

Research on Industry Training Levies

Part One

May 2025

Contents

The purpose of this report is to provide an update on advancements in the Industry Training Levy Research Project.

This report contains:

1.	Executive Summary.....	3
2.	Project scope, problem definition and potential policy rationale....	6
3.	New Zealand mechanisms and history.....	11
4.	International case study analysis.....	23
5.	Industry engagement.....	29
6.	Equity and Māori considerations.....	37
7.	Scenario development and modelling.....	39
8.	Next steps.....	47
9.	Appendix A: Prior work in this area.....	49
10.	Appendix B: Further information: International case studies.....	53

The purpose of Food and Fibre Centre of Vocational Excellence (CoVE) is to deliver better workforce outcomes for the food and fibre sector, including through positive disruption when necessary.

The heart of the food and fibre sector is the people, their skills and how they contribute to the industry. Having good people is reliant on good vocational education and training (VET).

Food and Fibre CoVE invests in the transformation of vocational education and training for our talent pool, to enable Aotearoa New Zealand's food and fibre sector to thrive.

Executive summary



Executive summary

This report presents findings from part one of a research initiative led by Food and Fibre CoVE to explore whether an industry training levy could be a viable and effective tool to address workforce challenges in the food and fibre sector.

An evidence base is being developed to support both industry and government in evaluating the feasibility, implications, and wider potential considerations of a training levy concept. This project does not assume that a levy is the right solution. It is not a proposal or advocacy document. Rather, it seeks to provide neutral, evidence-based analysis of the pros and cons of a training levy in New Zealand's food and fibre sector.

Context

The context for this work arises from growing interest in alternative funding models for VET. This interest has grown in response to systemic challenges such as limited training uptake, inconsistent funding, and evolving government support structures. Internationally, sector-wide training levies have been used to address similar issues, prompting questions of whether a comparable mechanism could be suitable for New Zealand's food and fibre industries.

Approach

This report is the first of two parts and outlines early-stage research and engagement activities. Specifically, it includes:

- An initial examination of current system challenges and potential policy rationale for an industry training levy;
- A review of relevant New Zealand mechanisms, legislative frameworks, and historical influences, including existing levy structures in the primary sector;
- A synthesis of early engagement with stakeholders across the food and fibre sector;
- A comparative analysis of international levy models to identify relevant insights for the New Zealand context; and
- An outline of three test scenarios to explore potential levy impacts, developed to support upcoming modelling and case study work.

Review of New Zealand mechanisms

The review of New Zealand mechanisms found that while existing legislation enables industry levies, direct user-pays training funding has not historically been a core focus, and is only possible under the Commodity Levies Act (CLA) 1990 when initiated by industry groups.

Industry engagement

Initial engagement with sector stakeholders has revealed widespread concerns about the concept of an industry training levy. Many participants expressed scepticism about its feasibility and value, citing potential financial strain on businesses—particularly smaller enterprises—and questioning whether the administrative burden would outweigh the benefits.

There were also strong reservations about a 'one-size-fits-all approach' failing to reflect the sector's diversity, and doubts about whether levy-funded training would align with real workforce needs. However, some stakeholders acknowledged that, if carefully designed, a levy could provide more consistent funding for training and help address persistent skill shortages. A few also noted the potential to increase access to training in areas where cost is currently a barrier.



Executive summary

The next phase of research will involve detailed modelling of levy options, industry-specific case studies, and continued engagement—building toward a robust, outcome-neutral evidence base to inform future sector and government decision-making.

International case studies

To support this work, a selection of international levy models was reviewed to examine varying design principles, implementation mechanisms, and observed impacts across different sectors and economies. Examples from the United Kingdom, Australia, Germany, Denmark, Singapore, and France highlight a wide spectrum of approaches to funding workforce development, each tailored to their specific labour market needs and policy environments.

These models vary in how levies are collected—ranging from flat-rate contributions per employee to tiered or percentage-based payroll deductions—and how funds are distributed, including direct reimbursements, sector-managed training centres, and personal learning accounts.

Key insights relevant to the New Zealand context include the importance of visible employer benefits to drive engagement, the need for transparent and efficient fund management to build trust, and the value of flexibility in eligible training to ensure relevance across diverse industries.

International experience also demonstrates that poorly aligned or overly complex systems can lead to underutilisation of funds, particularly by smaller businesses, while targeted design and co-governance structures can enhance sector buy-in and long-term sustainability. These findings offer a reference point for considering what may be feasible, acceptable, and effective in a New Zealand setting.

Development of test scenarios to model

Three test scenarios to explore potential levy Impacts have been developed for modelling purposes. These were informed by stakeholder feedback, New Zealand-specific factors, and international insights. They range from a simple flat-rate model to a tiered structure that accounts for business size and in-kind contributions. These options will be analysed in upcoming case studies to assess their potential financial and operational implications across a range of business types and industry sub-sectors.

Next steps

The next phase of the project will involve financial and workforce modelling, expanded case study analysis, and further engagement with Māori and equity-focused stakeholders.

These activities will inform the second report, due later in 2025, and contribute to a comprehensive evidence base to support ongoing sector and government conversations.



Project scope, problem definition, and potential policy rationale



Purpose and scope of the project

Purpose of project:

The purpose of this project is to develop a robust, neutral evidence base that explores the pros and cons of an industry training levy, including whether such a tool is appropriate at all. It aims to surface potential design considerations, identify risks and equity impacts, and clarify under what circumstances a levy might help or hinder the sector's workforce development goals.

Scope of research activities (February to June 2025)

The research approach is structured around six core components:

- **Problem and scope definition** (this section)
- **Domestic mechanism review** (pages 11 – 22)
 - Assessing relevant New Zealand legislation and policy settings that could enable or constrain a training levy
 - Identifying historical levy use and lessons from previous sector funding models
- **International case study analysis** (pages 23 – 28)
 - Exploring six international levy models from comparable sectors and jurisdictions
 - Examining levy collection mechanisms, governance structures, and workforce impacts
- **Industry engagement** (pages 29 – 36)
 - Capturing sector-wide perspectives on the opportunities and risks of a levy
 - Understanding how the evidence base can best support stakeholders
- **Equity and Māori considerations** (pages 37 – 38)
 - Ensuring Māori and equity-focused perspectives are integrated across all phases of research
 - Engaging directly with Māori leaders, employers, and learners to understand needs and opportunities
- **Scenario development and modelling** (pages 39 – 46)
 - Developing three test scenarios that align to international and NZ findings
 - Modelling financial and workforce implications through industry-wide and employer-level case studies

What is meant by an industry training levy?

An industry training levy, in this project, refers to a collective funding mechanism where businesses in the food and fibre sector contribute financially, typically based on wages or revenue, into a shared pool to support formal, vocational, and work-based training.

For the purposes of this study, a 'industry' is considered to be at the product industry level similar to how industry groups are defined.

Importantly, this work only explores the potential to fund the current 'user-pays' component of training, not the full cost of education.

Important Note on Intent

This project does not assume that a levy is the right solution. It is not a proposal or advocacy document. Rather, it seeks to provide neutral, evidence-based analysis of the pros and cons of a training levy in New Zealand's food and fibre sector.



Problem definition

While international training levy models provide valuable insights into how different sectors and economies tackle workforce development, it is insufficient to merely examine their mechanics and attempt a direct application to New Zealand, or to explore ideas without purpose. The design of any potential industry training levy must be firmly rooted in a thorough understanding of the specific challenges being addressed within the local context.

Before assessing the possible impacts of a levy on the current training and funding environment, this project sought to clarify what challenges such a levy might be addressing.

By engaging with sector stakeholders, reviewing existing system pressures, and analysing current participation and funding trends, the aim was to identify the structural, financial, and operational barriers to effective workforce development in New Zealand's food and fibre sector. This problem-first approach ensures that any future recommendations are responsive to real sector needs, not just inspired by overseas precedent.

The problem definition and an associated potential policy rationale is presented at the start of this report to support the reader to contextualise our findings later in the report.

The New Zealand food and fibre sector faces several challenges impacting workforce development:

- **Low training participation:** Only 4% of total apprenticeships and 8% of workplace-based learners are learning the agriculture, forestry and fishing skill set ([Education Counts, 2023](#)).
- **Unaffordable training costs:** High costs deter both employers and learners, particularly in small enterprises.
- **Anticipated future skills gaps:** Technological advancements necessitate new skills, but current training systems may not be responsive enough to meet these emerging needs ([CoVE](#)).
- **Uneven employer investment:** Some employers invest in training, while others do not, leading to inconsistent workforce development.
- **Inequitable cost distribution:** The financial burden of training is not evenly distributed, with some employers bearing more costs than others.
- **Learner bonding practices:** To recoup training investments, some employers require bonded contracts, potentially limiting employee mobility ([Rural Leaders](#)).
- **Barriers for Māori, rural, and underserved groups:** These communities often face challenges such as limited access to training opportunities and lack of awareness about available programmes.
- **Employer hesitance without sector-wide commitment:** Employers may be reluctant to invest in training without assurance that others in the sector are making similar commitments.

Source:

Education Counts. (n.d.). New Zealand's workplace-based learners. Extracted in April 2025 from [website](#).

Food and Fibre Cove. (2024). 21st century delivery and assessment: Full report. Extracted in April 2025 from [pdf](#).

Rural Leaders. (n.d.). Foraging new horizons: Levers of sustainable innovation in the NZ food and fibre sector. Extracted in April 2025 from [website](#).



Potential policy rationale

Identified problems, system challenges and further considerations have informed potential policy rationale.

Problem	System issues	Potential industry training levy policy rationale
Low training participation	Inconsistent and declining investment in training	Stable, dedicated funding – could provide a reliable pool for targeted industry workforce development.
Unaffordable training costs for employers and learners	No targeted mechanism to fund “user-pays” costs	Equitable cost sharing – spreads costs across industry, reducing burden on small or proactive employers.
Anticipated future skills gaps from technology change	Training consumption not keeping pace with emerging industry needs	Future-focused investment – could be directed by industry at programmes that target skills needed for greater productivity, technology adoption, and innovation.
Some employers don’t invest in training	“Free rider” dynamic – some benefit from trained workers but don’t contribute	Addresses free-riding – collective contributions ensure all who benefit are investing in the system.
Costs are unevenly spread across businesses	Cross-subsidisation issues – some pay more but receive less	Fairer cost allocation – design can include tiered contributions or recognition of existing or informal training investments.
Employers sometimes bond learners to recover training costs	Learners face long commitments or reduced mobility due to cost recovery practices	Reduces need for bonding – sector-wide funding could lower upfront costs and reduce reliance on bonded contracts.
Barriers for Māori, rural, or underserved groups	Inconsistent access to training opportunities across regions and demographics	Improves access and inclusion – low barriers to access funding for training may improve the ability for marginalised groups to suitable training.
Employer hesitation if others don’t contribute	Lack of trust in system fairness and impact	Builds trust through transparency – clear fund use, governance, and stakeholder input improves trust.



