

Submission



to the

New Zealand Productivity Commission

on the

Technological Change and the Future of Work

- **Draft Report 3 – Training New Zealand’s workforce**
- **Draft report 4 – Educating New Zealand’s workforce**

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1.0 INTRODUCTION

- 1.1 BusinessNZ welcomes the opportunity to comment on the New Zealand Productivity Commission's draft reports 'Training New Zealand's workforce' and 'Education New Zealand's workforce'. Given the need to address systemic failings in the education system spanning from early childhood education through to training and employment, BusinessNZ's submission addresses the issues raised across both reports in recognition that education and training are intrinsically linked.
- 1.2 BusinessNZ strongly supports the Commission's assertions that:
- A high performing education and training system is critical to adapting to changes in the Future of Work;
 - High quality education and training settings enable labour market mobility, increase productivity and can minimise the risk of growing inequity for vulnerable workers;
 - Existing education and training settings do not encourage innovation and responsiveness to company and learner needs, evidenced by the failure to address poor education outcomes, and declining education performance when compared internationally;
 - The current reform programme for education needs to support a dynamic labour market and take the opportunity to address policy settings across the education, employment and social development portfolios to provide greater cohesion and clarity of respective roles and system settings.
 - Existing education settings favour long-duration, classroom-based delivery options which have been demonstrably in decline over recent years.
 - Training should be made accessible to contractors, self-employed, employers and volunteers, rather than restricting work-based training to employees only. This approach aligns to the Tripartite Future of Work strategic priority for all New Zealanders to be lifelong learners.

2.0 SUMMARY OF AREAS FOR FURTHER ENQUIRY

- 2.1 BusinessNZ also encourages the New Zealand Productivity Commission to consider:
- *Building capability of firms to train.* The current directions of the Reform of Vocational Education and existing education settings reinforce the concept that the education and training system is separate from industry. BusinessNZ considers there is merit in considering who can be a teacher, and how to be more flexible with the teaching workforce to bring industry practitioners into the education and training system, particularly given the success of some existing workplace training models and effectiveness of training systems and internal mentoring and support.
 - *The merits of centralised education systems for developing responsive and innovative education systems.* Many of the

educational reforms across both the compulsory and tertiary sectors provide greater powers to central agencies and will shift the education system towards a more centralised approach. While there is merit in gaining efficiencies through reduction of duplication across the system, it is not clear how this shift will encourage and incentivise greater responsiveness to company and learner needs, or future-proof the system to be more dynamic. Drawing on the *New Models of Tertiary Education 2017* report produced by the Productivity Commission, it is noted that 'Government control is pervasive' and that 'In tertiary education... government regulations bestow market power, grant local monopolies, and require cartel structures'. BusinessNZ considers that greater levels of centralisation in education will further compound the challenges of the existing training system.

- *Regulatory drivers for training, and whether this approach is suitable for the Future of Work.* A number of industries have regulatory drivers, such as professional registration for particular occupations such as electricians or plumbers, or in the instance of the aged care sector, pay rates set by Government and linked to a level of qualification attainment. It would be worthwhile investigating whether there is benefit in additional regulatory compliance over and above qualification attainment for those industries that require additional competency assessments such as registration exams, compared to ensuring sufficient support and guidance for the first few years of practice and better quality training.
- *Productivity of the education agencies.* BusinessNZ strongly supports the recommendation to clarify the roles and responsibilities of the various agencies and organisations and suggests the Productivity Commission could also consider the efficiency and effectiveness of the structure of the central government education and training agencies. For example, the Reform of Vocational Education has four separate agencies working on key workstreams, however it is not clear how – or if - the moving parts of the reform programmes will come together coherently.
- *Consider the place of international education in the future of training the workforce.* Given the noted challenges of driving greater responsiveness from the New Zealand system, and the risks of further reducing incentives for innovation through the current suite of reforms, the Productivity Commission is encouraged to consider whether there is a place and appropriate channels for importing high quality education and training from overseas. The current system leans in heavily to a 'build' rather 'buy' approach to education. International education in New Zealand is primarily considered in the context of attracting students to New Zealand to generate revenue. It is suggested that international education should be considered strategically as being able to provide channels for international education products and services that can meet demand from learners and firms that New Zealand providers are not responding to.

3.0 COMMENT ON DRAFT REPORT 3 – TRAINING NEW ZEALAND’S WORKFORCE

- 3.1 BusinessNZ broadly supports the findings and recommendations of the report.
- 3.2 In regards to micro-credentials, BusinessNZ considers that micro-credentials have been lagging in policy development for the last two years. NZQA’s role as ‘ensuring New Zealand qualifications are valued as credible and robust both nationally and internationally’ appears to be anchored in the system bias towards longer duration qualifications identified in the report. With slow uptake of micro-credentials and high barriers to entry, NZQA risks becoming obsolete in a changing global environment where micro-credentials developed and endorsed by industry may gain greater confidence from businesses and learners than an NZQA approval and endorsement.
- 3.3 BusinessNZ supports the use of RPL and recognition of current competency (RCC) to ensure that training is efficient and can be targeted to meet skill gaps. The current system settings that limit the mobility of learning within the system benefit providers, and not learners and firms. This is driven by the current funding system that drives duration and volume, rather than quality and responsiveness.
- 3.4 BusinessNZ agrees that a number of system issues are contributing to inertia and conservatism in the system and suggests that greater visibility over the funding review is necessary. As noted in previous reports, the system is primarily geared towards responding to government rather than learners and business, and the funding policy is the biggest driver of this behaviour. BusinessNZ considers that the funding and policy reviews should be undertaken prior to the reforms, or the Government risks putting in place a structural solution to a systems problem.
- 3.5 BusinessNZ strongly supports broadening access to work-based education and training, and separating access from employment status. This includes extending eligibility to employers, contractors and volunteers.
- 3.6 BusinessNZ also strongly supports extending training opportunities to people legally entitled to work in New Zealand, and their families. This will contribute to New Zealand’s foreign affairs priorities in assisting countries to develop their skill base, help to address health and safety risks to migrant workers through accessible training and recognise that migrant workers are a vital part of our workforce.
- 3.7 BusinessNZ also suggests that families of migrant workers should be extended training opportunities. The current immigration settings allow for children of people on work visas to be treated as domestic students for compulsory education, however tertiary options are limited as they are then classified as full fee-paying international students. While the scale of the issue is yet to be quantified, there appears to be a cohort of young people already in the country that could be undertaking training if it were more accessible and without high financial barriers.

