
The ‘third way’ and vocational education and training in New Zealand

Rob Strathdee

Murdoch University, Australia

Abstract

This article is an analysis of recent reform of vocational education and training in New Zealand. I argue that the 1999 election of a ‘third way’ government led by the New Zealand Labour Party raised the possibility of the previous administrations’ neo-liberal or market-led vocational education and training strategy being overturned. Evidence suggests little progress has been made towards realising this goal, and the basic thrust of the previous administrations’ vocational education and training policies have been retained. Moreover, the Labour Government has introduced new policies which are likely to increase competition within the vocational education and training sector. The implications for policy that emerge from this are discussed.

The notion that increasing the level of state investment in vocational education and training (VET) is an important way to improve a nation’s economic performance, reduce social exclusion, and promote active citizenship is a defining feature of third way politics. Broadly conceived, the third way is a term used to describe approaches to political management that have emerged in New Zealand (with the election of a Labour Government in 1999), the United Kingdom (with the election of the New Labour in 1996), and elsewhere.

Although it is important to recognise that different aspects of the third way have been given emphasis by centre-left parties in these nations, they do nevertheless project a fairly consistent set of interrelated themes and arguments which have been recently popularised by Giddens’s (1998) book *The third way: the renewal of social democracy*. At a basic level, supporters of the third way share with traditional social democrats a belief that the State’s ‘social investments’ such as those made in VET can provide solutions to social problems and promote economic growth. However, in contrast to earlier forms of social democracy, such as those normally associated with Labour governments in New Zealand and the United Kingdom during the 1960s and early 1970s, proponents of the third way offer qualified support for at least three core, neo-liberal values. First, they reject state

ownership of the economy. Second, they believe able-bodied people ought to be in work and that welfare systems should be reformed to increase labour market participation. Third, they accept that globalisation and greater free trade is inevitable.

Although in this paper the approach adopted by the Labour Government is described as 'third way', it is important to note that the term has not been universally adopted by politicians in New Zealand. For example, the Minister for Tertiary Education, Steve Maharey, correctly notes that the term's meaning has become somewhat imprecise and it has been used to describe various approaches to political management that have important differences. Maharey argues that a 'New Zealand way' needs to be fashioned by mining international best 'third way' practice and thought (Maharey 2001).

It should be also be noted that the Labour Party relies upon the support of minor parties in order to fashion a New Zealand way. In this respect, Labour formed coalitions with minor parties to make governments in 1999 with the centre-left Alliance Party, and in 2002 with the centrist Progressive Coalition. However, in addition to the support of the Progressive Coalition, Labour relies upon the support of the conservative United Future party in order to govern.

It is too soon to ascertain whether or not the formation of a new coalition will mean a change in policy direction. On the one hand, the policy discourse is similar; Labour remains the dominant party and most of the key Ministers retain their portfolios – suggesting that the basic policy direction established by the centre-left Labour-Alliance Government is likely continue. On the other hand, during its first term in office, Labour was clearly at odds with the left-wing Alliance Party and, as expressed in an editorial of a major metropolitan daily paper, the new arrangements provided an opportunity for Labour to 'shrug off the shackles ... of having an alliance with the left' and allowed them to pursue pro-growth economic policies. These factors noted, unless otherwise stated, the term 'Labour Government' refers to these Labour-led Coalitions.

In terms of school-level educational policy, it appears the Labour Government may be forging a New Zealand Way. In this respect, Thrupp (2001) has suggested the Labour Government may be more social democratic in orientation than New Labour is in the United Kingdom, at least as it relates to school-level educational policy. For example, unlike New Labour, which has presented the private sector as a role model for state schools through such policies as Excellence in Cities, the Labour Government has been much less supportive of private schools; and key neo-liberal policies, such as New Zealand's version of the Assisted Places Scheme, have been abolished. Although Thrupp (2001) notes that it remains to be seen if this general policy direction remains over a longer timeframe, he suggests the Labour Government may

... provide the best example to be found anywhere of a government of actively overturning neo-liberal policy and thus deserves close attention by those in the United Kingdom and elsewhere who are concerned with finding feasible alternatives to the status quo. (Thrupp 2001, p 205)

Judging by the Labour Government's pre-election strategy and its comments upon taking office in 1999, it appears Thrupp's claim may apply to VET. For example, when it came to power, the Labour Government was highly critical of the previous administration's 'market-led' VET strategy. It argued that the strategy had led to unsatisfactory outcomes in terms of the quality of training delivered and the appropriateness of the skills produced, and this had led to falling incomes (Office of the Prime Minister 2002). Moreover, in its pre-election policy statements, the Labour Party signalled it would reform the market-led and 'voluntary' VET strategy if it won power in the 1999 general election. Labour argued all sectors of the economy needed to be involved in training and that employers would be required to have a training strategy under which all staff could upskill through participating in industry-approved training programmes. It was viewed as unfair that a few employers provided the training for the workforce as a whole. Indeed, the previous administration's voluntary or 'neo-liberal' approach to training had put the country at risk because employers were not investing sufficiently in VET (New Zealand Labour Party 1999).

