Pathways to successful SMEs in construction and infrastructure

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With thanks to the key informants who gave their time and expertise to inform this piece of work.
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CONTENTS

EXECUTIVE SUMMARY

This report describes the findings of ConCOVE's stakeholder engagement exercise, which sought to understand the key skills and support required for tradespeople to thrive as small and medium enterprise (SME) business owners in the construction and infrastructure sectors of Aotearoa New Zealand. The project identified that, although many tradespeople are highly skilled in their craft, a lack of business acumen and support often leads to high rates of SME failure within the sector.

To explore these challenges, the report draws on recent industry publications and data, as well as direct input from a diverse range of stakeholders across the construction and infrastructure industries. The 'Industry context' section highlights that construction is a major contributor to New Zealand's economy, accounting for 6.3% of GDP and employing over 308,000 people. However, business survival rates remain low, with only 29% of construction businesses established in 2014 still operating in 2023, and a similar trend seen for more recent startups. The sector is characterised by a predominance of SMEs—most having fewer than 100 staff and many operating as sole traders.

The 'Meister programme' section describes the German approach to advanced training for tradespeople, which focuses on practical business training and mentorship. It is described in this report and discussed with stakeholders as a model that could be adapted to support business aptitude for SME owners in a New Zealand context.

The 'Stakeholder narratives' section captures the insights of industry representatives, who identified specific barriers to SME success including access to business training, financial management, and regulatory knowledge. Stakeholders also discussed the impacts of market volatility and the need for more robust mentoring and knowledge sharing opportunities. A strong consensus emerged around the potential for Vocational Education and Training (VET) to play a key role in addressing these gaps, by equipping tradespeople with practical business skills and connecting them with relevant resources.

Finally, the 'Next steps and recommendations' section synthesises stakeholder feedback, proposing education-based solutions and identifying agencies best placed to drive change. Recommendations include developing stackable micro-credentials covering technical expertise, business knowledge, and teaching/mentorship skills to create an advanced trade qualification pathway for SME owners. An optional business-focused strand should be integrated into apprenticeship programmes to provide early exposure to essential business concepts such as cash flow management, quoting, and compliance. Beyond education, the Ministry of Business Innovation & Employment (MBIE) and the Companies Office should investigate minimum business-readiness requirements for trade business registration, potentially including a provisional licensing model that demonstrates baseline business competence before full registration. Inland Revenue (IRD) should provide targeted tax education for construction SMEs and consider the requirement of demonstrated understanding of tax obligations (such as completion of an accounting micro-credential) before GST registration. These measures aim to address the critical gap between technical trade skills and business management capabilities, ultimately improving SME survival rates and sector resilience.

These findings are corroborated by the ConstrucTrend survey (2025) , which found that some employers identified skills gaps around compliance, costing and quoting, apps and software, accounts, and business marketing among both recent and experienced tradespeople[*]. Significantly, just under half of respondents who started a business did so within five years of completing their level 4 apprenticeship, highlighting the urgency of equipping apprentices with business skills early in their careers.

INTRODUCTION

This project seeks to understand which skills and support tradespeople need to succeed as small medium enterprise (SME) business owners in the construction and infrastructure industries in Aotearoa New Zealand. This project recognises that many tradespeople possess great technical skills but sometimes lack the business skills required to run a successful enterprise. As a result, SMEs in construction and infrastructure have very high failure rates, as detailed in the following sections of this report.

To gain a fuller picture of the issues contributing to the high SME failure rate, ConCOVE undertook a scan of recent industry publications and reports, and conducted a stakeholder engagement exercise to gain perspectives from across the industries. The 'Industry context' section of this report summarises open-source publications that describe the realities of business for SMEs in construction in New Zealand. The 'Stakeholder narratives' section details what industry stakeholders shared with ConCOVE about the challenges SMEs are facing, and possible solutions. ConCOVE was particularly interested in the role that Vocational Education and Training (VET) could or should play in supporting SMEs in construction and infrastructure to succeed.

The report concludes with a 'Next steps and recommendations' section which consolidates what stakeholders told ConCOVE and identifies the agencies or organisations best positioned to drive solutions.

INDUSTRY CONTEXT

The construction sector is a vital contributor to New Zealand's economy. According to MBIE's 2023 Building and Construction Sector Trends Annual Report, in the year to March 2023, construction generated 6.3% of the country's real GDP (NZ$17.6 billion). The sector employs 308,500 people, representing 10.7% of the country's total workforce (MBIE, 2023).

[*] Plumbers, carpenters, and electricians were surveyed.

BUSINESS DEMOGRAPHICS AND SURVIVAL ANALYSIS

The majority of construction businesses established before 2018 are no longer in business (Figure 1). Statistics New Zealand's business survival data shows that of the construction businesses established in 2014, only 29% remained operational last year. Of those established in 2018, only 44% were still operating.

