

# Research on Industry Training Levies

## Part Two

25 June 2025

# Contents

This report provides an update on the progress and findings of the Industry Training Levy research project. It is the second and final report in this two-part research series.

## This report contains:

1.	Executive Summary.....	3
2.	Summary of Analysis.....	6
	a. Approach.....	7
	b. Industry-level Impacts.....	8
	c. Employer-level Impacts.....	10
	d. Small Employers/Industries.....	12
	e. Risks, Dependencies, Alternatives.....	13
	f. Considerations 'By and For Māori'.....	14
	g. Next Steps and Disclaimer.....	15
3.	Appendices.....	17

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 depends on strong vocational education and training (VET).

Food and Fibre CoVE is committed to the upskilling of the food and fibre workforce, and as such, is exploring options that align with this goal.

# Executive Summary

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# Executive Summary

This report presents the second part of a two-stage research initiative led by Food and Fibre CoVE to build an evidence base on the potential for an industry training levy in Aotearoa New Zealand's food and fibre sector.

## Important note on intent

This project does not assume that a training levy is the right solution. It is neither a proposal, nor an advocacy exercise. Rather, this research initiative aims to provide neutral, evidence-based analysis of the potential benefits, costs, risks, and trade-offs associated with introducing a training levy in New Zealand's food and fibre sector.

## Overview

This report presents the second part of a two-stage research programme led by Food and Fibre CoVE. It builds on the initial conceptual exploration from part one by modelling a range of hypothetical training levy scenarios and assessing their potential workforce and financial impacts across the sector.

Part two focuses on evaluating the feasibility and implications of different levy models through industry-level and business-level analysis. It includes:

- Industry engagement across five case study industries (including a 'by Māori for Māori' case study).
- Quantitative modelling of levy design options and their impacts.
- Evaluation of three levy models across the five case studies:
  - Flat rate;
  - Tiered by business size (small and large);
  - Tiered with in-kind training recognition.
- Assessment of impacts at both the industry and employer level, covering workforce participation, training uptake, and financial implications.

## Key insights

Industry level insights:

- Hypothetical flat levy rates ranged from 0.1% to 0.47% of wage expense, varying by industry size, training cost profiles, and workforce characteristics.
- Peak levy costs represent 0.05% to 1.73% of industry revenue.
- Modelled increases in work-based learner numbers ranged from 11% to 275% depending on existing training levels, projected uptake, and industry-specific demand.
- In many cases, even with full levy funding, training participation may not reach industry-stated goals without parallel changes such as increased provider capacity or stronger training incentives.
- Māori could see both opportunities and unique equity considerations, including support for a 'By Māori for Māori' levy concept.

Employer-level insights:

- Employer impacts vary widely based on size, margins, and current training activity.
- Non-training employers saw new costs introduced (from zero baseline), with no offset ranging from \$110 to ~\$100k per annum.
- Employers who currently formally train saw expense changes from +141% to -96%, with savings seen particularly in tiered/in-kind models.
- Largest percentage savings occurred where employers previously paid full private training costs and were eligible for partial or full levy rebates.



# Executive Summary

The research team acknowledges the industries involved in case studies for their time, insights, and engagement. Their contributions were helpful in informing the modelling and ensuring the analysis reflects real-world conditions and considerations.

Industry (industry bodies and/or employers) perspectives:

- There is broad recognition of workforce training needs, paired with caution over the financial impact and perception of a levy.
- Industries largely did not see levies as feasible predominantly due to the current state of the vocational education and training (VET) system.
- There is some interest in levy models that are transparent, industry-led and outcomes-focused, with a clear link between what businesses contribute and the training outcomes/workforce benefits those contributions fund.

Key concerns raised include:

- Lack of confidence that levy funding will result in tangible, measurable outcomes.
- Queries on fairness and proportionality across business types.

## Limitations and risks

- A levy alone is not sufficient to meet industry training needs.
- VET system barriers exist meaning industry has limited buy-in to the current system. Changes would be needed for levies to be beneficial.
- Potential risks of pursuing this concept further include:
  - Sector resistance and reduced consumption of training without clear value.
  - Reduced government training support if levies are seen as a solution/substitute (when they are not).
  - Additional administrative complexity, especially for smaller industries.

## Next steps

- Food and Fibre CoVE welcome your feedback on this report and previous work within this project. Further next steps are being considered given the current VET system changes, and industry views at this time.

This research provides a robust, impartial evidence base to support conversations about workforce development in the food and fibre sector. It is not a recommendation, but a resource for informed policy and industry consideration.



# Summary of Analysis

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# Approach: How Modelling fits into Wider Research

To understand the impacts of a levy on selected food and fibre industries, the process involved conducting extensive research, developing example case study businesses, and using industry data to model the potential effects of a training levy on the industry and different employer types.

**Reviewed current system challenges and potential policy rationale:** Conducted a comprehensive analysis to identify the potential problems a levy concept could address.

**Reviewed relevant New Zealand mechanisms, legislative frameworks, and historical influences:** Examined the structural and historical context to assess their impact on current practices and decisions.

**Researched international levies:** Conducted an in-depth analysis of levy structures from various countries to understand global practices.

**Engaged with industry:** Undertook various interviews, workshops, and written correspondence to gather feedback and insights on industry perspectives.

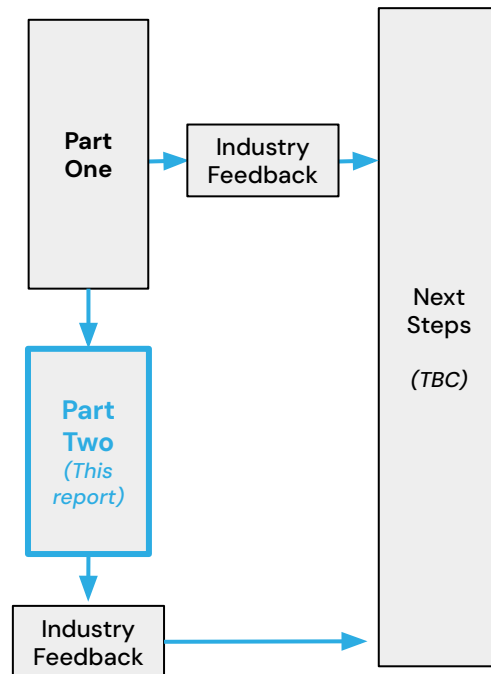
**Created hypothetical levy options based on earlier analysis:** Developed three high-level levy scenarios for modelling by adapting international models to fit a New Zealand food and fibre context.

**Hosted industry case study workshops:** Discussed with industry representatives the levy options and input data for the model.

**Modelled levy effects on different industry case studies:** Quantitatively examined five industries and various employer types.

**Hosted second industry case study workshops:** Presented outputs and insights to case study industry representatives to hear feedback and contextualise employer and workforce implications.

**Next Steps:** Food and Fibre CoVE welcome your feedback on this report and previous work within this project. Further next steps are being considered given the current VET system changes, and industry views at this time.



# Industry-Level Impacts: Levy Rates Range from 0.1% to 0.56%

Through case study modelling, the levy rates required to fund work-based training varied in response to demand and supply-side pressures. Please see Appendix 1 for a summary of the modelling approach, limitations, and hypothetical levy option assumptions.

A wage expense levy is one potential mechanism for funding work-based training. To understand how levy rates might vary by industry, five case study sectors were analysed. For each, a levy pool and corresponding rate were calculated using agreed inputs. These included:

- Existing learner numbers
- Projected uptake of free training
- Estimated demand for trained workers
- The cost of work-based training programmes
- Average industry wages
- Industry size and structure

The resulting levy rates reflect these unique characteristics. Shown below are the case study industries with the highest and lowest calculated levy rates to meet either industry demand or learner demand (whichever is restricting). Levies could be set in a range of ways including flat rates which throttle demand or return excess to a pool, these have not been explored given the exploratory intention of this research.

## Māori Forestry, similar to all of Forestry – highest estimated rate (to meet industry demand for training)

- Flat Rate: **0.47%** of wage expense (e.g. \$470 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: **0.38%** (e.g. \$380 on \$100k)
  - Large businesses: **0.56%** (e.g. \$560 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount

## Vegetables – lowest estimated rate (to fund learner/employer uptake of free training)

- Flat Rate: **0.1%** of wage expense (e.g. \$100 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: **0.08%** (e.g. \$80 on \$100k)
  - Large businesses: **0.12%** (e.g. \$120 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount

The modelled levy rates align with international norms (typically 0.1%–0.5% of wage costs) and reflect sector-specific cost drivers. Key influences include training cost per learner, workforce participation, average wages, and industry scale. Forestry, and Māori Forestry's higher rate stems from costly, safety-intensive training and broad uptake. In contrast, the Vegetable sector's lower rate reflects fewer learners and lower per-person training costs. These rates offer a useful indication of how a levy might operate across different parts of the food and fibre sector.



# Industry-Level Impacts: Financial and Workforce

## Summary of financial and workforce impacts

Modelling shows that peak levy costs represent a modest share of industry revenue ranging from ~0.05% (Dairy) to ~1.73% (Māori Forestry). While financially manageable at the industry level, the impact may be more significant for smaller, low-margin employers. Peak costs are projected over a five-year period, meaning the actual annual impact on industry revenue would be lower, especially as revenues grow (as expected).

Workforce gains are generally modest, particularly in industries with already high training participation. Across most sectors, the main constraint is not funding, but learner and employer uptake—highlighting that a levy alone is unlikely to meet industry training goals without broader system changes.

## How the learner uptake curve was developed

Learner/employer response was modelled using historical data from:

- TTAF (NZ zero-fee work-based training)
- Fees Free (first-year free tertiary enrolments)
- Skilling Australians Fund (Australian levy uptake)

Curves were normalised, averaged, and adjusted by industry to reflect expected participation under fully funded training, assuming no wider system reform.

Industry	Financial impact					Work-based learners (WBL) Impact			
	Levy rate range (across options)	~ Current user pays spend	Peak annual levy cost (Modelled)	Industry revenue	Revenue impact (peak)	Workforce size	~ Current WBL enrollments	WBL uplift	Demand curve limited by (lowest indicated demand)
Forestry	0.36% –0.54%	~\$5.3M	~\$7M	~\$6.6B	~0.11%	~15,000	~3,415	+11%	Industry goal (increase of ~10%)
Dairy	0.19% –0.28%	~\$8.1M	~\$13.5M	~\$26B	~0.05%	~45,700	~3,115	+36%	Learner/employer uptake
Nursery	0.15% –0.23%	~\$0.27M	~\$0.6M	~\$534M	~0.11%	~5,415	~208 (employed)	+36%	Learner/employer uptake
Vegetables	0.08% –0.12%	~\$0.21M	~\$0.9M	~\$1.6B	~0.06%	~9,630	~80	+275%	Industry goal (250% increase) Likely uptake is ~30% increase
Māori Forestry (Employers)	0.38% –0.56%	~\$0.9M	~\$1.4M	~\$81M	~1.73%	~2,850	~580	+11%	Industry goal (increase of ~10%)



# Employer–Level Impacts: What Case Studies Show

Training levy types affect employers differently depending on their size, training practices, and financial structure. To explore these differences, each industry case study modelled the impacts of three to four hypothetical employers. These case studies illustrate the range of potential financial and operational effects across different employer types.

## What determines employer impact

The case studies highlight that employer impacts differ widely depending on business size, margin, training behaviour, and the type of levy applied.

- **Smaller, low-margin, or non-training employers** often face the most significant proportional burden. Even with low levy rates, the cost can be material for these employers, particularly if they are not currently hosting or investing in training. These employers are less likely to directly benefit unless paired with strong incentives or support structures. They may benefit indirectly from an increase in trained workers available to hire.
- **Larger businesses and those already engaged in work-based learning** are generally better placed to absorb costs. In many cases, training-active employers may see net financial benefit from in-kind rebates that reduce or eliminate their levy liability.
- **Labour-intensive businesses** (such as in vegetables or forestry) are more exposed to wage-based levies compared to capital-intensive operations. This structural difference creates uneven cost pressures across and within industries.
- **Levy type scenario** significantly influences outcomes (see next page).

Across all models, the financial impact of the levy on individual businesses is shaped less by the rate itself and more by how well the levy design reflects differences in employer capacity, financial resilience, and existing investment in training.

## What the numbers show

Modelling shows that the potential financial impact of a training levy on employers varies significantly by business size, training behaviour, and levy design.

### Levy cost ranges (per annum):

- **Small non-training employers** faced levy costs ranging from **\$110 to \$1,050**, depending on industry and model.
- **Large non-training employers** faced levy costs ranging from **\$830 to \$103,170**, depending on industry and model.
- Peak changes in **operating profit margin** ranged from **–1.59% to +1.87%**, depending on levy type, training offset, and revenue structure.

### Training expense changes:

- **Non-training employers** saw **new costs** introduced (from zero baseline), with no offset.
- **Training employers** saw **expense changes from +141% to –96%**, especially under tiered/in-kind models.
- Largest **percentage savings** occurred where employers previously paid full private training costs and were eligible for partial or full levy rebates.



# Employer Impacts: Overview by Levy Type

Training levy types are likely to affect employers differently depending on their size, training practices, and financial structure. Employer types in each case study shared common themes and trends.

	1. Flat rate levy: A single percentage of wage expense applied to all businesses equally.	2. Tiered levy by business size: A lower levy rate for smaller businesses and a higher rate for larger ones.	3. Tiered levy with in-kind recognition: Tiered by size, with levy discounts for employers providing training in-house or hosting learners.
Who benefits	<ul style="list-style-type: none"> <li>Large, non-training businesses with high wages but low staff-to-revenue ratios. These enterprises can absorb the levy more easily, and the cost represents a smaller portion of their margins. They may not need to engage in training but still access sector-wide benefits.</li> <li>Employers currently paying formal training costs themselves. If levy-funded training offsets their current costs, they may see some savings.</li> </ul>	<ul style="list-style-type: none"> <li>Smaller businesses (under the industry median revenue). Reduced levy rates ease the financial burden, especially for those with limited ability to absorb new costs.</li> <li>Mid-sized enterprises with moderate wages and some training experience. These enterprises may find training more financially viable under a softer rate and may transition into more active engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Employers actively hosting and supporting learners. These businesses under this option receive discounts of 25–100%, significantly reducing or even eliminating their levy burden.</li> <li>Large integrated businesses and iwi-led enterprises with structured training systems. These organisations are often eligible for full in-kind rebates and may experience no net cost increase.</li> <li>Mid-sized enterprises ready to formalise informal training. The model encourages investment in accredited training and helps these businesses transition from ad hoc to structured approaches.</li> </ul>
Who is disadvantaged	<ul style="list-style-type: none"> <li>Small, low-margin businesses (e.g. family farms, seasonal contractors). The flat levy imposes a disproportionate burden on these employers, who may have tight budgets and limited training infrastructure.</li> <li>Employers already training informally or in-house: Without credit for their existing training, these employers pay both the levy and training costs, resulting in duplicated expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>Large, non-training employers: They pay more under this model and may perceive it as a subsidy for others, especially if they are not seeing direct returns or engaging in training themselves.</li> <li>Self-training businesses without formal accreditation: These organisations may continue to bear training costs alongside the levy, unless their training is recognised through formal channels.</li> </ul>	<ul style="list-style-type: none"> <li>Non-training employers. They continue to pay full rates with no in-kind offsets. The cost is particularly burdensome for small businesses without the resources to host learners.</li> <li>Volunteer-based or atypical businesses with no wage bill. These organisations may pay no levy but still access training funds, creating potential equity concerns within the system.</li> </ul>
Summary	The flat levy is simple to implement but inequitable in practice. It tends to penalise smaller or labour-intensive businesses and does not reward those already investing in workforce development.	The tiered model improves fairness based on size, but it still applies financial pressure to non-training employers.	This model most effectively aligns employer contributions with actual training activity. It provides strong incentives for participation and recognises existing investment. However, it is more complex to administer and requires robust systems to verify in-kind contributions.



# Small Employers/Industries: Distinct Considerations

Training levies may create disproportionate challenges for small employers and industries. Due to narrower profit margins, limited capacity, and structural constraints, these entities are more sensitive to cost pressures and likely require careful consideration.



## Impact on small businesses and low-margin structures:

Small enterprises, characterised by narrow profit margins and limited economic reserves, are particularly vulnerable to the financial pressures that a training levy could impose. Even modest levy rates can significantly affect their financial stability, supporting the rationale for tiered or adjusted levy systems to reduce these burdens. With limited visibility of levy spend, or a lower chance of hosting a learner, small operators could view a training levy as a "new tax," on top of pre-existing levies and industry contributions.



## Administrative overhead sensitivity:

Fixed overheads represent a large share of costs for small industries, reducing levy efficiency. Shared administration models or pooled systems (e.g. across multiple food and fibre industries) may help maximise the proportion of funds allocated to training rather than governance/administration of any levy itself.