Since first taking up office in 1999 the Labour Government has acted on these claims by conducting reviews of, and making a number of changes to, the flagship VET programmes New Zealand had inherited from the previous neo-liberal administration. The programmes in question are the Industry Training Strategy (ITS), which is designed to provide those in employment with access to quality VET; the National Qualifications Framework (NQF), which provides a uniform system of recognising learning in compulsory and post-compulsory settings and is designed to increase the relevance of VET; and pre-employment programmes for people with no or few school qualifications (Youth Training, and Training Opportunities).

It has also introduced a number of new initiatives. The most important of these are the Modern Apprenticeship Scheme, the 'Gateway Programme' (which is designed to facilitate school-business links) and the National Certificate of Educational Achievement (NCEA). Like the new Matriculation Diploma in the United Kingdom, the NCEA is a new qualification designed to credential vocational and academic learning undertaken in a diverse range of settings. Labour has also indicated that it would encourage polytechnics to be the major providers of VET (Industry Training Federation 2002) and it introduced, but later removed, a moratorium on funding new private providers of tertiary education and new courses at existing private providers of tertiary education.

Changes initiated by the Labour Government to existing programmes and the development of new programmes are all part of a new strategic framework known as the 'Growing an Innovative New Zealand Framework' (henceforth: the Innovations Framework). The Innovations Framework is a broader reform agenda designed to transform New Zealand's economy in order to 'grow more talent' through reforming the 'competitive model in tertiary education [which] had led to unsatisfactory outcomes in terms of both the quality and the appropriateness of the skills produced' (Office of the Prime Minister 2002, p 5). Underpinning the Innovations Framework is the view that those displaced by globalisation, the introduction of new technology

and free-market reforms ought to benefit from the economic prosperity that has, to date, only been enjoyed by relatively few. Wealth can be shared if those adversely affected by recent economic change are given an opportunity to adapt – a process in which VET plays a key role. If people are willing to work hard and learn new skills, they deserve to get good jobs.

To date, the impact of the Labour Government's reform agenda on schools has been canvassed (see Thrupp 2001). However, there has been relatively little research into the impact of New Zealand's market-led training system and the impact of the Labour Government's reform agenda as it relates to VET. Moreover, the extent to which recent developments in New Zealand's VET system have been influenced by third way thinking remains unclear. It remains an open question whether or not Thrupp's claim – that Labour provides the best example of a government overturning neo-liberal policy as it relates to school-level policy – also applies to VET.

New Zealand's experience is likely to be of relevance in an international context, particularly the United Kingdom, where similar developments are apparent. The debate about the shape, direction and potential impact of third way policies is important because, if the strategies do improve VET, they deserve attention from the academic community and policy makers. Moreover, as Fairclough (2000) suggests, exploring the 'reality-rhetoric dichotomy' provides a basis for political contestation and resistance. Thus, with this paper I aim to assess whether or not recent developments in VET in New Zealand have altered the rules of engagement in ways that look likely to create greater equality of opportunity in education.

Unfortunately, the fact that many policy changes in VET take some time to take hold – and hence the necessary time lag before information about student learning can be obtained – means it is too soon to gain a precise fix on the impact of the Labour Government's policies in the area of VET. However, by reflecting on the changes to New Zealand's flagship programmes, following their recent reviews and by drawing upon evaluations of new policy, it is possible to build up a reasonable picture of the Labour Government's impact on VET.

In the first section of this paper I describe third way approaches to policy in more detail. The second section is a description of the VET system developed by the previous neo-liberal administration and inherited by the Labour Government, and its achievements to date. This is a detailed section, because I provide an assessment of progress made to date, and a benchmark against which an assessment of changes introduced by the Labour Government is made.

The third section is a review of the Labour Government's response to the previous administration's 'market-led' strategy and a description of the emergence of the Innovations Framework. In the fourth section, I draw upon recent research and government policy evaluations to assess whether or not the Labour Government's approach to VET differs significantly from that adopted by the previous neo-liberal administration. The final section concludes this paper.