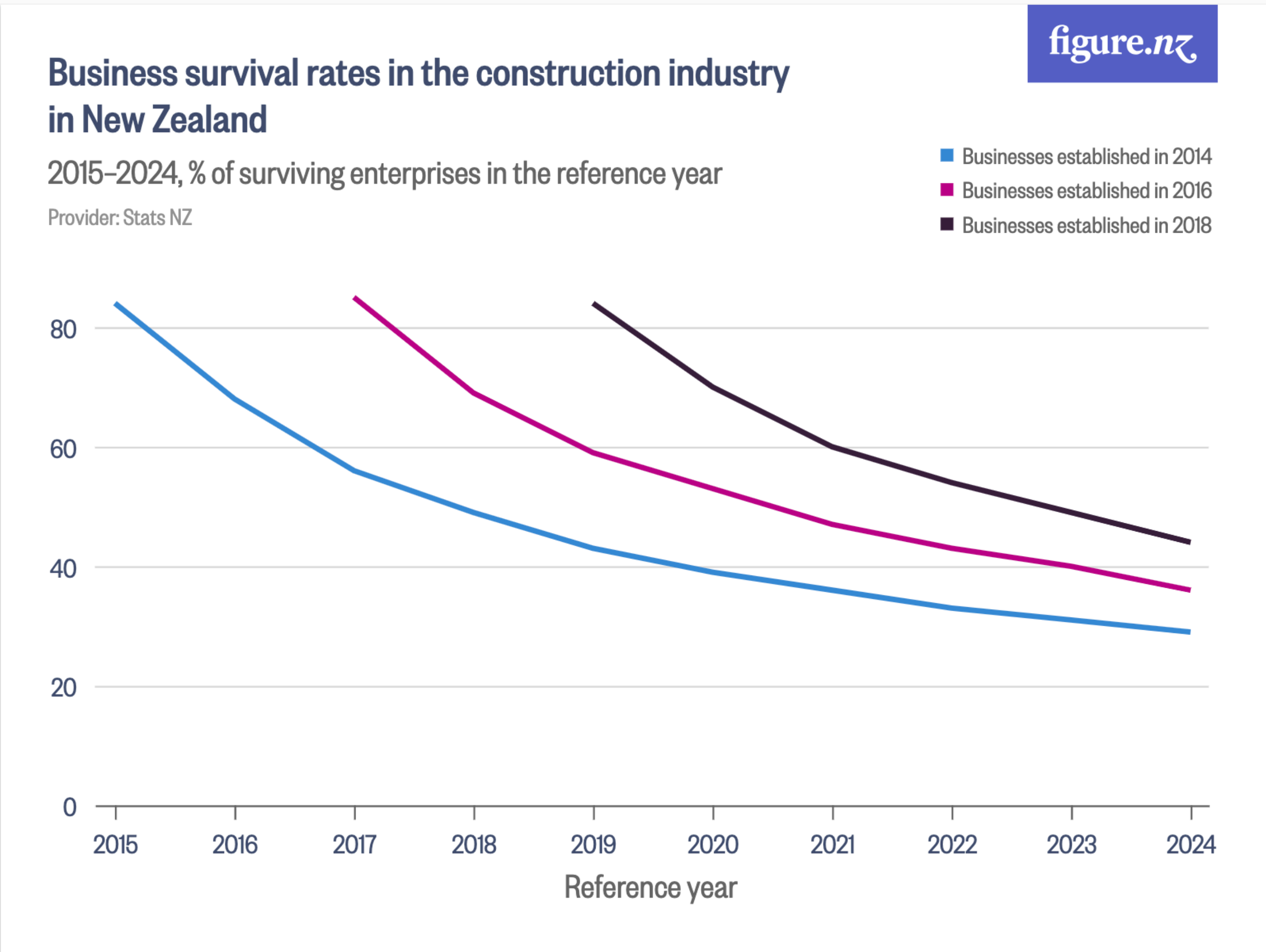


Figure 1. Accessed at [Business survival rates in the construction industry in New Zealand - Figure.NZ] March 2025

The construction industry in New Zealand is predominantly made up of SMEs with less than 100 staff (Figure 2). While business survival data by size of business is not readily available, given that the vast majority of businesses have no employees (that is, they are sole traders), it is appropriate to assume that the business survival rate data adequately describes the fate of SMEs in construction.

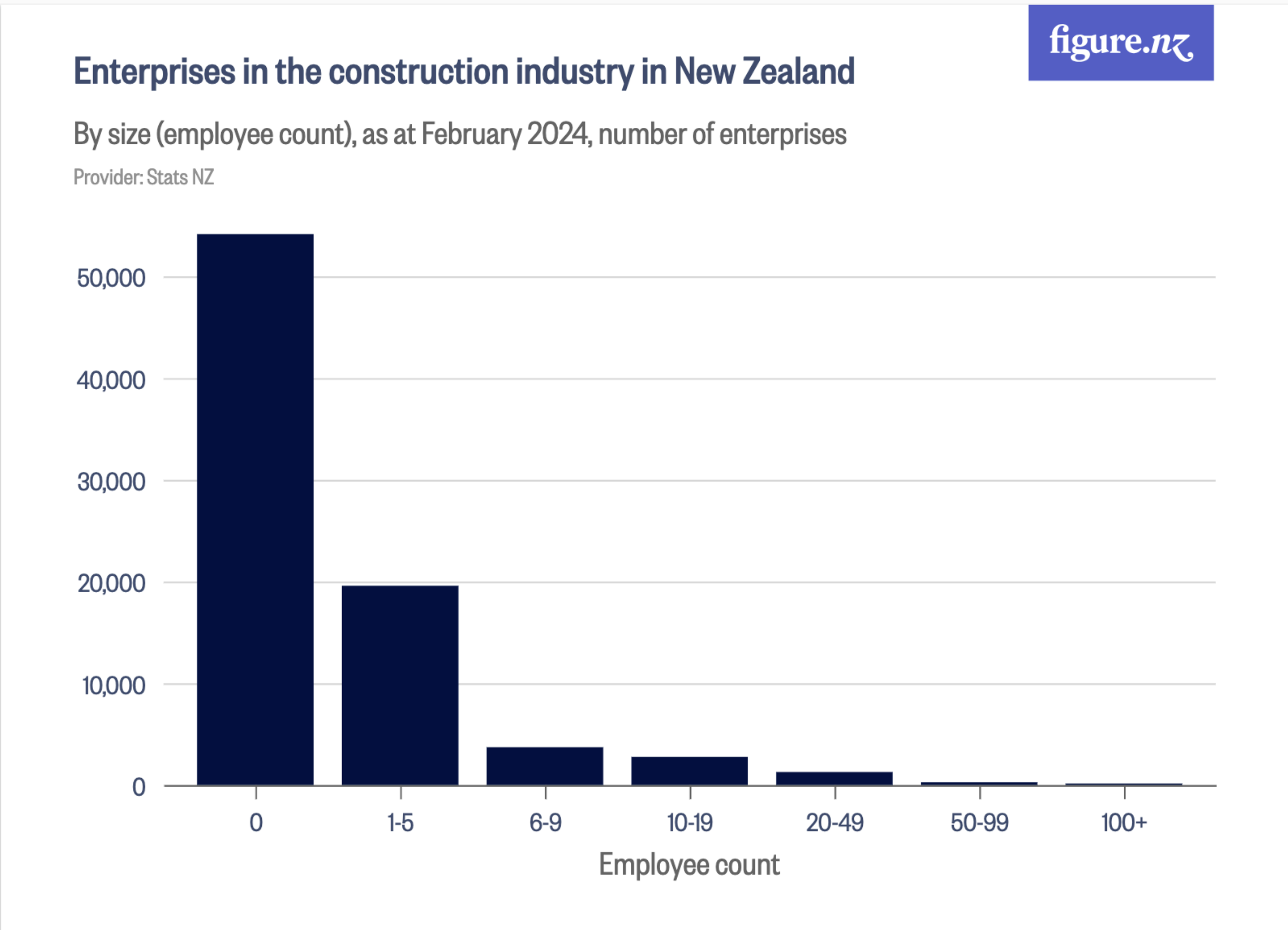


Figure 2. Accessed at [Enterprises in the construction industry in New Zealand - Figure.NZ]() March 2025

Despite the high failure rates of new businesses in construction, the number of enterprises in the industry has climbed steadily over the last decade (See Figure 3). This indicates that tradespeople continue to incorporate new businesses despite the apparent risks. It is important to understand why some SMEs in construction succeed while others do not.

Figure 3. Accessed at [Enterprises in the construction industry in New Zealand - Figure.NZ](#) March 2025

Ordinarily, construction business births outnumber business deaths in New Zealand (Figure 4). Apart from in times of economic crisis, our construction industry has continued to grow. However, large numbers of construction businesses fail even in times of economic prosperity (Figure 4). The following sections of this literature scan will briefly describe some of the factors that may be contributing to these business deaths. It will inform lines of questioning for conversations with industry stakeholders to better understand how SMEs can be supported to succeed in the New Zealand's construction sector.