## Specialist training requirements and funding challenges:

Niche training needs are a hallmark of small industries but come at a high per-unit cost due to limited scale. Currently, internal education provider cross-subsidisation by larger industries supports these training needs, but small industries might struggle if forced to fund the training course cost and administrative overhead independently. There are design options which may mitigate these impacts, including standardising training to the most common skill set level, then providing industry and business niche specialisation in on the job training. Teaching at the most transferable skill level could make access to training, and a training levy more viable for smaller industries, though training programmes available are often out of industry's direct control.



## Seasonal vulnerability and employment patterns:

Seasonal employment patterns heighten vulnerability. Small businesses relying on casual or short-term staff may struggle to engage consistently with structured training. This limits the value they can derive from levy funding and raises concerns about equity and utilisation.



# Risks, Dependencies and Alternatives: Summary

Industry engagement throughout this case study modelling exercise has highlighted a range of risks and dependencies that should be considered as part of future training levy discussions, design, or in the case of any implementation attempts.

## Key risks

- **System inefficiencies may limit impact:** Without improvements to provider capacity, training design, or relevance, a change in the training funding mechanism may not provide better outcomes.
- **Cost may occur without benefit for some employers:** Businesses not currently training or hosting learners may see the levy as an added cost without clear return.
- **Uneven impacts may be felt across industries:** Labour-intensive and small-margin sectors may be disproportionately affected unless mitigated by tiered or in-kind models.
- **Policy substitution is a risk:** Government may reduce public investment in training if the levy is perceived as a replacement for existing funding.

## Dependencies

- **Successful uptake depends on clear value:** Employer and learner engagement is essential. Participation may be limited if benefits are not visible, tangible, or trusted.
- **System reform alignment is required prior to any levy:** Any levy's effectiveness is linked to wider vocational education reforms. Without alignment, funding could be absorbed by administrative overhead or disconnected from industry needs.
- **Economic volatility may be a challenge:** Levy revenue may fluctuate with wage movements or downturns, affecting programme sustainability.

## Alternative or complementary funding options

- **Levy rates could be set in multiple ways:** There could be standardisation of contribution rates across industries. Levy rates could also be set arbitrarily for each industry depending on the goal. This risks under spend, inability to meet unmet demand, and/or cross-subsidisation.
- **Tax incentives may encourage voluntary investment:** However would primarily benefit enterprises with higher taxable income. Limited reach to low-margin or non-profit employers.
- **Targeted government co-investment could be explored.** This could complement levy revenue or address equity gaps.

## Groups requiring further consideration

To ensure equity and effectiveness, levy design must consider how to engage or support groups currently excluded from or underserved by publicly funded training:

- **Visa holders**  
Full-time, long-term employees vital to industry operations but ineligible for government-funded training. Their inclusion in levy-funded systems could strengthen workforce outcomes if industry sees value in supporting them.

Throughout engagement with industry on case studies potential **exclusion** of the following groups was discussed:

- **Prison-based and corrections learners** Many learners currently in Corrections-based programmes fall outside the formal employer-levy structure.
- **Volunteer-based organisations / NGOs** Especially relevant in sectors like conservation and community nurseries. These entities often have no wage bill but host and train learners who are volunteers.
- **Seasonal and casual workers**
- **Self-employed or sole traders**



# Considerations by and for Māori: Overview

As part of this research, the project team engaged with Māori employers, employees, leaders, and rangatahi in the food and fibre sector to explore how an industry training levy could impact Māori. These conversations aimed to understand not only potential benefits and challenges but also what design considerations would ensure a levy serves Māori aspirations for workforce development.

## Engagement discussions focused on:

- Opportunities a levy could create for Māori learners, businesses, and communities.
- Barriers Māori face in accessing training and how a levy could address these.
- The importance of cultural relevance, community leadership, and alignment with existing training investments.

## Several key themes emerged:

- Many participants expressed general support for a training levy, particularly if it broadened access to sector-relevant vocational training.
- There was a strong call for transparent communication. Participants emphasised that the levy's intent, governance, and use of funds must be clearly explained and accountable to stakeholders.
- Māori-led training initiatives were consistently highlighted as vital. Participants noted that a levy could help support or scale these efforts, but only if intentionally designed to do so.
- The idea of a 'By Māori for Māori' levy model attracted strong interest. Participants saw potential for dedicated funding streams or opt-in mechanisms to directly support Māori funded, developed and delivered programmes. Even if not implemented as a standalone structure, participants noted that levy allocation frameworks could still embed Māori priorities through targeted funding, partnerships with iwi providers, or co-designed programme delivery.

## Outcomes for Māori in relation to a levy

Based on the engagement process, several outcomes were identified that reflect how a levy could better support Māori participation and leadership in the vocational training system:

- Equalise access to work-based training, especially for Māori-owned enterprises and Māori employees, by creating dedicated funding streams or inclusive eligibility criteria.
- Strengthen culturally grounded leadership pathways, particularly where levy funding is directed toward initiatives aligned with Mātauranga Māori.
- Recognise and support existing Māori-led efforts, including where employers already invest in informal or community-based training outside public systems.
- Enable more equitable outcomes by explicitly considering Māori representation in governance, decision-making, and funding priorities.
- Address long-standing gaps in training visibility, uptake, and value recognition through sustained investment and trusted delivery models.



# 'By Māori for Māori': A Conceptual Levy/Fee Model

A Māori-led approach to training investment and influence (See Appendix F).

This conceptual model was developed through wānanga with Māori forestry leaders and is outlined in more detail in the Appendices. While not a formal recommendation, it offers an initial concept of how an industry group could collectivise user-pays training investment to better serve its workforce development priorities.

The model explores how Māori employers could pool training funds and direct them toward priority programmes that align with their values and aspirations. This approach would give Māori enterprises greater control over what is delivered, who delivers it, and how it reflects community needs.

Although developed in the context of Māori forestry, the concept may be transferable to other industry groups seeking to influence provider behaviour and stimulate demand-led, outcomes-focused training.

## Key themes identified in the wānanga

- **Overcoming industry reluctance:** A dedicated funding model could reduce sector hesitation to invest in Māori-led initiatives by creating clear, targeted funding channels.
- **Control over training funding:** A collective approach would enable Māori employers to direct investment toward specific training outcomes that meet their needs and increase equitable access.
- **Māori-led initiative:** The model could strengthen Māori leadership in training delivery and governance, supporting the pipeline of Māori professionals across roles in the forestry sector.
- **Structured investment linked to wages:** Intentional investment tied to wage costs would enable long-term training strategies and supports the development of work-ready individuals.
- **Development of a world-class industry:** Directing funding to programmes grounded in Mātauranga Māori and local aspirations would build industry capability and leadership aligned with cultural values.
- **Clarity in programme delivery:** Clear accountability and defined roles would be critical to ensure delivery meets Māori expectations and industry standards.
- **Collaborative approach and innovation:** The concept has the potential to foster partnerships, encourage innovation, and serve as a foundation for pilot programmes with broader applicability.



## Next Steps

This report summarises work to date during part two of the industry training levy research project. Food and Fibre CoVE welcome your feedback on this report and previous work within this project. Further next steps are being considered given the current VET system changes, and industry views at this time.



### Modelling disclaimer and limitations

The modelling presented in this report is illustrative and based on a set of assumptions and simplifications designed to inform high-level policy and industry discussions. It draws on publicly available data, industry engagement, and international examples, and reflects a range of plausible inputs relevant to New Zealand's food and fibre sector.

While every effort has been made to ensure the accuracy and relevance of inputs, the results do not constitute forecasts. Outputs are sensitive to variables such as wage levels, training uptake rates, and projected workforce needs, and should not be interpreted as definitive financial impacts for individual businesses or industries.

The analysis excludes tax treatment, broader economic shifts, and productivity benefits that may arise from training. Case study results are indicative only and are intended to support discussion, not represent industry-wide conclusions or investment advice.

Please see Appendix 1 for further detail on modelling approach.

# Appendices

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# Appendices Contents

The purpose of this Appendix is to provide detailed insights from the case studies.

**This Appendix contains:**

<b>A.</b>	Levy options modelled, approach to modelling, disclaimer.....	19
<b>B.</b>	Case study: Dairy.....	24
<b>C.</b>	Case study: Forestry.....	35
<b>D.</b>	Case study: Nursery.....	45
<b>E.</b>	Case study: Vegetables.....	56
<b>F.</b>	Case study: Māori Forestry.....	66
<b>G.</b>	Data.....	78

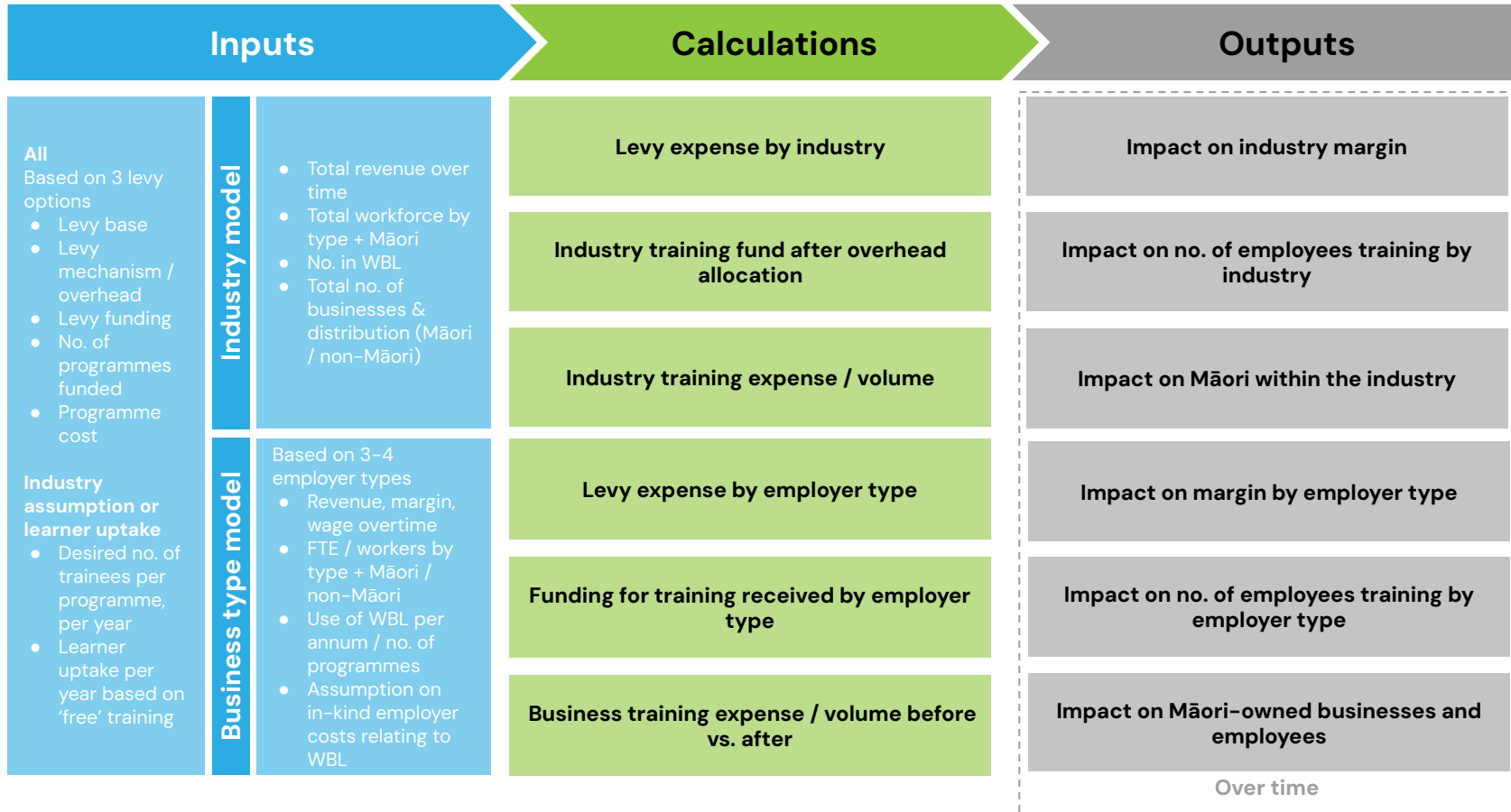


# Levy Options Modelled, Approach, and Disclaimer

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# Model Map (Approach to Modelling)



# Levy Scenario Options Modelled

These levy options have been modelled against a counterfactual in our industry case study analysis.

These three hypothetical options 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

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.

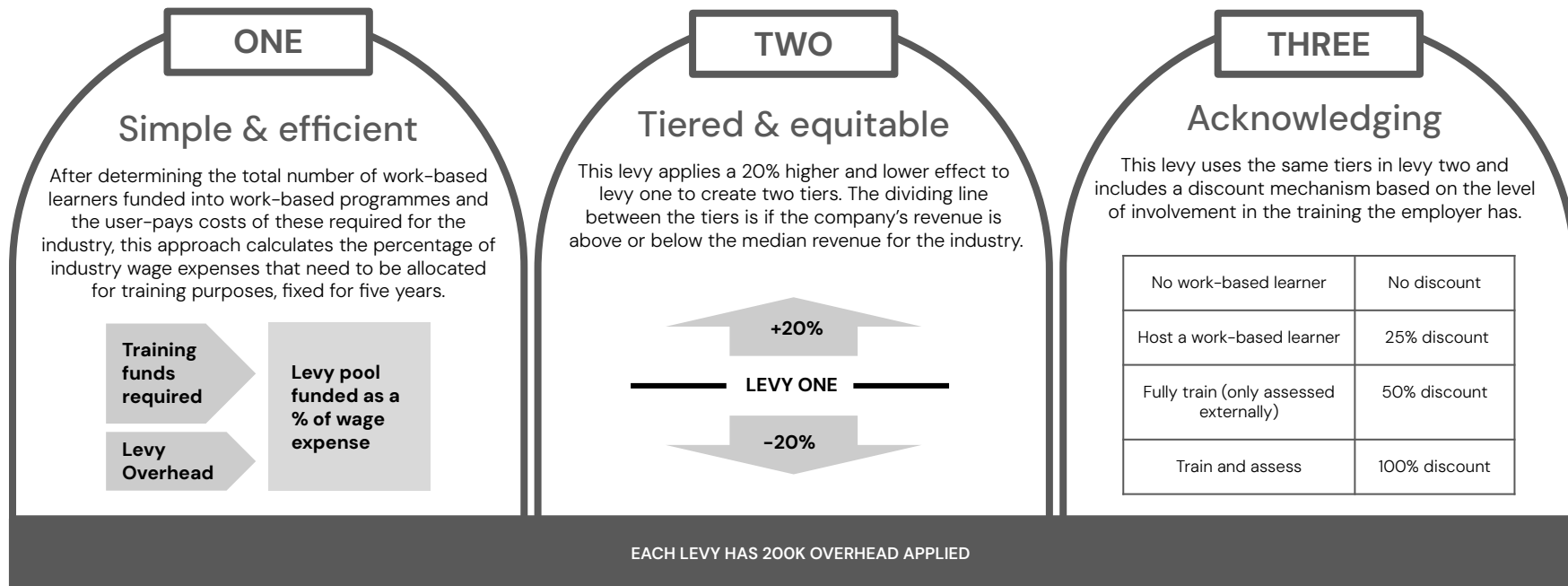
COLLECTED THROUGH IRD, ALLOCATED TO INDUSTRY CHOSEN PROVIDERS FOR INDUSTRY CHOSEN PROGRAMMES/COSTS. ASSUMES MINIMAL GOVERNANCE AND OVERHEAD REQUIRED. OR ALTERNATIVELY A MEMBERSHIP ORGANISATION THAT COLLECTS AND DISTRIBUTES FUNDS TO PROVIDERS.



# Levy Scenario Options Modelled

These levy options have been modelled in our industry case study analysis with the below methods.

These three hypothetical options have been modelled based on the design intentions outlined on the previous page. The below describes the quantitative approach to extracting insights and demonstrating the various impacts from these levy options on the industry as a whole and various business types.



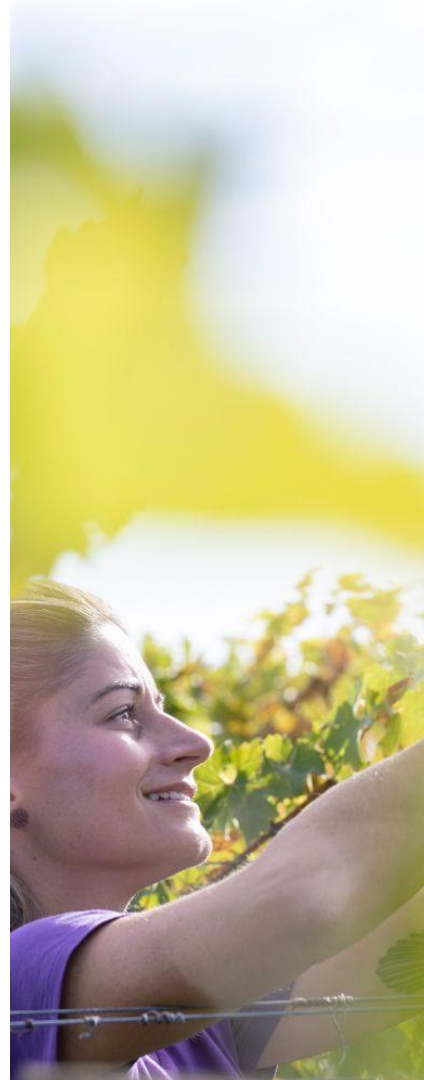
# Full Modelling Disclaimer and Limitations

The analysis presented in this report is illustrative only. It is designed to support informed industry and policy discussion on potential levy mechanisms to fund vocational training in the food and fibre sector. It is not a recommendation, forecast, or investment assessment.

