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Ministry of Education

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## Options for the future of Work-Based Learning

### Introduction

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 nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 27,000 businesses and employs around 220,000 Kiwis. We have consulted our membership in the preparation of this submission.
2. Retail NZ works with retailers, government, Ringa Hora: Services Workforce Development Council and vocational education providers to create a greater pool of talent for the retail sector. We advocate to ensure that government policies affecting the retail workforce or workplace are practical and affordable for retailers and signalled well in advance.
3. The retail workforce is diverse, with a range of roles from customer service to management, digital and data analytics, logistics, procurement, security, social media and marketing, and many more. Employers are also diverse, with the majority of stores in New Zealand being small, owner-operated enterprises. However, the biggest employers are large national chains, many operating on both sides of the Tasman, employing thousands of people from trainees to senior executives. These multi-store retailers operate under a range of ownership structures, including the corporate model, co-operatives, owner-operators or franchises.
4. Because of this diversity of roles, business sizes and ownership models, retailers have a wide range of training needs. Therefore, no single model for training and work-based learning will be optimal for all businesses.
5. 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 online 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.
6. The ability to engage and interact with customers is critical to the success of retail businesses. With modern technologies these base requirements for retail are often absent from a young person's skills, and employers must offer training to ensure they meet the required standards. For customer-facing roles, experience dealing with real-life customers is indispensable and cannot always effectively be replicated in classroom-based training settings.

7. 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:
  - a. fully in-house by the retailer;
  - b. in conjunction with a vocational education system (VET) provider who offers a work-based approach such as ServiceIQ and Private Training Establishments (PTEs);
  - c. or by contracting with a work-based provider who operates outside of the VET system.
8. Whichever training model is ultimately chosen, it is of paramount importance that the work-based learning system must be responsive to industry needs, deliver the skills that employers need in a timely and cost-effective manner, and be of high quality. Industry must be consulted on changes to the system.
9. Before turning to the specific questions posed in the consultation document, Retail NZ wishes to express our disappointment at the very short timeframe for this important consultation. Less than four weeks is an unduly short period for us to be able to analyse the options, consult with our members, gather their feedback, and develop a submission that reflects the breadth and depth of their views. Six weeks is generally considered the minimum time period for this type of consultation and it is difficult for us to understand why such haste is required in this case when it risks detracting from the quality of the responses.

**Which of the two models - Independent or Collaborative work-based learning - does your organisation prefer?**

10. Given the diversity of employers in the retail sector, as outlined above, no single model will be optimal for all businesses. However, the preference among retailers we consulted was for the Independent Work-Based Learning model.

**Why will your preferred model work best for employers and learners in work-based learning?**

11. Retail NZ is of the view that the Collaborative model, with its additional provider for pastoral care, will add a layer of administration, duplication and relationship management. This has the potential to add extra costs that may not justify the added value of a dedicated pastoral care provider. The Independent model simplifies and reduces costs, as well as offering businesses a single point of contact for their training needs.
12. We acknowledge that large retail organisations have a much better ability to offer wrap-around care to their learners than SMEs. We are aware of large retailers in New Zealand who employ their own pastoral care personnel, with funding from the Tertiary Education Commission. These retailers have indicated that they would wish this opportunity for them to provide the wrap around care to continue, to support their relationships with their employees.
13. Small retailers are already juggling the many daily demands associated with running a business and employing staff. Retail NZ encourages members to invest in retail staff training and career development. But we recognise it can be daunting to add work-based training to the employer's list of duties. If the new model for work-based learning is to reduce barriers for employers and encourage them to take on learners, then it needs to be simple, practical and affordable, especially for small business operators. The Independent model appears to deliver this better than the Collaborative model.

14. The pastoral care role is not defined in the document, and introducing an extra layer to cover this function may create more complexity for retailers trying to improve their bottom line during these challenging economic times.
15. Retail NZ is pleased to see the Independent model provides for industry to lead rather than simply participate in the standard-setting process. This greater representation, with industry holding the majority of governance roles, will help to ensure that learners are being trained for the skills that industry needs.