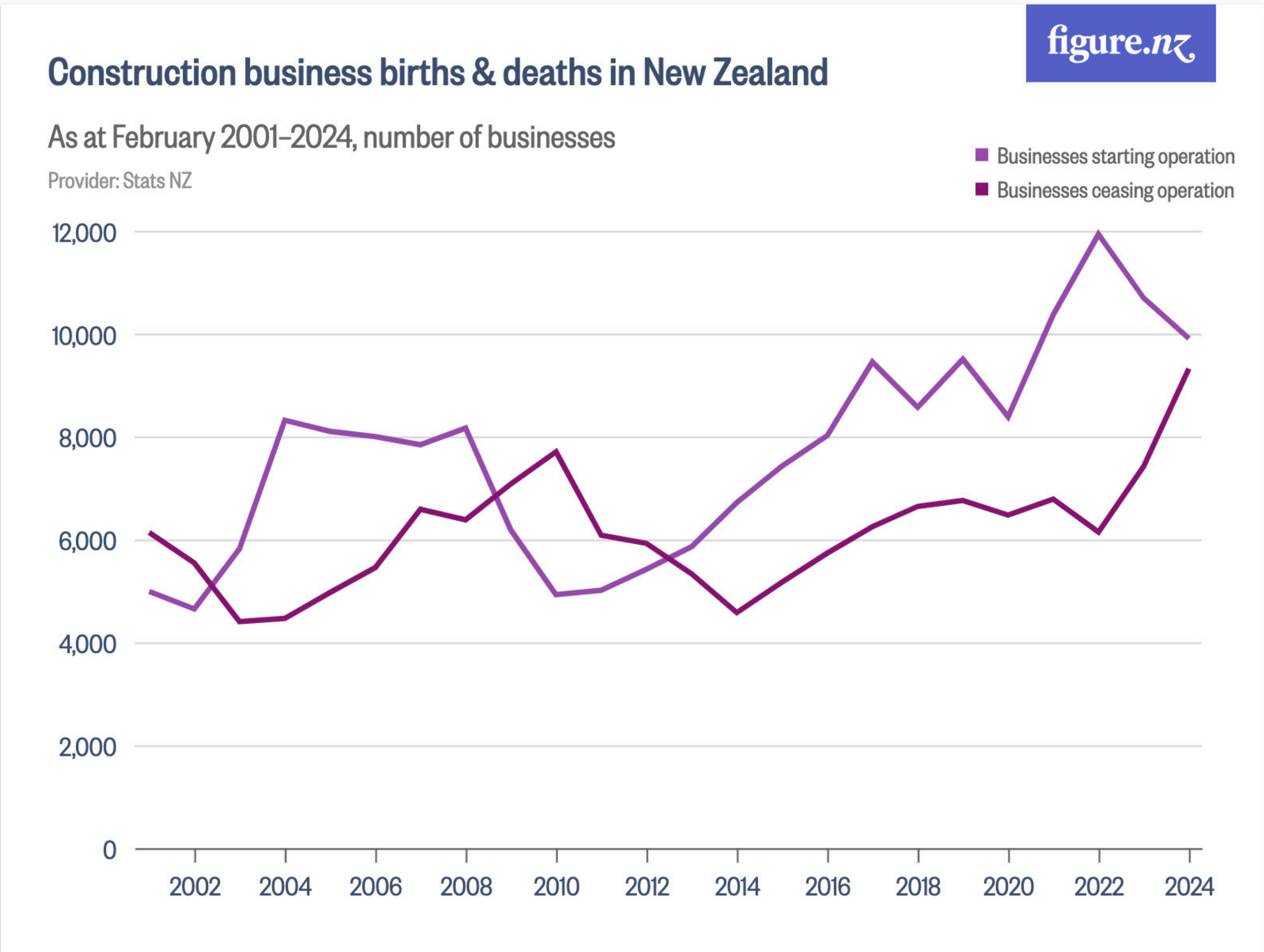


Figure 4. Accessed at [Construction business births & deaths in New Zealand - Figure.NZ](#) March 2025

BUILD QUALITY AND COMPLIANCE

Recent data from Auckland Council inspections found that "over a third of new builds failed final inspection in the year to May 2025, with defects spanning cavity wrap (25.6%), framing (27%), cladding (22.1%), and drainage (14.5%)" (OneRoof, 2025). This paints a worrying picture of quality control, even among new dwellings, and suggests that business viability is not the only issue—structural soundness is at risk too.

At the same time as these quality concerns are emerging, the Government has announced the most significant reform of the building consent system since the Building Act 2004. Key changes include moving from a joint-and-several liability model to proportionate liability, allowing councils to consolidate their Building Consent Authority functions at regional level, and introducing exemptions such as no-consent requirements for small dwellings like granny flats. Virtual inspections are also expected to become standard practice (New Zealand Government, 2025).

While these reforms are intended to reduce cost, duplication, and inefficiency, they will also alter the operating environment for SMEs. On one hand, shifting to proportionate liability reduces the burden currently shouldered by councils and ratepayers when poorly prepared SMEs fail, placing responsibility closer to those undertaking the work. On the other hand, loosening consent requirements (for example, for granny flats) will increase the reliance on SMEs to deliver quality outcomes without the same regulatory checks. This amplifies the importance of SMEs having the business, financial, and quality-management capability to succeed. Without these skills, regulatory reform risks compounding failure rates and eroding consumer confidence.

WORKFORCE RETENTION, CULTURE AND BUSINESS SKILLS

Research commissioned by Waihanga Ara Rau (2023) identifies several critical factors affecting retention in the construction industry. Company culture operates from the top down, with employers setting the tone that can either encourage positive or negative workplace environments. Many workers report that the industry lacks clear or enforced guidelines and standards, which enables inconsistent practices across employers. These variations in workplace standards and culture can significantly impact worker satisfaction and retention. Staff turnover has disproportionate impacts on SMEs which have greater reliance on individual team members on sites.

The Waihanga Ara Rau (2023) report also describes some of the challenges faced by SMEs, including that many small construction businesses are established by skilled builders who may lack business management and people management skills. This creates downstream effects on employee retention and development. The report notes that while many employers do not set out to be difficult, the gap between technical building expertise and business management skills can create significant operational challenges. Business management skills, including financial management skills, are essential to the success of construction SMEs.

MENTAL HEALTH AND WELLBEING

BRANZ research has identified concerning mental health trends in the construction industry. A 2018 study reported that almost 7% of working-age male suicides in New Zealand were by workers in the building industry – the highest proportion across all industries (Bryson & Duncan, 2018). Follow-up research revealed that job insecurity, uncertainty of work pipeline, and work-related stress were particularly significant factors. Self-employed contractors and business owners were particularly vulnerable to these stressors (Bryson et al., 2019).

These findings are reinforced by Waihanga Ara Rau's 2023 report, which emphasises ongoing concerns about mental health in the industry. The report found that unclear standards, high-pressure environments, and lack of support structures contribute to stress and burnout, particularly among apprentices and early-career builders.

Bryson and Duncan (2018) describe how poor mental health impacts productivity. Mental distress increases absenteeism, presenteeism and staff turnover, all of which have more profound effects on SMEs due to their reliance on a smaller number of staff to get the job done. If small and medium sized business owners do not know how to support the wellbeing of their staff, the overall productivity of the business may suffer undermining its chances of success.