Potential scope of an industry training levy

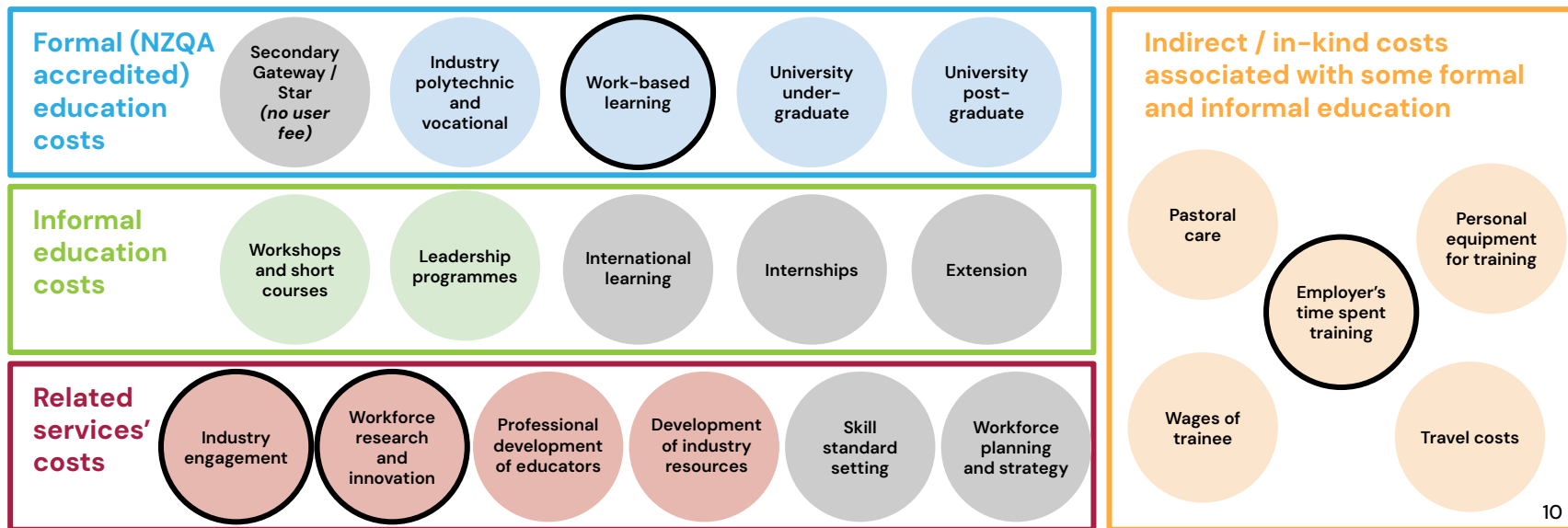
Based on the problem definition and potential policy rationale, it is clear that only industry-focused training and potentially related indirect/in-kind costs likely makes sense to be covered by levy funds.

In scope for a potential industry training levy

This project will only explore the 'user-pays' and 'in-kind' costs associated with industry training. The coloured costs shown below have either been found to be covered internationally by similar industry training levies or are feasibly within scope of 'industry-specific training'. Each of these educational avenues was evaluated based on the degree of direct relevance to industry requirements. Those outlined in **black** will be analysed quantitatively in modelling, while all others will be considered qualitatively.

Out of scope for a potential industry training levy

Those costs shown in **grey** were determined by the project's governance group to be out of scope due to being covered by industry in other ways, already funded, or not aligned to the problem definition.



New Zealand mechanisms and history



Key findings: New Zealand mechanisms, legislative frameworks, and historical influences

Section research questions:

- What other approaches to address underconsumption of training could be adopted?
- What legislative frameworks in New Zealand support the establishment of industry levies for training?
- How have existing industry levies historically been allocated, particularly concerning training and workforce development?
- What principles should guide the design and administration of a training levy to ensure fairness and transparency?
- What other research has been undertaken on VET, and what can be learnt from?

Section approach:

- Desktop research: Conducted a comprehensive review of existing literature, legislative documents, and publicly available data to understand the legal frameworks and historical context of industry-specific levies in New Zealand.
- Industry engagement workshops: Organised workshops with industry stakeholders to gather insights on perceptions of and prior understanding of levies generally, and the industry training levy concept specifically.

There is a spectrum of cost dispersion mechanisms (page 13)

There are distinct funding models for training programs, ranging from fully user-paid, where employers or employees may cover a portion of the user pays cost (e.g., one-third) supplemented by government funding, to fully government-funded.

Tax incentives could solve part of the identified problem set (page 14 – 15)

Tax incentives were considered as a potential mechanism that could incentivise increased consumption in training. These will not be considered further as tax incentives would be unlikely to resolve problems such as free-riders, fairness for small employers or facilitate industry to industry cost transfers.

Legislative levy mechanisms enable food and fibre industry-based levies only (page 16 –18)

The CLA 1990 allows food and fibre industries to establish levies for funding industry development, including training and education. While industry training could utilise this mechanism, there are a range of complications driven by existing use for other industry good activities like research and development (R&D). New levy orders would likely be required to ensure training is prioritised.

The Education and Training Act 2020 supports workforce development funding and permits levies directed to Workforce Development Councils (WDCs), however this Act does not cover the scope of what is being explored – covering user-fees for training. Bespoke legislation would be required for non-food and fibre industries to levy training costs.

Principles for levy design and administration are well defined (page 19)

The Office of the Auditor-General outlines four guiding principles for levies: equity, efficiency, justifiability, and transparency. Any proposed industry training levy would need to be demonstrably fair, proportionate, and clearly linked to outcomes to gain industry support.

Existing levy burdens are cumulative and variable (page 20)

Food and fibre businesses already contribute to various levies and charges (e.g., Kiwisaver, ACC levies, sector-specific levies like DairyNZ and HortNZ), some of these are used to support capability funding. Additional levies, including a training levy, would need to account for existing financial pressures and be designed to avoid overburdening contributors.

Vocational training is evolving, fueled by prior work and insights in the space (page 21 –22)

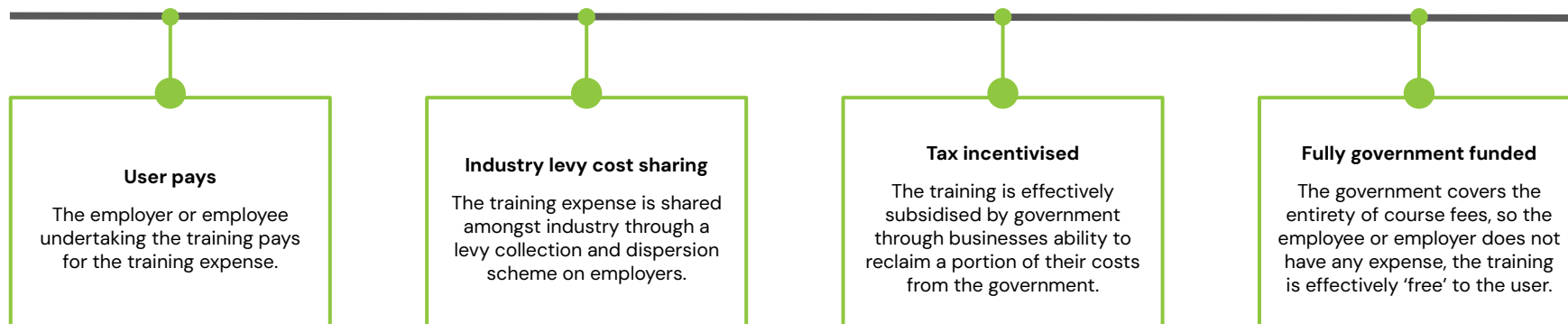
The evolution of vocational training is being driven by insights gained from previous research in the field, which underscore the need for sustainable funding models and enhanced industry engagement, highlighting the importance of addressing existing inefficiencies in training systems and ensuring better alignment with industry needs.



Spectrum from user-pays to government cost coverage

Training is currently funded, and could possibly be funded, under a variety of models with various levels of government support.

The diagram below delineates four distinct funding models for training programmes, arranged along a continuum that spans from fully user-paid to fully government-funded. Each model encapsulates varying degrees of financial obligation among stakeholders, namely, the individual trainees, their employers, and government entities, thereby illustrating the spectrum of mechanisms of cost distribution.



User pays (as defined in this project) for current formal programmes is a proportion (for example $\frac{1}{3}$) of total cost. The remainder covered by government funding. For informal programmes not covered by government funding, a user would likely pay the entire cost. There are potential unintended consequences and risks of each of these funding mechanisms.

Could tax incentives be an alternative solution? (1 of 2)

Various alternative mechanisms have been considered to address underconsumption, and other problems identified, particularly focusing on the implementation of tax incentives. This approach would encourage voluntary consumption of training through financial benefits.

Current use of tax incentives in New Zealand

New Zealand's financial system offers various tax incentives, including foreign tax credits, inbound investment incentives, and R&D tax incentives. Notably, the R&D tax incentive provides a 15% tax credit on eligible R&D expenditures, aiming to boost innovation and productivity. Given that investments in employee training can yield returns similar to R&D investments, exploring tax incentives for workforce development is a logical consideration.

Potential for use in training

An industry training incentive would enable employers to deduct a portion of their training expenditures from their taxable income or receive direct tax credits. For instance, a company investing in employee upskilling might be eligible for a tax credit equivalent to a percentage of the training costs.

Tax incentives could motivate employers to invest in tailored training programmes, and may encourage continuous learning and development. By offsetting training expenses through tax reductions, companies may alleviate the financial burdens of training. Additionally, firms may have increased autonomy to select and deliver training programmes that align with their strategic objectives and operational requirements.

However, determining eligibility, quantifying qualifying expenditures, and ensuring compliance would require robust administrative systems, which may be particularly taxing for small employers. Larger employers with substantial resources may benefit disproportionately, while small employers might struggle to leverage these incentives effectively. Without stringent oversight, there is a risk that employers might exploit tax incentives for expenditures not genuinely related to effective skill development, leading to inefficiencies.

Source:

Ministry of Business, Innovation and Employment 2025 – “Government drives \$2 billion of business research and development”. Extracted April 2025 from this [website](#).

New Zealand Herald 2025 – “Government reviews \$500m research tax credit which Act wants scrapped”. Extracted April 2025 from this [website](#).

PwC 2025 – “New Zealand: Corporate – Tax Credits and Incentives”. Extracted April 2025 from this [website](#).

PwC 2020 – “Research and Development Tax Incentive”. Extracted April 2025 from this [pdf](#).

Similar example: The R&D tax incentive

For the R&D incentive, expenditure an organisation incurs on eligible R&D Activities attract a 15%, broadly refundable tax credit provided they meet certain criteria. To be eligible, taxpayers must also spend a minimum of NZD \$50,000 in a year and each claim is capped at a maximum of NZD \$120 million per entity per year unless the taxpayer obtains approval to exceed the cap (PwC, 2024).

This tax credit system has had both positives and negatives noted since its 2019 introduction. A post-implementation review identified the challenges of applying for a tax credit; outlining the activities undertaken with robust documentation, defending that the knowledge was new at a systemic level, demonstrating stepped change progress as opposed to incremental development, large compliance costs, application processing delays, and insufficient transparency of decision making.

These elements lean towards ‘defending the tax base’ instead of encouraging spending on R&D, the restrictions particularly limiting uptake from smaller businesses (PwC, 2020).

Some changes were made to address these concerns in subsequent years, however some limitations remain. Nevertheless, as at May 2023, \$312 million in tax credits has been provided through the scheme (MBIE, 2023). A statutory review will be published in early 2025, which will contribute to a decision over the future of the R&D tax incentive programme.



Could tax incentives be an alternative solution? (2 of 2)

In desktop research, tax incentives demonstrated a medium to low impact on resolution of outlined VET system challenges.

