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Education and Workforce Committee
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Retail NZ submission: Education and Training (Vocational Education and Training System) Amendment Bill

Overview

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 30,000 businesses and employs around 227,000 Kiwis.
2. Retail NZ works with retailers, government, Ringa Hora: Services Workforce Development Council, ServiceIQ 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. Retail NZ strongly supports the need for change in the vocational education system to ensure it is agile and industry-aligned and lifts the technical skills of the workforce. It must deliver the skills and capabilities that underpin New Zealand's economic performance and workforce resilience, both now and in the future.
4. 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.
5. Because of the 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.
6. 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.
7. 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

minimum entry standards. For customer-facing roles, experience dealing with real-life customers is indispensable and cannot always effectively be replicated in classroom-based training settings.

8. 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.
9. For this reason, our submission focuses primarily on the aspects of the Bill related to Industry Skills Boards and industry levies.

Industry Skills Boards

10. 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.
11. Retail NZ would like to see industry leading rather than simply participating in the standard-setting process. This means strong representation and industry holding most of the governance roles.
12. Retailers are primarily interested in the system delivering the following outcomes:
 - a. Convenient access, regardless of location or business size.
 - b. Industry-led skill standards and qualifications, with sufficient agility in the system to quickly adapt to changes in industry practice and technological developments.
 - c. Delivery formats convenient for employers - predominantly on-the-job or on-line.
 - d. Effective quality assurance to ensure those holding a qualification exhibit the competencies set out in the learning outcomes for the specific qualification.
 - e. Minimum bureaucracy, with investment targeted to achieving 'skill outcomes'.
 - f. Greater certainty about the longevity of the VET system so employers have confidence to invest. There is fatigue with the constant change.
13. While the Bill signals a structural shift in the vocational education system, it falls short of enabling the significant change required to genuinely lift skill standards across the workforce. Key powers remain within government agencies, limiting the ability of industry to influence outcomes in a timely and meaningful way.
14. The proposed legislation gives significant levers to the Tertiary Education Commission, Minister and NZQA to direct the activities of ISBs, over and above the powers of the ISB boards. Industry needs confidence that its needs are paramount in the reformed system and that vocational education will not be subject to the whims of changing government policies.
15. Retail NZ considers that the provisions for industry to influence the direction of vocational education and training need to be strengthened in the Bill.
16. Retail NZ is concerned about how the retail sector can be adequately represented by the proposed Service Industries ISB which is set to cover 16 sectors that represent an enormous number of jobs across Aotearoa New Zealand. Retail employs 9% of the workforce, therefore we need an appropriate level of representation on the ISB.

17. 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).
18. The new Service Industries ISB is set to be considerably larger so it is difficult to see how six industry appointees (Section 363 of the Bill) could adequately provide representation of the required breadth and depth. We recognise that the appointees are primarily expected to undertake a governance role but Section 365 says they must 'reflect the makeup of the current and anticipated workforce of the specified industries'. We recommend that the Bill is amended to ensure that ISBs have enough members to represent appropriately each sector covered by the ISB.

Industry levies

19. We are opposed to the proposal that barriers to introducing industry levies 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.
20. Charging levies for vocational education creates inequity for vocational learners when compared to how other forms of higher education are funded and delivered. Universities and polytechnics do not levy industry to fund the functions of these organisations to deliver graduates.
21. There is also a risk that introducing levies could negatively impact access and participation in vocational education. As noted above, retailers primarily use in-house training; or they work with a VET provider such as ServiceIQ and Private Training Establishments (PTEs); or they contract with a work-based provider who operates outside of the VET system.
22. Retailers, especially SMEs, who do not access VET courses would be disproportionately impacted by having to pay an industry levy for training they do not use.
23. 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.
24. If the Government wants to encourage more work-based learning, then the issue of who pays and how much must be carefully considered.
25. We recommend that sections 381-384 of the current Education and Training Act 2020 regarding levy provisions are retained, as the existing levy provision of 60% industry ballot and agreement is sufficient to ensure levies can be triggered if industry wishes to.

Support for BusinessNZ submission

26. Retail NZ supports the submission of BusinessNZ on the Education and Training (Vocational Education and Training System) Amendment Bill, and the amendments it proposes to strengthen the industry leadership role in the vocational education system.
27. We agree with BusinessNZ that the system must be 'industry led and government enabled' so that vocational education and training is agile, aligned with industry needs and supported by employers who have confidence in the system.

28. Retail NZ supports the suite of amendments proposed by Business NZ as we agree these will strengthen the industry leadership role of ISBs, and enable functions and fee setting to improve industry responsiveness.

Conclusion

29. To summarise, Retail NZ supports the need for change in the vocational education system to ensure it is agile and industry-aligned and lifts the technical skills of the workforce. However, we agree with the amendments proposed by BusinessNZ to strengthen industry's leadership in skill-setting and ensure the reformed system is aligned with industry's needs.
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. An enduring solution for vocational education and training must be put in place that will not be subject to continued constant change and is adequately funded. Employers need certainty that their investment in training will not be devalued or disrupted by system changes.
32. Thank you for the opportunity to make a submission. Retail NZ would like the opportunity to make an oral submission to the committee.
33. No part of this submission should be withheld under the OIA.

Sincerely,



Carolyn Young
Chief Executive
Retail NZ