**What does your organisation think are the main benefits, costs and risks of each option for employers and learners in your industry?**

16. As noted above, the Independent model looks to offer less complexity and to be more affordable than the Collaborative model.
17. In cases where the trainee requires extra support for their learning, or where there is conflict between employer and trainee, it is preferable for the employer to have a single point of contact with a training provider who can then assess whether pastoral care is needed and at what level. Providers should be required to include the pastoral care function as part of their role.
18. 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 them 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.
19. Retailers raised concerns about the number of pastoral care personnel that would be needed to respond to the needs of learners across New Zealand, and how they could be funded. There are concerns that funding for pastoral care could adversely impact the level of funding available for the actual work-based training.
20. Work-based provision by entities that operate nationally works well for the retail sector. A national approach results in work-based learning that 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. It also means that national retail chains will receive consistent standards and service from providers, no matter where their stores are situated, including in remote areas.
21. During last year's consultation on the redesign of the vocational education system, Retail NZ members reported less involvement in standards-setting and industry training than under the prior industry-led Industry Training Organisation (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. Retailers wished to have greater engagement with their standards-setting body.
22. As noted above, Retail NZ is pleased to see the Independent model provides for industry to lead rather than simply participate in the standard-setting process. However, we have concerns about how the retail sector could be adequately represented in a broad service sector Industry

Skills Board (ISB). Retail employs 9% of the workforce, therefore we need an appropriate level of representation on an ISB. Depending on the final ISB model, industry associations like Retail NZ may also need resourcing to undertake the representation required.

23. Ringa Hora currently covers 10 service sector groupings (Aviation and Airport services; Business and Professional services; Cleaning services; Contact Centres and Industry Support services; Financial and Advisory services; Government, Security and Defence services; Hospitality and Food services; Real Estate and Rental services; Retail and Distribution services; Tourism and Travel services). If a new ISB was set up to cover a similar range of service sectors, it is difficult to see how six industry appointees could adequately provide representation of the required breadth and depth.
24. Fundamentally, an ISB for the retail sector must be able to deliver 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 online
  - 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 work-based learning 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.
25. Whichever model is ultimately settled on, there must be further consultation on the number and coverage of ISBs. Some members who currently deal with more than one WDC would prefer to deal with a single entity, e.g. for both retail and logistics skills.
26. We also have concerns about the proposal that barriers to introducing industry levies could be lowered. The vast majority of retailers are SMEs, with many being owner-operated. An industry levy to fund work-based learning would be yet another cost of doing business at a time when many retailers are already struggling to survive. It is hard to see how such a levy could be equitably applied and how employers would derive value from it.
27. Employers must be incentivised to offer training opportunities to their staff, not penalised for investing in their development. Those employers who offer training to their staff are already facing extra costs through taking on workers with lower skills and lower productivity, and the costs of administration of work-based learning.
28. If the Government wants to encourage more work-based learning, then the issue of who pays must be carefully considered. Experience shows that the Apprenticeship Boost scheme was successful in encouraging employers to take on apprentices and we recommend this is continued.

**Both models will involve a transition process but this will be different for each. What will be the critical factors in making transitions work for your industry?**

29. The vocational education sector has faced a large amount of change through the implementation of ROVE and the current proposals represent more change. We are concerned about the vocational education 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 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. The transition period would need to offer adequate time for communication and successful implementation of the new model within stores, so the minimum period we would recommend would be eight weeks. However, we believe it likely that a longer period would ensure greater success.

30. We support the Coalition Government's focus on economic growth. This cannot succeed without appropriate workforce training being in place and we would be very concerned about any transition that slowed or negatively impacted the delivery of retail training opportunities.
31. Whichever model is finally settled on must be an enduring solution that will not be subject to continued constant change. Employers need certainty that their investment in training will not be devalued or disrupted by system changes.

### Conclusion

32. Thank you for the opportunity to make a submission.
33. No part of this submission should be withheld under the OIA.

Sincerely,



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