Problem	Potential impact from tax incentive solution
Low training participation	Medium: Tax incentives may encourage employers to invest more in training by reducing associated costs. However, their effectiveness relies on employer awareness, ability to account for the tax incentive, and their perceived value of training.
Unaffordable training costs for employers and learners	Medium: While tax incentives can alleviate some financial burdens, upfront training costs may still be prohibitive, especially for small employers, and learners with limited cash flow.
Anticipated future skills gaps from technological change	Medium: Incentives could promote investment in upskilling to meet evolving technological demands.
Some employers don't invest in training	Low: Tax incentives alone may not motivate all employers, particularly those historically reluctant to invest in training due to cultural factors or perceived irrelevance.
Costs are unevenly spread across businesses	Low: Larger employers with more resources are better positioned to leverage tax incentives, potentially exacerbating disparities as small employers may struggle with the administrative complexities involved.
Employers sometimes bond learners to recover training costs	Low: While tax incentives reduce overall training expenses, they may not eliminate the practice of bonding employees, as employers might still seek to safeguard their investment in human capital.
Barriers for Māori, rural, or underserved groups	Low: Tax incentives primarily benefit employers who have the capability and capacity to receive them - unlikely to be those struggling to access training currently.
Employer hesitation if others don't contribute	Low: The voluntary nature of tax incentives means some employers might refrain from investing in training, especially if they perceive a lack of collective commitment within their industry.

Source:
 Ministry of Business, Innovation and Employment 2025 - "Government drives \$2 billion of business research and development". Extracted April 2025 from this [website](#).
 New Zealand Herald 2025 - "Government reviews \$500m research tax credit which Act wants scrapped". Extracted April 2025 from [website](#).
 PwC 2025 - "New Zealand: Corporate - Tax Credits and Incentives". Extracted April 2025 from this [website](#).
 PwC 2020 - "Research and Development Tax Incentive". Extracted April 2025 from this [pdf](#).

Note on who pays for a tax incentive: In contrast to an industry training levy, that for the purposes of this project is envisioned to allocate industry funding to industry costs, a tax incentive would be funded by government and act as a subsidy. This is a fundamentally different proposition.



Current funding potential mechanisms (1 of 3)

The CLA is a possible mechanism for levying the food and fibre sector for industry training costs. A provision for education and training exists, with spend in this area, and the overall industry group's existence subject to an industry referendum being passed with a majority vote.

COMMODITY LEVIES ACT 1990

A New Zealand law that allows industry groups to collect mandatory levies on certain commodities to fund collective, industry good, non-commercial initiatives. To establish such a levy, an industry group must show majority industry support and obtain government approval.

How commodity levies are calculated

Levy amounts are calculated based on criteria specified in each levy order, which may include:

- **Production volume or weight:** Levy calculated per unit of commodity produced.
Sales Value: Levy as a percentage of the gross sales value at the first point of sale.
- **Area of land used:** Levy based on the area of land devoted to producing the commodity.
- **Production inputs:** Levy determined by the number or capacity of production inputs, such as the number of trees or hives used.

Historic use for industry training

There have been a few cases where CLA industry groups have contributed to the direct user-pays cost of training to improve training outcomes and offerings for their members for periods of time. This approach has not been consistent or wide-spread.



Current funding potential mechanisms (2 of 3)

The CLA provides a viable framework for imposing levies on the food and fibre sector to fund industry training costs. It permits levy funds to be allocated for purposes such as education and training. The establishment and continuation of such levies are contingent upon obtaining majority support from the industry through a referendum.

Using the CLA to fund direct, user-pays industry training costs would involve several considerations:

- **Existing levy structures:** Not all food and fibre industries have current CLA orders. Among those that do, levies are typically based on production volume or value. Basing levies on workforce size or wages, as seen in international models of industry training levies, is not known to be used as a mechanism under the CLA. While the CLA allows for levies based on "production inputs," such as the number of trees or hives used in production, implementing a levy based on workforce metrics would necessitate establishing new or modifying existing levy orders.
- **Disproportionate financial burden:** Highly productive employers, who generate greater output or revenue, would incur higher levy payments under a production-based system. This occurs regardless of their actual training needs or workforce size, potentially leading to perceptions of unfairness. Such employers might view the levy as an inequitable financial obligation, especially if they have already invested substantially in training and technology adoption.
- **Competing financial priorities:** Industry organisations often allocate levy funds to various pressing needs, including R&D, biosecurity, and responses to adverse events. Given this, the ability to prioritise funding user-pays training within the current industry groups' budgets would likely be limited.
- **Challenges with collection and overhead costs:** The CLA requires industry groups to administer the collection of their levies. If levies were to be collected based on wages/full-time equivalents (FTEs) this information would need to be reported in addition to current levy-take information. This could be burdensome for both small employers and small industry groups.
- **Establishing a new training-specific levy:** Theoretically, a new CLA order could be introduced specifically to fund industry training, with the levy calculated based on metrics like wages or FTEs. For such an order to be enacted, it would require a support referendum demonstrating that more than half of the participants, collectively holding more than half of the production volume or value, are in favour of the levy. This could be enacted across multiple industries with one order such as HortNZ's order which levies multiple commodity products across fruit and vegetable categories.
- **Limitations for other industries:** Non-commodity industries would not be able to use this mechanism, for example, labour contractors who provide inputs (particularly staff) but do not produce products directly.



Current funding potential mechanisms (3 of 3)

The Education and Training Act funds a wide range of education opportunities in New Zealand.

EDUCATION AND TRAINING ACT 2020

An Act to establish and regulate an education system in New Zealand that equips individuals with the necessary skills, knowledge, and capabilities for full participation in the labour market and society, supports their health and well-being, ensures the quality of education and institutions, and honors Te Tiriti o Waitangi.

Provisions for industry levies:

The Education and Training Act 2020 includes mechanisms for imposing levies on industry members to support workforce development. Training Levies: Sections 382 to 385, along with Schedules 16 and 17, outline the process for establishing a training levy payable to a Workforce Development Council (WDC). The levy requires a majority vote from industry members and is intended to fund activities that benefit the industry collectively, such as standard setting and skills leadership. Notably, levy funds cannot be used for activities that directly benefit individual members, such as arranging specific work-based training for particular employers or employees.

Note on VET system changes:

In December 2023, the government announced plans to dissolve Te Pūkenga, the centralised polytechnic network, and replace it with 8-10 autonomous institutions. Additionally, the government intends to replace WDCs with government-funded Industry Skills Boards (ISBs) to serve as regulatory bodies for various industries. The dissolution of WDCs and the establishment of ISBs may alter the processes and authorities related to proposing and implementing industry levies.

Considerations for levying industry to cover direct user-pays training costs:

Legislative constraints: The Education and Training Act 2020 prohibits the use of levy funds for purposes that directly benefit individual members, or for arranging delivery of work-based training. Therefore, using these levies to cover direct user-pays training costs would not align with the Education and Training Act 2020's provisions.

In summary, while the Education and Training Act 2020 provides a framework for industry levies to support collective workforce development activities, it restricts the use of such funds for direct user-pays training costs.

Pathway for enabling industry training levies for all industries:

Bespoke legislation would be required to enable the Government or industries to enact levies to collect and allocate ring-fenced training funding.



Levy setting and administration guiding principles

The Office of the Auditor General outlines four principles to guide setting and administering levies in New Zealand.

What principles should guide the design and administration of a training levy to ensure fairness and transparency?

Once the legal authority for charging an industry training levy is established, four principles should guide how they are administered. These, in the context of a potential industry training levy, are:

Equity

Equity involves fairly managing levies by considering equity issues to ensure just cost recovery among all payers. This prevents one group from bearing costs that benefit another.

An example of how this may be applied is by implementing a tiered levy system based on company size or revenue, ensuring that contributions are proportionate to each business's capacity, distributing the financial responsibility fairly across all participants.

Transparency

A lack of clear information on levy usage can lead to mistrust, reluctance to pay and a misunderstanding of what value funding is providing.

Providing clear reports on levy collection, allocation, and outcomes, and making this information readily accessible to all stakeholders, promotes accountability and confidence in the levy system.

Efficiency

High administrative costs in managing the levy can reduce the funds available for actual training programmes.

Streamlining administrative processes and minimising overhead costs ensures that a larger portion of the levy may directly support training.

Justifiability

Stakeholders may question how levy rates are determined, whether they align with the actual costs of user-pays training, and the value for money received.

Conducting regular cost analyses and aligning levy charges with the genuine expenses of delivering training ensures that fees are reasonable and defensible, fostering trust among contributors.



Food and fibre industry existing imposed costs

Non-exhaustive

Food and fibre is already a levied industry. On top of national levies and schemes, tax, and other charges, there are further specific levies for industries to cover industry good, and in particular costs associated with biosecurity. The food and fibre sector, in most cases, competes globally in commodity-type markets. Ensuring competitiveness against countries who may have less of a financial burden from government or industry-wide imposed costs is important to maintain comparative advantage where possible.

To support greater understanding of the current funding landscape, a selection of examples has been compiled showing the types of contributions food and fibre businesses may be subject to. This list is not exhaustive or universally applicable, but it provides a starting point to illustrate the scope and complexity of existing levy and fee arrangements, particularly where businesses are exposed to multiple commodity levies.

All New Zealand businesses	Taxes	Food and Fibre businesses
Kiwisaver 3% of gross salary Employer and ACC CoverPlus Levy Between \$0.91 to \$2.26 per \$100 of earnings dependent on sector	Company Tax 28% of profits Goods & Service Tax 15% on goods and services	Biosecurity Response Levy Various for current or potential biosecurity responses. <i>Commodity Levies: For example</i> Milksolids Levy \$0.036 per kilogram of milksolids HortNZ Levy \$0.14 per \$100 of sales Osprei Levies National Animal Identification and Tracing (NAIT) Levies: Tag Levy: \$0.97 (plus GST) per NAIT tag purchased. Slaughter Levy: \$1.49 (plus GST) per head at slaughter. TBfree Programme Levies: Dairy Cattle Slaughter Levy: \$12.25 per head for dairy animals, effective from 1 October 2024.

Source:
 ACC - "Your Guide to 2024/2025 levy rates and industry classification". Extracted in May 2025 from [online report](#).
 DairyNZ - "Your Levy". Extracted in May 2025 from [website](#).
 HortNZ - "Your membership". Extracted in May 2025 from [website](#).
 Inland Revenue. Extracted in May 2025 from [website](#).



Vocational training is currently evolving

The vocational training system is in reform. This research is cognisant of the timing of the reforms in addition to internal government developments on various types of industry training levies, some not related to this research.

Following the decision to disestablish WDCs and Te Pūkenga, the Ministry of Education released a consultation document proposing two models for the future of work-based learning, focusing on apprenticeships and traineeships.

Following prior considerations, an independent work based learning model has been carried forward, in addition to the creation of a collaborative model sourced from consultation feedback. Both options involve ISBs to manage vocational education standards. These models are now being considered with targeted consultation with industries having closed on 21 February 2025.

The two models out for current consultation are:

- **Independent work-based learning:** The independent model suggests transitioning Te Pūkenga's work-based learning divisions to independent providers, emphasising minimal disruption and maintaining existing relationships. Providers would manage all learner aspects, while ISBs focus on standards-setting and quality assurance.
- **Collaborative work-based learning:** The collaborative model proposes a partnership between providers and ISBs, with providers handling education and ISBs offering pastoral care and standard setting. This model aims to enhance learner success through direct feedback between employers and trainees to ISBs.

What this means for levies:

Barriers to introducing industry levies are reduced in both models, enabling ISBs to potentially use levies as an additional funding source to support their roles. Funding and fee structures are set to change as part of the reforms.

Relation to this work: Consultation feedback from the VET review will support our understanding of industry's opinion on the VET sector and potential interventions. Submissions from the food and fibre industry indicated levying employers was not supported. The levies outlined in this consultation, however, are not the same type of levies that are being considered in this research project. Potential options consulted on will allow ISBs to seek to introduce levies to co-fund their responsibilities, including standard setting, workforce development planning, and support services. These levies could be sector-wide or targeted, depending on industry needs and willingness to contribute. Conversely, this research project is looking predominately at the potential to levy industry to cover the user-pays costs for training not potential ISB functions.