- 3.8 BusinessNZ supports removing the EFTs minimum course load to access student loans for compulsory fees, and considers further work is necessary on active labour market policies for those on benefits, including appropriate training opportunities and progression to sustainable employment. While the fees-free policy has reduced student debt for school leavers, it has not demonstrated that it has improved access and participation for those most at risk of not succeeding in the education system. Further, the requirement to have not studied previously makes most of the workforce ineligible to access fees-free.
- 3.9 BusinessNZ agrees in making it easier for people to enrol in short course learning via funding subsidies as a method of re-engagement in education, and to incentivise greater flexibility and mobility for 'stackable' credentials.
- 3.10 BusinessNZ strongly agrees with the recommendation to remove input measures from the definition of an equivalent full-time student and would expect this to be addressed through the funding review that is currently underway. The current measures of success in tertiary education, of volume, long duration and completions disincentivise ease of mobility through the education system, and risk further embedding perverse system incentives for the next thirty years given the scale of the education reform programme.
- 3.11 The role and responsibility of agencies, and the various configurations that have been implemented over the last twenty years, should be reviewed, and roles classified based on a suite of measures geared towards supporting a dynamic labour market. Much of the inertia in the system is driven by the interpretation and application of policy by the agencies, which have a track record of challenges in implementing large-scale systems change.

4.0 COMMENT ON DRAFT REPORT 4 – EDUCATING NEW ZEALAND'S WORKFORCE

- 4.1 BusinessNZ strongly supports the finding that the function of the education system is its ability to empower people to learn new skills and knowledge throughout life. This must include a strong foundation of literacy and numeracy as key components to every New Zealander having the ability to be a lifelong learner.
- 4.2 BusinessNZ agrees that there are significant challenges in addressing educational disparity, and that the continuing decline in student achievement requires urgent action to address.
- 4.3 Part of the challenge of addressing education system change is the long time lag on leading in to change and measures of effectiveness. Currently, education needs to be considered in at least 5-year periods to understand the impact of changes to the system, and sufficient focus on implementation has been lacking on a number of educational reforms. For example, NCEA policy allows for the suite of changes included in the policy reform, however the implementation of NCEA programmes of study has generated perverse outcomes of credit harvesting and timetable scheduling rather than comprehensive, cohesive programmes of learning. While NCEA level 2 achievement has

increased in recent years, approximately 40% of young people that hold the qualification lack the literacy and numeracy skills to thrive as lifelong learners. Further work is also required on more effective transitions from school to employment and further training, with the number of young people taking up Apprenticeships still low despite high labour market demand for applied skills.

- 4.4 BusinessNZ encourages the Productivity Commission to examine how the implementation of policy must change to generate better educational outcomes, and whether existing education monitoring mechanisms are sufficient to understand the performance of the system and pulse check how new policies are being implemented on the ground.
- 4.5 BusinessNZ agrees that the 'well-lit' pathway works for some students and has concerns that new policies to address disparity with vocational training options may have unintended consequences. Given that the Productivity Commission has rightly recognised that University Entrance is largely redundant, the introduction of a Vocational Entrance award at year 13 runs the risk of further streaming students, cutting off opportunities and making applied learning an academic exercise.
- 4.6 Given the evidence presented on the lack of capability for teaching key competencies in schools, and preparedness for the digital curriculum, there needs to be more information provided on how vocational entrance awards will be implemented, and why the vocational entrance award is a better way to address parity of esteem of career options than radical improvement to the careers advice and guidance system.
- 4.7 In regards to question 3.1 and what the Productivity Commission should consider in terms of constraints, issues, challenges and opportunities, BusinessNZ suggests that consideration is given to:
 - *Simplification of the system* – the current education system is complex and bureaucratic. How could the system be simplified and streamlined to be more accessible for learners and firms, and improve performance?
 - *Measures of success* – the Future of Work evidence supports that people will need to be adaptive and that the education system should underpin a dynamic labour market. Are the measures that we use currently in education the right drivers to achieve this?
 - *Underlying structures of how the labour market and education system are described and monitored* – the underpinning structures that pick up on the changing dynamics of education and the labour market should be examined for being fit for purpose as the pace of change accelerates. Things like the occupational classification system (ANZSCO) that describes jobs is from 2006 and is not fit for purpose for understanding new jobs coming into the market, and how the education system needs to shift. ANZSCO flows through to education by informing the NZSCED that structures pricing for provision. These underlying static structures need to be examined for relevance and responsiveness within the context of the Future of Work.

APPENDIX ONE: ABOUT BUSINESSNZ

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

- Regional business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Employers Otago Southland](#)
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and the Business and Industry Advisory Council ([BIAC](#)) to the Organisation for Economic Cooperation and Development ([OECD](#)).



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