The modelling draws on publicly available data, industry engagement, case study inputs, and international examples. It reflects a range of plausible assumptions tailored to New Zealand's food and fibre context. While every effort has been made to ensure inputs are robust and relevant, a number of limitations apply:

- Assumption-driven analysis: Results are based on hypothetical levy designs, simplified case study businesses, and assumed behaviours (e.g. training uptake curves, wage growth, and inflation). Real-world outcomes may differ.
- Not a forecast: The outputs are not predictions. They are scenario-based projections used to explore financial and training impacts under different levy settings.
- Excluded factors: The modelling does not account for:
  - Tax treatment of levy contributions or training expenses
  - Broader economic trends (e.g. commodity cycles, climate events)
  - Capital investment shifts or technological disruptions
  - Potential productivity gains or spillover benefits from increased training
- Employer behaviour assumptions: Training uptake and in-kind training contributions are modelled using simplified behavioural proxies, which may not reflect the full diversity of employer decision-making or training practices. We have looked at enrollments not completions. A levy may increase enrolments but decrease completions as learners could be less invested.
- Data constraints: Where detailed data was unavailable (e.g. enterprise-level wage distributions, niche programme costs), informed proxies and stakeholder feedback were used to generate estimates. This is especially true for Māori, forestry, and not-for-profit businesses.
- System readiness: The modelling assumes provider capacity exists to meet increased training demand. It does not model supply-side constraints or reform dynamics in the vocational education and training (VET) system.
- Equity considerations: While Māori business and learner scenarios are modelled, these are indicative only and should not be treated as a comprehensive representation of Māori aspirations or constraints.

Accordingly, results should not be interpreted as definitive financial impacts for any specific business or industry. They are intended to inform dialogue, not to guide investment, compliance, or policy decisions without further due diligence.



# Case Study: Dairy

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# Model Methodology

Specific approaches and assumptions were developed as part of the modelling process to estimate a training levy's impact.

The model calculates the impact a levy would have on the number of work-based learners, and the effects across four different business types from the levy scenarios over the next five years.

## Assumptions made

- **Inflation and wage growth:** Uses New Zealand Treasury forecasted estimates.
- **Elasticity of training demand:** Uses uptake rates from the Targeted Training and Apprenticeship Funding Scheme (TTAFS), first year fees free, and Skilling Australians Fund (SAF) levy, which have then been normalised and averaged.
- **Levy overhead:** Uses an assumed budget of \$200,000 to account for administrative costs of the levy system.
- **Tiered levy rate:** Uses a two-tier system with rates 20% higher and lower than the flat levy; this is assumed to impact both tiers without overly burdening larger businesses or significantly affecting smaller businesses' margins.
- **In-kind contribution:** Applies only to the year the work-based learner is hosted and contributions vary annually, whereas the levy is a set at flat rate for five years.
- **Course enrollments:** Enrolment distribution is based on 2023 course enrollment numbers and is assumed constant based on previous enrolment trends (removing the influence of funding).
- **Work-based learner application assumption:** If a work-based learner is hosted once every three years, equating to one work-based learner per five-year period, costs are incurred only in the hosting year and are not prorated over the period.
- **Percentage of small businesses within dairy:** Uses the characteristic that, due to high capital requirements and long investment horizons, 75% of businesses are below the median.
- **Percentage of large businesses within dairy:** Uses the characteristic that, due to operating challenges above the median revenue, 25% of businesses are above the median.
- **Industry training demand:** Learners are distributed across programmes based on current trends, targeting an ideal demand of 10,000 for the dairy industry. A 5 year uptake between ideal training numbers and current training numbers has been modelled.
- **Relationship between labour and revenue:** The relationship between workforce and revenue has been assumed constant over the five year period (no technological breakthroughs or change in capital expenditure).
- **Training expense:** Uses course expenses available on Primary ITO and as provided by industry representatives for microcredentials, a 2026 estimate from an adjusted 2025 fee.



# Commentary on Dairy Industry

Understanding the current landscape.

## Financial position and growth outlook

New Zealand's dairy industry generates \$26 billion annually, with \$23.2 billion from exports and forecast growth of 10% per year. Median business revenue is \$1.57 million for dairy farming enterprises. Operating profit margins vary widely shaping each employer's ability to invest in training.

## Workforce and nature of work

The industry employs over 45,700 workers in dairy farming. Roles are physically demanding and high-risk, including managing livestock, milking, and operating farm machinery. Productivity and safety are strongly linked to skills, mechanisation, and effective planning.

## Employer types and financial exposure

Employers range from small contract milkers with few employees and minimal training capacity, to large corporate farmers with 5 to 7 staff and structured training. Smaller enterprises tend to be more financially vulnerable, making potential levy impacts uneven across the industry.

## Training participation and history

In 2023, 3,115 work-based learners were enrolled in work-based training, mostly at Levels 3 and 4. The most popular programme was Agriculture (Level 4 – Dairy Farming, 1,400 work-based learners). Previous uptake was boosted by subsidies, which have since ended, raising concerns about future affordability and use without further support.

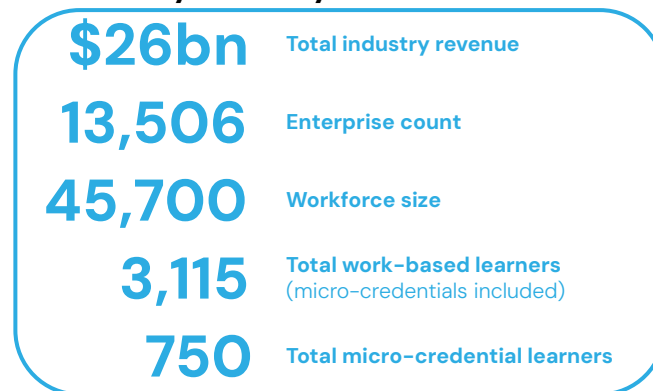
## Māori participation and equity

Māori own 6% of dairy businesses and represent 16% of the workforce. This higher representation means that Māori workers and enterprises are exposed to both the risks and benefits of any training levy approach.

## Industry training goal

The industry's goal is 10,000 participants in appropriate work-based training. This aims to reduce health and safety risks and lift productivity across all parts of the industry. The industry is also looking to support financial sustainability of its growing microcredential offering and ensure this can continue to be delivered to a wider number of learners.

## Dairy industry current state



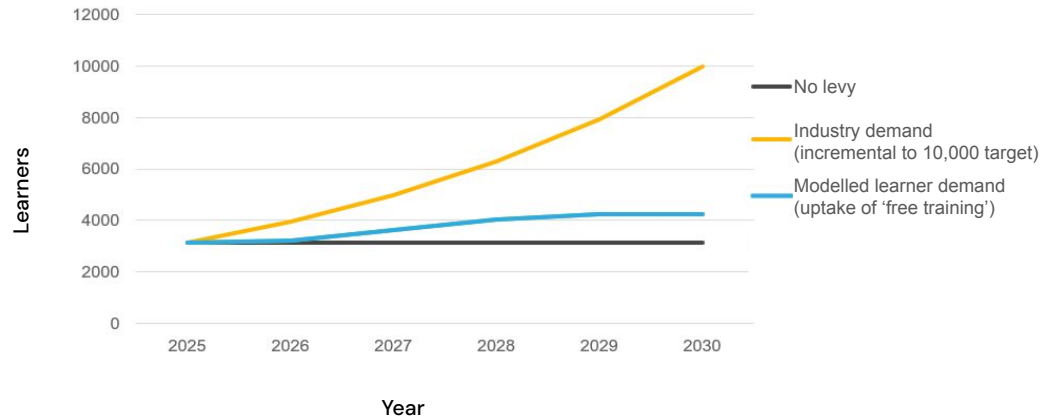
# Impact on Industry Number of Work-based Learners

Introduction of a levy could increase work-based learner numbers.

Introducing a training levy in the dairy industry is expected to boost participation in work-based learning. The modelling assumes a demand-limited learner uptake curve, which reflects the number of learners the industry is likely to support if direct training costs are covered. Under this scenario (represented by the blue curve in the model), removing financial barriers through levy funding could significantly increase engagement in dairy-related training and skill development. Industry demand for learners, far exceeds learner uptake and would require efforts above and beyond a levy to be realised

Without a levy, learner numbers are likely to remain flat, as seen in previous periods without funding. As the workforce grows, this could reduce the proportion of formally trained workers.

**Work-based learners numbers under different demand with levy scenarios**



## Industry funded work-based learners

The number of funded work-based learner spaces modelled is based on current industry demand, expected future growth, and consultation with dairy industry representatives on industry goals.

## Demand for training

Work-based learner supply, defined as the number of individuals expressing interest in training, could reach up to 4,226 learners if direct training costs are covered through a levy. Meanwhile, industry training demand (yellow line) far outpaces this curve. Despite this demand, the model caps the number of funded spaces at 4,226 unless other system shifts were realised to increase uptake.

In situations where demand exceeds available training capacity, expressions of interest are assumed to roll over to the following year, with those learners given priority.

## Indirect impacts for industry

Beyond increasing work-based learner numbers, levy funding could deliver wider industry benefits. By improving access to training and supporting staff development, it may reduce turnover and grow a more skilled workforce. Lowering financial barriers could also encourage greater participation, especially among individuals and smaller employers. Over time, this could enhance productivity and innovation, though additional improvements to the work-based learning system would likely be needed.



# Industry Levy Rates

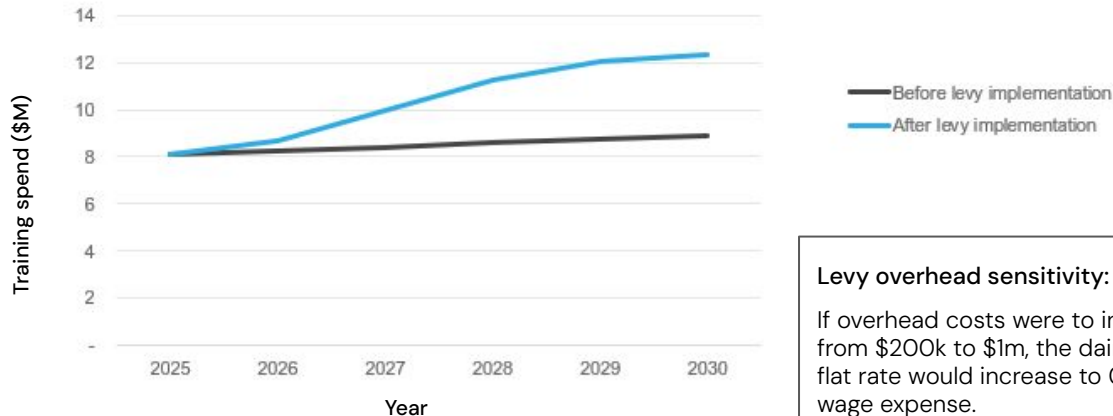
We calculated an approximate levy amount required to service the funding pool required for an ideal industry amount of work-based programmes. These hypothetical levy percentages are in-line with our earlier international research.

## Calculated levy rate options to meet demand

- Flat Rate: 0.23% of wage expense (e.g. \$230 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: 0.19% (e.g. \$190 on \$100k)
  - Large businesses: 0.28% (e.g. \$280 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount as per table (right)

No work-based learner	No discount
Hosts a work-based learner	25% discount
Fully train (only assessed externally)	50% discount
Train and assess	100% discount

## Total user pays work-based learning expense scenarios overtime



### Levy overhead sensitivity:

If overhead costs were to increase from \$200k to \$1m, the dairy levy flat rate would increase to 0.25% of wage expense.

## Courses based on the current work-based learner distribution of enrollment in 2023:

1. Primary Industry Skills (Level 2) - Agriculture (Dairy Farming)
2. Primary Industry Skills (Level 2) - Agriculture (Dairy Farming)
3. Agriculture (Level 3) - Dairy Farming
4. Agriculture (Milk Harvesting) (Level 3)
5. Agriculture (Livestock Husbandry) (Level 3) - Dairy Livestock Husbandry
6. Dairy Livestock Husbandry (14 Months Dual with Short Course) (Level 3)
7. Agriculture (Level 4) - Dairy Farming
8. Primary Industry Production Management (Level 5)
9. All Microcredentials delivered by Dairy Training Limited



# Impact on Māori in Industry

Introduction of a levy could boost Māori work-based learners.

**835** Māori businesses in industry.

**6%** Māori employers in industry.

**16%** Māori employees in industry.

**Introducing a levy could see Māori work-based learners increase by up to 36% on current levels.**

The modelling indicates that introducing a levy could increase Māori work-based learners by up to **36%**. It is valuable to consider the projected increase in training spend, which could rise by **\$254,700**, total across all Māori-owned dairy businesses, and the impact this may have. Ensuring any levy structure supports rather than hinders Māori growth is encouraged for sustainable development and equity advancement.

**Note:** Māori outputs come from an adjusted form of the general outputs



# Employer Level Impacts: Small Contract Milker

A small contract milker could see the lowest impact under a tiered levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.23%	\$140	+\$140	-1.01%
Tiered percentage	0.19%	\$110	+\$110	-0.81%
Tiered percentage, in-kind acknowledging	0.19%	\$110	+\$110	-0.81%

For the purposes of this case study, a small contract milker is defined as:

Revenue: \$172,000

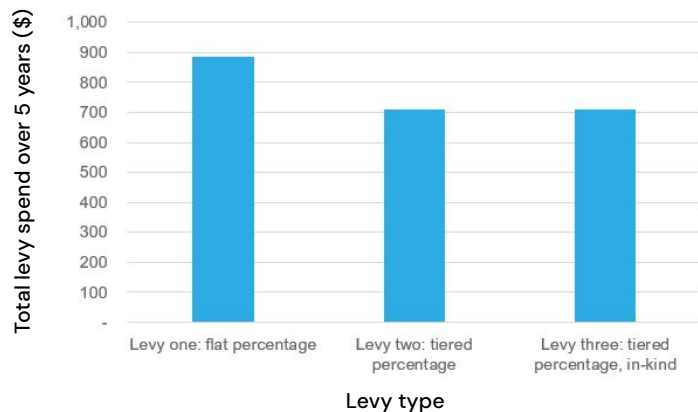
Employees: 1, no learners

Wage expense: \$59,200

Training expense: None\*

In-kind: Hosts no learners (0%)

Small contract miker total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 1% decrease. This levy format is also expected to increase training expenses by \$140.

## Tiered and in-kind levy

This example small contract milker has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. As this small contract milker example fully does not host a learner, it receives a 0% discount in the in-kind acknowledging levy contributions. This would mean a \$110 increase in training costs and 0.81% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes no training expense due to hosting no learners.



# Employer Level Impacts: Large Contract Milker

A large contract milker could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.23%	\$330	-91%	+7.6%
Tiered percentage	0.19%	\$260	-93%	+7.8%
Tiered percentage, in-kind acknowledging	0.19%	\$200	-95%	+8%

For the purposes of this case study, a large contract milker is defined as:

Revenue: \$430,000

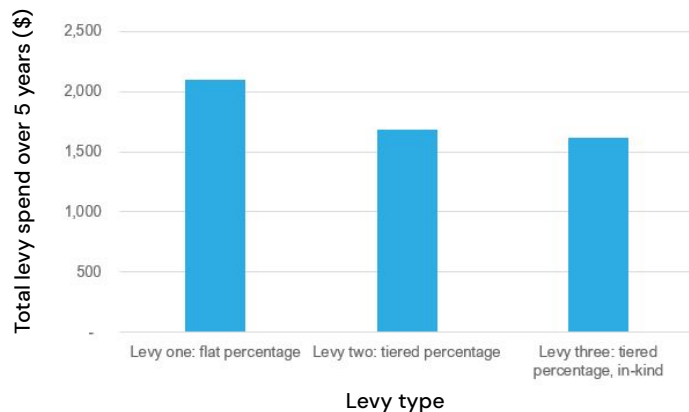
Employees: 2, 1 learner

Wage expense: \$140,250

Training expense: \$3,610\*

In-kind: Hosts 1 learner every 5 years (25%)

Large contract milker total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 7.6% increase in the host year of the learner, or 0.92% increase over 5 years. This levy format is expected to reduce training expenses by 91% in the host year, or a 42% reduction over 5 years.

