

EMA Submission

To the

Productivity Commission

On the

New models of tertiary education Draft Report

21<sup>st</sup> November 2016

## About the EMA

The EMA has a membership of more than 4000 businesses representing around 23% of the New Zealand workforce.

The EMA advocates on behalf of its members to bring change in areas which can make a difference to the day-to-day operation of our members, such as RMA reform, infrastructure development, employment law, skills and education along with export growth.

We have a solid reputation as a trusted and respected voice of business in New Zealand, and our presence makes a difference. Therefore, we are constantly called on to speak at conferences, comment in the media and partner or provide advice to Government on matters which impact all employers (such as ACC, health and safety, pay equity).

The EMA also provides its members with employment relations advice from industry specialists, a training centre with more than 700 courses and a wide variety of conferences and events to help businesses grow.

## CONTACT

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## Submission

The EMA welcomes the opportunity to submit on the Productivity Commission's new models of tertiary education report.

The EMA is largely supportive of the research carried out in the report as it thoroughly sets out the issues facing tertiary education in New Zealand today and in the future. However, some of the recommendations may be more pragmatic and difficult to implement and require further investigation.

The EMA welcomes changes that will enhance greater flexibility within the tertiary sector to allow the sector to focus more on skills required by employers. This is critical in addressing today's shortage of skilled people.

Technological changes, globalisation and demographic changes are all having a major effect on the supply and delivery of skills required by employees to meet workforce demand.

A number of surveys show that skill shortages are hindering growth within business organisations. The EMA's Employers Survey in June 2016 indicated 66 percent of employers were finding it difficult to recruit for skilled positions. Employers are also looking for more work readiness skills: fitting in with business culture, interpersonal skills, team work and problem solving as major recruitment criteria.

All current reports (including Quarterly Labour Market Report, Jobs Online, Quarterly Job Matching Report, Labour Market Fact Sheet, Occupation Outlook, Labour Market Scoresheet and others) highlight skill shortages... With so much information in the marketplace why then are students and providers not seeing employment opportunities when choosing qualifications and subjects?

The tertiary sector must be more responsive to these changes.

It is important that the tertiary sector has greater connection with business. For many employers the tertiary sector remains too complex. In reality there are two markets for skill development - a TEC funded market built around qualifications and the Private Training Organisations addressing the business needs.

While part of this is funded by TEC a significant portion is funded by employers. The EMA provides over 700 training courses /events each year with over 7000 attendees.

EMA believes the tertiary sector is too slow to innovate and recommends a number changes to resolve this issue. In some cases the sector simply must change.

Employers are generally satisfied with the work readiness of tertiary students. The results from the EMA Employers Half Yearly Survey 2016 showed:

Very Satisfied	5%
Satisfied	40%
Neutral	36%
Dissatisfied	17%
Very Dissatisfied	2%

In the End of Year EMA Employers Survey of 2015, participants were asked to rank the most important factors when recruiting university and polytechnic graduates. The rankings were:

1. Fit in with business culture
2. Personal skills/teamwork/problem solving
3. Relevant work experience

4. Subjects undertaken
5. Student results obtained
6. University or Polytechnic attended
7. International capabilities

Employers care much more about graduates fitting into their business culture than the tertiary institution graduates attended.

### **Key Issues**

#### **Career development and advice**

Career development needs to be considered as a process in the tertiary sector and in the lifelong needs of an organisation where employees require ongoing access to knowledge, skills, attitudes and behaviours to manage their life and to work.

The absence of a national career development policy needs to address this gap in ongoing workplace training and the tertiary sector must be part of this learning process.

#### **Employers need to take ownership of skills**

Employers and employees know what training is best for their workplace. Working together in partnership with employees, and all training providers, employers should be driving the design and delivery of skills solutions for a productive skill base.

#### **Apprenticeships**

Employers can step up to the challenge of bringing more young people (16-24) into the workforce by being directly funded for apprenticeships.

Future attempts to foster employer engagement should be closely linked to the development of the apprenticeship system.

#### **Adult and Ageing Workforce**

There needs to be increased investment and policies for adult workforce development. Upskilling those aged 24 and above, including a greater focus on the over 65 age group who are still in the workforce, is critical.

Nearly one in four over 65s are still working.

There are more people aged over 65 than 0-15 year olds. Training for this sector is part of the Private Training organisation's delivery role.

Education and training must be regarded as a permanent, life-long process.

Learning has traditionally been associated with youth, but this approach is now clearly insufficient. The fact is that socio-economic changes are creating new needs for adults forcing them to continuously undertake further training.

Therefore the report should place more emphasis on life-long learning. The process should be more about recognising that individuals learn through a lifetime. Changing work requirements mean it is generally accepted that knowledge and skills become obsolete and employees need to update their competencies in a process of continuous learning.

This is particularly the case for upgrading the unskilled workforce for more knowledge intensive jobs. People cannot rely on the skills they acquired at school to last until the end of their working life.

The Tertiary system needs to be flexible to provide further opportunities for those who left school early and for those adults who want to pursue continuing education and training.

The role of the Tertiary sector should be to provide both informal and formal life-long learning. Under the current model most of the tertiary sector is only providing formal qualifications.

The sector should support tools to facilitate transparency and recognition of skills and qualifications, as well as the easy transfer of credits between providers.