More recent data emphasises the mental health burden carried by construction industry workers. According to WorkSafe NZ, around 25% of construction workers experienced work-related mental health issues in the past year, including anxiety (16%), depression (14%), and high stress levels (14%).

Research reported on by RNZ (June, 2025) shows that suicide rates in construction are 25% higher than in other sectors. Nearly one construction worker dies by suicide each week, contributing to an estimated NZD 1.1 billion annual economic burden.

A humanrights.org report also described Māori, Pasifika, women, migrant workers, and apprentices as disproportionately affected by mental health challenges and suicidality in the industry.

MATES in Construction's wellbeing survey indicates that site-based workers are often neglected, with only about 25% receiving regular wellbeing check-ins from employers during isolation periods. Many reported low energy (88%), feelings of depression (66%), and experiencing a period of time which was among the most difficult of their lives (41%).

Beyond the data on suicide and stress, anecdotal evidence from affected homeowners shows the emotional toll of defective builds: people facing bankruptcy, needing to sell vehicles, or experiencing breakdowns due to building issues (OneRoof, 2025). The pressure this places on already overextended SME owners is profound, highlighting the cost of inadequate regulation and insufficient business preparation.

NAVIGATING FINANCIAL AND ECONOMIC CHALLENGES

Financial factors are a key stressor affecting SME performance in construction. BDO's 2024 Construction Survey Report found that economic, technological and political factors were of greatest concern to business owners in the industry. Less than half of those surveyed felt positive about their business performance regarding each of those factors. Increased competition and decreasing margins were also reported, with 41% of those surveyed saying margins were lower this year than the last. Insecurity around the pipeline of work and access to finance was another major concern for survey respondents. These financial and economic challenges require a level of business resilience and skill to navigate to ensure construction SME survival (BDO, 2024a).

The BDO Business Wellbeing Index (BDO, 2024b) highlights the connection between wellbeing and industry perspectives on financial performance. Figure 5 depicts the trend for wellbeing (measured by the World Health Organisation's wellbeing index) to track alongside business financial sentiment within the sector. This further demonstrates the importance of business and financial literacy for SME success and the wellbeing of construction business owners.

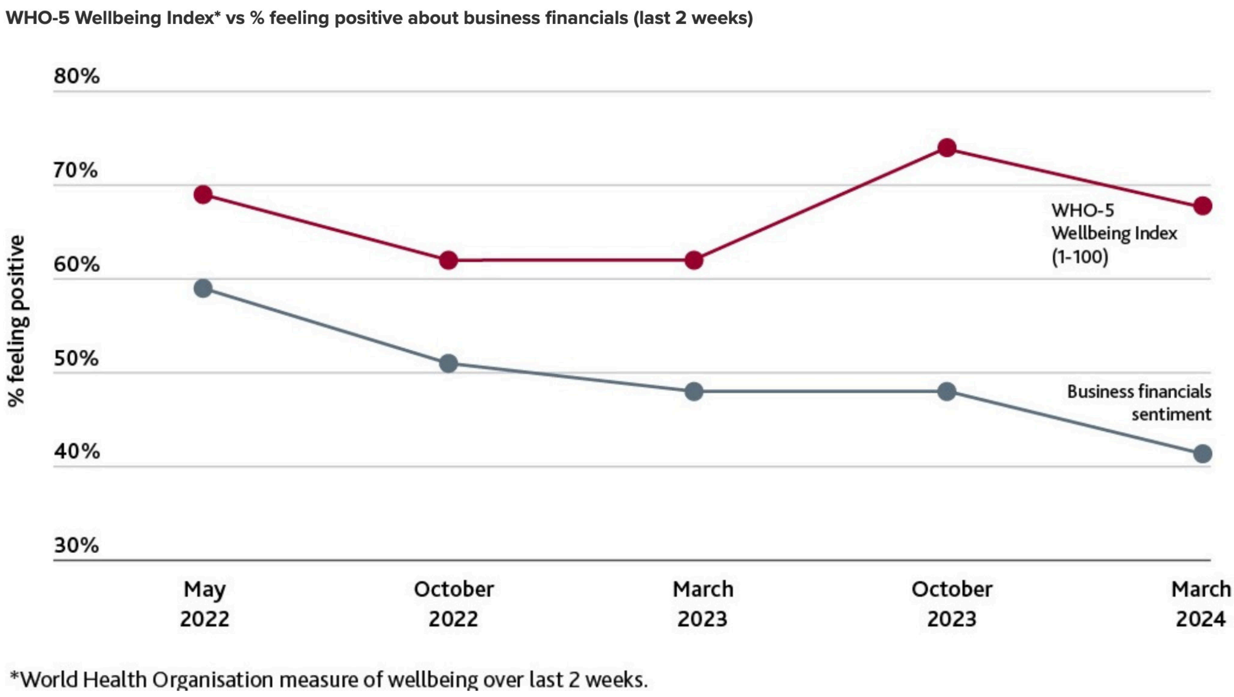


Figure 5. Accessed at [BDO Business Wellbeing Index | APRIL 2024 - BDO] March 2025

To complicate matters, construction projects often feature high upfront costs for labour, materials, and equipment. Coupled with long payment cycles—sometimes extending to 60, 90, or even 120 days—these factors stress liquidity and make managing daily operations increasingly difficult.

REGIONAL VARIATIONS AND COST OF LIVING

The Waihanga Ara Rau report (2023) also identifies specific regional challenges, particularly in areas like Queenstown/Wanaka where housing affordability and cost of living make it difficult to find and keep staff who can afford to live and work in these regions. These geographic variations add important context to understanding retention challenges across New Zealand.

EDUCATION AND TRAINING

As part of this project, a review of construction trade training qualifications was undertaken. It revealed that current vocational education programmes do not address business management skills. A survey conducted by the Small Business Council found that while almost all respondents (96%) were confident in their business management skills, only 36% had completed any form of management training. Digital and technical resources, business planning, and strategic growth were identified as areas of greatest interest for training (Small Business Council, 2019).

SKILLS GAPS AMONG TRADESPEOPLE

Recent research reinforces the disconnect between technical competence and business readiness in the construction sector. The ConstrucTrend survey (2025) asked carpenters, electricians, plumbers and people who employ them about a range of core transferrable and trade-general technical skills that may be needed for their roles. The survey found that employers identified significant skills gaps around compliance, costing and quoting, apps and software, accounts, and business marketing among recent graduates, and some experienced tradespeople they employed.

The survey also found that commercial understanding, documentation, and communication were commonly mentioned as areas employers would like to see recent graduates upskill in. Computer and business skills were frequently identified for upskilling in open-ended comments, further emphasising the breadth of non-technical capabilities required for success in the sector.

