

# Submission to the Productivity Commission review into Technological change and the future of work

Federated Farmers of New Zealand

17 February 2020



# SUBMISSION TO THE PRODUCTIVITY COMMISSION REVIEW INTO TECHNOLOGICAL CHANGE AND THE FUTURE OF WORK

**TO:** The Productivity Commission

**DATE:** 17 February 2020

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## ABOUT FEDERATED FARMERS

Federated Farmers of New Zealand is a membership organisation, which is mandated by its members to advocate on their behalf and ensure representation of their views. Federated Farmers does not collect a compulsory levy under the commodities levy act and is funded from voluntary membership.

Federated Farmers represents rural and farming businesses throughout New Zealand. We have a long and proud history of representing the needs and interests of New Zealand's farmers

Federated Farmers aims to empower farmers to excel in farming. Our key strategic outcomes include provision for an economic and social environment within which:

- Our members may operate their business in a fair and flexible commercial environment;
- Our members' families and their staff have access to services essential to the needs of a vibrant rural community; and
- Our members adopt responsible management and sustainable food production practices.

# **SUBMISSION ON DRAFT REPORT 1 OF THE PRODUCTIVITY COMMISSION REVIEW INTO TECHNOLOGICAL CHANGE AND THE FUTURE OF WORK**

## **1. INTRODUCTION**

- 1.1 Federated Farmers of New Zealand welcomes the opportunity to submit to the Productivity Commission (“the Commission”) on the review into Technological change and the future of work (“the review”). We consider the review timely, and we appreciate the opportunity to provide feedback to the separate reports forming the overall review.
- 1.2 Federated Farmers is interested in the review for the following reasons:
  - 1.2.1 Farming productivity and innovation are fundamental to farming profitability;
  - 1.2.2 Farming is under increasing pressure, and requires technological development and implementation to adapt;
  - 1.2.3 Demand for varying, precision farm services which rely on technology will increase;
  - 1.2.4 New Zealand’s policy and regulatory settings are vital to providing for successful and profitable farming.
- 1.3 We have provided feedback to the first four reports within this submission, in the following sections:
  - 1.3.1 “New Zealand, technology and productivity” (draft report 1) in section 1 of this submission;
  - 1.3.2 “Employment, labour markets and income” (draft report 2) in section 2 of this submission;
  - 1.1.1 “Training New Zealand's workforce” (draft report 3) in section 3 of this submission.
  - 1.1.2 “Educating New Zealand's future workforce” (draft report 4) in section 4 of this submission.

## **2. SUMMARY OF RECOMMENDATIONS**

- 2.1 Federated Farmers predominantly supports the overall findings and conclusions outlined in draft reports 1, 2, 3 and 4 of the review.
- 2.2 We have provided specific feedback to the findings, questions and recommendation of these reports in the following sections.

# Section 1: New Zealand, technology and productivity (draft report 1)

## 3. CONCLUSIONS AND FINDINGS OF DRAFT REPORT 1

- 3.1 We welcome the Commission's overall view ("draft report 1") that technological change is something to be embraced, with adoption and utilisation of technological change providing significant benefits.
- 3.2 New Zealand needs to adopt this approach, given the efficiency benefits of technological change, our need to remain productive and competitive, and the subsequent economy wide impacts. Our regulatory, economic, labour and investment systems need to be sufficiently adaptable to technology change.
- 3.3 We also agree that technological change will happen whether we like it or not. This view is particularly relevant to agricultural production, where most of our production is competing in overseas markets that are often subsidised and not subject to the same transport costs.
- 3.4 Federated Farmers has primarily focussed on considering the draft findings and draft recommendations in respect to the potential impacts on primary production and agribusiness.
- 3.5 Many of the economy-wide solutions to improving productivity are outlined in the 2017 OECD Economic Survey of New Zealand identified key contributing factors for the economy.<sup>1</sup> These issues and the solutions posed should remain 'on the table' in respect to national policy settings and investment, beyond the scope of the Commission's review.