A number of Tertiary providers have designed courses with a focus on enhancing or developing new skills for improving employability. However, there appears to be obstacles in the current Tertiary system where inflexibility in delivering new courses results from bureaucratic requirements.

### **Vocational Skills**

Vocational skills are vital for our economy.

For employers a higher skilled workforce improves productivity and performance. The productivity of a trained worker working in an encouraging environment is significantly higher than an untrained worker.

Training increases job satisfaction, lowers absenteeism and helps with staff turnover and helps meet the specific needs of businesses.

While vocational education appears to be a good solution, it has low or lesser perceived value among students.

### **Findings and recommendations- Employers, industry training and the labour market**

The following points focus on employers, industry training and the labour market.

#### **F4.1 We agree, compared with other OECD countries, workers in NZ are poorly matched with their positions.**

There is a mismatch between the technical and soft skills of workers and those required by their jobs. There is also a mismatch between educational qualifications of workers and those required by their jobs.

At any point of time, skills and geographical location of workers effect the labour supply.

People with lesser ability may have been poorly matched with jobs. Anyone starting in a job below their potential capability has fewer possibilities than previously to eventually find work matching their educational qualifications in the future.

#### **F4.2 Career guidance.**

EMA employers surveyed agreed that guidance, opportunities to up skill and retrain, transferable skills and a responsive education system that is responsive to employer demand are all important in matching graduates and employment.

Employers also need to understand more about the skills their employees bring so they can make better use of them. There needs to be greater educational flexibility required to meet changing employer work demands.

#### **F4.3 Employers Input into the tertiary education system**

All employers canvassed agreed with this finding. In reality an employer needs to fill a position and they want someone straight away, not in two years' time. Migrants quickly fill the roles so employers don't need to think about it until they hire again.

There appears to be more opportunity to employ migrants and limited opportunity to work more closely with New Zealanders who are long term unemployed.

#### **F4.4 Government has established numerous initiatives that seek to improve coordination and links between the tertiary education sector and employers. The need for such initiatives is symptomatic of a system that often fails to respond to employer needs.**

Approximately 85% of EMA employers agreed with this statement.

There is a tremendous need for skills in the workforce and there appears to be many gaps in the educational systems' ability to provide these skills. It appears we have more of a skills crisis. This results in companies needing to invest heavily in internal training programmes to remain competitive.

**F4.5 Tertiary education qualifications that equip graduates with transferable skills are desirable in that they retain their relevance in a changing job market.**

Most employers would agree with this finding.

**F4.6 Funding for industry training is predominantly restricted to provision at levels 1 to 4 on the NZQF.**

This finding is supported by a majority of EMA employers. Some see this finding as confirming there is far too much red tape. NZQA is inflexible and does not understand how much the workplace has changed. A number of employers do not work with their ITO because of this mismatch. Concerns were also expressed that the current view of the ITO is that the employer must meet their over-complicated requirements. There should be more flexibility to assist trainees in gaining greater qualifications and skill levels.

**F4.8 Employers agree that current funding and regulatory settings for tertiary education that focus on younger , full-time learners completing full qualifications , the design of the student support system, and funding rules that make recognition of prior learning difficult.**

These all present barriers to mid-career retraining. Employers feel the world has changed and that early life qualifications are not enough to equip employees for life. The system is not flexible in non-traditional workplaces that have a number of sites throughout the country which lose out because they don't work the standard 40 hours.

**Question Student Education Account Proposal**

At 16, every New Zealand citizen would receive an interest-bearing dollar entitlement that they can spend on tertiary education.

While the model would firmly establish the student at the centre of the system there needs to be a greater connection to the qualifications needed and what skills business is requiring. A number of courses in the targeted review of qualifications has helped in this process by eliminating a number of course that were not relevant. The pending "Rate my Qualification" will give students and employers the ability to rate how useful a course may be. The proposal again looks very complex and complicated to manage. However before giving any approval to the concept the EMA would seek further clarification on how the process would function.

There would need to be a quality assurance built into the proposal to determine that students are enrolled in courses that are relevant to building the skills NZ requires.

The EMA would seek further investigation of this proposal as it is difficult to determine how it would function in the world of education and work.

**R12.9 Ministry of Education should reform its approach to school-based career education so that school students, from an early age, develop the skills and knowledge to make effective decisions about their study options and career pathways.**

While Vocational Pathways, Trade Academies, and Gateway programmes, Occupation Outlook and other tools provide useful information for school students, there appears to be variations in how schools offer this to students.

The EMA sees a need for professionally trained careers advisors who could also work in schools.

**R12.23. EMA does not support the abolishment of University Entrance.**

University Entrance (UE) creates a level of certainty for employers, students and families because students need to select subjects /credits in advance to ensure they have a pathway to UE. At this stage students don't know which institution they wish to attend, so they need some clarity on subjects and the marks that will enable them to consider their tertiary options.

UE gives some indication of a national standard.

University Entrance qualification doesn't give any preference to people making decisions on which tertiary institution they will attend.

**R12.26 EMA does not support the proposal that any provider should be able to apply to NZQA to use the terms "university", "polytechnic", "institute of technology" and "college of education"**

Employers need to have certainty that students or graduates they are hiring have the qualifications and skills that meet their needs. It is generally accepted that the difference between polytechnic and universities is around practice verses theory.

The modern university supports a range of professionals from engineers and computer scientists to teachers.