CAREER PATHWAYS AND TRANSITIONS

Waihanga Ara Rau (2023) reported that apprentices often leave before completing their training because they become disillusioned with employers, workplace culture and industry practices. More experienced builders typically exit for different reasons, including seeking improved income after completing apprenticeship training, limited or unclear career advancement options, and planning ahead for the physical toll of construction work. These departures are disruptive to the successful functioning of SMEs in construction, undermining their long-term viability. Business owners need strong people management and development skills to retain good staff who will contribute to the success of the business.

SUMMARY

This literature scan summarises key publications relevant to construction industry SME success in New Zealand. The literature available online does not provide a clear answer to the question of why some SMEs in construction succeed while others fail. However, it does describe a selection of explanations that likely compound to undermine SME success. Ensuring SME business owners have the business skills to manage their companies as well as their people might alleviate many of the factors described in these publications. Specifically, business owners must understand that retaining good staff means fostering a workplace culture that supports their wellbeing and career development.

While tradespeople finish their apprenticeships equipped to ply their trades, they do not necessarily have the business skills needed to run a successful SME of their own.

Acknowledging this potential skills gap and encouraging training in business, financial, legal, compliance, health and safety and people management may be one way of increasing the success rate of construction SMEs in New Zealand.

AN INTRODUCTION TO THE MEISTER QUALIFICATION SYSTEM

The German Meister (Master Craftsperson) qualification represents an advanced vocational education pathway that could address many challenges facing New Zealand's construction sector. Drawing from the vocational education and training in Germany, this section explores the Meister system and its potential applicabilition to the New Zealand context. Note that in Germany, a tradesperson cannot start a business in their trade without the Meister qualification.

Overview of the Meister system

The Meister qualification sits at level 6 in the German Qualifications Framework (DQR), equivalent to a bachelor's degree (NZQCF level 7) in the academic education track. It represents a significant advancement beyond initial vocational training and is categorised as "upgrading training leading to a qualification at master craftsman level" (GO:VET, p.6). In the German system, this qualification is officially titled "Bachelor Professional" and includes specific designations such as "master craftsman qualification in agriculture, master chef, master craftsman qualification in restaurant management, master craftsman qualification in electrical engineering" (GO:VET, p.6).

Key Components and Requirements

The Meister qualification is characterised by:

1. **Prerequisite qualifications:** Candidates must have already achieved a DQR level 4 qualification (typically completed a 3-3.5 year apprenticeship).
2. **Substantial training commitment:** A minimum of 1,200 hours of learning.
3. **Flexible delivery models:** Available through both full-time and in-service (part-time while working) pathways.
4. **Duration:** Typically ranges from 1-3.5 years depending on mode of study.
5. **Comprehensive content:** Includes business management, leadership, and advanced technical skills.

Educational Pathways and Career Advancement

The Meister qualification serves multiple purposes in the German vocational system:

1. **Technical expertise:** Recognition as a master of technical craft skills.
2. **Business credentialing:** Qualification to establish and operate a business.
3. **Teaching authority:** Permission to train apprentices.
4. **Academic bridging:** Provides general access to higher education, allowing vocational learners to enter university studies without traditional academic prerequisites (GO:VET, p.15).

Higher Progression Opportunities

Beyond the Meister/Bachelor Professional level, the German system offers further advancement options:

- **Master Professional [DQR 7]:** Accessible after achieving DQR 6 (Meister level), requiring at least 1,600 hours of learning with titles such as "Master Professional in Technical Business Management" or "Master Professional of Vocational Training" (GO:VET, p.7).

Relevance to New Zealand Construction Sector Challenges

The Meister system offers a potential model for addressing several issues identified in New Zealand's construction sector:

1. **Business sustainability:** The structured business management training component directly addresses the gap between technical building expertise and business management skills highlighted in the Waihanga Ara Rau (2023) research.
2. **Training quality:** By formally qualifying experienced tradespeople as trainers/educators, the system could improve the quality and consistency of apprenticeship supervision, potentially addressing the retention issues cited in industry research.
3. **Career progression:** The clear pathway from tradesperson to business owner/manager provides the "limited or unclear career advancement options" that Waihanga Ara Rau (2023) identified as lacking in the current system.
4. **Sector professionalism:** A formal qualification acknowledging mastery could elevate standards across the industry and provide clearer guidelines that research indicates are currently lacking.
5. **Mental health benefits:** By better preparing tradespeople for business ownership with appropriate skills and knowledge, the system might help mitigate the job insecurity, uncertainty, and work-related stress factors identified in the BRANZ research (Bryson & Duncan, 2018; Bryson et al., 2019) as contributors to poor mental health outcomes.

Integrating the Meister concept with te ao Māori concept of mataaro (trade master) presents an opportunity to develop a culturally appropriate advanced qualification that addresses the specific challenges facing New Zealand's construction sector SMEs.

STAKEHOLDER ENGAGEMENT

Nine stakeholders representing a variety of interests across the construction and infrastructure sectors were engaged. Representatives from VET, industry organisations, businesses and research organisations spoke to ConCOVE about issues impacting SME success in Aotearoa New Zealand.

Stakeholder conversations covered five main talking points:

- Why SMEs in construction and infrastructure have such a high failure rate.
- How VET can support SMEs to succeed.
- What the skills gaps might be.
- The German Meister or Master Craftsperson programme.
- Whether it's too easy to set up a business in trade in Aotearoa New Zealand.

These stakeholder conversations generated five narratives, aligned to these talking points:

NARRATIVE ONE: EXPLAINING HIGH SME FAILURE RATES

Through stakeholder engagement, several key themes emerged regarding SME failure rates in New Zealand's construction industry.

Self-employment is a normalised career path for trades

Stakeholders discussed how the industry is dominated by small businesses which drives newly qualified tradespeople towards self-employment and small business ownership. "Going out on your own" is culturally sanctioned in the construction industry as the next step in a tradesperson's career progression, largely because employment in a small business doesn't provide opportunities for advancement and promotion. It can also be seen as a way of future proofing a tradesperson's income by "getting off the tools" and protecting their body from injury as they get older. Stakeholders explained that this can lead to good tradespeople who lack business skills setting up SMEs that are unlikely to succeed.

Timing of business entry

The ConstrucTrend survey (2025) provides quantitative evidence for stakeholder observations about the timing of business establishment. Of the survey respondents who had started a trade-related business, just under half did so within five years of finishing a level 4 apprenticeship. This rapid transition from apprentice to business owner means many tradespeople are establishing businesses with minimal post-qualification experience and without formal business training. This timing explains why stakeholders emphasised the importance of introducing business skills during apprenticeship training rather than waiting until tradespeople have already gone into business. This was particularly the case for carpenters.

Business and financial management challenges

One of the predominant themes that emerged is the challenge of business and financial management. Many SMEs struggle with cash flow issues, inadequate financial planning, and limited skills and experience around trade specific financial management. A lack of knowledge around invoicing, managing work pipelines, quoting and pricing of jobs, relationship management and tax obligations can be terminal for construction SMEs, especially during economic downturns or periods of low demand. Stakeholders described the way a lack of experience in business can mean SMEs established during a construction "boom" phase are ill equipped to weather the "bust" phase of the industries' now well-established economic cycle. During bust phases, larger companies have fat that can be trimmed, however SMEs are less likely to be able to reduce costs and maintain productivity.