## Tiered and in-kind levy

This example large contract milker has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. This large contract milker example hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the contractor receives a 25% discount on levy contribution.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$260 increase in single year training costs from the levy expense, and a 0.61% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers one learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Average 50:50 Sharemilker

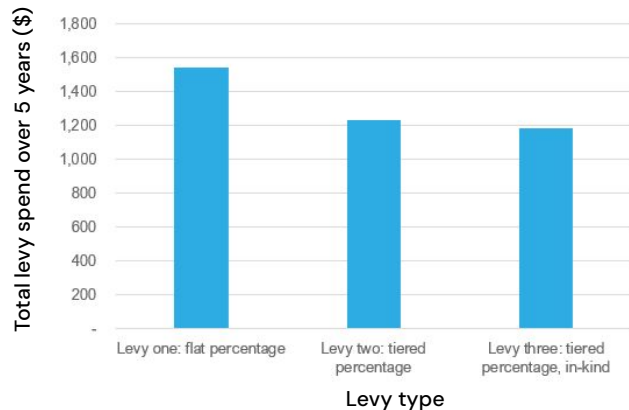
This business's in-kind training would be recognised under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.23%	\$240	-93%	+1.87%
Tiered percentage	0.19%	\$190	-95%	+1.9%
Tiered percentage, in-kind acknowledging	0.19%	\$150	-96%	+1.92%

For the purposes of this case study, an average 50:50 sharemilker is defined as:  
 Revenue: \$950,000  
 Employees: 2, 1 learner  
 Wage expense: \$103,000  
 Training expense: \$3,610\*  
 In-kind: Hosts 1 learner every 5 years (25%)

Average 50:50 sharemilker total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 1.87% increase in the hosting year of the learner, or a 0.27% increase over 5 years. This levy format is expected to decrease training expenses by 93% in the hosting year, or a decrease of 57% over 5 years.

## Tiered and in-kind levy

This example average 50:50 sharemilker has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. This average 50:50 sharemilker example hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the contractor receives a 25% discount on levy contribution.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$190 increase in single year training costs from the levy expense, and a 0.11% decrease in operating profit margin.

**Caveats** \* Training expense: Assumes Primary ITO course costs and presumes the business covers one learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Large Corporate Farmer

A large corporate farmer could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.23%	\$690	-81%	+0.17%
Tiered percentage	0.28%	\$830	-77%	+0.16%
Tiered percentage, in-kind acknowledging	0.28%	\$410	-89%	+0.18%

For the purposes of this case study, a larger corporate farmer is defined as:

Revenue: \$3.89m

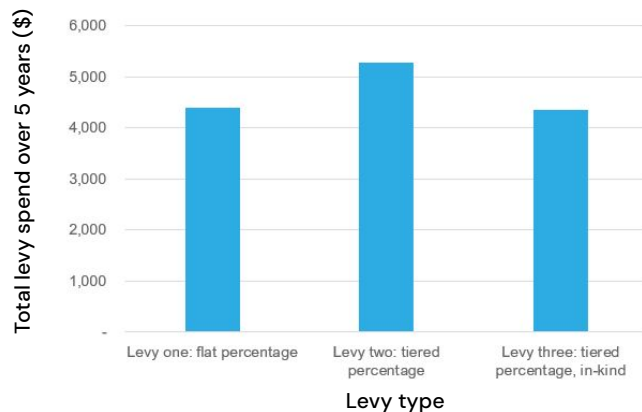
Employees: 7, 1 learner

Wage expense: \$294,000

Training expense: \$3,610\*

In-kind: Hosts 1 learner every 2 years (50%)

Large corporate farmer total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.17% increase in a learner hosting year, or a 0.04% increase over a 5 year period. This levy format is also expected to decrease training expenses by 81% in a hosting year, a reduction of 46% over a 5 year period (two learners hosted in the five year period).

## Tiered and in-kind levy

This example large corporate farmer has revenues over the industry median, meaning it falls into the higher contribution rate category. As this large corporate farmer example fully trains and provides pastoral care but does not assess its learner, it receives a 50% discount in the in-kind acknowledging levy contributions.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$830 increase in single year training costs from the levy expense, and a 0.05% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers one learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Key Insights and Considerations

Dairy could benefit from the training scale a levy would provide, however a levy alone would not be enough to meet industry demand for skilled workers.

- **Understanding learner metrics and levy impact:** Understanding the difference between the number of learners versus enrolments is crucial, particularly with micro-credentials, where participants may complete multiple courses over a period of time. The value proposition of the levy must be clear, demonstrating how trained workers benefit the industry.
- **Levy design and industry buy-in:** The effectiveness of the levy would depend on industry buy-in and a well-considered design. A successful model to meet industry learner targets may require diverse mechanisms to increase learner numbers beyond a sole levy, requiring wider industry support and incentives. A levy is unlikely to create the level of disruption to meet industry learner targets.
- **Small business challenges:** For smaller operations, like contract milkers, even minimal levies may feel burdensome. Alternatives like funding training from existing commodity levies or improving system design to boost farmer engagement could mitigate impact.
- **Large business considerations:** Balancing work-based and provider-based training is crucial, with recognition that corporate farmers may favour provider-based systems. This approach could leverage Dairy's scale, ensuring training accessibility and potentially enhancing long-term planning.
- **Returns and sector-specific challenges:** There's a view that there is untapped potential in better training, estimated to contribute significantly to the sector. Achieving this requires a balance between work-based and provider-based training models, ensuring the system meets evolving farm and industry needs.
- **Sector promotion and benefits:** Encouraging training participation can position the Dairy industry as an industry of choice, enhancing its attractiveness and ensuring long-term workforce development. Employers investing in training may become better trainers and, consequently, better employers.
- **Potential disadvantages and costs:** The levy requires a strong mandate and industry buy-in, if not achieved the system could be negatively received. There is a risk of spillover issues/benefits if one industry bears the majority of the costs, while others contribute less, affecting sector-wide support and fairness.
- **Key risks and training quality:** A levy directly ties to the organising body, impacting reputation. Ensuring high-quality training is essential, and there's a need to avoid systems where learners are on boarded for the wrong reasons, such as levy discounts.
- **Unified approach and system support:** Success depends on a unified approach with support from entities like TEC and NZQA, and industry partners' buy-in. Partnerships across food and fibre industries can drive systemic and cultural changes needed to realise the levy's true value.

Industry's view is that the levy options modelled are not feasible at this time. Significant changes to the VET system would be required for this to be considered in the future.



# Case Study: Forestry

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# Model Methodology

Specific approaches and assumptions were developed as part of the modelling process to estimate a training levy's impact.

The model calculates the impact a levy would have on the number of work-based learners, and the effects across three different business types from the levy scenarios over the next five years.

## Assumptions made

- **Inflation and wage growth:** Uses New Zealand Treasury forecasted estimates.
- **Elasticity of training demand:** Uses uptake rates from the Targeted Training and Apprenticeship Funding Scheme (TTAFS), first year fees free, and Skilling Australians Fund (SAF) levy, which have then been normalised and averaged.
- **Levy overhead:** Uses an assumed budget of \$200,000 to account for administrative costs of the levy system.
- **Tiered levy rate:** Uses a two-tier system with rates 20% higher and lower than the flat levy; this is assumed to impact both tiers without overly burdening larger businesses or significantly affecting smaller businesses' margins.
- **In-kind contribution:** Applies only to the year the work-based learner is hosted and contributions vary annually, whereas the levy is set at flat rate for five years.
- **Course enrollments:** Enrolment distribution is based on 2023 course enrollment numbers and is assumed constant based on previous enrolment trends (removing the influence of funding).
- **Work-based learner application assumption:** If a work-based learner is hosted once every three years, equating to one work-based learner per five-year period, costs are incurred only in the hosting year and are not prorated over the period.
- **Percentage of small businesses within Forestry:** Uses the characteristic that, due to high capital requirements and long investment horizons, 80% of businesses are below the median.
- **Percentage of large businesses within Forestry:** Uses the characteristic that, due to operating challenges above the median revenue, 20% of businesses are above the median.
- **Industry training demand:** Learners are distributed across programmes based on current trends, targeting an ideal demand of 100% in training for the forestry industry. A 5 year uptake between ideal training numbers and current training numbers has been modelled.
- **Relationship between labour and revenue:** The relationship between workforce and revenue has been assumed constant over the five year period (no technological breakthroughs or change in capital expenditure).
- **Forestry course costs:** Uses average costs from agricultural courses case studies, adjusted by EFT to derive approximate expenses.
- **Training expense:** Approximate expenses due to limited public available information. (Average cost of agricultural courses, adjusted by EFT, a 2026 estimate from an adjusted 2025 fee).



# Commentary on Forestry Industry

Understanding the current landscape.

## Financial position and growth outlook

New Zealand's forestry industry generates \$6.6 billion annually, with \$5.75 billion from exports and forecast growth of 4% per year. Median business revenue is \$1.7 million for forestry/logging enterprises and \$1.5 million for support services. Operating profit margins vary widely shaping each employer's ability to invest in training.

## Workforce and nature of work

The industry employs over 5,700 workers in forestry, 4,630 in logging, and 4,670 in support services, to a total of 15,000. Roles are physically demanding and high-risk, including tree felling, harvesting, and silviculture. Productivity and safety are strongly linked to skills, mechanisation, and effective planning.

## Employer types and financial exposure

Employers range from small contractors with few employees and minimal training capacity, to large integrated forest managers with 100+ staff and structured training. Smaller enterprises tend to be more financially vulnerable, making potential levy impacts uneven across the industry.

## Training participation and history

In 2023, 3,415 work-based learners were enrolled in forestry training, mostly at Level 3 and 4. The most popular programme was Forest Harvesting Operations (Level 4, 1,020 work-based learners). Previous uptake was boosted by the TTAF subsidy, which has since ended, raising concerns about future affordability and use without further support.

## Māori participation and equity

Māori own 19% of forestry businesses and represent 34% of the workforce, rising to 45% in logging and 36% in support services. This high representation means that Māori workers and enterprises are particularly exposed to both the risks and benefits of any training levy approach.

## Industry training goal

The industry's goal is 100% participation in appropriate work-based training, up from an approximate 90% currently. This aims to lift productivity across all parts of the industry, with particular emphasis on supporting smaller, less-resourced employers.

## Forestry industry current state

**\$6.6bn** Total industry revenue

**4,329** Enterprise count

**15,000** Workforce size

**3,415** Total industry learners

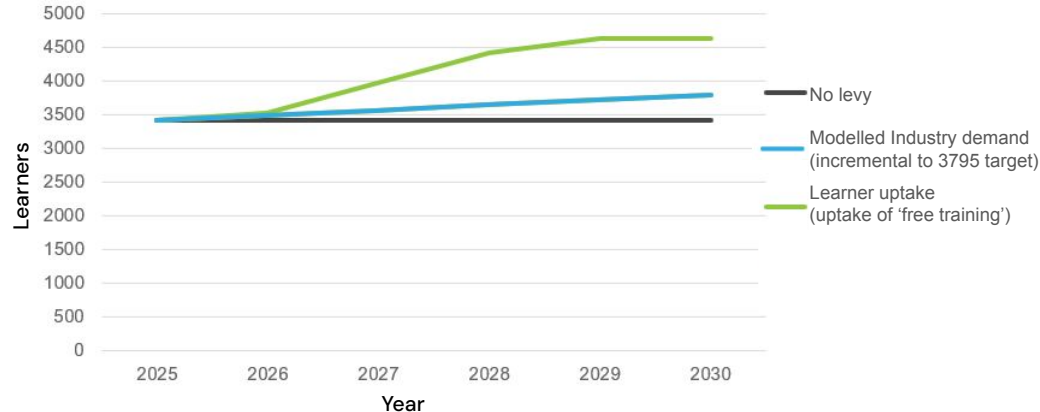


# Impact on Industry Number of Work-based Learners

Introduction of a levy could increase work-based learner numbers.

The introduction of a training levy in the forestry industry is expected to increase the number of work-based learners from around 3415 in 2025 to about 3795 by 2030, using the work-based learner uptake restricted by industry demand curve (blue below). This suggests that the levy could serve as an encouragement for more individuals to take part in forestry education and skills training. In the absence of the levy, if the current long run trend since 2017 is expected to continue, the number of work-based learners is expected to stay constant, highlighting there could be a potential role of a levy in fostering growth in training participation within forestry.

Work-based learners numbers under different demand with levy scenarios



## Industry funded work-based learners

The number of funded work-based learner spaces modelled based on current industry demand, expected future growth, and consultation with forestry representatives.

## Industry demand for training

Work-based learner supply, defined as the number of individuals expressing interest in training (green line), could reach up to 4,633 learners if direct training costs are covered through a levy. Meanwhile, industry training demand (blue line) is below this curve. The model caps the number of funded spaces at 3,795, the number of learner spaces likely to become available over a five year period to 2030. In situations where demand exceeds available training capacity, expressions of interest are assumed to roll over to the following year, with those learners given priority.

## Indirect impacts for industry

Levy-funding could lead to fewer injuries and deaths, through the potential increase the number of work-based learners, and employees to continue their development, thus expanding the pool of qualified forestry professionals. Better-funded training could remove financial barriers, encouraging more individuals and smaller employers, already investing in training, to see its value and potential. These impacts may lead to enhanced productivity and adoption of innovative practices.



# Industry Levy Rates

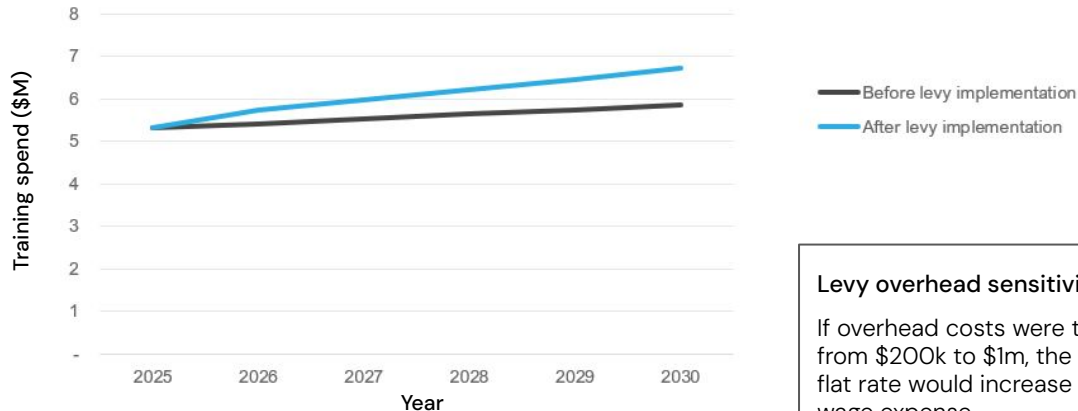
We calculated an approximate levy amount required to service the funding pool required for an ideal industry amount of work-based programmes. These hypothetical levy percentages are in-line with our earlier international research.

## Calculated levy rate options to meet demand

- Flat Rate: 0.45% of wage expense (e.g. \$450 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: 0.36% (e.g. 360 on \$100k)
  - Large businesses: 0.54% (e.g. \$540 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount as per table (right)

No work-based learner	No discount
Hosts a work-based learner	25% discount
Fully train (only assessed externally)	50% discount
Train and assess	100% discount

## Total user pays work-based learning expense scenarios overtime



### Levy overhead sensitivity:

If overhead costs were to increase from \$200k to \$1m, the forestry levy flat rate would increase to 0.51% of wage expense.

## Courses based on the current work-based learner distribution of enrollment in 2023:

1. Forest Industry Foundation Skills (Level 2)
2. Tree Felling & Clearing (Non-production) (Level 3)
3. Forestry Operations (Level 3)
4. Forest Industry Operations (Planning and Monitoring) (Level 4)
5. Forest Harvesting Operations (Level 4)
6. Forest Harvesting Operations (Level 4) with strands
7. Forest Harvesting Operations (Level 4) with Mechanised strands
8. Forestry Harvesting Operations (Level 3) with strands



# Impact on Māori in Industry

Introduction of a levy could boost Māori learners.

**370** Māori businesses in industry.

**19%** Māori employers in industry.

**34%** Māori employees in industry.

**Introducing a levy could see Māori learners increase by up to 11% on current levels.**

The modelling indicates that introducing a levy could increase Māori learners by up to **11%**. It is valuable to consider the projected increase in training spend, which could rise by **\$270,750**, and the impact this may have on Māori-owned forestry businesses. Ensuring the levy structure supports rather than hinders their growth is encouraged for sustainable development and equity advancement.