Prior work in VET supported problem definition and consideration of options

New Zealand's VET system faces several challenges, notably in funding structures, employer engagement, and alignment with industry needs. Recent analyses have highlighted these issues and proposed potential solutions. Please see Appendix A for further information on previous work reviewed.

The "VET: Work-Based Learning" report by the Ministry of Education (November 2024) highlights the importance of integrating practical work experiences into curricula and active employer participation in training design. It identifies reliance on short-term funding as a barrier to sustainable apprenticeship programmes.

Similarly, the "Evaluation of Government Policy Settings for Apprentices" by ConCOVE Tūhura (October 2023) points to inefficiencies due to uncoordinated government-funded apprenticeship support programmes. It notes challenges for small and medium-sized enterprises (SMEs) in navigating administrative complexities and highlights disparities in apprenticeship completion rates across demographics.

The "Review of Vocational Education" by BusinessNZ (September 2024) underscores a mismatch between tertiary education outputs and employer needs, contributing to skill shortages. It advocates for a sustainable funding model to ensure consistent investment in vocational training and calls for stronger partnerships between educational institutions and industry stakeholders.

In the construction and infrastructure sectors, the "Funding of Workplace Training and Work-Integrated Learning" study by ConCOVE Tūhura (October 2023) reveals that only 14% of employers are involved in tertiary education and training. The study highlights the reliance on temporary funding initiatives, complicating long-term planning, and identifies disparities in training participation across demographics.

The "Pathways, Pride, and Possibilities: Food and Fibre Apprenticeships in Aotearoa" report by Food and Fibre CoVE (2023) provides a comprehensive analysis of the apprenticeship landscape within New Zealand's food and fibre sector. It reveals that approximately 8,500 apprentices are engaged in this sector, accounting for 10% of all apprenticeships nationwide. The report highlights the significant impact of initiatives like the "Apprenticeship Boost," which offered direct subsidies to employers during the COVID-19 pandemic, leading to a notable, albeit temporary, increase in apprenticeship numbers. The study explores several international apprenticeship models and notes that countries such as England, France, Germany, and South Africa have industry training levies in place.

Collectively, these studies underscore the challenges within New Zealand's VET system, including fragmented funding, inconsistent employer engagement, and misalignment with industry needs. The exploration of international models suggests that implementing an industry training levy could provide a sustainable funding mechanism, enhance employer participation, and better align training outcomes with industry requirements. Such a levy could address current shortcomings and contribute to a more effective and equitable vocational education system.



International case study analysis



International case study approach

An international review of training levy systems has been conducted, focusing on those most relevant to New Zealand and where possible, the food and fibre sector. This analysis examined their structures, sectoral impacts, and extracted applicable lessons for a potential industry training levy in New Zealand. Our approach is outlined below.

- 1. Global training levy scan**
A broad examination of training levies from across the globe was undertaken. This scan aimed to identify models with training, sector specificity, similar country characteristics to New Zealand, or showed strong potential for lessons learnt.
- 2. Selection of ten levies most applicable to this project for consideration**
From our global research, ten training levies were identified that align closely to the project context, offer diverse approaches, and have potential for varying lessons learnt.
- 3. Application of selection framework to choose six levies for in-depth analysis**
Using an agreed selection framework, the ten levies were evaluated against criteria such as the guiding principles of New Zealand levies and alignment to the New Zealand environment and this project. This process left six levies for detailed examination.
- 4. Desktop research on mechanisms and elements**
Our desktop research investigated the operational mechanisms and structural elements of the selected training levies. This analysis aimed to uncover how the levy is collected, what the levy funds, and how the funds are distributed.
- 5. Analysis of sectoral impacts**
The broader impacts of the selected training levies were assessed on various sectors, including how they influence workforce development, levy uptake and fund usage, and industry competitiveness.
- 6. Analysis of enterprise impacts**
The enterprise-level impact analysis focused on how training levies affect individual businesses regarding skill enhancement, productivity, and retention of talent. The impacts were also examined for different businesses types and sizes.
- 7. Extraction of insights for New Zealand**
This research synthesised the findings to extract insights that are specifically applicable to the New Zealand context, considering factors such as local industry dynamics and workforce requirements. These insights inform the design of the hypothetical industry training levy options in our industry case studies.



High level view: international case studies

Globally training levies take on a variety of forms. The below table shows a high level view of their differences.

Many countries have implemented training levies to fund workforce development and address industry-specific training needs. Understanding the structure and implementation of these levies is crucial, particularly when considering their potential application to New Zealand's food and fibre sector, noting differing taxation and subsidy environments. The following table provides an overview of selected international training levies; further details are outlined on subsequent pages and can be found in Appendix B. More detailed findings are also available on request.

Country	Levy name	Levy structure	Funding mechanism	Application to food and fibre	Target outcome
United Kingdom <i>Page 60</i>	UK Apprenticeship Levy	Compulsory employer levy	0.5% percent of payroll, for employers with a payroll over £3 million	Yes (Broad-based)	Increased apprenticeship opportunities
Australia <i>Page 61</i>	Skilling Australians Fund (SAF) Levy	Employer-sponsored training contributions	Charged to employers per foreign employee by visa type, revenue tiered	Yes (By employee type)	Increased training to upskill local workforce
Germany <i>Page 62</i>	SOKA-BAU Construction Training Levy	Mandatory contribution	2.4% percent of employers' payroll	No (Construction sector)	Increased and stable apprenticeship opportunities
Denmark <i>Page 63</i>	Employers' Reimbursement System (AUB)	National and sector-specific	A flat rate of ~\$685 NZD applied to all employers	Yes (Broad-based)	Increased apprenticeship opportunities, and equal buy-in to VET
Singapore <i>Page 64</i>	Skills Development Levy (SDL)	Compulsory employer levy	Approximately 0.25% percent of employers' payroll tiered by revenue, subject to minimum and maximum contributions.	Yes (Broad-based)	Increased upskill and training opportunities for employees
France <i>Page 65</i>	Contribution à la Formation Professionnelle (CFP)	Compulsory employer levy	Payroll-based with varied contribution rates tiered by headcount. Amagolated, these approximate 1.23% to 1.68% depending on business size.	Yes (Broad-based)	Increase in apprenticeship uptake and work-based learning programmes



Common sectoral impacts of international levies

Each levy has a unique set of positive and negative impacts at a broad aggregate level in their sector and country, below are some commonalities.



Sustainable workforce investment

Countries like Germany (SOKA-BAU) and France (CFP levy) show how compulsory training levies can create dedicated, stable funding for vocational education. These funds help sustain training efforts during economic downturns and ensure long-term planning beyond political cycles.



Support for system infrastructure and innovation

In Denmark and Singapore, levy funds contribute not only to direct training but also to maintaining high-quality training centres, updating curricula, and improving training technology—ensuring the system evolves alongside industry needs.



Improved national access and equity

In Singapore, the SDL supports nationwide training access through subsidies and personal learning accounts, helping address geographic and demographic inequities. Similarly, Denmark's model supports apprentice mobility across regions.



Administrative complexity and bureaucracy

Some systems—like the UK Apprenticeship Levy—have faced underutilisation due to narrow training lists, complex reimbursement processes, and limited flexibility, particularly for non-standard training paths or small sectors.



Uneven sector benefits and skill alignment Risks

In France, broad levy coverage can mask disparities, with some industries struggling to see value if training priorities don't align with sector-specific needs. This can reduce participation or lead to duplicated training investment outside the levy system.



Risk of fund misallocation

Without strong governance, levy funds can be diverted to low-impact programmes or absorbed into general administrative costs, as seen in critiques of early UK and Australian models.



Common enterprise impacts of international levies

At a business level, each levy has varying impacts based on business size and type, below are some of the common themes.



Incentivised engagement in training

Models in Germany and Denmark reimburse employers for a portion of apprentice wages and training-related costs, creating strong financial incentives to train and reducing cost barriers, especially for longer-term or high-skill pathways.



SME support mechanisms improve participation

In Australia, levy contributions are scaled by employer size. Denmark exempts the first and every 50th employee from the levy, while also offering mobility allowances and higher wage subsidies for smaller firms—making participation more feasible.



Visibility of benefits boosts buy-in

Where employers receive clear, tangible benefits—such as digital training accounts in the UK or SkillsFuture credits in Singapore—levies are more likely to be seen as investments, not taxes.



Disproportionate burden on small employers

Despite supports, administrative complexity remains a challenge. In France and the UK, smaller firms report difficulties navigating funding systems, leading to lower uptake or dissatisfaction.



Mismatch between funded training and business needs

In several countries, employers expressed frustration when training eligible for levy funding did not match operational requirements. This has led some to invest privately in additional training, resulting in double spend.



Perceived lack of control or transparency

Where employers feel disconnected from how funds are allocated—such as limited influence over training providers or programme eligibility—trust in the system can erode, as observed in early reviews of the UK and French levy reforms.



Lessons for New Zealand

Key takeaways from different international levy models that can provide lessons for New Zealand.

Employer engagement and participation: Training levies can be more effective when employers perceive that funds are invested in workforce development rather than being viewed as a tax. Clear communication of benefits and provision of tangible incentives may enhance employer buy-in. For instance, Singapore's SDL offers grants to employers that invest in employee training, encouraging active participation and potentially mitigating underinvestment.

Industry involvement: Incorporating industry input into decision-making processes may help align training programmes with current sector needs. This approach allows for the inclusion of targeted short courses and micro-credentials. Germany's SOKA-BAU Construction Training Levy, for example, partners with industry partners to fund vocational training, addressing the unique requirements of the construction sector.

Navigating complexity in engagement: Complex administrative procedures can deter employer participation in training levy schemes. Simplified processes and predictable payment systems may facilitate engagement. A predictable payment process of a levy avoids excessive bureaucracy that could discourage employer buy in and fuel confusion.

Support mechanisms for small enterprises: Effective training levies often provide strong support for small businesses. It's optimal for SMEs to view their contributions and funding access as beneficial and not burdensome. Simplifying access and reducing administrative burdens encourages participation, and promotes fairness so a levy doesn't undermine their financial viability. Monitoring and evaluation of training and levy burden is ideal to adjust initiatives and maintain alignment as industry needs evolve.

Balancing flexibility matters with targeted development: Levies with broader, industry approved programme catalogues have shown success internationally. These allow businesses to invest in short courses, micro-credentials, or informal courses, rather than solely full apprenticeships. However, there is a trade off between broad funding options to provide flexibility and target skills development to address specific skills gaps.

Centralised funding and oversight for workforce development: Compulsory contributions to a centralised training fund can reduce issues like "free-riding" while assisting employers of all sizes contribute to workforce development. The establishment of a centralised funding body, that has industry able to govern its portion of funds and where they go to could help facilitate alignment with national economic priorities and enhance transparency and accountability for funding allocations.

Enhancing access to training initiatives: A levy system should consider the need to address the diverse needs of various employers. Allocation of levy funds to flexible training programmes may improve accessibility for those constrained by location or business structure; however, their effectiveness depends on the actual availability of flexible, quality training options. Levy systems can influence this by increasing demand for specific training, encouraging providers to expand their offerings.



Industry engagement



Industry engagement methodology

Industry engagement is at the forefront of this project. This research is engaging through industry workshops, written correspondence, one on one interviews, case study workshops and targeted Māori and equity interviews.