The third way and vocational education and training

In the United Kingdom, Tony Blair's Fabian Society pamphlet, *The third way: new politics for the new century* (Blair 1998), provides a good overview of New Labour's thinking and has become a key third way text. In contrast, in New Zealand, evidence of thought on the third way is dispersed throughout various Ministerial speeches (particularly those by the Associate Minister of Education, Steve Maharey), Labour Party statements and policy documents. However, seen together, these ideas provide a useful overview of Labour's position.

To give readers some idea of the origins of the third way, the 'first way' refers to the type of economic management found in New Zealand prior to the election of the Fourth Labour Government in 1984, and in England prior to the election of Thatcher in 1979, in which there was extensive government involvement in the regulation of markets. The 'second way' refers to free-market or neo-liberal methods of economic management in which the objective is to free the economic system from regulation, expose domestic markets to international competition, and to allow competitive market forces to exert a greater influence on the economy. The third way aims to harness some of the strengths of both systems in a way that avoids their weaknesses.

Like New Labour in England, Labour argues that policies can be developed to promote social connectedness and reduce the social exclusion and inequality created by neo-liberal marketisation without creating the bureaucracy associated with previous forms of social democracy. In addition, Labour believes that creating a shared vision for a nation requires the creation of partnerships between the government, the market and civil society.

The aim of reducing social divisions through careful policy formation distinguishes New Labour and Labour from their neo-liberal predecessors. However, as noted above, both New Labour and Labour have adopted a number of core neo-liberal values. First, they reject the necessity of state ownership of the economy and are pragmatically disposed to the use of market strategies where these contribute to, or at least do not detract from, their social goals. Second, Labour accepts that globalisation and greater free trade is inevitable and that these can be harnessed to benefit nations. For example, in a move that is likely to reduce employment in non-agricultural areas of New Zealand's labour market, Labour has supported a proposal to the World Trade Organisation that all non-agricultural tariffs in the world should be reduced to zero.

Finally, like other third way governments, Labour believes able-bodied people ought to be in work and has built on previous neo-liberal administrations' welfare-to-work schemes in order to increase labour market participation. Consistent with this aim is the belief that the best way to overcome social exclusion, and to promote the level of economic growth required to make social investments, is through asserting the primacy of the wage-labour relationship. Thus, like New Labour in England, Labour has stated that placing people into paid employment is a key policy objective, and believes that unemployed people must take responsibility for getting themselves off welfare (Maharey 2000).

Although third way governments adhere to a fairly consistent set of interrelated themes and principles, important differences exist between the precise policies adopted by different third way governments (Thrupp 2001), and more precisely drawn accounts of the differences between such governments are required. Nevertheless, within each nation seen to be pursuing a 'third way', debate exists about the extent to which the adopted approach represents a departure from neo-liberal methods of political administration.

For example, it has been suggested in Australia that little difference exists between the third way and neo-liberalism. Consequently, the third way has been welcomed by individuals on the Right of the political spectrum and has been described as 'Maggie with a makeover' and 'Thatcher without the handbag' (Vanstone 2001). On the other hand, proponents of the third way, such as an Australian Labour Member of Parliament, Mark Latham, argue that the third way provides a political framework easily distinguishable from neo-liberalism. For example, Latham argues that instead of letting global capitalism function according to market forces, it should be civilised by the state through the development of new ways of leveraging social responsibility from the corporate sector (Latham & Botsman 2001).

Similar debates are occurring in other nations. For example, Robert Reich (1999) suggests that while the third way in the United States represents a new way of thinking, most of the initiatives have been too meagre relative to the need to make a difference. In England, Elliott and Atkinson (1998) argue that New Labour's support of market reforms severely limits its ability to realise its social goals and that New Labour does not present a political agenda markedly dissimilar to that advanced by the previous Conservative government. On the other hand, Rhodes (2000) argues that, in a number of areas, New Labour presents a distinctive political agenda. For example, in the area of employment legislation the introduction of a new minimum wage provided more than two million workers with a pay rise of up to 40%.

In terms of educational policy, it has been argued that although the election of New Labour in the United Kingdom suggests the emergence of a third way, in practice it is difficult to identify differences between New Labour's educational policies and those of the Conservatives. Indeed, this position has been a dominant theme in educational policy research in the United Kingdom (Hyland 2002). For example, Muschamp et al (1999) argue that while New Labour has created a new programme of educational policies – and that in a few areas it is possible to identify a concern with the promotion of greater equality of opportunity – by and large, New Labour is building on 'Conservative reforms to increase marketisation and diversity between schools' (p 120). In terms of higher education, Naidoo (2000) argues that New Labour's policies are likely to lead to 'a higher education system that is heavily stratified along the lines of prior education and social disadvantage' (p 25).

