

Funding of vocational education for the construction and infrastructure sector

Discussion paper | B Mischewski & R Smyth | May 2025



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CONTENTS

Overview	4
Table One: Improving the funding system	5
Table One: Improving the funding system continued	6
Background	7
Our process to get here	8
Context	9
Implications	10
Changes proposed	11
Change 1: Take a people-centred approach to learning support	12
Change 2: Devolved decision-making	13
Change 3: Strengthening the investment approach	15
Change 4: Increase work-based learner fees	16
Change 5: Introduce industry training levies	18
Questions	20
How to provide feedback	21

OVERVIEW

The construction and infrastructure industry is a critical part of New Zealand's economy, making up 15% of the workforce and accounting for over \$52.7 billion in GDP. Despite its significance, the sector faces severe skills shortages, high workforce turnover, and slow productivity growth.

The estimated shortage of 375,000 skilled workers cannot be addressed without a well-functioning technical and vocational education and training (TVET) system. However, the current funding model does not align with industry or learner needs or enable equitable participation or outcomes for Māori, Pacific peoples, women, and disabled learners.

Employers, government, and learners contribute to workforce development, but investment is neither balanced nor strategically aligned. For example, the government provides \$352 million annually for construction and infrastructure training, supporting 80,000 learners, yet only 14.2% of employers actively engage in training recognised by NZQA¹.

Many businesses benefit from a trained workforce but do not train apprentices or trainees themselves which creates a “free-rider” problem. Funding settings undervalue workplace-based training, with apprenticeships relying on employer goodwill rather than structured support.

The funding system does not support learners well and lacks incentives for innovation, making it difficult to address workforce needs and systemic inequities.

A more sustainable funding approach is needed to ensure long-term workforce planning, support more learners to succeed and complete their qualifications, and stronger industry participation in skills development.

We propose five changes to achieve this goal (see Table One).

¹ Data for the 2022 year provided by Waihanga Ara Rau Workforce Development Council.

TABLE ONE: IMPROVING THE FUNDING SYSTEM

The current state	Desired future state	Mechanism
The TVET system in construction and infrastructure cannot supply and retain enough qualified staff to meet the needs of employers. Many young people with skill and potential are lost to the industry because of the patchwork nature of the pathways and support for senior secondary students, apprentices and trainees.	The pathways for people/learners are clear and easy to navigate, and more efficient and effective.	<p><u>Change 1- Take a people-centred approach to learning support</u></p> <p>Funding used for apprenticeship and trainee support is directed to a network of navigators who deliver better-aligned, personalised and well-resourced pathways.</p>
The funding system is poorly aligned with long-term regional construction and infrastructure needs and lacks flexibility because of an accumulation of rules and regulations that govern how funding can be used.	Decisions are made closer to where the most relevant information and capacity for implementation exists, ensuring better matching of skill needs and the supply of training, as well as greater efficiency, innovation, and flexibility in how those needs are met.	<p><u>Change 2: Devolved decision-making</u></p> <p>National and regional planning for housing and infrastructure , incorporate an explicit education and workforce planning component.</p> <p>The Construction and Infrastructure ISBs are given power to direct funding for relevant TVET (WBL, ITPs, PTEs, Wānanga, Universities).</p> <p>TEOs have the flexibility to design training solutions that meet industry needs without overbearing regulatory regimes.</p>
The investment plan system takes a short-term, risk-averse approach which encourages TEOs to be conservative and limits their ability to maintain critical regional training capability through the economic cycle.	TEOs have security of funding so they have the confidence to innovate and sustain their delivery capacity and capability through the economic cycle and cope better with short-term shocks, such as natural disasters.	<p><u>Change 3: Strengthening the investment approach</u></p> <p>The government guarantees construction and infrastructure TVET funding levels for up to five years at high performing TEOs.</p> <p>The government creates a more strategic, holistic framework to assess TEO performance at the end of the five-year period – that is, looking at the value created, not simply by counting how many enrolments have been achieved. Funding is based on value-add measures, not just enrolments.</p>