**Note:** Māori outputs come from an adjusted form of the general outputs



# Employer Level Impacts: Small Contractor

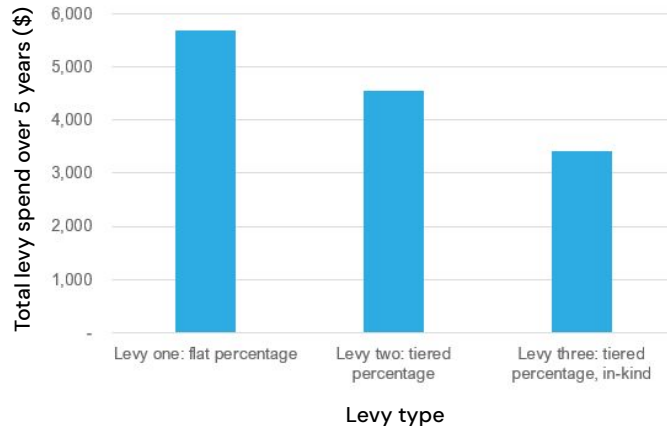
A small contractor could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.45%	\$1,000	-29%	+0.04%
Tiered percentage	0.36%	\$800	-43%	+0.06%
Tiered percentage, in-kind acknowledging	0.36%	\$600	-57%	+0.08%

For the purposes of this case study, a small contractor is defined as:  
 Revenue: \$1.57m  
 Employees: 3, 1 learner  
 Wage expense: \$222,800  
 Training expense: \$1,410\*  
 In-kind: Hosts 1 learner a year (25%)

Small contractor total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.04% increase. This levy format is also expected to reduce training expenses by 29%.

## Tiered and in-kind levy

This example small contractor has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. This small contractor hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the contractor receives a 25% discount on levy contribution.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$800 increase in single year training costs from the levy expense, and 0.08% decrease in operating profit margin.

## Caveats

\* Training expense: Approximate expenses due to limited public available information (average cost of agricultural courses, adjusted by EFT), a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Large Contractor

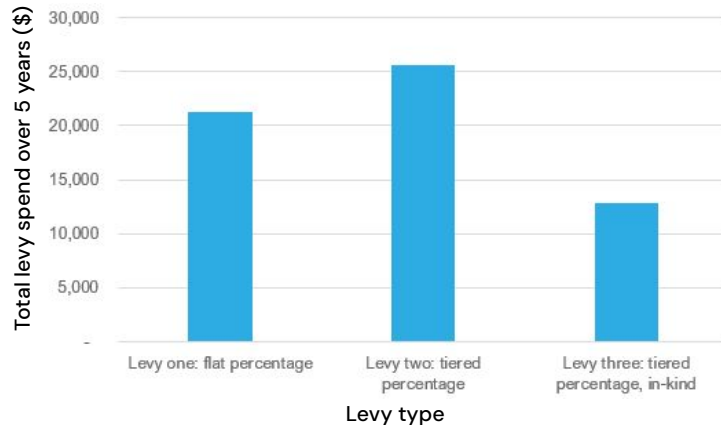
A large contractor could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.45%	\$3,770	-51%	+1.25%
Tiered percentage	0.54%	\$4,530	-42%	+1.01%
Tiered percentage, in-kind acknowledging	0.54%	\$2,260	-71%	+1.72%

For the purposes of this case study, a large contractor is defined as:  
 Revenue: \$5.83m  
 Employees: 14, 5 learners  
 Wage expense: \$838,000  
 Training expense: \$7,740\*  
 In-kind: Hosts 5 learners a year (50%)

Large contractor total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 1.25% increase. This levy format is also expected to reduce training expenses by 51%.

## Tiered and in-kind levy

This example large contractor has revenues over the industry median, meaning it falls into the higher contribution rate category. As this large contractor example fully trains and provides pastoral care but does not assess its learner, it receives a 50% discount in the in-kind acknowledging levy contributions.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$4,530 increase in single year training costs from the levy expense, and 1.42% decrease in operating profit margin.

## Caveats

\* Training expense: Approximate expenses due to limited public available information (average cost of agricultural courses, adjusted by EFT), a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Large Integrated Forest Manager

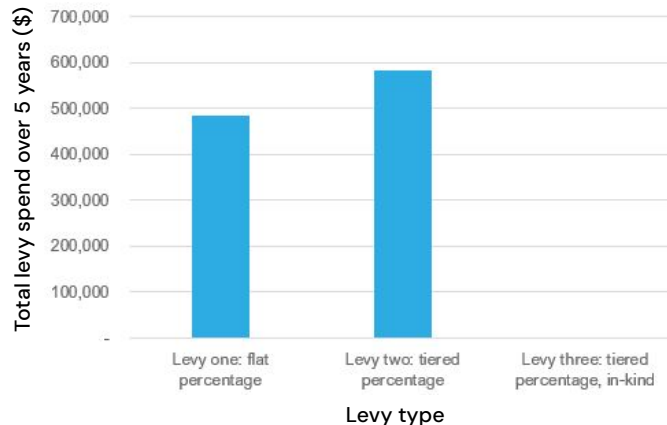
This business could see the benefit of acknowledging in-kind training in levy contributions as it is assumed it currently fully trains, provides pastoral care, and assesses their learners, which in the current state would not incur any user-fee.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.45%	\$85,970	+\$85,970	-0.23%
Tiered percentage	0.54%	\$103,170	+\$103,170	-0.28%
Tiered percentage, in-kind acknowledging	0.54%	\$0	No change	No change

For the purposes of this case study, a large integrated forest manager is defined as:  
 Revenue: \$132.6m  
 Employees: 125, 25 learners  
 Wage expense: \$19m  
 Training expense: \$0\*  
 In-kind: Fully trains and assesses 25 learners a year (100%)

Large integrated forest manager total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.23% decrease. This levy format is also expected to increase work-based learner training expenses from \$0 to \$85,970 as this employer trains, provides pastoral care, and assess all learners.

## Tiered and in-kind levy

This example large integrated forest manager has revenues over the industry median, meaning it falls into the higher contribution rate category. This large integrated forest manager example trains, provides pastoral care, and assesses all of their learners. Therefore, in the in-kind acknowledging levy, a full 100% discount is given on the levy contribution, so their total contribution to the training levy is \$0. Government contribution supports the education provider to validate the formal learning.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$103,170 increase in single year training costs from the levy expense, and 0.28% decrease in operating profit margin.

**Caveats** \* Training expense: Assumes no training expense due to the business fully training, providing pastoral care, and assessing their learners, which in the current state would not incur any user-fee.



# Key Insights and Considerations

Training plays a crucial role in the forestry industry, however, imposing a training levy is not a guaranteed solution for enhancing participation or improving quality of education programmes.

- **Cost distribution and employer/owner impact:** Harvesting contractors might pass levy costs onto forestry owners. With 90% of the workforce employed by contractors, understanding and efficiently distributing these costs is crucial to avoiding additional financial burdens. Employers need clarity on what the levy funds and the expected benefits.
- **Migrant worker considerations:** A significant portion of forestry labour is migrant workers who often receive training at their employer's expense. A levy likely would need to account for migrant labour nuances, and ensuring that rules and guidelines around their training are clear and equitable.
- **Sector definition and data integration:** Expanding the scope of inclusion in the industry, for example inclusion of forestry nurseries and support services, may optimise data collection and training oversight, which could encompass wood processing as well. This integration might enhance overall training efficiency and understanding of safety standards, crucial in this hazardous industry, although these different groups will require different programmes at different costs and would need to be levied differently to avoid cross-subsidisation.
- **Engaging Māori:** Māori enterprises play a crucial role, often focused more on regional areas and certain business models. Their involvement and cost/benefit from the levy should be considered to ensure inclusivity and broader sectoral development.
- **Challenges in levy implementation:** The levy can be perceived negatively as a blunt tax, with a lack of spending accountability potentially leading to inefficient fund use. Garnering support will require transparent communication and showcasing clear benefits to encourage employer and learner buy-in.
- **Potential for efficiency and existing funding:** An ideal outcome is maximising the efficiency of current funding frameworks rather than expanding into new levies.

Industry's view is that the levy options modelled are not feasible at this time. Significant changes to the VET system would be required for this to be considered in the future.



# Case Study: Nursery

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# Model Methodology

Specific approaches and assumptions were developed as part of the modelling process to estimate a training levy's impact.

The model calculates the impact a levy would have on the number of work-based learners, and the effects across four different business types from the levy scenarios over the next five years.

## Assumptions made

- **Inflation and wage growth:** Uses New Zealand Treasury forecasted estimates.
- **Elasticity of training demand:** Uses uptake rates from the Targeted Training and Apprenticeship Funding Scheme (TTAFS), first year fees free, and Skilling Australians Fund (SAF) levy, which have then been normalised and averaged.
- **Levy overhead:** Uses an assumed budget of \$200,000 to account for administrative costs of the levy system.
- **Tiered levy rate:** Uses a two-tier system with rates 20% higher and lower than the flat levy; this is assumed to impact both tiers without overly burdening larger businesses or significantly affecting smaller businesses' margins.
- **In-kind contribution:** Applies only to the year the work-based learner is hosted and contributions vary annually, whereas the levy is a set at flat rate for five years.
- **Course enrollments:** Enrolment distribution is based on 2023 course enrollment numbers and is assumed constant based on previous enrolment trends (removing the influence of funding).
- **Work-based learner application assumption:** If a work-based learner is hosted once every three years, equating to one work-based learner per five-year period, costs are incurred only in the hosting year and are not prorated over the period.
- **Percentage of small businesses within nursery:** Uses the characteristic that, due to high capital requirements and long investment horizons, 90% of businesses are below the median.
- **Percentage of large businesses within nursery:** Uses the characteristic that, due to operating challenges above the median revenue, 10% of businesses are above the median.
- **Industry training demand:** Learners are distributed across programmes based on current trends, targeting an ideal demand of 355 for the nursery industry. A 5 year uptake between ideal training numbers and current training numbers has been modelled.
- **Relationship between labour and revenue:** The relationship between workforce and revenue has been assumed constant over the five year period (no technological breakthroughs or change in capital expenditure).
- **Training expense:** Uses course expenses available on Primary ITO and as provided by industry representatives for microcredentials, a 2026 estimate from an adjusted 2025 fee.



# Commentary on Nursery Industry

Understanding the current landscape.

## Financial position and growth outlook

New Zealand's nursery industry generates \$534 million annually, with \$5.3 million from exports and forecast growth of 10% per year. Median business revenue is \$1.03 million for nursery enterprises with a long tail including many not for profit enterprises. Operating profit margins vary widely shaping each employer's ability to invest in training.

## Workforce and nature of work

The industry employs over 5,415 workers in nursery roles. Roles are physically demanding and high-risk, including managing plant cultivation, operating machinery, and handling chemical fertilisers. Productivity and product quality are strongly linked to skills, mechanisation, and effective planning.

## Employer types and financial exposure

Employers in the nursery industry range from small-scale producers, with limited staff and minimal training capacity, to large integrated providers with 40 employees and structured training programmes. Smaller enterprises tend to be more financially vulnerable, causing potential levy impacts to be uneven across the industry.

## Training participation and history

In 2023, 320 work-based learners were enrolled in nursery training, primarily at Levels 3 and 4. The most popular programme was Horticulture Production (Level 4 – Nursery Production, with 160 learners). Only 208 learners are employed by workplaces with the remainder studying through Corrections while incarcerated. For the purposes of this analysis, learners enrolled through Corrections are excluded.

## Māori participation and equity

Māori own 8% of nursery businesses and account for 16% of the workforce. This higher representation means Māori workers and enterprises are particularly exposed to both the risks and benefits of any training levy approach. Māori also participate heavily in not for profit nurseries which may elect to participate in and equally benefit from work-based training programmes.

## Industry training goal

The industry's goal is 355 participants in appropriate work-based training for employers (not Corrections). This aims to reduce health and safety risks and lift productivity across all parts of the industry.

### Nursery industry current state

<b>\$534m</b>	Total industry revenue
<b>495</b>	Enterprise count
<b>5,415</b>	Workforce size
<b>208</b>	Total industry learners (excluding Corrections)



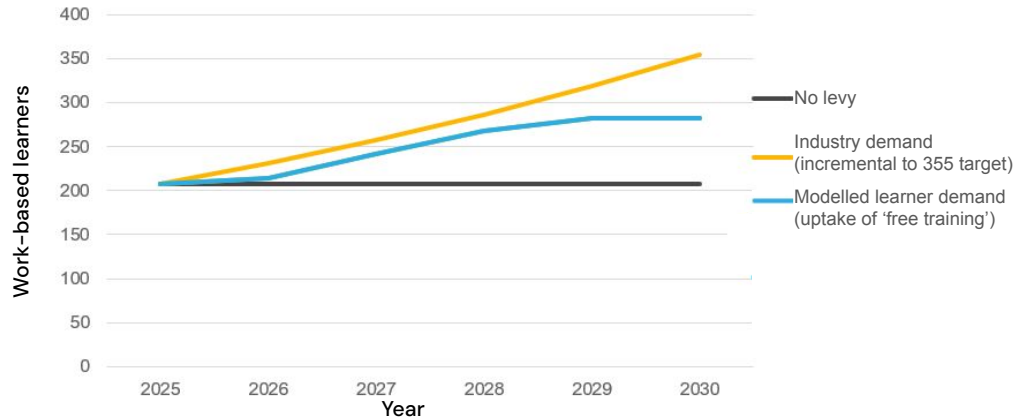
# Impact on Industry Number of Work-based Learners

Introduction of a levy could increase learner numbers.

Introducing a training levy in the nursery industry is expected to boost participation in work-based learning. The modelling assumes a demand-limited learner uptake curve, which reflects the number of learners the industry is likely to support if direct training costs are covered. Under this scenario (represented by the blue curve in the model), removing financial barriers through levy funding could significantly increase engagement in nursery-related training and skill development from 208 learners to 282. Industry demand for learners, far exceeds learner uptake and would require efforts above and beyond a levy to be released.

Without a levy, learner numbers are likely to remain flat, as seen in previous periods without funding. As the workforce grows, this could reduce the proportion of formally trained workers.

**Work-based learners numbers under different demand with levy scenarios**



## Industry funded work-based learners

The number of funded work-based learners spaces modelled is based on current industry demand, expected future growth, and consultation with nursery industry representatives on industry goals.

## Demand for training

Work-based learner supply, defined as the number of individuals expressing interest in training, could reach up to 282 learners if direct training costs are covered through a levy. Meanwhile, industry training demand (yellow line) slightly outpaces this curve reaching a maximum of 355 by 2030. Despite this demand, the model caps the number of funded spaces at 282 unless other system shifts were realised to increase uptake.

In situations where demand exceeds available training capacity, expressions of interest are assumed to roll over to the following year, with those learners given priority.

## Indirect impacts for industry

Beyond increasing work-based learner numbers, levy funding could deliver wider industry benefits. By improving access to training and supporting staff development, it may reduce turnover and grow a more skilled workforce. Lowering financial barriers could also encourage greater participation, especially among individuals and smaller employers. Over time, this could enhance productivity and innovation, though additional improvements to the work-based learning system would likely be needed.



# Industry Levy Rates

We calculated an approximate levy amount required to service the funding pool required for an ideal industry amount of work-based programmes. These hypothetical levy percentages are slightly lower our earlier international research.

## Calculated levy rate options to meet demand

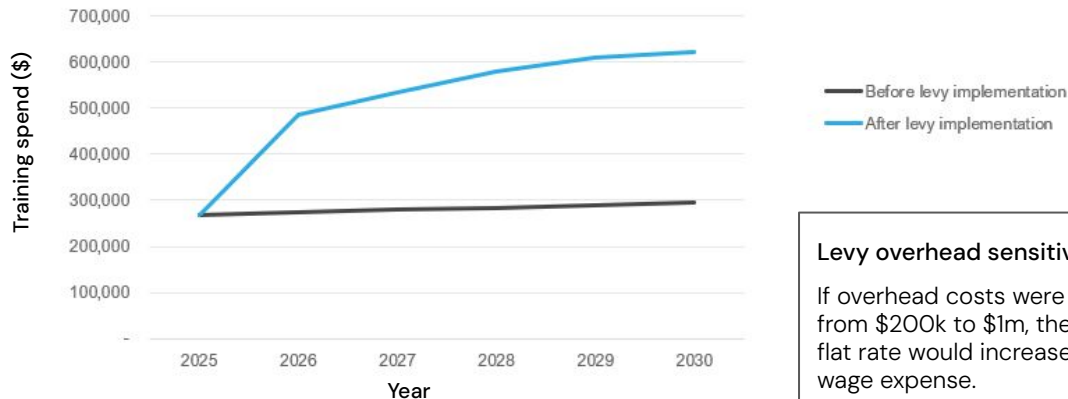
- Flat Rate: 0.19% of wage expense (e.g. \$190 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: 0.15% (e.g. \$150 on \$100k)
  - Large businesses: 0.23% (e.g. \$230 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount as per table (right)

No work-based learner	No discount
Hosts a work-based learner	25% discount
Fully train (only assessed externally)	50% discount
Train and assess	100% discount

## Courses based on the current work-based learner distribution of enrollment in 2023:

1. Horticulture (Level 3) – Nursery Production
2. Horticulture Production (Level 4) – Nursery Production

## Total user pays work-based learning expense scenarios overtime



### Levy overhead sensitivity:

If overhead costs were to increase from \$200k to \$1m, the nursery levy flat rate would increase to 0.48% of wage expense.



# Impact on Māori in Industry

Introduction of a levy could boost Māori learners.

**40** Māori businesses in industry.

**8%** Māori employers in industry.

**16%** Māori employees in industry.

**Introducing a levy could see Māori learners increase by up to 36% on current levels.**

The modelling indicates that introducing a levy could increase Māori work-based learners by up to **36%**. It is valuable to consider the projected increase in training spend, which could rise by **\$28,350** total across all Māori-owned nursery businesses, and the impact this may have. Ensuring any levy structure supports rather than hinders Māori growth is encouraged for sustainable development and equity advancement.