In terms of VET policy, in comparison to their neo-liberal predecessors, third way governments are investing more heavily in, and have adopted a more strategic approach to, planning the shape and content of VET in order to create 'knowledge

societies', and they have introduced a number of new measures. For example, in the United Kingdom, New Labour has committed more funding to VET than the previous Conservative administration, and the University for Industry has established a National Skills Taskforce to identify skill gaps in all sectors of the Labour market. The University for Industry has also established new national targets for learning. These are designed to lift overall standards of achievement and to create a lifelong learning culture.

Like New Labour in the United Kingdom, the Labour Government in New Zealand has introduced a greater element of planning into its VET policy by creating the Innovations Framework and establishing a new body known as the Tertiary Education Commission (TEC). The TEC, which replaced Skill New Zealand and sections of the Ministry of Education in January 2003, has been given responsibility for identifying future skill shortages. As part of this process, an additional NZ \$11.6 million over four years was committed by the Labour Government to support the development of an integrated 'shopping mall' website for employers and job seekers. The TEC is also required to produce a biannual report on supply and demand of skills, conduct a survey on job vacancies, and to survey the employment and earnings outcomes for tertiary graduates. Speaking of the need to create a strategic vision for VET – and more broadly, the tertiary sector – the Minister of Tertiary Education argued that the tertiary sector would have to become better at predicting skill shortages, develop a more responsive curriculum, and adopt more flexible modes of delivery (Maharey 2002a).

It is clear that both the New Zealand Labour Government and New Labour have increased the amount they spend on VET and have adopted a more socially democratic discourse than their neo-liberal predecessors. To assess the impact of New Zealand's 'new social democracy' on VET, it is necessary to review the impact of the approach to VET that was inherited by the Labour Government in 1999 from the previous neo-liberal administration, and note changes made to the strategy by Labour since taking office in 1999.

The impact of New Zealand's market-led vocational education and training strategy

When the Labour Government took up office it inherited a number of VET programmes. The most important of these are the Industry Training Strategy (ITS), the National Qualifications Framework (NQF), and the pre-employment programmes (Youth Training and Training Opportunities). The government agencies responsible for implementing and managing the ITS and the pre-employment programmes are the Tertiary Education Commission (TEC) and the New Zealand Qualifications Authority (NZQA). As well as funding a network of 46 Industry Training Organisations (ITOs) established under the Industry Training Act (1992), which purchase training outcomes from private and public sector providers and oversee structured workplace learning, the TEC supports non-labour market initiatives such as school-based, pre-vocational schemes or 'Skill Pathways'.

ITOs are funded by the TEC to coordinate the training needs of over 40 industry groupings and to develop skill standards and national qualifications that reflect their needs. These range from forestry to fishing, and from engineering to retail. ITOs also arrange training for employees in their respective industries and oversee the quality of training arrangements. The TEC also helps the New Zealand Ministry for Social Development (formerly the Department of Work and Income New Zealand) manage its pre-employment programmes for the unemployed in New Zealand's version of New Labour's New Deal range of programmes.

Of equal importance is the creation of the New Zealand NQF, which was developed and is managed by the NZQA. The NQF was enacted through the Education Amendment Act of 1990 and is designed to modernise the education system by replacing norm-referenced assessment with a system of competency-based unit standards (known as standards-based assessment), and by facilitating the introduction of new forms of vocational curricula.

Although the details should not detain discussion unduly, it is necessary to note that the NQF promotes the development of a modular curriculum based on units of learning (unit standards). Unit standards are designed to be market-led in the sense that they are developed by industry (through ITOs) to meet the needs of industry. They are conceived as a collection of predetermined, clearly defined learning outcomes and are similar to the National Vocational Qualifications in the United Kingdom. Unit standards are established at a particular level of the NQF, are published by the NZQA, and can be grouped in numerous ways to form different qualifications (known as national certificates). Each unit standard is assigned a level in a ten-tier structure and has a credit value depending on the effort required to complete it. Level 1 credits are designed to more or less equate with learning completed by a typical fifth form student (Year 10), while level 12 credits are thought to more or less equate with postgraduate qualifications such as doctorates.