Section research questions:

- Have industry previously engaged, are aware of other projects, or have experience related to industry training levies?
- Have industry tested this concept with your members/employers before, and what was the response like?
- What key impacts industry see on different types of employers and industry at large?
- What key impacts may industry see on industry learners?
- What do industry members/employers want to know about this topic?
- What does industry think the Government want to know from the sector/evidence about this topic?

Section approach:

- This section contains our outputs from industry engagement so far.
- Workshop approach and response is detailed on page 31.
- Industry workshop outputs and insights are presented on page 32 to page 35.
- Learnings from industry workshops and wider engagement are shown on page 36.

Industry engagement approach

- **Māori and equity interviews** (project duration)
 - Engaging with Māori through interviews (uiui) and discussions (wānanga) ensures that perspectives from Māori rangatira (leaders), employers, rangatahi (youth), and other equity-focused groups are upheld and given space, and a voice through this project.
- **Industry workshops** (March)
 - 12 to 17 March: These workshops brought together stakeholders from various areas to discuss their concerns and share valuable insights regarding industry sentiment on a training levy. The workshops were able to identify the benefits, costs and key risks felt by industry.
- **Case study workshops** (April, May, June)
 - The case study workshops focus on gathering industry subject matter experts to understand the context of the case study, validate workforce and industry input data and assumptions, and interpret outputs in the context of each respective industry and their employers.
- **One on one interviews** (project duration)
 - Interviews provide a platform for individual discussion with stakeholders. This has aided in developing a comprehensive, in-depth, understanding of stakeholders various perspectives.
- **Written correspondence** (project duration)
 - This is an important tool for continuous engagement with stakeholders throughout the project. These exchanges facilitate ongoing communication, allowing insights, concerns, and follow-on-thoughts to be captured.
- **Feedback on reports and outputs** (as needed)
 - Reports present the project findings, and provide stakeholders the opportunity to provide feedback and engage with the project.



Industry workshop one engagement

The three workshops had strong industry attendance and participation.

Workshop timing and invitees

From 12 March to 17 March 2025, this project conducted a series of virtual workshops with representatives from various industries within the food and fibre sector. The sessions were conducted virtually to gather insights and concerns from these stakeholders.

Workshop invitees were industry groups in the food and fibre sector who were emailed directly, as well as further attendees invited by industry groups, and respondents to a LinkedIn promotion of an opportunity to engage. Of the 24 attendees, 22 were industry peak bodies with the remaining two being industry development groups.

Workshop format

Three online workshops were hosted. Each workshop lasted 90 minutes. The workshop first outlined the project's purpose, background, and methodology before moving into activities focused on understanding insights, experiences, and sentiment from industry regarding the potential for an industry training levy, as well as understanding how an evidence base could support the industry.

Activity one (page 32) explored participants' existing knowledge about training levies, innovations in this area, and preconceived notions about training and levies based on their experiences and prior engagement with their members.

Activity two (page 33–34) examined the potential impacts of an industry training levy on the industry, employers and industry learners. This discussion covered the advantages, benefits, disadvantages, costs, and key risks associated with the training levy concept.

Activity three (page 35) involved a discussion on how this evidence base project, agnostic to outcome, could support both industry and government in evaluating the feasibility, implications, and wider potential considerations of a training levy concept.

Industry engagement

The workshops received a strong response and interest from the industry regarding this project, which was reflected in our workshop attendance and engagement.

24 Industry workshop attendees

250 written comments provided

75% of food and fibre sector represented (by share of export revenue)



Existing knowledge of industry training levies

Understanding previous knowledge, emerging projects, and preconceived notions.

Activity one focused on understanding industry's knowledge and experience with training levies. Activity one enquired about industry's current awareness of training levies, recent advancements in this domain, and established perceptions of training and levies influenced by past experiences and member interactions.

Insights on the industry's existing knowledge:

- **Industry has mixed familiarity with training incentives:** Many participants lack direct experience with training levies but are familiar with related funding mechanisms such as commodity and biosecurity levies.
- **There has been limited attention given to training:** Existing mechanisms do not prioritise training, indicating a gap in training-specific initiatives within the sector.
- **This is a difficult conversation:** Industry representatives believe that a training levy would be a challenging conversation to have with members and employers.

We have experience with industry levies, though not specifically related to training.

I am not familiar, but I am open to learning.

”

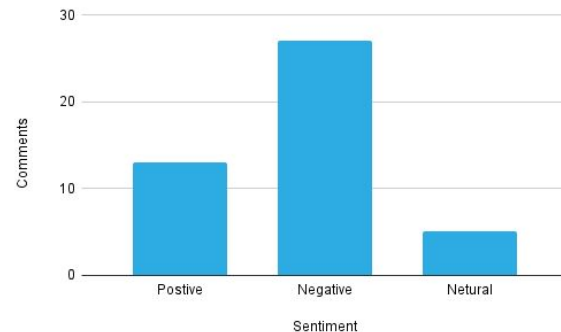
I have not spoken with any members, but my initial thoughts are it will not be well received.

I have engaged in discussions about workforce development, but training levies have not been a standard focus.

“

Sentiment analysis of preconceived ideas

From the insights provided, a sentiment analysis was used to understand the overall tone of industry. There were 27 negative, 13 positive and five neutral comments, conveying a negatively skewed perception.



Potential impacts on employers and industry

Understanding how impacts could vary across different employers and industry at large.

Activity two, part one, analysed the possible effects of an industry training levy on the overall sector, as well as on various employer types, sizes, and business models. Activity two focused on three areas: advantages and benefits, disadvantages and costs, and key risks.

Industry insights on potential impacts:

- **Increase in resources for training:** Industry highlighted potential advantages of an industry training levy, including more resources for training and improved skills, improved access, and improvement in training quality, especially in high-cost areas.
- **Financial strain is a concern:** There is unease about increased costs and compliance burdens, furthering potential financial strain on business, especially as exports compete internationally. Inefficiencies and a lack of value visibility may contribute to the levy being viewed as an additional tax.
- **Transparent administration is important:** Risks highlighted include the need for transparency in fund administration and allocation, as well as ensuring fair and equitable distribution across the sector.

Possibly more resources for low volume, high-cost training that is often too expensive for people in the sector to afford.

Increased costs for all with no benefit for the majority of the industry.

Some might see this as just another tax and not re-adjust their focus.

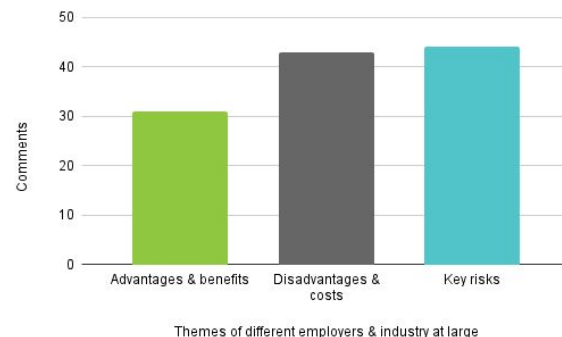
The advantage would be based on the value received over and above what is currently offered.

”

Costs, inflation and profit squeeze is already an issue for industries. An additional levy may impact the viability of businesses.

Potential impacts on different employers and industry at large

From the insights provided, there were 31 advantages, 43 disadvantages and 44 risks identified. This demonstrates slightly more perceived challenges than opportunities in implementation at an industry-wide and employer level.



Potential impacts on industry learners

Understanding how an industry training levy could impact sector learners.

Activity two, part two, analysed the possible effects of an industry training levy on industry learners. This activity focused on three areas: advantages and benefits, disadvantages and costs, and key risks.

Industry insights on potential impacts:

- **Enhanced accessibility and employer support:** An industry training levy could offer improved access to diverse training opportunities and increased frequency of diverse training opportunities and could promote employer support for training.
- **Bureaucracy could be a challenge:** Concerns exist regarding inefficiencies in the education system that could undermine the intended benefits of investment and restrict the tangible improvements on the ground for learners.
- **Barriers and pass through costs arise:** There is a fear that the levy could inadvertently make it harder for new entrants to find employment, as businesses' staff costs rise. A further risk is businesses may pass on the levy cost to learners.
- **Equity and system risks:** Key risks include unequal access for Māori and Pacific communities, lower completion rates due to 'free' perception, and exacerbating existing issues within the training system, rather than improving it.

Levy just goes into the current inefficient bureaucratic processes

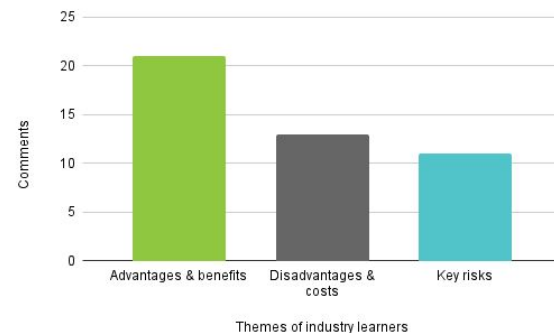
Obligation to complete training programmes that may not be the right "fit"

Easier access to training, more opportunities to learn and upskill that may not have been there beforehand.

Employers may be more likely to use the training for staff as they technically have to pay for it anyway.

Potential impacts on industry learners

From the insights provided, there were 21 advantages, 13 disadvantages and 11 risks identified. This demonstrates more perceived opportunities than challenges at the industry learner level.



Evidence base scoping

Understanding how this evidence base project can support industry.

Activity three focused on how this evidence base project, agnostic to outcome, could benefit the industry and provide stakeholders with the necessary information for future discussions. This involved examining what members may want to learn and what interests the Government might have.

Industry insights on how this evidence base project can support:

- **A thorough analysis is beneficial:** There is a strong emphasis on conducting comprehensive analysis, including international case studies and, financial and workforce modelling, to inform the potential impacts of a training levy on industries in New Zealand's food and fibre sector. Context is important to consider throughout the analysis in comparing overseas models to New Zealand.
- **Acknowledging existing inefficiencies:** Industry highlighted the need to identify existing inefficiencies and funding issues in the current training system to assess how a levy could (or could not) address these problems effectively.
- **Industry engagement is important:** Prioritising industry consultation in defining problems and solutions is crucial for ensuring the levy effectively meets sector needs and fosters employer buy-in.
- **A clear problem definition and case:** Clearly identifying the specific problems that the proposed levy aims to address is important for aligning stakeholder expectations, and would be important for any type of implementation.

“

What does international research say about the outcomes following levy imposition overseas?

If a levy is unavoidable, how can industry take ownership to ensure maximum value is delivered?

“

What problem is the levy going to solve, and why is it better than the status quo?

Key insights and considerations from industry

Industry raised both concerns and opportunities in implementing a training levy.

- Industry believes that implementing a levy could enhance training uptake, skills quality and training completion rates though is broadly not supportive of the concept.
- Concerns exist regarding the quality of available education and training options; even with increased funding, there is a risk that skill levels may not improve as expected and employers would be forced to contribute to non-suitable training.
- Increased funding presents an opportunity to enhance both the quality and diversity of training offerings. The tension between the scale needed to reduce overhead cost and the targeted/tailored demands of small industries may be an issue.
- Geographic constraints in accessing training are a significant concern, potentially leading to inequities in the utilisation of levy funding across different industries.
- Stability of funding through a levy would assist in maintaining training in market downturns.
- Industries commonly see themselves as competing in a global economy, and there are concerns on how an additional levy would affect the bottom line and global competitiveness.
- The training landscape within the food and fibre industry is highly varied. Training programmes eligible for levy funding may not adequately address the specific needs of businesses. This situation may compel businesses to invest further in specialised non-recognised training or train in-house, despite having already contributed to the levy, which could result in double payment for training.
- Industry stakeholders expressed a keen interest in examining overseas models, highlighting the importance of understanding the operating environment when evaluating case studies and drawing insights pertinent to the New Zealand context.
- There is strong interest and support for developing an evidence base for a potential levy, with numerous suggestions received on how such a resource could best serve the needs of the industry.
- There are concerns that funding may be absorbed into existing bureaucratic processes or administrative complexities, and therefore a worry that the funds might not directly benefit those who contribute.
- Cross-subsidisation is a key concern across multiple facets. For example, businesses that don't formally train may subsidise those who do, leading to situations where businesses do not realise the full benefit relative to their contributions.