Importantly, stakeholders noted that these skills are not taught as part of trades training programmes at apprenticeship level. They also noted that teaching these skills would not only better equip some tradespeople for future business ownership, but would also help some tradespeople rule out business ownership as an option for them. Both outcomes would increase the resilience of the industry overall.

NARRATIVE TWO: VET ROLE IN SUPPORTING SMES

Business management skills

Stakeholders said that business skills are not currently taught during trades training at apprenticeship level, and that uptake of formal training dissipates rapidly after level 4. Stakeholders largely agreed that it should be the role of VET to equip tradespeople with essential business management skills. This includes financial management, marketing, and soft skills including communication, relationship management and leadership. Stakeholders said understanding the fundamentals of running a business is crucial for tradespeople who want to transition from being skilled workers to successful business owners and should be delivered by VET providers before a tradesperson goes into business.

Stakeholders acknowledged that training programmes covering these skills do already exist, but uptake from SME business owners is low. It was noted that more generic business skills offerings (e.g. solutions offered by Xero, Hnry, or non-industry education providers) do not cover trade specific business skills (e.g. pricing jobs, quoting, work pipelines) or are not flexible enough to accommodate construction business owners.

One stakeholder said there was potential for "on ramp/off ramp" style training where business owners could dip in and out of training depending on their needs and stage of their career.

There was some contradiction in stakeholders' discourse around when VET should provide business skills training. They agreed that these skills are needed prior to a tradesperson starting their business, but discussed accessibility to training for existing business owners. This implies that both training options are necessary.

Leadership and team management

The ability to lead and manage a team effectively was another skill mentioned by stakeholders. They suggested that VET could provide training in "soft skills" such as leadership, communication, and relationship management (clients, staff, and apprentices). Stakeholders said that strong leadership skills are important for tradespeople to support productivity and staff retention in an industry renowned for a high rate of "churn".

Related to this skill was the need for VET to deliver training on how to be a good mentor or teacher. Existing "Train the trainer" one-day programmes like those offered by BCITO are popular and oversubscribed, indicating business owners recognise the need for development in this area if they wish to teach and retain good apprentices. These current offerings do not form part of any formalised qualification, yet their popularity signals a need indicating they could be integrated into formal qualifications.

Adaptability and innovation

Stakeholders mentioned VET's role in supporting tradespeople to adapt to changing industry demands and facilitate innovative thinking. Stakeholders said VET should foster a culture of continuous learning and innovation. Ongoing learning should support tradespeople to stay up to date with industry trends and technologies essential for maintaining competitiveness. However, it must be noted that stakeholders from within VET did not always appear to be up to date on advances in technology across the trades.

What VET should teach tradespeople to equip them for owning a business

Stakeholders provided specific recommendations on the topics that VET should cover to prepare tradespeople for business ownership. These include:

- **Economic and Financial Literacy:** Training on budgeting, financial planning (understanding boom and bust cycles), and managing cash flow to ensure tradespeople can maintain the financial health of their businesses.
- **Marketing and Sales:** Education on effective marketing strategies, customer relationship management, and sales techniques to help tradespeople attract and retain clients.
- **Human Resources Management:** Guidance on how to lead teams to retain staff, ensuring a workplace that supports wellbeing and productivity, which creates continuity.
- **Strategic Planning:** Teaching tradespeople how to develop and implement business plans, set goals, and make informed decisions to drive business growth and success - or to know enough to not start a business in the first place.

Barriers to accessing VET

Stakeholders identified several barriers that are currently preventing tradespeople from accessing Vocational Education and Training (VET). These include:

- **Time Constraints:** Tradespeople often have demanding work schedules, making it difficult for them to find time to attend VET programmes. The lack of flexible training options that accommodate their busy schedules was noted as a hindrance.
  [Note the Catch 22 nature of this barrier – where better time/business management skills would facilitate greater ability to plan for professional development opportunities].
- **Awareness and Accessibility:** There is a lack of awareness among tradespeople about the available VET programmes and their benefits. A lack of awareness of their own skills gaps before they entered into business is also an issue. Additionally, some stakeholders mentioned that VET programmes are not easily accessible in certain regions, limiting opportunities for tradespeople in those areas.
- **Perceived Relevance:** Some tradespeople may perceive VET programmes as not directly relevant to their immediate work needs, leading to a lack of interest in pursuing further training. Stakeholders emphasised the need for VET programmes to be tailored to the specific requirements of tradespeople to increase their engagement.

NARRATIVE THREE: SKILLS GAPS, SOLUTIONS AND BARRIERS

There is significant overlap between this narrative and narrative two where stakeholders discussed VET's role in supporting SMEs. Stakeholders were unanimous that skills gaps are a factor impacting SME business resilience in the construction industry. They noted that many new or inexperienced SME business owners do not know how to price jobs appropriately. Stakeholders said that inexperienced business owners can struggle to balance profitability with market competitiveness, leading to issues such as undercharging, which impacts financial viability, or overcharging, which risks alienating clients.

The ConstrucTrend survey (2025) provides specific evidence of these gaps. Computer and business skills were common areas identified for upskilling in open-ended survey responses. Employers noted that commercial understanding, documentation, and communication were areas where they would like to see recent graduates develop. These findings align with stakeholder observations that many tradespeople lack the non-technical capabilities required to manage projects, communicate with clients, and run businesses effectively.

Another issue raised by stakeholders was the lack of business planning and project management skills. They said that effective business planning and project management are needed to ensure construction projects are completed on time, within budget, and to specification. Without skills in these areas, stakeholders said SMEs struggle to maintain a reputation that enables them to stay afloat.

Stakeholders also pointed out that SME owners often have trouble understanding compliance costs, such as ACC levies. They said that these costs can be complex to calculate and incorporate into financial planning, leaving businesses vulnerable to unexpected expenses or penalties. Additionally, stakeholders observed that many operators lack general business awareness, such as a clear understanding of real operating costs and regulatory obligations. This gap can lead to mismanagement and non-compliance, with significant legal and financial repercussions.

Job security in SMEs was another concern raised by stakeholders. They highlighted the uncertainty faced by workers, especially in a sector like construction where projects and funding sources can fluctuate. This instability, stakeholders noted, affects morale and retention, complicating workforce stability for small operators.

Existing solutions and barriers

Stakeholders acknowledged that there are tools available to assist SME owners, such as Xero accounting software. However, they said these tools are often used as temporary fixes or workarounds rather than being integrated into a structured learning framework. This limits their effectiveness in addressing foundational skills gaps.

Regarding training, stakeholders pointed out that while advanced business training programmes exist, they are often overly academic and poorly timed. These programmes are usually delivered after individuals have already entered into business ownership, making it harder for them to access, or in some cases recognise the need to upskill. Stakeholders suggested that such training should be offered alongside trade education to ensure business skills are developed in tandem with technical expertise, rather than being treated as an afterthought.