In addition, unit standards are intended to be portable so individual learners can, for example, study simultaneously at a variety of institutions while working towards one qualification, or start working towards post-school qualifications while at school. Finally, unit standards are awarded on a pass/fail basis and all learners can achieve educational qualifications if they meet the required standards. These factors mean the NQF is seen as being ideally configured to create the learning cultures needed to ensure future economic prosperity.

The ITS and other VET programmes are designed to create a market-led or neo-liberal VET system and, in doing so, increase the quality and relevance of structured industry training. First, a distinguishing feature of the programmes is that unit standards (and the related national certificates) and training delivery are designed to be led by and to meet the needs of industry (Office of the Associate Minister of Education – Tertiary Education 2001b). Second, government funds are provided via the TEC to ITOs who purchase training from competing private and public sector providers on behalf of employers. ITOs are also able to purchase training from employers directly. This effectively creates a competitive market for industry training; however, it is not entirely unregulated and many ITOs have

formal arrangements with training providers, ranging from preferred supplier relationships through to joint ventures. Although the precise method for purchasing training varies between ITOs, providers are largely selected on the basis of capacity and price.

A similar method for increasing competition in VET has been developed to fund the delivery of pre-employment programmes (Youth Training and Training Opportunities). In this instance, public and private training providers compete in no small measure on the basis of price to deliver training outcomes which are purchased directly by the TEC. Consistent with the neo-liberal heritage of Youth Training (YT) and Training Opportunities' (TO) and the Labour Government's 'work-first' approach, outcomes typically include placing an agreed percentage of trainees in employment upon completing their training and a certain proportion in further VET. In addition, all trainees must achieve a small number of credits on the NQF. The focus on employment outcomes is, in part, designed to increase the likelihood that training funded by the TEC will be of use in the workplace.

Courses funded by the Ministry of Social Development and managed by the TEC are usually shorter in duration and have higher employment outcomes. The success of the training providers to provide the contracted percentage of positive outcomes is used to determine further funding. Third, the NZQA has developed a Register of Quality Assured Qualifications designed to bring together all approved qualifications available in New Zealand tertiary institutions and secondary schools. The Register enables students and employers to compare qualifications and to make better informed choices about qualifications pathways. It also facilitates competition between providers for trainees.

Evidence suggests that in some key respects the previous neo-liberal administrations' efforts to create a training market have been successful. For example, since the development of the 'market-led' training programmes, the private sector (which has lower cost structures) has increased its share of the training market dramatically and, in some settings, has delivered better employment and further training outcomes at a lesser price than the polytechnics (Guerin 1997). As of 31 May 2001, PTEs had awarded over 23 000 NQF qualifications – approximately 4000 more than polytechnics, which have traditionally provided the bulk of VET in New Zealand (New Zealand Qualifications Authority 2001).

On the other hand, it was anticipated that the NQF would increase student achievement at a senior secondary level, increase the number of workers participating in structured industry training, and create a highly skilled workforce. However, the NQF has yet to achieve this and the Labour Government's concerns about the quality of VET and levels of participation seem justified. For example, qualitative evidence suggests that secondary school students have a very limited understanding of standards-based assessment under the NQF, and most prefer high-status academic qualifications such as the University Bursary (Fitzsimmons 1996; Strathdee & Hughes 2001). One reason for the NQF's apparent lack of appeal amongst learners is the perception that the demand from employers for NQF qualifications is low.

However, given the belief that the NQF would increase achievement, more telling is evidence that large proportions of learners continue to leave school without any formal qualifications at all (the figure was just under 20% in the year 2000). The figure is much higher in schools situated in low socioeconomic status areas and for Maori students (New Zealand Ministry of Education 2001). Indeed, 25% of Pakehas and 33% of Maori and Polynesians aged 16 and 17 years are not in education or training (Maharey 2002b).

The situation with the ITS is equally disappointing. For example, the number of workers in training only increased from an average 25 000 persons in the 1980s (prior to the introduction of the ITS), to just 63 000 in December 2000. In 1999, when the number of trainees stood at approximately 53 500, just under 3% of the total number of employees in New Zealand were involved in the ITS (Office of the Associate Minister of Education – Tertiary Education 2001a, p 7). By January 2001, this figure had increased to 66 225, with 95 623 people receiving training at some point throughout the year (Skill New Zealand 2002b, p 5). Evidence also suggests that older people and males are more likely to be receiving training under the ITS. For example, during the year 2001, just 8.5% of people who received training were aged 15–19 years – 44% were aged over 35 years and about 75% of trainees were male (Skill New Zealand 2002b, p 5).