**Note:** Māori outputs come from an adjusted form of the general outputs



# Employer Level Impacts: Social Enterprise of Native Plants

Detailed design is required in shaping support for volunteer organisations.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.19%	\$0	-100%	12.5%
Tiered percentage	0.23%	\$0	-100%	12.5%
Tiered percentage, in-kind acknowledging	0.23%	\$0	-100%	12.5%

## Flat levy

Introducing a flat levy is expected to positively impact operating profit margins, potentially resulting in a 12.5% increase by eliminating training expenses for this social enterprise, which operates on tight margins. Under this levy system, all training costs could be removed due to the volunteer-based workforce, which incurs no wage expenses. Despite the lack of contribution, the organisation would still have access to the industry's funding pool. Considerations as part of a detailed design process would allow the levy to be shaped to support or exclude charitable purposes.

## Tiered and in-kind levy

This example social enterprise of native plants has revenues over the industry median, meaning it falls into the higher contribution rate category. As this social enterprise of native plants example fully trains and provides pastoral care but does not assess its learner, it receives a 50% discount in the in-kind acknowledging levy contributions.

## No training consideration

If this business did not train anyone, it would see no change in training expense and operating profit margin, essentially being excluded from the contribution and effects of the levy mechanism.

## Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers three learners enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.

For the purposes of this case study, a social enterprise of native plants is defined as:  
 Revenue: \$1.5m  
 Employees: 2, 3 learners  
 Wage expense: \$0, volunteer based  
 Training expense: \$3,860\*  
 In-kind: Hosts 3 learners a year (50%)

## What this case study tells us:

This case study underscores the importance of detailed levy design. The nursery industry includes volunteer-based organisations, some of which may engage in training. However, these organisations can operate solely with volunteers, resulting in \$0 wage expenses. Under the current levy model, which is based on wage percentages, they would contribute nothing. It is recommended to explore design decisions on whether levy funds could support volunteer organisations, and the broader implications of such a move.



# Employer Level Impacts: Outdoor Producer

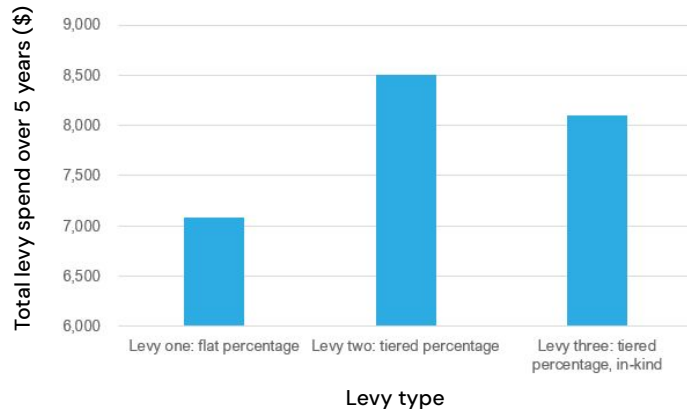
An outdoor producer could see the largest increase in training expense under the tiered model.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.19%	\$1,340	+11%	-0.07%
Tiered percentage	0.23%	\$1,610	+33%	-0.22%
Tiered percentage, in-kind acknowledging	0.23%	\$1,205	0%	0%

For the purposes of this case study, an outdoor producer is defined as:  
 Revenue: \$1.83m  
 Employees: 10, 1 learner  
 Wage expense: \$700,000  
 Training expense: \$1,205\*  
 In-kind: Hosts 1 learner every 3 year (25%)

An outdoor producer total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.07% decrease in a hosting year, or a 0.59% decrease over a 5 year period. This levy format is also expected to increase training expenses by 11% in a hosting year. However, only hosting one learner in the modelled 5 year period means a 488% increase in training costs to 2030.

## Tiered and in-kind levy

This example outdoor producer has revenues over the industry median, meaning it falls into the higher contribution rate category. This outdoor producer example hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the contractor receives a 25% discount on levy contribution in the hosting year.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$1,610 increase in single year training costs from the levy expense, and a 0.87% decrease in operating profit margin.

### Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers one learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Indoor Producer

An indoor producer could be least affected under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.19%	\$2,010	+67%	-0.28%
Tiered percentage	0.23%	\$2,410	+100%	-0.42%
Tiered percentage, in-kind acknowledging	0.23%	\$1,810	+50%	-0.21%

For the purposes of this case study, an outdoor producer is defined as:

Revenue: \$2.71m

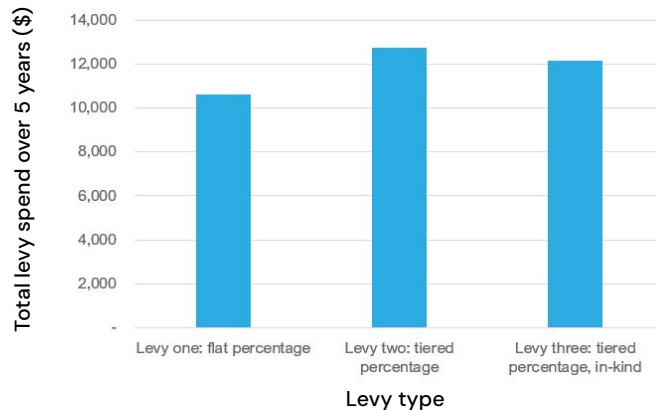
Employees: 20, 1 learner

Wage expense: \$1.01m

Training expense: \$1,205\*

In-kind: Hosts 1 learner every 3 year (25%)

An indoor producer total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.28% decrease in a hosting year, or a 0.62% decrease over a 5 year period. This levy format is also expected to increase training expenses by 67% in a hosting year. However, only hosting one learner in the modelled 5 year period means a 782% increase in training costs to 2030.

## Tiered and in-kind levy

This example indoor producer has revenues over the industry median, meaning it falls into the higher contribution rate category. This indoor producer example hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the contractor receives a 25% discount on levy contribution in the hosting year.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$2,410 increase in single year training costs from the levy expense, and a 0.84% reduction in operating profit margin.

### Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers one learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Large Integrated Producer

A large integrated producer will be affected differently by each levy methodology.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.19%	\$3,840	-0.33%	+0.004%
Tiered percentage	0.23%	\$4,610	+20%	-0.26%
Tiered percentage, in-kind acknowledging	0.23%	\$2,310	-40%	+0.53%

For the purposes of this case study, a larger corporate farmer is defined as:

Revenue: \$5.27m

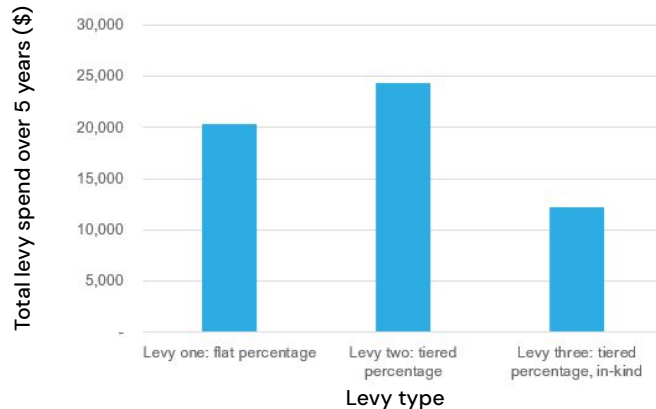
Employees: 40, 3 learners

Wage expense: \$2m

Training expense: \$3,860\*

In-kind: Hosts 3 learners a year (50%)

Large integrated producer total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

In this example large integrated producer, the levy expense is very similar to current training expense with a 0.33% change. This means the effect of introducing a flat levy on this employer could be minimal in terms of operating profit margin impact at a 0.004% gain.

## Tiered and in-kind levy

This example large integrated producer has revenues over the industry median, meaning it falls into the higher contribution rate category. As this large integrated producer example fully trains and provides pastoral care but does not assess its learner, it receives a 50% discount in the in-kind acknowledging levy contributions.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$4,610 increase in single year training costs from the levy expense, and a 1.59% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers three learners enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Key Insights and Considerations

The Nursery industry must consider all potential implications of a levy, ensuring tangible benefits and fair contributions across all employer types.

- **Industry buy-in and levy design:** Successful implementation of a levy would rely on industry buy-in and thoughtful detailed design, particularly concerning the various volunteer organisations. The levy must clearly demonstrate its purpose and value-proposition, whether it's increasing training participation or reducing the free rider effect, to gain widespread support.
- **Levy rates and industry efficiency:** Modelled levy rates are slightly lower than anticipated when compared to international benchmarks. This is despite nursery being relatively sensitive and exposed to the levy overhead due to its small size. However, it is noted that this case study is only on nursery industry and training, and combining smaller industries with common skill requirements/programmes within horticulture could offer efficiencies and reduce overheads.
- **Māori enterprise considerations:** The nursery industry includes many small enterprises, but also some larger iwi enterprises. Tailored approaches are necessary to address their unique needs and contributions to the industry.
- **Volunteer organisations and training challenges:** Including volunteer organisations in the levy system can present fairness issues. Naturally they run on a lower cost base with minimal wage expenses, so exclusion from levy contributions while benefiting from its funds further challenges traditional business models. It's critical to ensure the levy supports businesses that pay wages and contribute to workplace training.
- **Training demand and system limitations:** Increased training participation is not currently needed. Industry's focus is on higher skill levels to offset current requirement to hire internationally for high-skilled roles with no pathways in New Zealand. An industry-led levy system could indicate lev funds be directed towards a set number of learners in these new, higher skilled qualifications.
- **Employer expectations and training quality:** Employers value training but may have increased expectations than current state for the system's quality. A levy would fail if applied to the current system as employer's would likely not see any benefit.

Industry's view is that the levy options modelled are not feasible at this time. Significant changes to the VET system would be required for this to be considered in the future.



# Case Study: Vegetables

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# Model Methodology

Specific approaches and assumptions were developed as part of the modelling process to estimate a training levy's impact.

The model calculates the impact a levy would have on the number of work-based learners, and the effects across three different business types from the levy scenarios over the next five years.

## Assumptions made

- **Inflation and wage growth:** Uses New Zealand Treasury forecasted estimates.
- **Elasticity of training demand:** Uses uptake rates from the Targeted Training and Apprenticeship Funding Scheme (TTAFS), first year fees free, and Skilling Australians Fund (SAF) levy, which have then been normalised and averaged.
- **Levy overhead:** Uses an assumed budget of \$200,000 to account for administrative costs of the levy system.
- **Tiered levy rate:** Uses a two-tier system with rates 20% higher and lower than the flat levy; this is assumed to impact both tiers without overly burdening larger businesses or significantly affecting smaller businesses' margins.
- **In-kind contribution:** Applies only to the year the work-based learner is hosted and contributions vary annually, whereas the levy is set at flat rate for five years.
- **Course enrollments:** Enrolment distribution is based on 2023 course enrollment numbers and is assumed constant based on previous enrolment trends (removing the influence of funding).
- **Percentage of small businesses within vegetables:** Uses the characteristic that, due to high capital requirements and long investment horizons, 85% of businesses are below the median.
- **Percentage of large businesses within vegetables:** Uses the characteristic that, due to operating challenges above the median revenue, 15% of businesses are above the median.
- **Industry training demand:** Learners are distributed across programmes based on current trends, targeting an ideal demand of 300 for the vegetables industry. A 5 year uptake between ideal training numbers and current training numbers has been modelled.
- **Relationship between labour and revenue:** The relationship between workforce and revenue has been assumed constant over the five year period (no technological breakthroughs or change in capital expenditure).
- **Training expense:** Uses course expenses available on Primary ITO and as provided by industry representatives for microcredentials, a 2026 estimate from an adjusted 2025 fee.



# Commentary on Vegetable Industry

Understanding the current landscape.

## Financial position and growth outlook

New Zealand's vegetable industry generates \$1.6 billion annually, with \$737 million from exports and forecast growth of 12% per year. Median business revenue is \$1.9 million for vegetable enterprises. Operating profit margins vary widely, shaping each employer's ability to invest in training.

## Workforce and nature of work

The industry employs over 9,630 workers in vegetable farming. Roles are physically demanding and high-risk, including managing plant cultivation, operating machinery, and handling chemical fertilisers. Productivity and safety are strongly linked to skills, mechanisation, and effective planning.

## Employer types and financial exposure

Employers in the vegetable industry range from small-scale producers, with limited staff and minimal training capacity, to large integrated providers with 80 employees and some additional capacity for training in the workplace although this remains limited. Smaller enterprises tend to be more financially vulnerable, causing potential levy impacts to be uneven across the industry.

## Training participation and history

In 2023, 80 work-based learners were enrolled in vegetable training, primarily at Levels 3 and 4. The most popular programmes were Horticulture (Level 4 – Outdoor Vegetable Production), with 40 learners each in two programmes and no enrolments in indoor programmes. Previous uptake was bolstered by subsidies, which have since ended, raising concerns about future affordability and utilisation without further support.

## Māori participation and equity

Māori own 2% of vegetable businesses and account for 20% of the workforce. This higher representation means Māori workers are particularly exposed to both the risks and benefits of any training levy approach.

## Industry training goal

The industry's goal is 300 participants in appropriate work-based training. This aims to reduce health and safety risks and lift productivity across all parts of the industry, with particular emphasis on supporting smaller, less-resourced employers.

## Vegetable industry current state

**\$1.6bn** Total industry revenue

**888** Enterprise count

**9,630** Workforce size

**80** Total industry learners

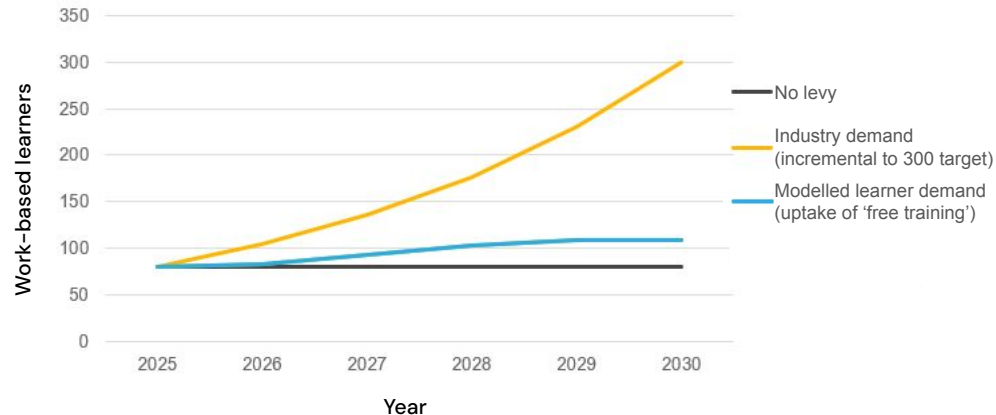


# Impact on Industry Number of Work-based Learners

Introduction of a levy could increase learner numbers.

The introduction of a training levy in the vegetables industry is expected to increase the number of work-based learners. In our modelling, we have a gradual increase from current state to ideal industry learner demand (yellow below). This indicates that the covering of direct training costs could encourage more individuals to engage in vegetables education and skills development. Without introduction of a levy, the number of work-based learners has the potential to remain unchanged, aligning with past trends during years without funding support. This may effectively mean a decrease in the proportion of workers in work-based learning if workforce numbers increase.

Work-based learners numbers under different demand with levy scenarios



## Industry funded work-based learners

The number of funded work-based learner, and therefore the levy requirement in each year was modelled based on industry demand. We also examined current demand, expected future growth with reduced user fees, and ideal industry consumption of work-based learning with vegetables representatives.

## Industry demand for training

Work-based learner supply, defined as the number of learners expressing interest in enrolling in work-based training, could reach 109 work-based learners by 2030 if direct training costs are levied and distributed. Industry training demand, defined as the number of work-based learners all businesses in the industry request, could adjust to 300 work-based learners by 2030. In this case, industry demand of 300 has not been restricted in the modelling, as learner demand of 110 alone is so low that any levy impact is negligible. Further interventions would be needed to realise the 300 learners, as levy funding alone would likely not be enough.

## Indirect impacts for industry

Levy-funding could boost productivity, through the potential increase the number of work-based learners, and employees to continue their development, thus expanding the pool of qualified vegetables professionals. Better-funded training could remove financial barriers, encouraging more individuals and smaller employers, already investing in training, to see its value and potential. These impacts may lead to enhanced adoption of innovative practices.