TABLE ONE: IMPROVING THE FUNDING SYSTEM CONTINUED

The current state	Desired future state	Mechanism
<p>The system lacks sufficient resources to understand the needs of industry and learners, rationing what support is available and underinvests in employers' critical role in skill development.</p> <p>The result is mixed completion rates, particularly for demographic groups that will make up a larger share of the working age population in the future (Māori and Pacific) or are underrepresented in the construction and infrastructure workforce (women and disabled people).</p>	<p>There is adequate support for learners and employers engaged in training, the industry has a stronger voice in resource allocation, free rider issues have been reduced, and key system infrastructure around skills development has been maintained.</p>	<p><u>Change 4 – Increase work-based learner fees</u></p> <p>Learner fees for work-based learning should be higher, and providers should be able to charge a compulsory student services fee. Fees for work-based learning should be eligible for the student loan scheme.</p> <p><u>Change 5: Introduce industry training levies</u></p> <p>Industry training levies should be introduced to support employer capacity to train and employer-directed innovation with rebates for employers who actively contribute to education and training.</p>

We hope readers will see this as a package where the elements will operate together to address systemic issues with how education and training for the construction and infrastructure sector is funded.

This discussion paper draws on a wide range of research, including a number of previous ConCOVE reports. For details, see the bibliography in the Executive Summary paper.

BACKGROUND

Key premise

The current funding model for TVET undervalues the benefits to society, especially of TVET for the construction and infrastructure sector.

In particular, it treats work-integrated and work-based learning as an optional extra rather than an essential part of workforce training and reinforces existing biases about the value of different post-secondary education pathways.

High level objectives

We want a system that

- ensures education outcomes align with workforce needs in a dynamic system
- strengthens industry-education-government partnerships and co-investment in skills development
- promotes equitable access and outcomes from vocational education.

So we need to ensure that

- employers see greater recognition and support for their contributions to work-integrated learning
- traditionally underserved communities (Māori, Pacific peoples, women, disabled peoples) experience improved access to and outcomes from vocational education
- industry sees a better alignment between education outcomes and workforce needs
- educational institutions have more flexibility to innovate and collaborate with industry partners and each other.

OUR PROCESS TO GET THERE

PHASE 1 | Understanding the context

Key questions to answer

What does the research literature tell us about the current model and other models?

What do 49 key informants from across the sector think about the funding model?

What do the data about training and education tell us?

Status Completed

PHASE 2 | Discussion paper

What are the opportunities to change the system?

What do stakeholders think about these opportunities?

Five big changes identified

Focus of this paper

PHASE 3 | Recommendations

Do these changes have widespread support?

What other options do we need to consider?

Recommendations

CONTEXT

Key findings of the background paper

What did the literature and interviews tell us?

- **Misalignment of incentives:** The funding model does not align education outcomes with industry needs. It prioritises enrolments over completions and fails to support employer engagement in training.
- **Learning on the job is treated inequitably:** Funding mechanisms do not adequately support employer participation or the quality of workplace learning experiences.
- **Systemic and structural barriers:** Māori, Pacific peoples, women, and disabled learners face systemic disadvantages in tertiary and vocational education.
- **Learner specific barriers:** The funding model does not account for the additional support required to improve retention and success rates.
- **Employer investment and free-riding:** Employers who invest in training often bear disproportionate costs, while others benefit from hiring already-trained workers without contributing directly to training costs.
- **Regulatory and bureaucratic complexity:** The NZQA framework, programme approval process, and funding allocation mechanisms are too slow to adapt to industry changes. This limits innovation and responsiveness to workforce needs.
- **TVET system instability:** The extended period of reform has created uncertainty and disengagement among employers, learners, and training providers.

IMPLICATIONS

What should we do?

The key takeaways from the literature and interviews are that we should:

- **Rebalance funding incentives** to prioritise employer engagement, learner completion, and workforce alignment.
- **Treat work-integrated learning** equitably with other forms of TVET
- **Introduce industry co-investment** (levy or funding mechanisms) to ensure equitable cost-sharing between government, employers, and learners.
- **Redesign investment and funding** to address structural inequities.
- **Enhance support for learners** to improve equity, retention, and workforce participation.
- **Simplify funding and regulatory processes** to enable greater flexibility and responsiveness to workforce demands.
- **Create a long-term investment approach** that allows providers to plan for workforce needs over multiple years.

Please read the background papers we prepared if you want to know more about the research literature and the results of the key informant interviews.

CHANGES PROPOSED

Change 1: Take a people-centred approach to learning support

Change 2: Devolved decision-making

Change 3: Strengthening the investment approach

Change 4: Increase work-based learner fees

Change 5: Introduce industry training levies

CHANGE 1: TAKE A PEOPLE-CENTRED APPROACH TO LEARNING SUPPORT

Funding is people-centred and coordinated across agencies recognising that individuals and their communities are best placed to identify and implement effective solutions.