Equity and Māori considerations



Understanding Māori views

This project has been actively gathering diverse perspectives from Māori employers, employees, and rangatahi.

The engagement phase with key people across the sector is actively underway, focusing on gathering diverse perspectives from Māori leaders employers, employees, and rangatahi. Please note that this update provides only a preliminary view of engagement to date. Part two of this research will provide detailed information on engagement and our analysis of impacts and Māori and equitable outcomes overall.

Interviews conducted highlight strong support for the training levy as a means to enhance accessibility and inclusivity in training, particularly for those historically underrepresented in the sector.

Interviewees underscore the importance of structured training pathways that provide individuals with clear career goals and progressions, as well as addressing concerns regarding the perception of government-funded training and the logistical barriers that hinder access.

Interviewees recognise the levy as a means to pool resources, ensuring sustainable funding for training initiatives tailored to the specific needs of the industry they are in.

There is a strong sentiment that a well-structured training levy could:

- help overcome financial barriers,
- improve Māori uptake in training,
- improve outcomes for Māori in the sector including:
 - Injury rates
 - retention
 - progression
 - Māori in leadership roles
- promote inclusive access to vocational education,
- and foster collaboration among educational institutions and employers.

This approach is thought to not only address skills shortages but also could create a unified system that empowers Māori communities, allowing for a more comprehensive and culturally confident workforce.

Continued engagement will be essential to refine these insights and ensure that the voices of Māori are integral in shaping the development of this evidence base. Detailed insights from this continued engagement will be presented in part two of this research.



Hypothetical levy options



Hypothetical levy options development method

This project has undertaken thorough analysis to curate three options for case study modelling.

Training levies take various forms around the globe, each existing in different contexts and creating diverse impacts. To enhance the knowledge base around training levies within New Zealand's food and fibre sectors, three Test scenarios were developed by examining a range of funding mechanisms that could effectively support workforce development.



The three hypothetical levy options are designed to serve as a foundation for discussion, illustrate contrasts in our case study modelling, and test international and innovative concepts within the New Zealand operating environment.

The creation of these three hypothetical levy options involved careful consideration of various potential mechanisms and elements. Hypothetical creation drew on international case studies, New Zealand research, and input from numerous stakeholders. Different methods of levy collection were explored, such as a flat percentage of employer wage bills or tiered rates based on business size. Additionally, various distribution approaches were investigated, including flexible fund allocation, designated training spots, and contributions linked to employer size or revenue thresholds.

Throughout this process, the focus was on key considerations, particularly the need for industry-driven solutions that promote long-term viability, ensure transparency in fund allocation, and establish fair contributions based on the benefits received. This approach aimed to address the specific needs of New Zealand's food and fibre sector while also considering aspects like government contributions and straightforward administrative processes. Overall, our hypothetical levy options aim to demonstrate the impact of diverse levy models on New Zealand businesses and capture the trade-off between equity and inclusivity versus efficiency and simplicity.

Levy test scenarios development (1 of 2)

This project has drafted three hypothetical levy options to model. A range of potential levy mechanisms and elements were considered based on our research and engagement to date. These mechanisms and elements were observed in our international case studies, our NZ research, are outlined below.

Observed levy mechanisms/elements considered

How the levy is collected (levy base and method):

- calculated as a percentage of an employer's wage bill at a flat rate
- calculated as a percentage of an employer's wage bill at a tiered rate
- calculated as a flat-rate per full-time employee
- calculated as a flat-rate per trainee/learner
- calculated as a flat rate per worker contract (or visa) type
- imposed on employers who hire migrant labour
- imposed on all employers who may require work-based learning
- imposed on employers within size (headcount or revenue) thresholds
- incorporates maximum and minimum contributions (caps on minimum and total levy take per business)
- collected on a monthly, annual, one off or per training course basis

How the levy is distributed:

- allocated through funds and monetary dispersion for flexible use towards programmes.
- allocated through number of training spots and associated funds on a first come, first served basis to levy payers
- allocated to employers based on size (headcount or revenue) or contribution thresholds
- allocated to employers on a first come, first serve basis

Other features observed include:

- levy contributions are usually matched by government funding towards training
- collected and allocated by a private sector, non-profit organisation
- collected and allocated to overall government pot of funding for in scope programmes
- collected as part of other levy and contribution collections
- is used for a range of direct and indirect costs required for work-based and other training



Levy test scenarios development (2 of 2)

The NZ food and fibre context and industry's sentiment were considered from our workshops to identify key considerations for our three hypothetical levy options. These considerations have supported our drafting of high-level design of hypothetical levy options.

Key considerations for levy options and underlying assumptions based on industry sentiment and NZ food and fibre context

Considerations for all options and underlying assumptions:

- industry driven
- long-term viability
- visibility to industry of where levy funds go
- targeted/industry benefits and value of money to those levied
- simple administration and transparency.

Considerations that may inform some options:

- fair contributions for benefit received
- considers whole of training contribution made by employers and others
- flexible to different industries' needs
- feedback mechanisms to correct/adjust efficiently.

Potential assumptions for any levy option to work for industry:

- training is fit for purpose and available to those being levied
- industries have 'opted in' and the whole industry will be levied
- a mechanism exists to indicate the desired demand of training per annum in order to set the levy rate
- industry self-selects programmes covered and the levy rate covers ~one third user contribution (can be in-kind) required for training. The government contributes ~two thirds ([TEC, 2022](#)).

Source:

Tertiary Education Commission (TEC). (2022) – "New funding rates for vocational education support learners, incentivise work-based delivery". Extracted in February 2025 from this [website](#)



Test scenarios to explore potential levy impacts

Below are hypothetical levy forms for refinement based on feedback, which will be modelled in our industry case study analysis to compare impacts against a counterfactual state.

As outlined on the previous slides, these three test scenarios have been formulated based on our international case study insights, and wanting to explore a breadth of options that is, as much as possible, in line with the general direction of industry sentiment.

ONE

Simple & efficient

Prioritising simplicity, efficiency and ease of understanding, this option collects a set percentage of wages from all businesses.

LEVY BASE: wage expense

METHOD: flat percentage collection on all businesses (TBD)

DERIVED FROM: International examples

RATIONALE: A common international levy practice that promotes simple administration and transparency.

TWO

Tiered & equitable

This option protects the bottom line of small businesses while maintaining a stable collection pool by tiering collection rates.

LEVY BASE: wage expense

METHOD: tiered percentage collection based on business size

DERIVED FROM: International examples overlaid on New Zealand context (many small businesses)

RATIONALE: Common international levy practice that facilitates fair contributions from the whole industry while emphasising long-term business viability.

THREE

Acknowledging in-kind

This option builds on option two and acknowledges in-kind payments as part of consideration of any monetary levy contributions, acknowledging existing training costs employers may be incurring.

LEVY BASE: wage expense

METHOD: tiered percentage collection on size, in-kind payments acknowledged in levy calculation

DERIVED FROM: International examples, existing New Zealand incentivisation methods, industry sentiment

RATIONALE: Industry sentiment emphasised the importance of consideration for employers' whole training costs. This acknowledges that some employers already invest heavily in training.

COLLECTED THROUGH IRD, ALLOCATED TO INDUSTRY CHOSEN PROVIDERS FOR INDUSTRY CHOSEN PROGRAMMES/COSTS. ASSUMES MINIMAL GOVERNANCE AND OVERHEAD REQUIRED.



Industry case studies



The purpose of the industry case studies

The case studies aim to understand the potential impacts of a training levy at an industry and business level.

The purpose of conducting the industry and employer-level case studies is to evaluate the financial impacts of various industry training levy test scenarios on industries as a whole, and individual businesses of different types. This dual approach ensures a comprehensive understanding of potential industry-wide training levy options, creating an evidence base to support both industry and government in evaluating the feasibility, implications, and wider potential considerations of a training levy concept.

This project is actively working on the case studies, further detail and preliminary insights will be provided in report part two.

Industry-level analysis

The industry-level analyses aim to provide an overview of the broader economic effects across entire industries, assessing how different funding scenarios might influence overall industry performance.

Employer-level analysis

The employer-level case studies focus on three hypothetical but typical individual businesses in each industry with varying training needs and behaviors, allowing for a detailed analysis of how levy models affect different employer types.

This project is publicly sourcing as much data as possible

Publicly available data, informed by industry assumptions will inform a robust evidence base.

This project is aiming to source as much of our data as possible from publicly available sources. Anything that cannot be found publicly will be asked to the case study industry about to provide an input or inform an assumption. This research will also validate all publicly sourced data with industry bodies to ensure this reflects the current state of the industry, and understand any underlying trends.

This research is using publicly available data for a variety of reasons:

- **Accessibility:** Publicly available data is readily accessible, allowing us to gather comprehensive information without the barriers associated with proprietary data sources. This also makes our analysis traceable and repeatable for evidence base users.
- **Transparency:** Utilising data from recognised public sources promotes transparency in our analysis and conclusions, this will assist in communicating the methods and limitations of our analysis.
- **Comparability:** Public datasets commonly allow for more direct comparisons across different industries by using standardised data collection procedures, inclusions and assumptions.
- **Efficiency:** Leveraging existing data minimises additional costs and time associated with data collection.
- **Objectivity:** Using publicly available data reduces the likelihood of biased inputs creating inaccurate outputs in the evidence base. This will assist in the evidence base being agnostic to outcome.

Assumptions on unique industry business models, workforce models, and impacts of training will be developed with industry bodies and subject matter experts as needed.



Next steps



Next steps

This report details our work so far. The industry training levy evidence base project is ongoing. There are many activities underway, including our equity considerations and the industry and employer level case study analysis. Your feedback is appreciated on this report and your continued feedback is valued. There will be further opportunities to engage in the second series of industry workshops and with the release of Report Part II.

- Continue case study group workshop planning and scheduling – Now to June
 - ◆ The objective of engaging with the case study group is to gain insights into testing different training levy models and assessing their effectiveness for Aotearoa by analysing industry and employer level case studies across food and fibre sectors. Engagement will occur through two series of workshops: the first to establish key processes and assumptions, and the second from late April to early May to refine those assumptions after analysis.
- Collect assumptions and develop model for case studies – April to June
- Continue Māori and equity engagement
 - ◆ The objective of engaging with Māori leaders, employers, and rangatahi, is to ensure that the training levy evidence base reflects the distinct needs and challenges faced by Māori businesses and workforce development, while also addressing Te Tiriti o Waitangi principles. To actively engage these voices, a targeted approach will include interviews and workshops, with a dedicated Māori SME on the project team to facilitate collaboration. Key engagements will encompass initial interviews in March, with a second round in April.
- Industry output refinement workshop
 - ◆ The workshop aims to assess and enhance the outputs derived from the models' analysis, ensuring they align with the real-world dynamics of the food and fibre sector. They will involve discussions and insights from industry participants to refine key metrics and outputs to develop a robust framework that accurately reflects industry needs and informs effective training levy models.