# Industry Levy Rates

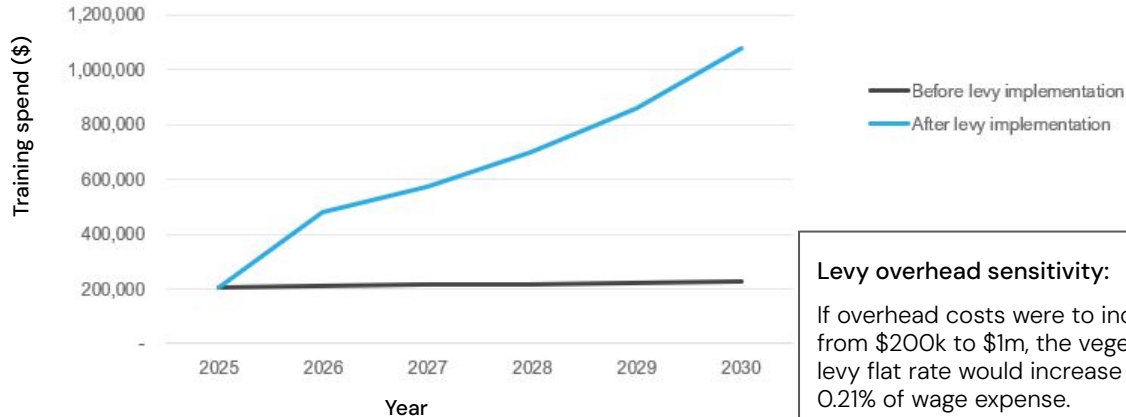
We calculated an approximate levy amount required to service the funding pool required for an ideal industry amount of work-based programmes. These hypothetical levy percentages are lower than those seen in earlier international research.

## Calculated levy rate options to meet demand

- Flat Rate: 0.1% of wage expense (e.g. \$100 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: 0.08% (e.g. \$80 on \$100k)
  - Large businesses: 0.12% (e.g. \$120 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount as per table (right)

No work-based learner	No discount
Hosts a work-based learner	25% discount
Fully train (only assessed externally)	50% discount
Train and assess	100% discount

## Total user pays work-based learning expense scenarios overtime



### Levy overhead sensitivity:

If overhead costs were to increase from \$200k to \$1m, the vegetables levy flat rate would increase to 0.21% of wage expense.

## Courses based on the current work-based learner distribution of enrollment in 2023:

1. Horticulture (Level 4) – Vegetable Production Indoor
2. Horticulture (Level 3) – Outdoor Vegetable Production
3. Horticulture (Level 4) – Outdoor Vegetable Production



# Impact on Māori in Industry

Introduction of a levy could boost Māori learners.

**18** Māori businesses in industry.

**2%** Māori employers in industry.

**20%** Māori employees in industry.

**Introducing a levy could see Māori learners increase by up to 275% on current levels.**

The modelling indicates that introducing a levy could increase Māori learners by up to **275%**, from approximately 16 to 60 Māori learners. It is valuable to consider the projected increase in training spend, which could rise by **\$17,380**, and the impact this may have on Māori-owned vegetables businesses. Ensuring the levy structure supports rather than hinders their growth is encouraged for sustainable development and equity advancement.

**Note:** Māori outputs come from an adjusted form of the general outputs.



# Employer Level Impacts: Small Enterprise

A small enterprise would be most affected by a flat percentage levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.1%	\$230	+\$230	-0.21%
Tiered percentage	0.08%	\$190	+\$190	-0.17%
Tiered percentage, in-kind acknowledging	0.08%	\$190	+\$190	-0.17%

For the purposes of this case study, a small enterprise is defined as:

Revenue: \$1.56m

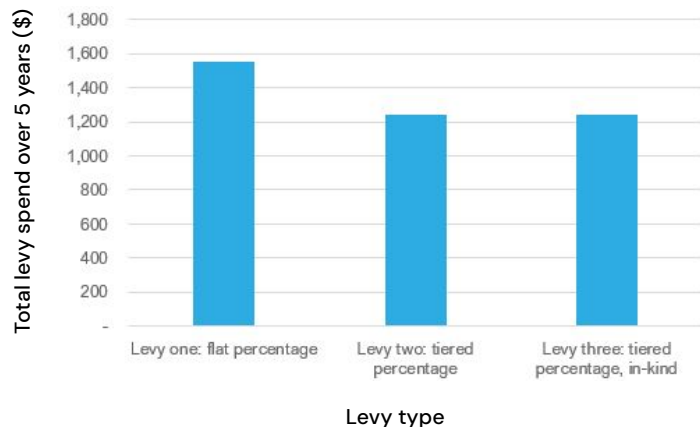
Employees: 6, no learners

Wage expense: \$241,050

Training expense: None\*

In-kind: Hosts no learners (0%)

Small enterprise total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.21% decrease. This levy format is also expected to increase training expenses by \$230, from its current \$0.

## Tiered and in-kind levy

This example small enterprise has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. As this small enterprise example fully does not host a learner, it receives a 0% discount in the in-kind acknowledging levy contributions. This would mean a \$190 in training costs and 0.17% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes no training expense due to hosting no learners.



# Employer Level Impacts: Average Enterprise

An average enterprise could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.1%	\$290	+\$290	-0.16%
Tiered percentage	0.08%	\$230	+\$230	-0.13%
Tiered percentage, in-kind acknowledging	0.08%	\$230	+\$230	-0.13%

For the purposes of this case study, a large contractor is defined as:

Revenue: \$1.95m

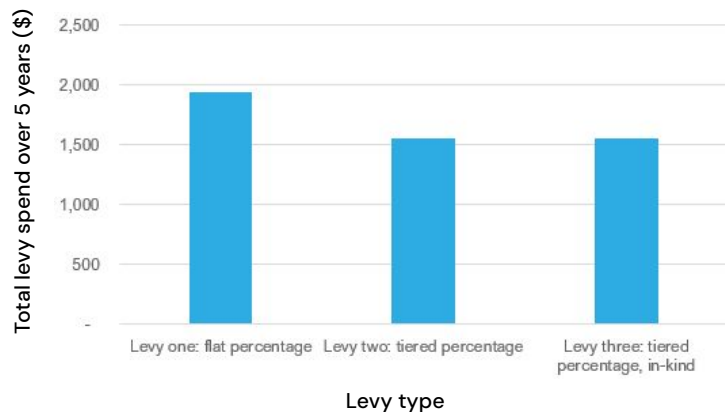
Employees: 8, no learners

Wage expense: \$301,600

Training expense: None\*

In-kind: Hosts no learners (0%)

Average enterprise total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.16% decrease. This levy format is also expected to increase training expenses by \$290, from its current \$0.

## Tiered and in-kind levy

This example average enterprise has revenues below the industry median, meaning it falls into the lower contribution rate category in the tiered model. As this average enterprise example fully does not host a learner, it receives a 0% discount in the in-kind acknowledging levy contributions. This would mean a \$230 in training costs and 0.13% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes no training expense due to hosting no learners.



# Employer Level Impacts: Large Enterprise

A large enterprise could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.1%	\$880	-70%	+0.38%
Tiered percentage	0.12%	\$1,050	-64%	+0.35%
Tiered percentage, in-kind acknowledging	0.12%	\$790	-73%	+0.39%

For the purposes of this case study, a large enterprise is defined as:

Revenue: \$5.86m

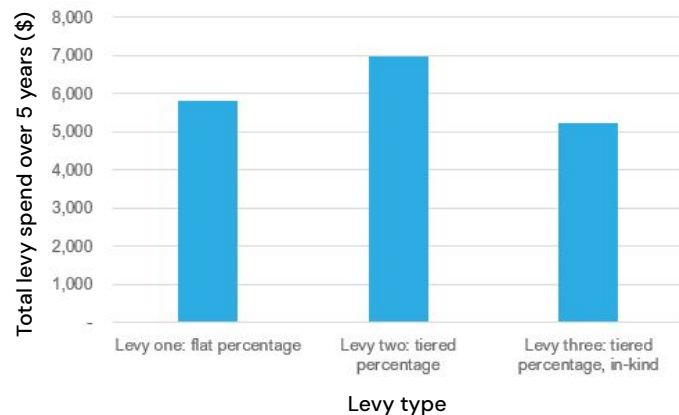
Employees: 23, 1 learner

Wage expense: \$904,780

Training expense: \$2,950\*

In-kind: Hosts 1 learner a year (25%)

Large enterprise total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.38% increase. This levy format is also expected to decrease training expenses by 70%.

## Tiered and in-kind levy

This example large enterprise has revenues over the industry median, meaning it falls into the higher contribution rate category. This large enterprise example hosts a learner, while still requiring full training, assessing and pastoral care support from an education provider. To acknowledge the in-kind training of hosting a learner, the large enterprise receives a 25% discount on levy contribution.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a \$1,050 increase in single year training costs from the levy expense, and a 0.19% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes Primary ITO course costs and presumes the business covers the learner enrolled in the most common level three course, a 2026 estimate from an adjusted 2025 fee.



# Key Insights and Considerations

Vegetables is already an industry under pressure, adding levy contributions would need to demonstrate clear industry and financial value.

- **Industry perception and responsibility:** Introducing a levy could highlight and place the responsibility of training more on the industry, though there is uncertainty about the effectiveness of different levy models and funding arrangements in achieving this.
- **Necessity for value visibility:** For a levy to be successful, employers and learners would need to see tangible impact and value. It would be important to frame the levy as a developmental investment tool that the industry can buy-in to, rather than just an additional tax, to prevent it from being viewed negatively.
- **Current industry stress and financial constraints:** The vegetable industry has been under extended financial stress, with many operating below the break-even point for the past two years. Small growers are particularly vulnerable due to their narrow and seasonally driven profit margins, making any additional costs highly challenging. Growers are experiencing input cost increases across the board and any new cost added is highly sensitive.
- **Labour and training dynamics:** For vegetables, the labour challenge is most pronounced in the harvest crew. Historically, this has been a practical and seasonal job, relying on seasonal workers and requiring minimal training. This has meant the vegetables industry has not seen the same demand for training as other industries.
- **Technology and training needs:** While practical harvest jobs have traditionally required limited training, the increasing use of technology will necessitate more extensive training. Focusing on developing middle management levels and technological adaptation could be prioritised to meet this demand for skill.
- **Training practices among growers:** Small growers often currently lack general training initiatives, requiring practical labour or pre-developed specialised skill. Larger companies are often expected to manage their own training needs. This disparity between training requirements highlights the need for scalable solutions that cater to different business sizes and crop systems.
- **Potential financial incentives:** If it could be demonstrated that there are financial benefits to training on profit and loss statements, this could further drive engagement from industry stakeholders. Exploring tax incentives could also encourage investment in training.
- **Requirement for industry-wide change:** To succeed, the initiative requires systemic change across the industry. As assurance requirements become increasingly critical to business operations and often require skilled personnel to manage, effective training programmes are essential to uphold industry standards and demonstrate the value of any training levy.

Industry's view is that the levy options modelled are not feasible at this time. Significant changes to the VET system would be required for this to be considered in the future.



# Case Study: Māori Forestry

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# Context of a 'by Māori for Māori' forestry training levy concept



# Māori Forestry Context

## Where Māori in forestry have come from

- Māori have always had a deep and enduring connection to the forest (ngahere).
- Colonial structures, including the Commodity Levies Act, have reduced targeted support for Māori participating in forestry, compounding existing inequities.
- Support for Māori-specific initiatives has historically been limited. There is now a clear need to focus on equitable outcomes for Māori in the sector.
- A 'By Māori for Māori' training levy is being explored to fund culturally relevant programmes and strengthen Māori leadership in the sector.

## Aspirations for Māori in forestry

- There is strong interest to explore a Māori-led training funding framework (a levy or membership fee).
- This framework could manage training funding and align investments with community and industry goals.
- A potential funding framework could promote equitable growth and develop leaders with diverse skills, and support Māori across a range of industry roles.
- One potential outcome could be increased investment in individuals being trained by Māori businesses, alongside greater industry commitment to culturally appropriate, lifelong training.

## Why training and employer/industry support of training is so important

- Training is important to develop a skilled workforce.
- The focus of learning should be on the development of the 'whole person' to prepare individuals for a modern forestry environment.
- The aim is to create a world-class industry with professionals who view training as key to their careers.
- Higher rates and levels of training could support improved health and safety and decrease the high injury and death rates currently experienced by Māori in forestry
- Fit for purpose training could also support more Māori into leadership positions across the industry.



# How Could a Levy Support Māori Forestry?

## What challenges could be removed?

- Addressing the lack of equitable resource access for Māori could support stronger outcomes.
- Supporting Māori-led initiatives to succeed alongside established institutions could strengthen the industry overall.
- Empowering Māori participation encourages inclusive growth and participation in the forestry industry.

## How a levy could support this?

- While not a silver bullet, a levy or collective fee for training costs could support one small part of a working training system.
- A wage-based levy or membership fee funding framework could incentivise strategic investment in training by those who pay it.
- Programmes funded could be chosen based on the values and demands of the collective levy/fee-paying group and could include: pathway programmes, leadership development, lifelong learning.
- This investment may lift workforce quality by developing a pool of skilled professionals, aligned with industry needs.

## What could a levy look like in a Māori context (by Māori for Māori)?

- A Māori-led levy could provide clarity of programme delivery and encourage wider participation.
- It may attract those who align with shared outcomes, promoting broader commitment within the industry.
- Innovative collaboration on a levy or similar mechanism – designed by Māori for Māori, could advance training goals without requiring enabling legislation. Collective buy-in and agreement from Māori employers would be needed to achieve this.

This case study explores the potential financial and workforce implications of this concept.



# Model Methodology

Specific approaches and assumptions were developed as part of the modelling process to estimate a training levy's impact.

The model calculates the impact a levy would have on the number of work-based learners, and the effects across three different business types from the levy scenarios over the next five years.

## Assumptions made

- **Inflation and wage growth:** Uses New Zealand Treasury forecasted estimates.
- **Elasticity of training demand:** Uses uptake rates from the Targeted Training and Apprenticeship Funding Scheme (TTAFS), first year fees free, and Skilling Australians Fund (SAF) levy, which have then been normalised and averaged.
- **Levy overhead:** Uses an assumed budget of \$200,000 to account for administrative costs of the levy system.
- **Tiered levy rate:** Uses a two-tier system with rates 20% higher and lower than the flat levy; this is assumed to impact both tiers without overly burdening larger businesses or significantly affecting smaller businesses' margins.
- **In-kind contribution:** Applies only to the year the work-based learner is hosted and contributions vary annually, whereas the levy is set at flat rate for five years.
- **Course enrollments:** Enrolment distribution is based on 2023 course enrollment numbers and is assumed constant based on previous enrolment trends (removing the influence of funding). This has been adjusted by the percentage of Māori employers to calculate course enrollments in Māori owned forestry businesses.
- **Work-based learner application assumption:** If a work-based learner is hosted once every three years, equating to one work-based learner per five-year period, costs are incurred only in the hosting year and are not prorated over the period.
- **Percentage of small businesses within Māori Forestry:** Uses the characteristic that, due to high capital requirements and long investment horizons, 80% of businesses are below the median.
- **Percentage of large businesses within Māori Forestry:** Uses the characteristic that, due to operating challenges above the median revenue, 20% of businesses are above the median.
- **Industry training demand:** Learners are distributed across programmes based on current trends, targeting an ideal demand of 100% in training for the Māori forestry industry. A 5 year uptake between ideal training numbers and current training numbers has been modelled.
- **Relationship between labour and revenue:** The relationship between workforce and revenue has been assumed constant over the five year period (no technological breakthroughs or change in capital expenditure).
- **Forestry course costs:** Uses average costs from agricultural courses case studies, adjusted by EFT to derive approximate expenses.
- **Training expense:** Approximate expenses due to limited public available information (Average cost of agricultural courses, adjusted by EFT, a 2026 estimate from an adjusted 2025 fee.).



# Commentary on Māori-owned Forestry Industry

Understanding the current landscape.

## Financial position and growth outlook

New Zealand's Māori-owned forestry industry generates \$81 million annually, with overall forestry industry growth forecast at 4% per year. Median business revenue is \$1.7 million for forestry/logging enterprises and \$1.5 million for support services. Operating profit margins vary widely, shaping each employer's ability to invest in training.

## Workforce and nature of work

The total forestry industry employs around 2,850 Māori workers. Roles are physically demanding and high-risk – particularly in tree felling, harvesting, and silviculture. Productivity and safety are strongly linked to skills, mechanisation, and effective planning.

## Employer types and financial exposure

Employers range from small Māori contractors with few employees and minimal training capacity, to large Māori integrated forest owners with 25 staff and structured training programmes. Smaller enterprises tend to be more financially vulnerable, meaning the impact of a levy would likely be uneven across the industry. Māori forestry businesses tend to have lower operating margins than non-Māori meaning the impact of any additional cost needs to be closely examined.

## Training participation and history

In 2023, 580 work-based in Māori-owned businesses learners were enrolled in forestry training, mostly at Level 3 and 4. The most popular programme was Forest Harvesting Operations (Level 4, 194 work-based learners).

## Industry training goal

The industry's goal is 100% participation in appropriate work-based training, up from an estimated 90% currently. This aims to reduce health and safety risks and lift productivity across all parts of the industry, with particular emphasis on supporting smaller, less-resourced employers.