The issue

Current workforce training programmes for women, Māori, Pacific peoples, disabled peoples and young people are fragmented and siloed. There is a patchwork of initiatives – for example, Māori and Pasifika Trades Training (MPTT) schemes, Te Puni Kōkiri (TPK) cadetships, Ministry of Social Development youth employment programs, pre-trades courses at TEOs. Each of these initiatives are run by different agencies with separate funding streams and objectives.

Because each programme has its own focus, opportunities for a holistic, long-term development approach (as exemplified by models like Enabling Good Lives or Whānau Ora) are being missed.

In effect, the way public services are funded now works against well-integrated, person-centred support – making it hard for learners who face complex barriers to navigate a coherent path from training to employment.

Proposed solution

- Coordinate funding for apprenticeship and trainee support through a network of dedicated navigators who provide integrated, personalised and well-resourced learning support and guidance.

The proposed solution aligns more closely with the Enabling Good Lives and Whānau Ora approaches by adopting holistic, whānau-centred plans and personalised budgets that reflect each learner's aspirations, cultural identity, and natural supports, recognising the connection between individual and whānau wellbeing.

Flexible, personalised funding would allow learners and their whānau to access tailored learning support, with dedicated navigators (kaitūhono or kaiārahi) helping them integrate learning support across education, employment, and social sectors. These navigators could be staff of TEOs, iwi and community organisations.

Funding would be drawn from all relevant budget appropriations embedding principles such as mana-enhancement, early investment in young people and families, and culturally responsive support. This approach would empower learners and their families to build resilience and meaningful community connections.

Expected Benefits

A people-centred, coordinated system would make it far easier for individuals to treat a learner's development holistically leading to a more coherent system and better outcomes overall.

This approach can address social or educational barriers that often derail training success and support greater participation and success rates among groups that traditional training models have struggled to serve, while also recognising a broader range of more meaningful metrics of desirable outcomes.

CHANGE 2: DEVOLVED DECISION-MAKING

Making decisions at the right level.

The issue

There is a disconnect between regional industry needs, how training and funding decisions are made and the kinds of education products and services that are funded.

Key decisions are controlled by central government agencies with regional employers, communities and iwi having, at best, an advisory role only.

The current system is slow to respond to changing needs leading to mismatches in supply and demand and frustrated employers.

Proposed solution

- National and regional planning for housing and infrastructure incorporates an explicit education and workforce planning component.
- The Construction and Infrastructure ISBs direct funding for relevant TVET (WBL, PTEs, ITPs, Wānanga, Universities).
- TEOs have the flexibility to design training solutions that meet industry needs without overbearing regulatory regimes.

We think that decisions need to be made at the lowest effective level of authority (the subsidiarity principle) rather than, as now, by central government by default. Central government should create a framework, with regional authorities given the power to determine how the framework is implemented in regions. We are not proposing recreating the Regional Skills Leadership Groups, but rather taking a more deliberate approach to connect long-term development and infrastructure priorities to investment decisions.

Key planning documents like the National Infrastructure Plan and long-term commitments like City and Regional Deals could have an education and training component which is used to inform investment in TVET, potentially through regional investment plans.

The ISBs for the construction and infrastructure industry should have an explicit role in determining investment in construction and infrastructure training nationally that goes beyond “investment advice to the TEC.” This role would be assumed once the transitional arrangements for the Work-based Learning divisions of Te Pūkenga expire. Advice to Cabinet indicates that funding to these divisions will be subject to a ‘sinking lid’ where comparable programmes are offered by providers in any case.

At the same time, TEOs need to have much more flexibility than is currently the case to develop innovative and flexible education products and services to meet these needs. This change will require considerable reform of the regulatory framework, particularly as administered by NZQA.

This investment advice would determine how the strengthened investment approach operates (see Change 3) and inform how the whanau and people-centred approaches and the personalised, flexible learning support budgets (see Change 1) and funding generated by the industry levy (see Change 5) are used.

Expected benefits

Empowering regions and providing certainty about the investment in education and training for construction and infrastructure should make for a more coordinated and consistent approach.

The often strong partnerships between iwi and local and regional government mean that the interests of iwi and Māori businesses should be better reflected in education and training investment.

This change should allow better alignment between qualification development, training delivery and industry and regional needs.

Government will benefit by supporting a shift to decision-making closer to the people who understand their own needs, while still maintaining a strategic oversight.