When considering the growth in the number of trainees, it needs to be remembered that the growth training began prior to the election of Labour in 1999. For example, the greatest increase both numerically and in percentage terms occurred between 1997 and 1998 when there was a 43% increase in the numbers of trainees (from 31 652 to 45 392). The lowest period of growth occurred after Labour was elected. Between the years 2000 and 2001, the numbers grew by approximately 5% (from 63 102 to 66 390) (Skill New Zealand 2002c, p 22).

Given this low level of penetration by the ITS, it is not surprising that research suggested employers were ‘ambivalent’ about the Government’s industry training strategy in general and about ITOs in particular (Long et al 2000). Moreover, if employers are demanding higher levels of skill and qualification on the part of new employees, and there is indeed a skills shortage, one might reasonably expect employers to be investing in training. However, evidence suggests that volatility of production cycles and intense competition appear to have made it more difficult for employers to offer training-based employment to young workers in New Zealand (Dwyer 2000).

Reasons cited in a government report for the reluctance of some New Zealand employers to adopt the ITS included a belief that the ITO model does not meet the employers/ occupational groups’ needs; that qualifications and necessary entry requirements have been established through other means (for example, via the university system); and that employer involvement in training may lead employees to demand increased remuneration (New Zealand Department of Labour 2000).

While Labour’s discourse argues for a high wage/high skill training strategy, it remains unclear whether changes in the occupational structure support the need

for all workers to be highly skilled. For example, between the years 1991–2001, the top three contributors to employment growth were 'care giver', 'sales assistant', and 'general clerk' (*The Jobs Letter* 2002). Consistent with this growth is evidence suggesting that much of the training offered by Skill New Zealand prior to the creation of the TEC is geared towards developing basic workplace skills such as communication, self-management, and life skills (Education and Training Support Agency 1997).

Additional questions can be raised regarding the quality and relevance of the training delivered under TEC's flagship pre-employment programmes, YT and TO. The remainder of this section is a report on the impact of these programmes.

Evidence suggests that the market-led strategy has had an important influence on the impact of VET as it relates to the YT and TO Programmes. There are three main ways this is apparent. Firstly, the need for PTEs to produce the employment outcomes purchased by the TEC has led them to become highly responsive to market demand (ie employer demand) for particular skills and attributes (Strathdee & Hughes 2000). However, while the number of trainees obtaining NQF credits has increased in recent times, this is the result of TEC tying the completion of unit standards to funding and not because training providers are meeting employer demands. Moreover, even though the TEC strongly advocates adopting a long-term view of training, the everyday reality for program providers is more concerned with ensuring work discipline among trainees, and ensuring they are work-ready, than improving their capacity to deal with new technology and a rapidly changing work environment (Strathdee & Hughes 2000).

Secondly, the adoption of neo-liberal funding mechanisms might be extremely effective in increasing short-term employment outcomes. However, qualitative research conducted by Skill NZ into the longer term employment outcomes of the YT program found that just under 40% of those placed into employment at the completion of their training were still employed 12 months later. In addition, only half of these (ie 20%) were in what the TEC considers to be 'stable' employment (Skill New Zealand 1999).

Third, the need to produce the employment outcomes purchased by the TEC also encourages private training providers to select new tutees on the basis of their ability to become successful outcomes. Thus, the market-led approach to training is emerging as a means of further sorting and selecting young people who have already been sorted and selected in conventional schooling (Strathdee & Hughes 2000).

A further problem with the focus on employment and training outcomes is that even though providers may be able to demonstrate that they have helped underprivileged people improve their lives, these improvements go unrecognised and, ultimately, unrewarded. In this respect, Considine (1988) argues that such funding methods might create pressures for new forms of Taylorism among human service practitioners and actually stifle innovation.

The Labour Government and the emergence of the growing innovative New Zealand framework

To increase the proportion of people engaged in credentialled learning, Labour set about reforming the competitive model of tertiary education. As noted, a major aim of the Innovations Framework is to 'grow more talent' through reforming the competitive model in tertiary education (Office of the Prime Minister 2002). Consistent with the politics of the third way, the development of the Innovations Framework signals an increased role for government in VET. For example, the Government sees its role in the Innovation Framework as one of 'leader, partner, facilitator, and broker working with other sectors to get results'. This reflects the Government's determination to 'open up tertiary education to a closer relationship with our economy and society' (Maharey 2002a, p 1). A central part of the new framework is the development of new pathways to lifelong learning and a commitment to increase foundation skills in areas such as literacy and numeracy. The Innovations Framework, with its emphasis on brokering and partnership, shows the Labour Government has adopted a different vision for VET to that adopted by the previous neo-liberal administration.

