic partnership between industry and government, we can leverage the value of an empowered skills system and secure New Zealand's place in a future that honours both the transformative powers of digital technology and creativity and the pragmatic realities of economic sustainability.

While this isn't an issue for the legislation, deliberate investment in our creative and digital technology industries is a critical aspect of realising the value of these industries and complements a more responsive skills system and strategy.

### **Recommendation three: establish a national skills agency with responsibility for coordinating and developing the approach to building skills in the vocational education and training system**

There are too many government entities shaping the current structures of the vocational education and training system for it to be nimble and flexible. These include the Tertiary Education Commission (TEC), the Ministry of Education, the New Zealand Qualifications Authority (NZQA), workforce development councils / industry skills boards, and education providers including universities and Universities New Zealand.

The machinery for administering the VET system means New Zealand's system for developing and delivering skills through qualifications is sluggish and cannot respond to rapidly evolving skills requirements, such as in the creative and digital technology industries.

*Rationalising some functions into a single Skills agency would enable a more responsive VET system*

Rather than focusing on replacing a single function in the skills system, these reforms present an opportunity to rethink how VET skills are designed and delivered through a different system design.

Our advice is that Government should consider rationalising core functions of the VET system into a single Skills agency, much like the new **Skills England**, formally established on 2 June 2025.

A similar agency in New Zealand could include:

- funding providers to deliver qualifications (classroom or work-based)
- funding employers and wider industry to deliver on-the-job skills (including non-credentialed skills)
- qualification development and registration on the framework
- developing and embedding different work-based learning approaches that work for each industry
- quality assurance
- identifying current and future skills needs.

This could be funded through shifting current funding to the new entity.

While this is a radical shift from our current approach, this is what New Zealand must do if it is to deliver the skills our economy needs. We urge the Committee to consider parking the industry skills board features of this legislation and asking the Government to investigate alternative machinery options to produce a more streamlined and responsive VET system.

### **We have additional recommendations to improve specific provisions within the Bill to better support the creative and digital technology industries**

Regardless of our other recommendations and feedback on the Bill, there are some changes to other provisions that are required to improve its chance of success.

#### *Ensure all models of employment and work can access work-based learning in the new system*

The Bill should allow for non-traditional apprenticeship and other work-based learning models, or risk excluding people working in the creative and digital technology industries from creating work-based learning programmes under industry skills boards –

- The Bill associates apprenticeships with employment arrangements, primarily through employment agreements (particularly sections 381 through 385).
- This suggests apprenticeships are by their nature an employment relationship, which works for traditional industries where apprentices are typically employed (e.g. plumbers, construction workers or hairdressers).
- The current framing in the Bill risks excluding self-employed and those working in the gig-economy, **which may mean providers don't support these industries with work-based learning.**

We recommend amending the language around apprenticeships to ensure non-traditional methods of employment can access work-based learning provisions offered by industry skills boards.

#### *Reconsider the requirement for industry skills boards to have eight members*

The Bill currently requires all industry skills boards to have eight members. This is top-heavy and, under current signals from Government, would mean 56 directors across the seven industry skills boards – an unusually high amount of governance for a \$30m total spend.

The requirement for eight members also assumes an industry skills board has sufficient industry coverage to involve eight members on its governance board. This may be the case in some industries, though some flexibility to allow for different industries and boards to navigate variation over time.

We recommend amending section 363 of the Bill to say: “An industry skills board **may** have up to 8 members, comprising...”. This would provide the flexibility to allow for variation between industry groupings and over time would enable the new boards to ensure they are compliant with the legislation.

## *Balance of decision-making between industry skills boards and the Minister for Vocational Education*

One of the Government's stated aims for the reforms is to "redesign the vocational education and training system to restore regional decision making and increase industry involvement in vocational education and training, particularly in the areas of standard-setting and work-based training."<sup>3</sup>

It is not clear how the draft Bill achieves these objectives. Rather, the proposed legislation maintains significant decision-making powers on the Minister on issues which may more appropriately sit with industries and their industry skills boards. For example, the reforms could empower industry skills boards to introduce apprenticeship training codes for their industries.

We encourage the Committee to consider if the proposed legislation strikes the right balance of decision-making power between the Minister, industry and the industry skills boards.

## *Maintaining staff privacy during transition*

The draft Bill outlines provisions to support employees to transition from employment by workforce development councils to industry skills boards.

It is important the legislation enable staff who do transition between entities to do so without creating employment or financial risk to individual employees or industry skills boards. It is equally important that individual employee privacy is protected and treated appropriately during the transition.

We ask the Committee to consider if sufficient privacy protections are in place for employees who transition to industry skills boards.

We look forward to discussing our submission with you.



<sup>3</sup> Education and Training (Vocational Education and Training System) Amendment Bill – General Policy Statement