

12 September 2024

Vocational Education and Training Reforms  
Ministry of Education  
WELLINGTON  
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Tenā koe

### Redesign of the vocational education and training system

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for 70% of all domestic retail turnover. New Zealand's retail sector comprises more than 30,000 businesses and employs around 230,000 New Zealanders. We have consulted our membership in the preparation of this submission.
2. Retailers have a strong preference for training to be primarily undertaken on-the-job, with support for the more theoretical components of study to be delivered either remotely through on-line learning or off-job classroom sessions that are limited in their duration i.e. days, rather than weeks. On-the-job learning is considered more effective, and it also minimises the time an employee is away from work, reducing the cost of training and maintaining workplace productivity. For customer-facing roles, experience dealing with real-life customers is indispensable and cannot always effectively be replicated in other training settings.
3. While some Institutes of Technology and Polytechnics (ITPs) provide pre-employment training in retail skills, due to retailers' preference for on-the job training, the bulk of training occurring in the retail sector is provided: fully in-house by the retailer; in conjunction with a vocational education system (VET) provider who offers a work-based approach such as Service IQ and Private Training Establishments (PTEs); or by contracting with a work-based provider who operates outside of the VET system.
4. As the sector's use of the ITP sector is limited, Retail NZ is not sufficiently knowledgeable about ITPs to answer the questions relating to Proposal 1 "Creating a healthy ITP network that responds to regional needs" and leaves this to other submitters. Notwithstanding this, we make the following observations:
  - a. While there is a role for regional provision, particularly where there are regionally domiciled industries, or demand for high-volume pre-employment learning, work-based provision by entities that operate nationally works well for our sector. Work-based learning is lower cost (lower overheads, less duplication developing training materials etc), provides greater consistency in trainee outcomes; and offers graduates a higher degree of skill credential portability.
  - b. The ITP sector is not currently financially sustainable and the government plans to address this by redirecting funding from work-based training to the ITP sector. We accept that government needs to address the financial sustainability of ITPs, however, the reasons for the poor financial performance of ITPs have not been fully explored, so it is unclear whether redirecting funding from other areas is the right solution to the ITP sector's challenges. We believe a more fundamental review of the drivers of poor financial performance is undertaken and other options considered before funding is redirected away from work-based training, which may only spread the contagion the ITPs are facing.

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5. In relation to Proposal 2 “Establishing an industry-led system for standards-setting and industry training”, and the two options outlined, we make the following comments:
  - a. In terms of involvement in skill-setting, members report less involvement than under the prior industry-led ITO model, with a low level of understanding of Ringa Hora’s role as the Workforce Development Council (WDC) for the service sector and limited member-level engagement. Members wish to have greater engagement and representation with their standards-setting body.
  - b. Retail NZ would like to see industry leading rather than simply participating in the standard-setting process. This means greater representation, and preferably industry holding most of the governance roles. It is unclear from the consultation document how industry would be represented in the alternate models - Industry Training Boards (ITBs) versus Independent Industry Standards-setters (ISSBs), so difficult to comment on the adequacy of the proposed arrangements.
  - c. Members do not understand the alternate models sufficiently well to have a clear preference between ITBs and ISSBs. They are primarily interested in the system delivering the following outcomes:
    - Convenient access, regardless of location or business size.
    - Industry-led skill standards and qualifications, with sufficient agility in the system to quickly adapt to changes in industry practice and technological developments.
    - Delivery formats convenient for employers - predominantly on-the-job or on-line.
    - Effective quality assurance to ensure those holding a qualification exhibit the competencies set out in the learning outcomes for the specific qualification.
    - Minimum bureaucracy, with investment targeted to achieving “skill outcomes.”
    - Greater certainty about the longevity of the VET system so employers have confidence to invest. There is fatigue with the constant change.
    - For credentialed vocational training, the government will make a financial contribution commensurate with the VET investment in other sectors/occupations.
  - d. Whichever model is ultimately settled on, there must be further consultation on the number and coverage of ITBs or ISSBs. Some members who currently deal with more than one WDC would prefer to deal with a single entity e.g. one entity for both retail and logistics and distribution skills.
  - e. While neither ITBs nor ISSBs will be responsible for providing advice to the Tertiary Education Commission on investment needs, the consultation document is silent on who will take on this function. We assume it is intended that industry associations will play a role, and, in this case, Retail NZ is willing to represent the views of the retail sector. Notwithstanding, we believe that industry associations should receive some funding support for this work.
  - f. In terms of support from providers for the delivery of training, retailers tell us they would like to have a choice of provider to reflect their varying needs, and preferences. Competition between providers will create the right incentives for providers to provide the right service, in the right place, at the right time, for the right price. Where practical providers should have the flexibility to collaborate with individual employers to customise training in ways that work for individual businesses e.g. use of Company logos and incorporating employer policies in training materials.
6. In terms of the proposed funding shifts, Retail NZ makes the following comments:



- a. The government proposes increasing vocational education funding rates across the board by repurposing a considerable proportion of the learner component of funding; specifically reducing funding targeted to supporting learners with low prior achievement, disabled learners, and Māori and Pacific learners. We are concerned that vulnerable learners, particularly those needing support to improve competency in literacy and numeracy to achieve skill standards, will be disadvantaged along with their employers. Some learners need more support than the average learner and we believe targeted funding will continue to be needed to ensure these learners' can be successful and equitable outcomes are achieved. Retail is a sector that many New Zealanders have their first working experience with and it employs a lot of youth. The sector has a high exposure to employees with these needs and is therefore reliant on the Government to provide appropriate support mechanisms through the VET System.
- b. We agree there should be dedicated "ring-fenced" funding for skill standards-setting and qualification development. This would ensure that a minimum level of funding is invested in the standards-setting function, standards and qualifications are regularly reviewed and updated to meet industry needs, and standard-setting and qualification development is undertaken in a timely fashion.
- c. The third leg of the funding proposals is to establish funding arrangements to support and create incentives for ITPs to engage with regional industries and maximise the benefits of international education for regional New Zealand. Retail NZ acknowledges that ITPs will have to undertake business development activity, however this is also the case for other providers. As retail businesses have limited engagement with the ITP sector, we are concerned that the additional funding for ITPs will be secured by reducing the rate of funding for work-based learning. We prefer that this activity is funded by the government making additional funding appropriations to the ITP sector, rather than redirecting funding from work-based training.

### Change implementation

7. The VET sector has faced a large amount of change through the implementation of ROVE and the current proposals represent significant change yet again. We are concerned about the sector's capacity to deal with this degree of change and navigate it in an orderly way, with a possible loss of skills during the transition period. Whatever institutional arrangements are finally settled on, there needs to be a clear transition path of appropriate length, effective communication about what is happening and how stakeholders will be affected, and certainty for industry that trainees' partially completed training programmes can be completed with minimal disruption.

In conclusion. We thank the Ministry for the opportunity to have input to the current reforms and stand ready for further engagement as the proposals evolve.

Nāku iti noa, nā

  
 Carolyn Young  
 Chief Executive