It is too soon to fully assess the impact of the Innovations Framework on VET. Nevertheless it is possible to assess its likely impact by reviewing changes made by the Labour Government to existing policy and by looking at official reviews of the new programmes that have been introduced. In the case of existing policy, some changes to the previous administration's approach have been made. For example, as a result of the review of the ITS, ITOs will now be required to take a leadership role in identifying and responding to training needs, although it remains unclear just how ITOs will be required to perform this role or just what this will entail.

In addition, ITOs will be able to apply to the TEC to fund 10% of their training at level 5 of the NQF (an increase from the previous limit of level 4), the NZQA will be required to work closely with the TEC to place stronger emphasis on multi-industry generic skills, and funding has been substantially increased (Office of the Associate Minister of Education – Tertiary Education 2001b). The Government is also directing funds for VET into areas deemed to provide strategic advantage through establishing a new contestable pool. Some of these funds are only available to polytechnics (the Polytechnic Regional Economic Development fund), while other funds will be available to private and public sector providers.

Under the new arrangements, the funding rates paid to public providers delivering industry training will be set at a rate 9.5% higher than that paid to PTEs. This change is designed to create a more level playing field and reflect that the state has a responsibility to develop the capital of its educational enterprises. Unlike PTEs, government tertiary institutions do not have investors in order to develop their capital base. However, the funding differential does not apply to the TO and TY programmes.

Although these changes suggest that a more strategic approach to VET has been adopted, the basic thrust of the previous administration's market-led strategy

has been retained. For example, the system remains firmly market-led in the sense that it is employer-driven and changes that would have signalled a clear break from the neo-liberal VET system – such as compelling employers to invest in training – appear to have been quietly forgotten. Similarly, although the Government indicated that it wanted ITOs to purchase 'off-the-job' training from public providers, little progress has been made towards achieving this goal. In practice, to do so would have resulted either in a decrease in the amount of training purchased by ITOs (reflecting the higher cost of state-provided training), or an increase in the cost of training (New Zealand Industry Training Federation 2002).

Only relatively minor changes appear to have been made as a result of the reviews of the TEC's major pre-employment programmes. For example, changes in the contracts negotiated between the TEC and Private Training Providers will increase the emphasis placed on improving foundation skills, and the criteria for eligibility to join the programmes has been broadened so those with higher levels of qualification, but with significant barriers to employment, can attend. In addition, new measures of performance that have a longer-term employment focus will be developed (Office of the Associate Minister of Education – Tertiary Education 2002).

Competitive tendering has been retained as the means of funding the TO and YT programmes, and providers will continue to compete on the basis of their ability to place trainees in employment. Inevitably this will see the current focus on 'employability' continue. A new focus on sustainable employment outcomes, however, is likely to compel PTE tutors to more effectively manage their caseloads in order to ensure both the tutees, and tutors themselves, stay employed for a longer period. In sum, the Labour Government appears to have maintained the basic direction in VET that was established by the previous administration, and changes to existing programmes appear to be relatively minor.

The same cannot be said for changes made in the area of assessment, where a new award has been designed to recognise learning at a senior secondary level and in post-school settings. The new qualification, known as the NCEA, is perhaps the most significant educational policy introduced by the Labour Government because it will impact on all learners. Like the new Matriculation Diploma in England, the NCEA is designed to increase standards, increase the length of time students stay in education, create a lifelong learning culture, increase the status of vocational subjects, and convey valuable information about employees to employers. Both the NCEA and the Matriculation Diploma are designed to create flexible learning pathways by, for instance, allowing individuals to study at more than one institution for one qualification.

Up until recently, assessment practices were provider-led in the sense that schools could choose whether they offered standards-based assessment linked to the NQF or retained the traditional system of norm-referenced assessment, which functioned outside of the NQF. However, under the NCEA, all learners will be required to work towards a single qualification and have their learning assessed against predetermined standards.

Although the Labour Government deserves credit for tackling the vexing issue of assessment policy, it is doubtful the development of the new qualification will contribute more to the creation of a 'knowledge nation' than the previous system. For example, the NQF has yet to create a lifelong learning culture and the NCEA is unlikely to alter this. Reasons for this include the fact that the NCEA is unlikely to alter the structure of schools and it is also unlikely to create a different educational experience for those who have achieved poorly to date. Differences between the way learning is assessed against standards is unlikely to create parity of status between academic and vocational learning. Nevertheless, the commitment of the previous administration to different kinds of assessment within one education and training system had created problems because a lack of comparability meant qualifications lacked portability and, as a result, limited competition between providers of education.