CHANGE 3: STRENGTHENING THE INVESTMENT APPROACH

Invest well and for the long-term

The issue

The funding model for vocational education is too short-term, limiting strategic development. It does not 'invest'. Prior enrolments are the main driver of future funding allocations. The system weights enrolment choices by learners almost exclusively and funding rates were set in the past and assume a high degree of cross-subsidisation. The main limiting factor is the variable enforcement of minimum educational performance standards. No direct regard is given to the return, financial, social and employment, on investment in education and training.

What is worse is that while providers operate under multi-year "Investment Plans," funding is in practice allocated annually, on the basis of the previous year's enrolment numbers, can be adjusted or cut with little notice and does not account for demand 'shocks'. This uncertainty makes institutions risk-averse, limits innovation, and we think is a key reason why many regional ITPs are not financially viable.

Importantly the 'investment' system fails to grapple with the needs of learners and, in its claimed simplicity, discounts structural and systemic issues that contribute to inequitable outcomes.

Proposed solution

- The government guarantees construction and infrastructure TVET funding levels for up to five years at high performing TEOs.
- Funding is based on value-add measures, not just enrolments.

High performing TEOs should receive a funding guarantee for a five year period. This funding will not be subject to recovery for lower than forecast enrolments. The amount of funding should be based on the expected return on the investment in education and training, rather than linked to the existing funding categories.

A consistent and sustained approach is one that gives providers of construction and infrastructure training long-term certainty about the level of funding they will receive. This certainty would be an integral complement to the devolved decision-making we propose (see Change 2).

The way we fund construction and infrastructure education and training should move beyond poorly validated funding categories and rates to adopt a meaningful investment approach and not be subject to recovery for underdelivery during the term of an investment plan.

Investment levels should be determined by need and outcome. The way we think about need should include the labour and skill requirements needed for infrastructure and housing and what is needed to support productivity growth.

Some of these changes are going to require us to grapple with systemic bias in how funding is apportioned and involve explicit choice about the economic, social and productivity outcomes we expect from education and training.

Expected benefits

A reformed funding system would remove barriers, embed equity, and ensure financial stability for providers. This enables innovation, sustains specialised training, and supports diverse learners into leadership roles, strengthening the construction and infrastructure workforce through long-term, outcome-focused investment.

By embedding need into how we invest, the system would ensure learners are not just enrolled but are supported to thrive, progressing into leadership roles and playing a greater role in the construction and infrastructure workforce.

CHANGE 4: INCREASE WORK-BASED LEARNER FEES

Increase course and student services fees, and make these fees eligible for the student loan scheme.

The issue

Learner achievement and completion rates are too low in some areas and support for learner achievement is rationed because of a lack of resourcing and, in contrast to their peers, work-based learners cannot access student loan support for their fees.

We do not think that learners consistently contribute enough, given the returns that they obtain from construction and infrastructure education and training and the needs they have.

Proposed solution

Three changes are proposed to improve access to learning support services and help fund a people-centred approach (see Change 1):

1. Increase course fees for work-based learning per full-time learner.
2. Allow providers to charge a compulsory student services fee of \$2,000 per full time learner.
3. Make compulsory course and student services fees for work-based learning eligible for the student loan scheme.

We think that the fees paid by learners engaged in on-job training should be higher to provide resourcing for an increase in the learning support they receive.

One option of a learner support fee of \$2,000 per fulltime learner could generate up to \$22.2 million per annum². Examples of the kind of additional support we envisage this funding could support include:

- expanding access to literacy and numeracy assistance,
- initiatives relating to specific population groups like Women in Trades, and
- sharing and codifying best practice in training advisory services.

In line with proposed changes to work-based learning, all fees payable by work-based learners would also be eligible for Student Loan Scheme support allowing learners to defray the costs over their working lives and subject to the Annual Maximum Free Movement regime.

A portion of the learner fee could also be used to support the navigation network (see Change 1), and to complement the uses to which the funding generated by the employer levy is put (see Change 5) to support structured, high-quality training environments.

² If the government insists on making student loan scheme support fiscally neutral then the actual amount available would be lower.

Expected benefits

This approach would lead to higher completion rates through proactive learner support and more equitable learning experiences and outcomes, ensuring trainees receive consistent, high-quality training regardless of employer capacity.

It would improve workforce readiness by aligning training quality with industry needs, reduce reliance on employer capability alone and reduce pressure on training advisors to step into complex pastoral roles that are not a realistic expectation of their role.