### Māori forestry current state

**\$81m** Total industry revenue

**96** Enterprise count

**2,850** Workforce size

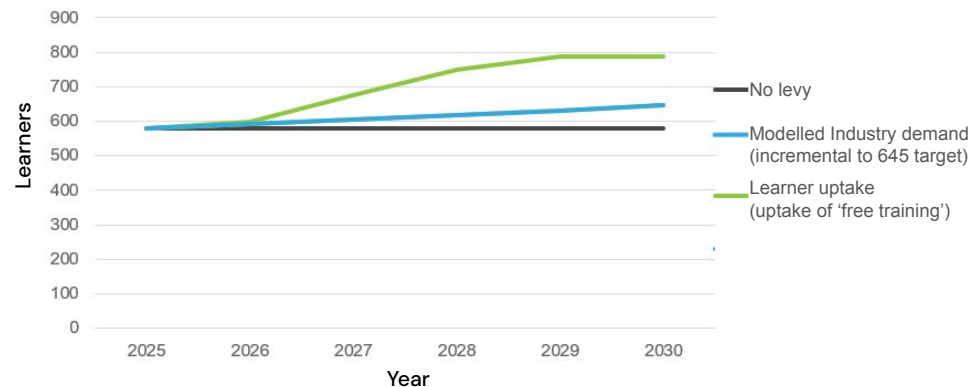
**580** Total work-based learners

# Impact on Industry Number of Work-based Learners

Introduction of a levy could increase work-based learner numbers.

In the Māori forestry industry, the introduction of a levy is projected to gradually increase the number of work-based learners from approximately 580 in 2025 to around 645 by 2030. This projection is based on the work-based learner uptake restricted by industry demand curve (blue below). This suggests that a levy could serve as an encouragement for more individuals to take part in forestry education and skills training. In contrast, without a levy, and assuming the long-run trend since 2017 continues, the number of work-based learners is expected to remain flat. This comparison highlights the potential role of a levy in fostering growth in training participation within Māori forestry.

## Māori forestry work-based learners numbers under different demand with levy scenarios



## Industry funded work-based learners

The number of funded work-based learners spaces was modelled based on current industry demand, expected future growth, and consultation with Māori forestry representatives.

## Industry demand for training

Work-based learner supply, defined as the number of individuals expressing interest in training, could reach up to 790 learners if direct training costs are covered through a levy. Meanwhile, industry training demand (blue line) is below this curve. The model caps the number of funded spaces at 645, as this is the amount learner spaces likely to become available over a five year period to 2030. In situations where demand exceeds available training capacity, expressions of interest are assumed to roll over to the following year, with those learners given priority.

## Indirect impacts for industry

Levy funding has the potential to reduce injuries and fatalities by increasing the number of Māori forestry business employees and encouraging their professional development, thus expanding the pool of qualified forestry professionals. Better-funded training could also eliminate financial barriers, increase employer buy-in, motivating more individuals and Māori employers to recognise its value and potential. These impacts may lead to enhanced productivity and the adoption of innovative practices within Māori-owned enterprises.

# Industry Levy Rates

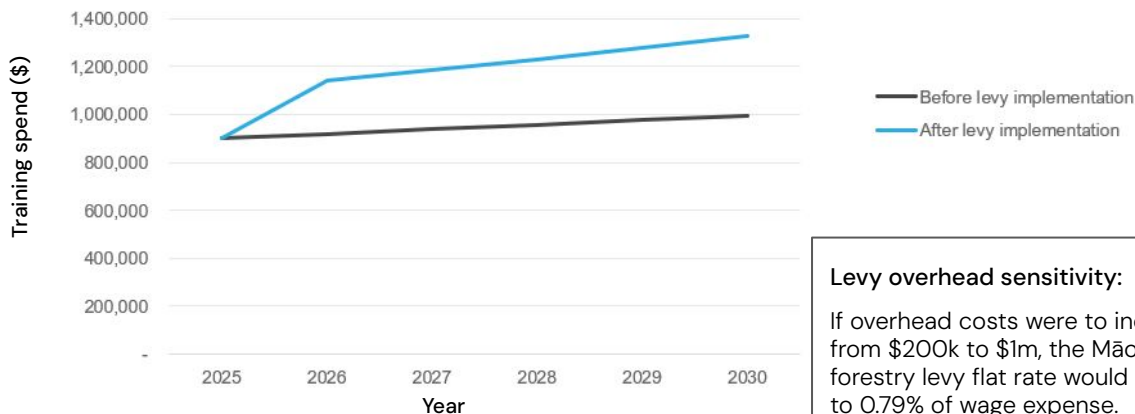
We calculated an approximate levy amount required to service the funding pool required for an ideal industry amount of work-based programmes. These hypothetical levy percentages are in-line with our earlier international research.

## Calculated levy rate options to meet demand

- Flat Rate: 0.47% of wage expense (e.g. \$470 on a \$100k wage bill).
- Tiered Rate:
  - Small businesses: 0.38% (e.g. \$380 on \$100k)
  - Large businesses: 0.56% (e.g. \$560 on \$100k)
- Tiered Rate with In-Kind Recognition (as above) with discount as per table (right)

No work-based learner	No discount
Hosts a work-based learner	25% discount
Fully train (only assessed externally)	50% discount
Train and assess	100% discount

## Total user pays work-based learning expense scenarios overtime



### Levy overhead sensitivity:

If overhead costs were to increase from \$200k to \$1m, the Māori forestry levy flat rate would increase to 0.79% of wage expense.

## Courses based on the current work-based learner distribution of enrollment in 2023:

1. Forest Industry Foundation Skills (Level 2)
2. Tree Felling & Clearing (Non-production) (Level 3)
3. Forestry Operations (Level 3)
4. Forest Industry Operations (Planning and Monitoring) (Level 4)
5. Forest Harvesting Operations (Level 4)
6. Forest Harvesting Operations (Level 4) with strands
7. Forest Harvesting Operations (Level 4) with Mechanised strands
8. Forestry Harvesting Operations (Level 3) with strands



# Employer Level Impacts: Small Māori Contractor

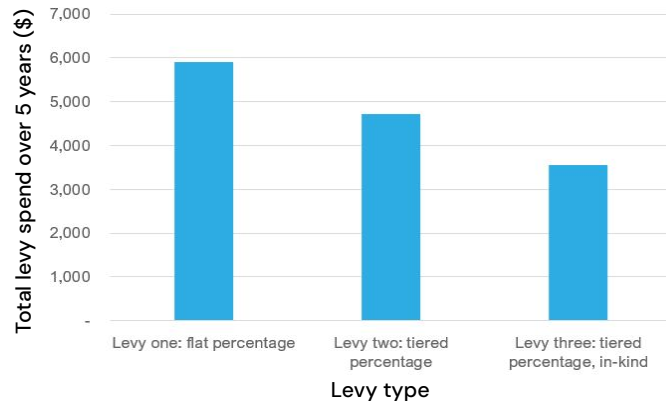
A small Māori contractor could see the largest baseline savings under a tiered, in-kind acknowledging levy.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.47%	\$1,050	-26%	+0.38%
Tiered percentage	0.38%	\$840	-41%	+0.6%
Tiered percentage, in-kind acknowledging	0.38%	\$630	-56%	+0.82%

For the purposes of this case study, a small Māori contractor is defined as:  
 Revenue: \$1.57m  
 Employees: 3, 1 learner  
 Wage expense: \$222,770  
 Training expense: \$1,410\*  
 In-kind: Hosts 1 learner a year (25%)

Small Māori contractor total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.38% increase. This levy format is also expected to reduce training expenses by 26%.

## Tiered and in-kind levy

In this example, a small contractor has revenue below the industry median, and therefore qualifies for the lower contribution rate category in the tiered model. This small Māori contractor example hosts a work-based learner but still relies on an education provider for training delivery support, assessment, and pastoral care. To acknowledge this in-kind training of hosting a learner, the contractor receives a 25% discount on its levy contribution.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a levy contribution of \$840 and a 0.88% decrease in operating profit margin.

## Caveats

\* Training expense: Approximate expenses due to limited public available information (average cost of agricultural courses, adjusted by EFT), a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Medium Māori Integrated Owner

This business could see the benefit of acknowledging in-kind training in levy contributions.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.47%	\$2,840	+101%	-0.14%
Tiered percentage	0.56%	\$3,410	+141%	-0.2%
Tiered percentage, in-kind acknowledging	0.56%	\$1,700	+21%	-0.03%

For the purposes of this case study, a medium Māori integrated owner is defined as:

Revenue: \$4.56m

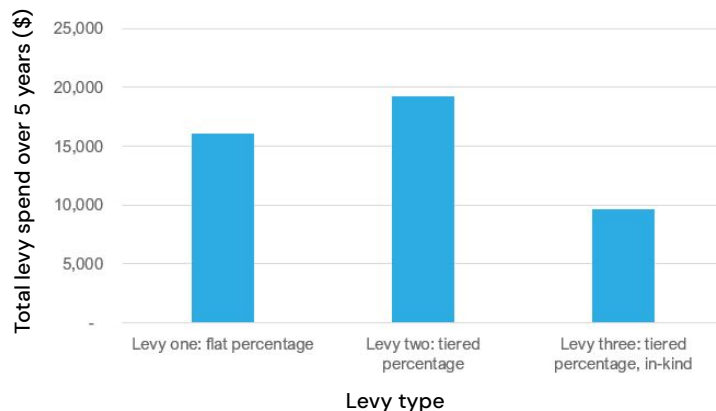
Employees: 14, 1 learner

Wage expense: \$604,700

Training expense: \$1,410\*

In-kind: Hosts 1 learner a year (50%)

Medium Māori integrated owner total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.14% decrease. This levy format is also expected to increase training expenses by 101%.

## Tiered and in-kind levy

In this example, a medium Māori contractor earns over the industry median and, therefore, falls into the higher contribution rate category. As this medium Māori integrated owner example fully trains and provides pastoral care but does not assess its learner, it receives a 50% discount in the in-kind acknowledging levy contributions.

## No training consideration

If this business did not train anyone, it would pay the full contribution under the in-kind acknowledging levy model. This would mean a levy contribution of \$3,410 and a 0.34% decrease in operating profit margin.

## Caveats

\* Training expense: Approximate expenses due to limited public available information (average cost of agricultural courses, adjusted by EFT), a 2026 estimate from an adjusted 2025 fee.



# Employer Level Impacts: Large Māori Integrated Owner

This business could see the benefit of acknowledging in-kind training in levy contributions as it is assumed it currently fully trains, provides pastoral care, and assesses their learners, which in the current state would not incur any user-fee.

Below shows example 2026 levy collection impacts, this is not representative of all years.

Levy type	Levy contribution	Levy expense	Training expense change	Operating profit margin change
Flat percentage	0.47%	\$9,580	+\$9,580	-0.13%
Tiered percentage	0.56%	\$11,500	+\$11,500	-0.15%
Tiered percentage, in-kind acknowledging	0.56%	\$0	No change	No change

For the purposes of this case study, a large Māori integrated owner is defined as:

Revenue: \$33.84m

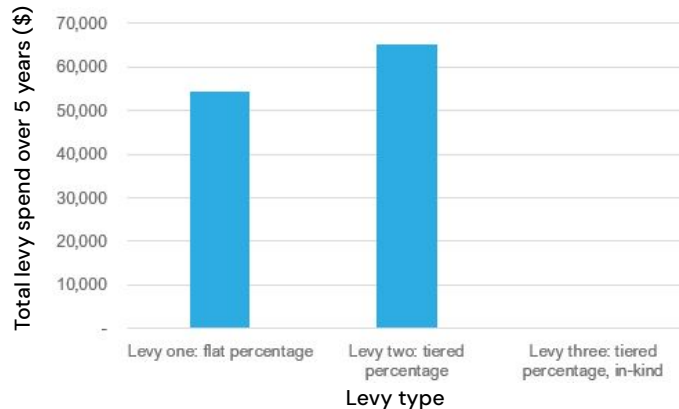
Employees: 25, 5 learners

Wage expense: \$2.04m

Training expense: \$0

In-kind: Hosts 5 learners a year (100%)

Large Māori integrated owner total levy spend over 5 year period, with industry growth, training uptake, and inflation included.



## Flat levy

Implementing a flat levy is projected to affect operating profit margins, potentially resulting in a 0.13% decrease. This levy format is also expected to increase training expenses by \$9,580.

## Tiered and in-kind levy

In this example, a large Māori integrated forest manager has revenue over the industry median, and, therefore, falls into the higher contribution rate category. As this large Māori integrated forest owner example fully trains, provides pastoral care, and assess all of their learners, in the in-kind acknowledging levy, a full 100% discount is given on the levy contribution. Their total contribution to the training levy is \$0. Government contribution supports the education provider to validate the formal learning.

## No training consideration

If this business did not train, the full contribution under the in-kind acknowledging levy model would mean a levy contribution of \$11,500 and a 0.15% decrease in operating profit margin.

## Caveats

\* Training expense: Assumes no training expense due to the business fully training, providing pastoral care, and assessing their learners, which in the current state would not incur any user-fee.



# Key Insights and Considerations – Māori Forestry

Aspirations shared through wānanga with Māori forestry stakeholders highlight how a levy could support workforce development while advancing Māori-led solutions. While this is only an initial concept the insights offer a potential model for how levy systems can support Māori priorities and wider equity outcomes.

## → **Support for a 'By Māori for Māori' Model**

Strong interest was expressed in establishing a voluntary, dedicated levy approach to invest in Māori-led training. A targeted fund could help overcome industry reluctance and ensure funding reaches Māori priorities.

## → **Equity of access to training resources**

Participants highlighted the need to ensure Māori training organisations have the same access to funding as mainstream institutions, particularly for trusts and community-based providers.

## → **Structured investment linked to wages**

There is support for wage-linked levy mechanisms that reflect employer investment and support learner readiness through intentional, long-term training.

## → **Leadership and participation pathways**

Participants identified a levy as a tool to strengthen Māori leadership and build skilled pathways into forestry governance and delivery roles.

## → **Explore a Māori-led training institution**

There is interest in developing a Māori-led body to direct training funds and tailor programme delivery to community and sector needs.

## → **Sector development via Mātauranga Māori**

Māori knowledge systems were seen as essential to developing a highly skilled, future-ready forestry workforce, with an emphasis on holistic learning.

## → **Clarity and demand signals for providers**

Participants emphasised the need for Māori-led clarity on programme expectations to ensure providers respond to actual workforce needs.

## → **Collaboration and innovation**

There is a strong desire to pursue collaborative pilot models, particularly through Māori nurseries and regional forestry initiatives, as a pathway for testing and scaling community-led approaches.

There is no fear of paying user-fees particularly if it targets the impact and outcomes desired. The fear is if user pays fees or a levy were used for programmes not aligned to industry workforce and capability development goals and/or to perpetuate inequities.



# Data

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# Data Sources Used in Curating Case Studies

We have used publicly available data sourced from New Zealand statistics hubs and industry leaders, making approximations in consultation with industry where appropriate.

**Dairy industry:** We researched the Dairy industry with [Muka Tangata, 2023](#) as a primary source, followed by publicly available data from [IBISWorld, 2025](#), [MPI, 2024](#), [Stats NZ](#), [Rabobank](#) and [Dairy NZ](#). We encountered data availability challenges, particularly concerning calculating representative case study enterprises so used sources, [Contract Milking Report](#), [Dairy Industry Profitability](#) and [DairyNZ Economic Survey](#) with industry representatives input to approximate. Our analysis was refined by consultations with industry representatives, enriching our understanding of key aspects within the industry.

**Forestry industry:** We researched the Forestry industry with [Muka Tangata, 2023](#) as a primary source, followed by publicly available data from [IBISWorld, 2025](#), [MPI, 2024](#), [Stats NZ](#) and [NZ Companies Office](#). We faced challenges sourcing forestry course costs, so used average costs from the other agricultural courses case studies, adjusted by EFT to derive approximate expenses.

**Māori forestry industry:** We researched the Māori-owned Forestry industry using the forestry industry inputs, noted above, as a primary source and estimated the Māori contribution by applying the percentage of Māori involvement provided by our sources. The primary sources used were [Muka Tangata, 2023](#), [Stats NZ](#) (for business demography, business employment and financial data). We encountered data availability challenges, particularly concerning calculating the different enterprises so used sources [Tarawera Land Company](#) and [Te Rūnanga o Ngāi Tahu Group, 2024](#) to approximate. Our analysis was refined by consultations with industry representatives, enriching our understanding of key aspects within the industry.

**Nursery industry:** We researched the Nursery industry with [Muka Tangata, 2023](#) as a primary source, followed by publicly available data from [NZPPI](#), [Stats NZ](#) and [Corrections](#). We encountered data availability challenges, particularly concerning calculating a representative social enterprise business, so used [Kaipatiki Project, 2021](#) as a source to approximate this as a case study. Our analysis was refined by consultations with industry representatives.

**Vegetables industry:** We researched the Vegetables industry with [Muka Tangata, 2023](#) as a primary source, followed by publicly available data from [IBISWorld, 2024](#), [Stats NZ](#) and [MPI 2024](#). Our analysis was refined by consultations with industry representatives, enriching our understanding of key aspects within the industry.

**Detailed publicly available data sources can be provided on request.**



# Thank you

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