Although differences in the way learning is measured against standards means the Labour Government's aim of creating a common educational currency is unlikely to be as successful as Labour's neo-liberal predecessors had hoped, the Labour Government has nevertheless made an important contribution to the creation of the education and training market in New Zealand. This common currency, like money in an economy, is likely to promote greater competition between the providers of educational qualifications because all institutions will recognise and reward learning in the same way. As others have noted, 'markets' can be created in many different aspects of society if a common 'currency' can be developed (Corrigan 1988). Corrigan argues that social relationships created by competition and commodification are vital to capitalism.

While the Labour Government can be seen to have strengthened New Zealand's market-led training system in this way, in order to grow talent and facilitate school-to-work transitions, a number of other major new policies exist that reflect a more 'strongly interventionist' (Hyland 2002) approach to VET. These include the introduction of the Modern Apprenticeship Scheme and the development of the 'Gateway Programme'. The Modern Apprenticeship Scheme (which is modelled on the UK version) has been introduced to provide structured workplace learning for 6000 school leavers and involves the TEC working with employers to broker new apprenticeship opportunities. The Gateway Programme provides senior school students with structured workplace learning and was piloted in 22 schools in 2001. From 2003 onwards, the number of places funded under the programme is being expanded from the current 1000 to 4000, and the level of funding per place is being increased. Both programmes are designed to improve school-to-work transitions by facilitating the development of links between schools, training providers, and employers.

Major reviews of both the Modern Apprenticeship Scheme and the Gateway Programme have been completed by Skill NZ. The evidence suggests that although these programmes will benefit the 10 000 or so young people who will eventually participate in them, the schemes are introducing new forms of selection among those who have already been sorted and selected by the school system (Skill New Zealand 2001, 2002a). For example, in the Modern Apprenticeship Scheme, the coordinators,

whose role it is to broker training opportunities, reported that they needed to be careful to select the 'right' kinds of workers. Those considered 'work-ready' were particularly attractive to employers. One reason cited by the brokers for screening potential recruits was the need to protect the value of their social networks by 'ensuring their credibility with employers' (Skill New Zealand 2001, p 21).

Conclusion

Throughout its two terms of office, Labour has consistently argued that it is pursuing a third way and that although neo-liberal strategies are appropriate in some instances, they are not appropriate in the area of VET. Indeed, when it first took office, the Labour Government was highly critical of New Zealand's 'market-led' VET system, arguing that it had contributed to falling incomes and unemployment, and led to an under-investment in training. In their view, a greater level of state intervention was required to lift incomes, reduce unemployment and improve the quality of VET.

The major argument of this paper is that through such measures and their emphasis on increased planning in the Innovations Framework, the Labour Government can be seen to have slightly moved away from the market-led model it inherited from the previous administration. However, for all the rhetoric about harnessing the power of third way approaches to political management, the approach adopted by Labour is remarkably similar to that adopted by the previous neo-liberal administration. Employers determine the standards trainees require, the participation by employers in training remains voluntary, and private and public providers still compete with one another for the right to deliver training purchased by Skill New Zealand (in the case of YT and TO) and by ITOs (in the case of Industry Training).

Indeed, in some respects – particularly in the creation of a common educational currency and a register of training providers – the Labour Government can be seen to have strengthened the neo-liberal aspect of New Zealand's ITS. The evidence presented here also suggests that the Innovations Framework has not altered the rules of competition by dismantling the market-led VET system. Rather, new forms of selection have been introduced amongst those who have achieved poorly in conventional schooling.

Like other third way governments, Labour has talked much about improving the quality of VET offered but has followed the previous neo-liberal administration's lead by conflating numbers with quality. While it is very easy to count the number of trainees and the number of qualifications they receive, these figures tell us very little about the quality of the training provided. It also remains unclear as to whether Labour's aim to increase the quality of VET on offer is compatible with its focus on getting people into work as quickly as possible.

In a recent paper, Thrupp (2001) argued that New Zealand's Labour-led Government deserved close attention from those interested in finding feasible alternatives to neo-liberalism. The analysis I have presented here suggests that his observations do not readily apply to New Zealand's current industry training policy.

Although, judging from Labour's claims, it is philosophically committed to supporting public providers of VET ahead of PTEs and is keen to see employers invest more in training, Labour has been unable or unwilling to dismantle the market-led training system.

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