Finally, stakeholders explained that regulatory and administrative complexity presents a major barrier to engagement. They observed that many operators feel overwhelmed by the “red tape” associated with compliance and administration, which discourages small operators from engaging fully with necessary processes. This, stakeholders said, creates a chilling effect, particularly on those with limited resources to navigate these complexities effectively. One stakeholder pointed out that most people don’t enter trades because they are great administrators.

Overall, stakeholders stressed the importance of an integrated and accessible approach to addressing these skills gaps, ensuring that SME business owners in construction are better equipped to manage both the technical and administrative demands of their businesses.

NARRATIVE FOUR: THE GERMAN MEISTER PROGRAMME

Stakeholders' perspectives on the Meister programme

Stakeholders generally agree that the German Meister programme is a good, advanced trade training programme, though there were mixed opinions on its suitability for Aotearoa New Zealand. A VET stakeholder highlighted the programme's emphasis on tailoring training to the learner through close collaboration between industry and students, describing it as a flexible and non-prescriptive system. They found this approach appealing for its ability to adapt to individual needs and foster innovation in training. However, others voiced concerns about whether such a model could be effectively implemented in New Zealand, pointing out systemic and cultural differences that might present barriers. Stakeholders noted the Meister programme's integration of licensing and qualifications within business setup processes as a valuable mechanism for ensuring that business owners are adequately prepared for the realities of running trade enterprises. These discussions bounced between appreciation for elements of the programme and recognising the complexities of adapting it to New Zealand's VET system.

Useful elements of the programme for New Zealand

Stakeholders identified several elements from the German Meister programme that could be adapted to strengthen New Zealand's systems. They suggested introducing a provisional licensing system where business operators must meet a minimum threshold of business acumen before becoming fully registered. They emphasised the importance of making hidden costs, such as ACC levies and compliance requirements, transparent so new business owners fully understand their commitments. Financial literacy and planning were also recommended as integral parts of the business setup process. Additionally, stakeholders saw value in implementing ongoing professional development and trend awareness as components of quality assurance frameworks, such as the Licensed Building Practitioner (LBP) scheme. Lastly, they proposed requiring business owners and supervisory staff to undergo training before taking on apprentices or junior staff, ensuring a higher standard of mentorship and skill development within the industry.

NARRATIVE FIVE: MINIMUM REQUIREMENTS FOR SETTING UP A BUSINESS IN TRADE

Stakeholders discussed several suggestions for introducing minimum requirements before tradespeople are permitted to set up their own businesses. One recommendation was to implement a provisional licensing system that ensures business operators meet a minimum threshold of business acumen before becoming fully registered. Another suggestion was to make costs such as ACC levies and compliance requirements visible to prospective business owners, so they have a clear understanding of their commitments.

Stakeholders also emphasised the importance of financial literacy and planning as part of the set-up process for new businesses. They proposed including ongoing professional development and trend awareness within quality assurance frameworks, such as LBP (Licensed Building Practitioner), to maintain high standards in the industry. Additionally, they suggested that business owners and supervisory staff should be trained before taking on apprentices or junior staff.

The impact of these minimum requirements was also discussed. Stakeholders suggested that such measures could reduce business failures by better preparing individuals before they start their businesses. This approach might regulate market entry more responsibly, encouraging readiness and deterring the unprepared. However, caution was advised, as over-regulation could create monopolies or unintentionally exclude Māori, migrants or marginalised groups through rigid or exclusionary systems.

NEXT STEPS AND RECOMMENDATIONS

Next steps and recommendations from the stakeholder engagement fell into two groups: education-based and non-education based solutions.

RECOMMENDATIONS FOR VOCATIONAL EDUCATION

Stackable micro-credentials for advanced trade level qualification

Stakeholders expressed admiration for the German Meister programme. However, they acknowledged that fundamental differences between the German and New Zealand education and training systems would make it difficult to replicate it in its entirety here. There were several aspects of the Meister programme that stakeholders said could inspire solutions in Aotearoa New Zealand.

Another commonly mentioned qualification was the former "advanced trade certificates", with several stakeholders raising this unprompted during the conversations on the German Meister qualification. It transpired that people still raised them due to the depth of skills they covered, the clear progression path they created towards supervisory or management roles, and the regulatory alignment with licensing frameworks like the Licensed Building Practitioner.

The proposed creation of a series of 'stackable' micro-credentials in trade business management, leadership, and training would see a way of rolling forward the successful aspects of the German Meister model, while returning more depth in the form of stackable chunks. The micro-credentials would each cover three crucial aspects necessary for career progression and sustainable business practices:

- Technical expertise
- Business knowledge
- Teaching/mentorship

Each would have standalone merit and could be used as prerequisites for other aspects of professional registration and regulatory compliance.

Content	Relevance	Pathway
Technical expertise	Fill the knowledge gap between competent tradesperson and site leader. Include: supervise complex projects, digital tools and emerging trends, site management and compliance, quality assurance.	LBP registration
Business knowledge	Crucial missing link for tradie-to-business-owner transitions. NZ's construction and infrastructure SME failures often stem from no training in pricing, cash flow, contracts, or compliance.	Gateway to business registration
Teaching/ mentorship	Supports intergenerational skill transfer and formalises a workforce development pipeline (apprenticeships, trainees). This is key to system sustainability.	Gateway to take on apprentices, progress to teaching roles

Cumulatively, these micro-credentials replicate the additional skills gained by tradespeople in the German Meister programme. They could form the building blocks of an advanced trade qualification for SME business owners in trades in Aotearoa New Zealand.

The micro-credentials would also be a vehicle for recognition of prior learning for the many business owners or tradespeople already operating successfully in the industry as a way to gain formal recognition for their skills and aptitudes.