Upcoming project outputs:

- Report part II – Scheduled for late June: This report will provide an update on the project's developments, key findings, and insights gathered since the last report, ensuring stakeholders remain informed of ongoing progress and emerging themes.

Both this report and report part II incorporate an opportunity for feedback.



APPENDIX A:

Prior work in this area



Prior work in VET (1/3)

VET: Work-Based Learning

New Zealand Ministry of Education – November 2024

This document provides an in-depth analysis of work-based learning within the VET system in New Zealand. It reviews existing practices and considers the effectiveness of industry partnerships in enhancing learning outcomes.

This report emphasises embedding on-the-job experiences into educational curricula to ensure learners acquire skills directly applicable to their industries.

The report also highlights the necessity of active employer participation in designing and delivering training programmes to align educational outcomes with industry needs.

The reliance on short-term funding initiatives is noted as a barrier to long-term planning and sustainability of apprenticeship programmes.

More information can be found at: [VET: Work-Based Learning](#)

Evaluation of Government Policy Settings for Apprentices

Construction CoVE – October 2023

This report provides an evaluation of the effectiveness of the current government policy settings in New Zealand related to apprenticeships. It examines how these policies align with industry needs and the experiences of apprentices themselves.

The report highlights a lack of cohesive coordination among various government-funded apprenticeship support programmes, leading to inefficiencies and gaps in service delivery.

Challenges in employer participation are noted, particularly among SMEs, due to perceived complexities and administrative burdens.

The report identifies disparities in apprenticeship completion rates across different demographics, including gender and ethnicity.

Variations in the quality of on-the-job training are highlighted as a concern.

The reliance on temporary funding initiatives poses challenges for long-term planning and sustainability of apprenticeship programmes.

More information can be found at: [Concove Projects](#)



Prior work in VET (2/3)

Submission by BusinessNZ to the Ministry of Education on the 2024 Review of Vocational Education

BusinessNZ – September 2024

This review critically examines New Zealand's vocational education system, highlighting the need for a more industry-responsive framework. The review identifies several areas for improvement, including the potential implementation of a funding model to better support vocational training initiatives and align them with industry demands.

The review notes that the current vocational education framework lacks sufficient alignment with the evolving requirements of industries, leading to skill mismatches in the workforce.

The review also highlights the necessity for a sustainable funding model that ensures consistent investment in vocational training, reducing reliance on temporary funding initiatives.

BusinessNZ calls for strengthened partnerships between educational institutions and industry stakeholders to co-design training programmes that are both practical and effective.

More information can be found at: BusinessNZ, [Review of Vocational Education](#)

Submission by BusinessNZ to the Ministry of Education regarding the Options for the Future of Work-Based Learning

BusinessNZ – February 2021

This submission offers an in-depth analysis of New Zealand's work-based learning framework, and the importance of concentrating on enhancing productivity and facilitating economic growth. It highlights the need for a vocational education system that responds effectively to industry demands, identifying several areas that require improvement, particularly ensuring that training aligns with the workforce's needs to optimise overall efficiency.

The submission points out that the existing vocational education framework lacks sufficient data and insights to adequately inform stakeholders about the risks and advantages associated with various training options, potentially leading to inadequacies in meeting industry requirements. BusinessNZ emphasises the benefit of a systematic approach that fosters excellence in foundational and technical skills while allowing employers to select suitable training partnerships.

In addition, BusinessNZ calls for the creation of an industry stewardship group which would ensure ongoing consultation and support from industry as modifications are implemented, thus creating opportunities for individuals and promoting productivity and economic advancement.

More information can be found at: BusinessNZ, [Submission on Work-Based Learning Options](#).



Prior work in VET (3/3)

"Pathways, Pride, and Possibilities: Food and Fibre Apprenticeships in Aotearoa" report, published by Food and Fibre CoVE, 2023

This report provides a comprehensive analysis of the apprenticeship landscape within New Zealand's food and fibre sector.

The study reveals that approximately 8,500 apprentices are engaged in this sector, accounting for 10% of all apprenticeships nationwide. It highlights the significant impact of initiatives like the "Apprenticeship Boost," which offered direct subsidies to employers during the COVID-19 pandemic, leading to a notable, albeit temporary, increase in apprenticeship numbers.

The report underscores the demand-driven nature of apprenticeships, highlighting that employer participation is crucial, as they select and offer training positions based on labour market needs. Additionally, the involvement of regional skills groups (since disbanded) and economic agencies is identified as vital in promoting apprenticeships and ensuring employer engagement.

The study explores several international apprenticeship models and highlights that several countries studied including England, France, Germany, and South Africa all have industry training levies in place.

More Information can be found here: [Pathways, Pride, and Possibilities: Food and Fibre Apprenticeships in Aotearoa](#)

Funding of Workplace Training and Work-Integrated Learning for the Construction and Infrastructure Industries

Construction CoVE – October 2023

This study explores the funding mechanisms for workplace training and work-integrated learning programmes within the construction and infrastructure sectors. It assesses the effectiveness of current funding models and their impact on training outcomes.

The report highlights a notable mismatch between the skills provided by tertiary education and those required by employers, contributing to ongoing skill shortages and productivity challenges.

Only 14% of construction and infrastructure employers are actively involved in tertiary education and training, indicating a need for enhanced employer participation.

The study highlights the reliance on temporary funding initiatives, such as the Apprenticeship Boost scheme, which complicates long-term planning and sustainability of apprenticeship programmes.

Disparities in training participation and outcomes across different demographics, including gender and ethnicity, are identified, pointing to the need for more inclusive training opportunities.

More information can be found at: [Concove Projects](#)



APPENDIX B:

International case studies



Appendix B contents

More information on the international examples, including further detailed analysis, is available on request.

Pages 55 to 58 outline the case study selection process.

- This section details the methodology used to select international case studies for this report, focusing on criteria that align with New Zealand's context and guiding levy principles. The selection highlights the relevance and applicability of these cases to New Zealand.

Pages 59 to 65 outline the international mechanisms.

- This section details the mechanisms and frameworks of the international case studies. It provides an overview of different methodologies and policy implementation.
- Further detail on these mechanisms, and their impacts on sectors and businesses is available on request.

Pages 66 to 68 contain the sources used to inform the international case studies.

- This section lists the sources and references employed in developing the international case studies.



Case study selection



International levies considered

In a scan of worldwide levies, the ten outlined below were identified as being the most suitable for case studies.

There are many levies for vocational training in countries and sectors worldwide. A global scan of these industry levies application to indigenous people produced minimal evidence. These levies have been identified as the most relevant to this project in a desktop review.

United Kingdom

This apprenticeship levy, based on a percentage of an organisation's salary bill, has been successful since its 2017 introduction.

Australia

Introduced in 2018, the SAF Levy requires employers who sponsor overseas workers to contribute to the training of the Australian workforce.

Germany

Since 1976, all construction companies, regardless of size, are required to pay a levy to SOKA-BAU for vocational training.

France

France has a long-standing, employer-funded training levy system (CFP) for workforce upskilling.

Singapore

Established in 1979, the SDL is a compulsory levy on employers to fund training and workforce development programmes.

South Africa

The SDL has been imposed on employers as a function of salary bills, to fund skills development initiatives since 2000.

Denmark

The Employers' Reimbursement System (AUB) and levy supports VET.

Brazil

Brazil features sector-specific training funds like SENAI, funded through employer levies.

Canada

Funded by payroll deductions from both employers and employees, the CCQ levy offers employment services and training programmes.

Malaysia

Malaysia funds workforce training through the Human Resources Development Fund (HRDF), which is financed by the SDL.



International case study selection framework

There are key factors that make a levy relevant to this training levy scoping project, and to Aotearoa New Zealand.

The countries and their relevant levies were evaluated against a criteria to determine the best ones to explore in detail. Each attribute was ranked out of five for each potential case study. The selected full case studies are those with the highest overall scores are highlighted in green.

	Alignment to guiding principles of NZ levies				Alignment to NZ environment and this project				Total score
	Equity	Efficiency	Justifiability	Transparency	Country similarity	Industry similarity	Valuable lessons	Information availability	
Australia	4	4	4	4	5	5	5	5	36
Germany	5	5	5	5	3	3	5	5	36
Denmark	5	5	5	5	3	3	5	5	36
United Kingdom	4	4	4	4	5	4	5	5	35
Singapore	4	5	5	5	2	3	5	5	34
France	4	4	4	3	3	3	5	5	31
Brazil	4	4	4	3	2	4	5	4	30
Canada	3	3	3	3	4	3	4	4	27
South Africa	4	3	3	3	2	4	4	3	26
Malaysia	3	3	3	3	2	3	3	3	23



Identified levies for case studies

Through a global scan and evaluation process, these levies have been identified as likely to provide the best insights to this project.

The case study levies are below:

- **Australia SAF Levy:** The SAF Levy is highly relevant due to its strong alignment with New Zealand's levy principles, particularly in equity, efficiency, and industry similarity. Its model of requiring businesses that benefit from skilled migration to invest in local workforce training provides valuable lessons on funding apprenticeships and addressing industry skill shortages.
- **Germany SOKA-BAU Levy:** The SOKA-BAU training levy in Germany's construction sector offers a successful sector-specific model, ensuring equitable contributions and efficient fund allocation through employer-managed training funds. It presents an industry-led, long-standing approach to vocational training that aligns well with the potential for New Zealand's food and fibre industry.
- **Denmark AUB Levy:** AUB effectively balances national and sector-specific levies, providing direct employer incentives through wage reimbursements and upskilling programmes. Its high transparency and efficient fund distribution make it a valuable case study for how a levy can be structured that benefits both businesses and workers.
- **United Kingdom UK Apprenticeship Levy:** As a compulsory employer levy funding industry training, the UK Apprenticeship Levy demonstrates how large employers can contribute to workforce development while addressing apprenticeship expansion and skill shortages. Its similar economic and governance structure to New Zealand makes it a reference point for assessing the feasibility of potential food and fibre training levies.
- **Singapore SDL Levy:** The SDL is a low-cost, high-impact model that combines employer-funded training with government co-investment. Its sector-specific training subsidies and lifelong learning focus provide insights into building a sustainable and adaptive levy that supports a constantly evolving workforce.
- **France CFP Levy:** France has a long-standing, employer-funded, payroll based, training levy system that ensures businesses contribute to workforce upskilling. The CFP is the foundation of this system, with funds managed by industry-specific organisations.



International mechanisms



United Kingdom: Levy methodology

The UK Apprenticeship Levy funds apprenticeships with a collection from large employers.

The UK Apprenticeship Levy, introduced in 2017, is a skills levy imposed on employers with a payroll over £3 million, who pay 0.5% of their payroll to a training fund.

How the levy is collected

These funds are collected through the HM Revenue & Customs PAYE system and allocated to individual employer accounts via the government's Apprenticeship Service portal.

What the levy funds

The levy funds are exclusively used for apprenticeship training and assessment costs, and are valid for a 24 month period. Employers can only use the levy to cover training fees for an approved list of apprenticeship programmes, which are delivered by government-recognised training providers. The levy cannot be used for wages, equipment, or other indirect training costs.

How the funds are distributed

Paying employers' contributions are registered in a digital account, topped up by a 10% government contribution, and used to pay for apprenticeship training, although actual payments come from the national apprenticeship budget. This approach aims to provide employers with a visible benefit for their contributions.

Funding distribution amongst small and large employers

Smaller employers, who do not pay the levy, have nearly the same access to the apprenticeship budget, though they must pay at least 5% of the costs. Larger employers with unspent budget can transfer up to 25% of their funds to smaller employers in their supply chain. Employers' expired funds are re-allocated to a Government pool.