By achieving greater parity between vocational and professional education, apprenticeships would gain enhanced credibility and perceived value, benefiting both learners and employers.

CHANGE 5: INTRODUCE INDUSTRY TRAINING LEVIES

Evening the playing field for those who train through industry levies.

The issue

The construction and infrastructure industries face a classic “free-rider” problem in training. Many employers benefit from a skilled workforce without directly investing in training themselves, instead hiring workers trained by others.

This under-investment means too few firms bear the burden of training apprentices and trainees, leading to persistent talent shortages. Additionally, certain high-skill or niche training programmes critical to the industry’s future—such as some advanced technical skills—are not financially viable under current settings.

The incentives are misaligned: employers who choose not to train save money, while those who do must cover the costs that benefit the wider industry. Without intervention, this results in chronic skill gaps and insufficient training capacity.

Past attempts to introduce a levy for the construction and infrastructure sector have floundered because of administrative complexity and concerns about employers who train paying twice.

Proposed solution

- Industry training levies should be introduced to support employer capacity to train and employer-directed innovation with rebates for employers who actively contribute to education and training.

We propose three industry levies.

First, the existing Building Levy would increase from NZ\$1.75 to NZ\$2.61 per \$1,000 of project value for consented projects over \$65,000, generating \$13 million annually for workforce development.

Second, a levy on foreign worker permits, as used in some other countries, of \$2,000 per approved visa would generate around \$40 million annually.

Finally, an education and training levy should be introduced linked to the value of infrastructure projects, potentially in the range of 0.1-0.25% of the project’s value.

A rebate mechanism will reward companies that actively support education and training—such as hiring apprentices, offering degree-level apprenticeships or developing training capability—by allowing them to offset the levy costs. This ensures that firms that choose not to train or prefer to recruit from overseas subsidise those that do.

The revenue would be used in strategic ways determined by industry through the ISBs for the construction and infrastructure industry once the transitional arrangements for the Work-based Learning divisions of Te Pūkenga expire. These might include development of employer capability, such as lifting their expertise in undertaking workplace training, strengthening RPL processes, investing in innovative education products, supporting pathways for learner groups with particular unmet needs and support for industry leadership and research.

Expected benefits

Industry levies create a well-targeted co-investment model where all employers share responsibility for workforce development.

Expanding the funding pool allows for investment in specialised training that would not otherwise be financially viable to future-proof the industry's skill base and compensate for reduced funding to ISBs.

Employers who already train will receive direct financial benefits, reducing the burden they bear and encouraging more firms to engage in apprenticeships and trainee programmes.

QUESTIONS

Problem definition and solutions

Have we correctly stated the key issues with the funding of construction and infrastructure education and training?
Are the solutions (changes) we propose the right ones?

Change 1: Take a people-centred approach to learning support

Should the funding currently spread across a patchwork of programmes that support young people and lead into industry training and apprenticeships be coordinated to fund a dedicated network of navigators who guide and support learners successfully to completion?

Change 2: Devolved decision-making

Should national and regional planning for construction and infrastructure incorporate an explicit education and workforce planning component?

Should the construction and infrastructure ISBs be given the power to direct the investment of public funding and industry training levies for construction and infrastructure TVET (for WBL, PTEs, ITPs, Wānanga, Universities)?

Should we relax the regulatory requirements placed on TEOs so they have the flexibility to design training solutions that meet industry and learner needs?

Change 3: Strengthening the investment approach

Should high-performing TEOs have guaranteed funding for five years for construction and infrastructure education and training?

Should this investment be linked to the labour and skill requirements needed for infrastructure and housing and productivity growth and value add rather than simply enrolments?

Change 4: Increase work-based learner fees

Should the following changes be made to fees for work-based learning:

- a. increase learner fees
- b. allow providers to charge compulsory student services fees of \$2,000 per full time learner
- c. make work-based learning fees eligible for the student loan scheme?

Change 5: Introduce industry training levies

Do you support the proposed industry levies based on building and infrastructure construction costs and employment of foreign workers with rebates for employers who actively contribute to education and training?

HOW TO PROVIDE FEEDBACK

We welcome your feedback on this discussion paper.

- The consultation period closes on 27 June 2025.
- To submit your feedback, please use the feedback form accessible via the QR code below.
- If you have any questions, please contact Brenden Mischewski at brenden@mischewski.co.nz

Thank you for taking the time to share your views.