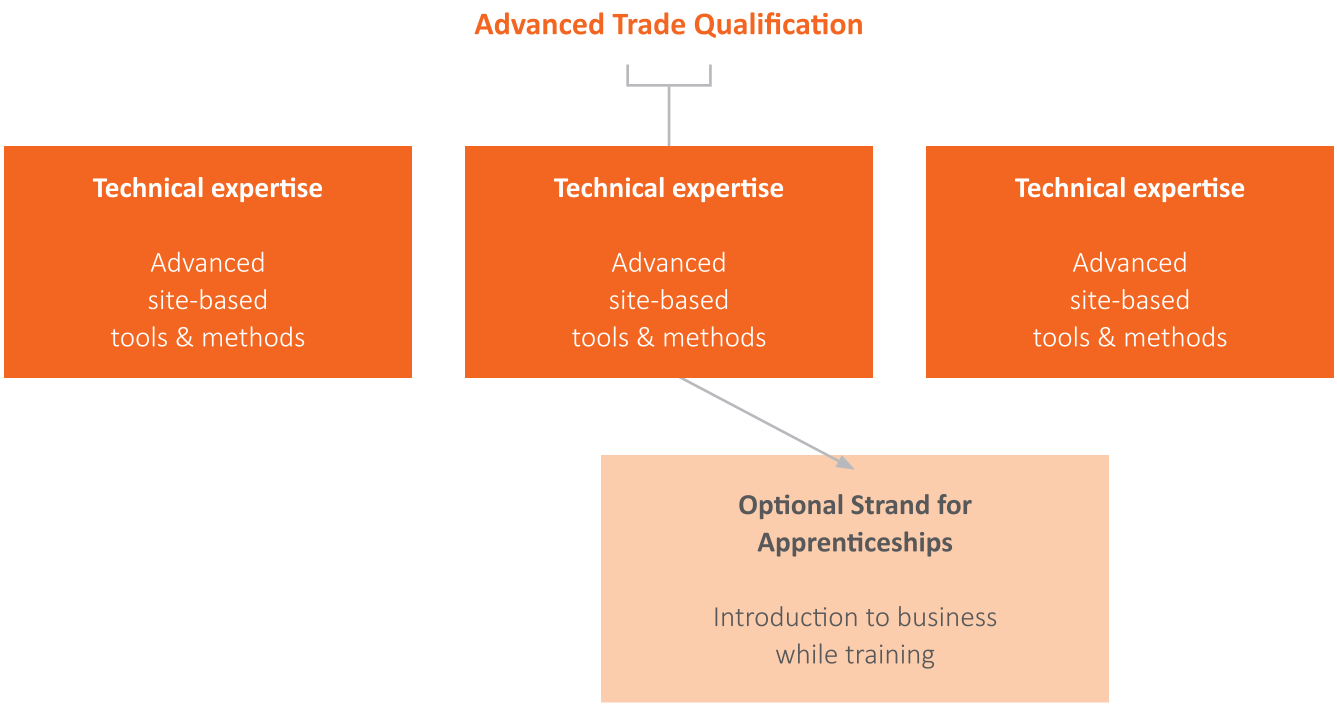
This would require co-ordination with other relevant licensing and regulatory bodies; work which is out of scope for the current timeframes of this project.

Optional strand for trade apprenticeships

This solution could be applied to existing trade qualifications to provide an early pathway for learners who already have a clear career trajectory in mind towards business ownership. This optional strand would align with the business knowledge content and cover essentials such as introduction to business structures (sole trader, company, partnership), cash flow and invoicing, quoting, employment basics and compliance, business planning and risk management, client management and negotiation. Ensuring this content is offered to apprentices addresses the issue raised by many stakeholders, that business skills training must be delivered prior to tradespeople going into business. This timing is critical. The ConstrucTrend survey (2025) found that of the tradespeople surveyed who started a business, just under half did so within five years of completing their level 4 apprenticeship. This means business skills training cannot be deferred to post-qualification professional development—by that time, many tradespeople have already made the decision to start a business. Offering this training early in a tradesperson's career helps them to make informed decisions about whether business ownership is right for them before they go out on their own. Equally successful is a person choosing to not start their own business, but in order to make this decision, people need more understanding of what it entails.

In turn, offering several on-ramps to individual success lays the foundation for industry success. The optional strand is a low-risk, high-impact addition that signals future career opportunities for apprentices, thus equipping them to make a more informed decision to start a business or not. It sets them up for success and gives them the choice of taking on business content now or later.

PROPOSED MICRO-CREDENTIALS FRAMEWORK FOR SME SUCCESS IN CONSTRUCTION



This diagram illustrates the three proposed stackable micro-credentials - technical expertise, business knowledge, and teaching & mentorship - that form the foundation of an Advanced Trade Qualification. It also shows the optional business-focused strand that could be offered within apprenticeships, enabling early exposure to business concepts and acting as a bridge to further professional development.

NON-EDUCATION BASED RECOMMENDATIONS

1. **MBIE/The Companies Office is the appropriate agency to investigate the feasibility of minimum requirements for establishing a business in trade.**

Rationale:

The current system allows tradespeople to establish a business with little to no understanding of core business functions - a pathway that is not only high-risk for the individual, but also destabilising for the wider industry. Stakeholders noted that many SMEs are started by excellent tradespeople with limited knowledge of cash flow management, quoting, compliance costs, or legal obligations. The result is predictable: many new businesses do not survive long enough to build capability.

The RNZ Nine to Noon interview (14 July 2025) underscores this: a growing number of builders are reaching crisis point, overwhelmed by the complexity of running a business in today's regulatory and economic environment. Many are unaware of their legal responsibilities or the actual financial health of their business until it's too late - a situation that is avoidable with upfront safeguards.

Calls for a provisional licensing model for new construction businesses are further justified by New Zealand's high inspection failure rate and ongoing "phoenixing" — where failing builders shut down a company to escape liability, only to open a new one under a different name. Legislative gaps around director accountability are a known weakness. Government discussions about introducing unique ID numbers for company directors, better tracking, and higher penalties support the report's recommendation that business-readiness checks become part of company registration in this sector (OneRoof, 2025).

Councils are often left to foot the bill for remediation due to joint-and-several liability when "cowboy builders" disappear, despite minimal involvement in the actual construction process (OneRoof, 2025). This not only burdens ratepayers but creates a distorted sense of security in the market — where builders know they can avoid consequences. Provisional licensing and mandatory business acumen training could reduce these risks upstream. The New Zealand Government's recent announcement (2025) of Building Consent reform includes a shift to proportionate liability, further underlining the importance of business and compliance competence for SME business owners.

Proposed outcome:

MBIE and the Companies Office should investigate introducing minimum business-readiness criteria for new trade-based business registrations. This could include:

- A mandatory pre-registration checklist or digital module covering compliance obligations, tax basics, ACC levies, contract law, and risk management.
- A provisional licensing model (inspired by stakeholder feedback) where tradespeople must demonstrate baseline business knowledge (e.g. completion of an industry-specific micro-credential or online module) before full registration.

This would act as a risk filter, helping the most prepared succeed, and giving those not yet ready time and direction to build their business capability.

2. Inland Revenue Department is the appropriate agency to provide information to SMEs at start up about tax obligations. They could also investigate the feasibility of requiring demonstrated understanding of the tax system (e.g. an accounting for trade micro-credential) before permitting a tradesperson to register for GST.

Rationale:

Tax compliance is a major stumbling block for many construction SMEs. IRD data and industry insights suggest that a large number of small business owners misunderstand their GST obligations, leading to arrears, penalties, and in some cases, business collapse.

Stakeholders also observed that financial literacy, particularly around tax, is not intuitive for many sole traders or first-time business owners. The RNZ episode again reinforces this- many builders are blindsided by tax obligations because they don't grasp how cash and tax accounting diverge, or what obligations are triggered once they pass the GST threshold.

Proposed outcome:

IRD should take a proactive approach to financial and tax education for SMEs by:

- Embedding targeted, construction-specific tax education in business registration processes.
- Requiring tradespeople to complete a short online course or assessment (e.g. "Accounting for Trades" module or micro-credential) before registering for GST.
- Providing tailored onboarding for new SMEs in construction that includes financial planning templates, industry-specific examples, and connections to advisory services (such as Business.govt.nz's tools).

The goal is not to overburden new businesses, but to support them to start on a strong financial footing and avoid regulatory pitfalls that can become fatal early on.

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