CONTRIBUTION RATE

0.5 %

LEVY BASE

Large
employers'
payroll

ESTABLISHMENT DATE

2017



Australia: Levy methodology

The SAF levy collects from companies on a per employee basis, tiered by revenue.

Under the SAF Levy on a Temporary Skill Shortage (TSS) Visa, small businesses (annual turnover less than AUD \$10 million), pay AUD \$1,200 per year per nominee. Larger employers (annual turnover greater AUD \$10 million), pay a higher rate of AUD \$1,800 per year per nominee. Contributions to the SAF levy on a Employer Nomination Scheme (ENS) Visa or Regional Sponsored Migration Scheme (RSMS) Visa are AUD \$3000 for small businesses and AUD \$5000 for large businesses one off.

How the levy is collected

The SAF Levy is collected from employers who sponsor overseas workers under specific visa categories at a state level. Employers must pay the levy at the time of nominating a worker for a TSS, Employer ENS, or RSMS visa. If the visa is ENS or RSMS, the levy is a one-off, upfront payment per nominated worker, otherwise it is an annual payment. Revenue generated is topped up by the government. Funds previously went into the Skilling Australians Fund, however changes have been made so now in 2025 the collection contributes to a variety of VET funds.

What the levy funds

Funds from the SAF Levy are allocated to VET programmes, apprenticeships and traineeships, pre-apprenticeships, pre-traineeships, higher-apprenticeships, and other relevant employment related training. This supports the targeted delivery of 300,000 additional programmes on top of baseline values. The funding can only be used on agreed priority industries that are either; in demand, rely on skilled migration, are rural, experiencing structural adjustment, are a workforce priority, or sectors of future growth.

How the funds are distributed

The Australian Government collects the SAF Levy and distributes funds to industry-driven training programmes, focusing on high-demand sectors, based on forecasted industry growth and skill shortages.

CONTRIBUTION RATE

Rates for small and large businesses. Either per year per nominee, or a one off payment.

LEVY BASE

Employers sponsoring skilled migrants.

ESTABLISHMENT DATE

2018



Germany: Levy methodology

The SOKA-BAU levy is taken as a flat percentage of a business's payroll to fund sector training.

Introduced in 1976, the SOKA-BAU levy is applied industry wide at 2.4% of employer's payroll. Contributions are aggregated into a fund used for construction specific training.

How the levy is collected

The SOKA-BAU levy is a compulsory employer contribution, calculated as a percentage of total payroll. Private sector employer construction companies, regardless of their size or training capacity, are required to pay into the fund. One person businesses do not pay the levy. The levy is deducted monthly as part of wider contributions and managed by SOKA-BAU, in a joint employer-union training fund.

What the levy funds

The levy funds are used to support construction sector specific training at a variety of direct and indirect levels. The levy commonly funds apprenticeship wages, reimbursing employers for the cost of training apprentices. It also contributes to industry-wide training centers, maintaining over 200 vocational training centers that provide standardised, high-quality training. The levy also covers continuing education programmes, supporting ongoing professional development for construction workers. On top of funding these programmes, the levy allocates funds to employment continuity programmes to ensure apprentices can complete their training even if their initial employer shuts down.

How the funds are distributed

Fund distribution depends on the training programme. Employers receive wage reimbursements for a portion of the salaries paid to apprentices and subsidies on training costs. For accredited training, funds are granted directly to training providers. For investment in training infrastructure this is commonly issued through grants. There is also an overhead allocation.

CONTRIBUTION RATE

2.4 %

LEVY BASE

Total
payroll

ESTABLISHMENT DATE

1976



Denmark: Levy methodology

The Employers' Reimbursement System (AUB) levy is an annual flat rate funding apprenticeship costs.

The AUB levy is collected as a flat rate per full time employee per annum. The flat rate is reset each year by the levy authority.

How the levy is collected

The AUB levy is an annual flat-rate contribution per full-time employee, payable by all employers in Denmark. The levy is not applicable to the first employee and every 50th employee thereafter. The rate is revisited every year by the Danish Labour Market Authority, based on forecasted training costs, wage reimbursement requirements, and workforce demand projections. Collected quarterly in combination with other contributions, ensuring integration with national payroll tax collection mechanisms. On top of this, employers are given an apprenticeship quota, where in exceeding this they receive an additional payment from the AUB, and those that do not meet the quota pay an additional AUB contribution.

What the levy funds

A core use of funds is apprenticeship wage reimbursements. Employers receive reimbursement for a portion of the wages paid to apprentices during their work placements. The coverage rate varies based on industry agreements and collective bargaining but can cover up to 90% of the apprentice's wages. Apprentices can also receive a mobility allowance to cover travel costs. Some non-apprenticeship training is also funded. On top of the apprenticeship support, the AUB levy also funds vocational training infrastructure and facilities, and curriculum and technology updates of training providers.

How the funds are distributed

Employers submit wage reimbursement claims via Denmark's digital online reimbursement portal. Funds are disbursed monthly to businesses that employ apprentices, covering a percentage of training wages. Vocational schools receive direct allocations based on student enrollments, programme demand, and industry needs. Additional subsidies are allocated to industries with high skills shortages (e.g., construction, engineering, healthcare).

CONTRIBUTION RATE

~\$685 NZD

LEVY BASE

Per full time
employee

ESTABLISHMENT DATE

1977



Singapore: Levy methodology

The SDL funds workforce development.

The SDL is deducted monthly at 0.25% of employer's payroll. For employees earning less than ~\$5,800 NZD a month, the contribution is 0.25% of payroll or ~\$2.50 NZD per employee, whichever is greater. For larger salaries larger than \$5,800, the levy amount is ~\$14.50 NZD per employee per month.

How the levy is collected

The SDL is a payroll-based large employer contribution deducted as a fixed percentage of gross monthly wages subject to maximum and minimum contributions. Employers submit payments via the Central Provident Fund system, integrating SDL collection with national payroll tax processing. Contributions are mandatory for all employers, with exemptions only for domestic servants.

What the levy funds

Funds collected under the SDL support various initiatives aimed at workforce development. Employers benefit from Skills Development Fund (SDF) grants, which help offset employee training costs, allowing companies to claim up to 90% reimbursement for eligible training programmes. On top of this they can apply for additional wage support. The SDL also contributes to national workforce upskilling initiatives by funding SkillsFuture Singapore (SSG) certifications. Furthermore, the SDL partially finances SkillsFuture Credit, a scheme that provides Singaporeans with training subsidies for personal development courses.

How the funds are distributed

Employers apply for grants through the SSG system, receiving direct reimbursement for approved training programmes. Industry training centers receive allocations to develop technical education programmes. From 2015, all Singaporeans received a ~\$650 NZD credit to spend on their choice of training.

CONTRIBUTION RATE

0.25%

Subject to minimum and maximum contributions

LEVY BASE

Monthly payroll

ESTABLISHMENT DATE

1979



France: Levy methodology

The Compulsory Employer Training Levy CFP levy funds a variety of vocational training approaches.

One of the more complicated training levies, the CFP levy has contributions based on employer size, separated by apprenticeship spend and other vocational training spend, and further 5% contributions apply for large employers with over 250 staff. On top of this, companies with at least 3% apprentices as staff can apply for conditional exemptions from levy contribution. Quantitatively this is 1.23% of gross payroll for businesses with less than 11 employees, 1.68% of gross payroll for companies with 11 or more employees. In general 0.68% of this goes directly towards apprenticeships. There are some jurisdictions, business exceptions and add ons, where these percentages differ.

How the levy is collected

The CFP levy is a mandatory employer payroll tax, calculated as a percentage of gross wages. Employers declare and pay the levy through the French Social Security Office as part of their payroll tax obligations. Since 2019, the CFP has been integrated into France's broader vocational training financing system, with a single collection mechanism covering multiple training levies.

What the levy funds

The CFP levy finances a broad range of training initiatives, including: apprenticeships and work-based learning programmes, training centers, apprentice wages and training costs, continuing professional education and workforce development. Industries facing skill shortages receive targeted funding. One of the programmes supported means workers accumulate training credits of €500 per year of work in a personal account to a maximum of €5,000 maximum, which they can use for professional development over their working life (CPF credits). The CPF allows individuals to self-direct their learning, reducing reliance on employer-driven training.

How the funds are distributed

The funds are primarily distributed through direct grants to various funds, institutions and employers. Workers can access their individual training credits through the CPF system.

CONTRIBUTION RATE

Varied

LEVY BASE

Payroll

ESTABLISHMENT DATE

1971



International case study sources



International case study sources

United Kingdom: Apprenticeship Levy

Case study contents were sourced from:

UNESCO 2022 – “United Kingdom of Great Britain and Northern Ireland Apprenticeship Levy”. Extracted March 2025 from [online report](#).

His Majesty’s Government 2023 – “How are apprenticeships funded and what is the apprenticeship levy?”. Extracted March 2025 from [website](#).

Department of Education 2024 – “Skills England: Driving growth and widening opportunities”. Extracted March 2025 from [online report](#).

Sarah Cheesman, Sage 2024 – “How the Apprenticeship Levy is changing in 2025”. Extracted March 2025 from [website](#).

Australia: SAF Levy

Case study contents were sourced from:

Australian Government Department of Home Affairs – “Cost of sponsoring”. Extracted March 2025 from [online website](#).

Federal Financial Relations – “National Partnership on the Skilling Australians Fund”. Extracted March 2025 from [online report](#).

UNESCO 2022 – “Australia Skilling Australians Fund”. Extracted March 2025 from [online report](#).

Australian Government Department of Employment and Workplace Relations (DEWR) 2024 – “Skilling Australians Fund Levy”. Extracted March 2025 from [online website](#).

Germany: SOKA-BAU levy

Case study contents were sourced from:

SOKA-BAU – “Soka-Bau – Paritarian Social Funds in the Construction Industry”. Extracted March 2025 from [online report](#).

UNESCO 2022 – “German Sector Training Funds: The Example of the SOKA-BAU”. Extracted March 2025 from [online report](#).

GWS 2023 – “Young talent for the construction industry – a look at apprenticeship figures in the construction and finishing trades”. Extracted March 2025 from [website](#).



International case study sources

Denmark: AUB levy

Case study contents were sourced from:

UNESCO 2022 – “Denmark Employer’s Reimbursement Fund (Arbejdsgivernes Uddannelsesbidrag – AUB) “. Extracted March 2025 from [online report](#).

Business in Denmark 2025 – “Arbejdsgivernes Uddannelsesbidrag (AUB)”. Extracted March 2025 from [website](#).

Singapore: Skills Development Levy

Case study contents were sourced from:

Central Provident Fund Board 2025 – “Employer obligations: Skills Development Levy”. Extracted March 2025 from [website](#).

UNESCO 2022 – “Singapore Skills Development Fund”. Extracted March 2025 from [online report](#).

Singapore Statutes Online 2025 – “Skills Development Levy Act 1979”. Extracted March 2025 from [online repository](#).

France: Contribution à la Formation Professionnelle – CFP

Case study contents were sourced from:

UNESCO 2022 – “France Contribution to Vocational Training and Apprenticeship (Contribution Unique à la Formation Professionnelle et à l’Alternance – CUFP)”. Extracted March 2025 from [online report](#).

CEDEFOP 2020 – “Financing adult learning database”. Extracted March 2025 from [website](#).

IPAG Business School 2022 – “What is the ‘Contribution à la Formation Professionnelle’ tax in France and how do you evaluate it?”. Extracted March 2025 from [website](#).

Directorate for Legal and Administrative Information 2025 – “Personal Training Account (PTA) of a Private Sector Employee”. Extracted March 2025 from [website](#).



Thank you

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