## 4. PRODUCTIVITY IN THE AGRICULTURAL SECTOR

- 4.1 Agricultural productivity is important for the New Zealand economy. At a national level the food and fibre sectors, including production, processing and services to agriculture account for;<sup>2,3</sup>
- 4.1.1 The employment of over 350,000 New Zealanders, or one in seven people.
- 4.1.2 Over \$46.4 billion in export revenue.
- 4.1.3 11% of New Zealand's GDP.
- 4.2 For context, productivity measures in New Zealand's agricultural sector between 1978 and 2018 are provided below.
- 4.2.1 **Figure 1** *Figure 1: Multifactor Productivity in the Agricultural Sector, 1978-2018*
- 4.2.2
- 4.2.3 *Figure 3: Capital productivity in the Agricultural Sector, 1978-2018*

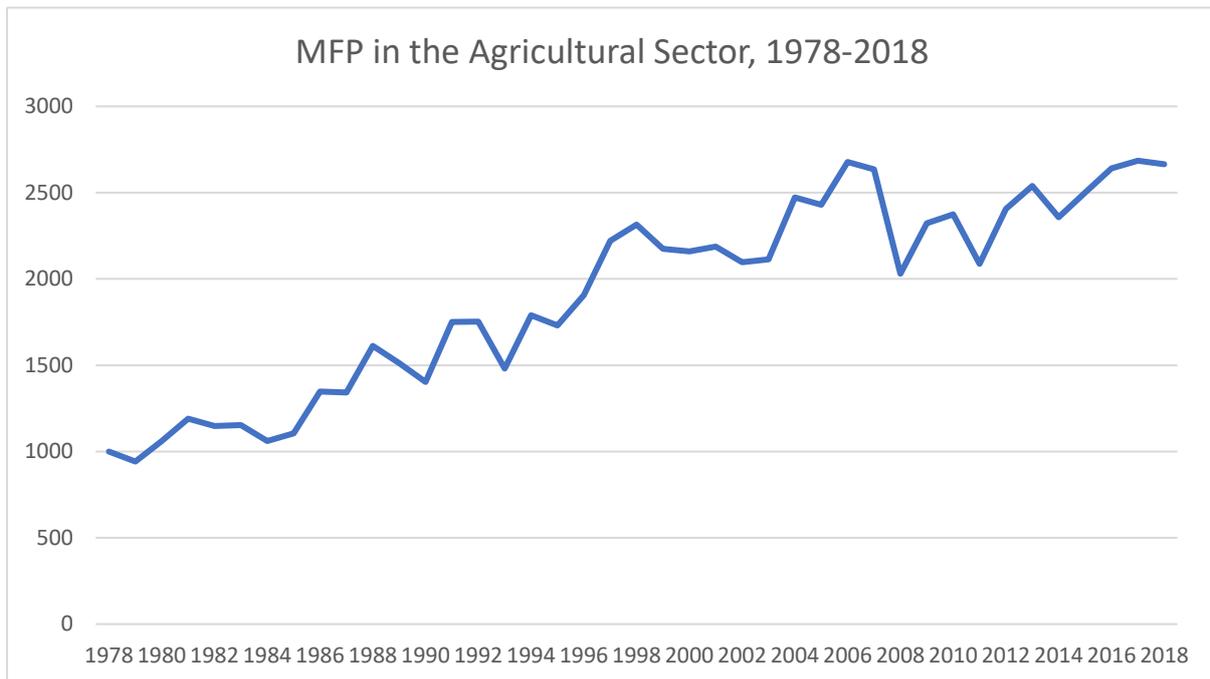
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<sup>1</sup> Issues identified were: Lack of international connection and scale, weak competitive pressures, low rates of capital investment and low R&D activity.

<sup>2</sup> Figures are for the year ended June 2019. Situation and Outlook for Primary Industries. <https://www.mpi.govt.nz/news-and-resources/economic-intelligence-unit/situation-and-Outlook-for-primary-industries/sopi-reports/>

<sup>3</sup> Figures include Dairy, Meat and Wool, Forestry, Horticulture, Seafood, Arable, live animals, honey, and processed food.

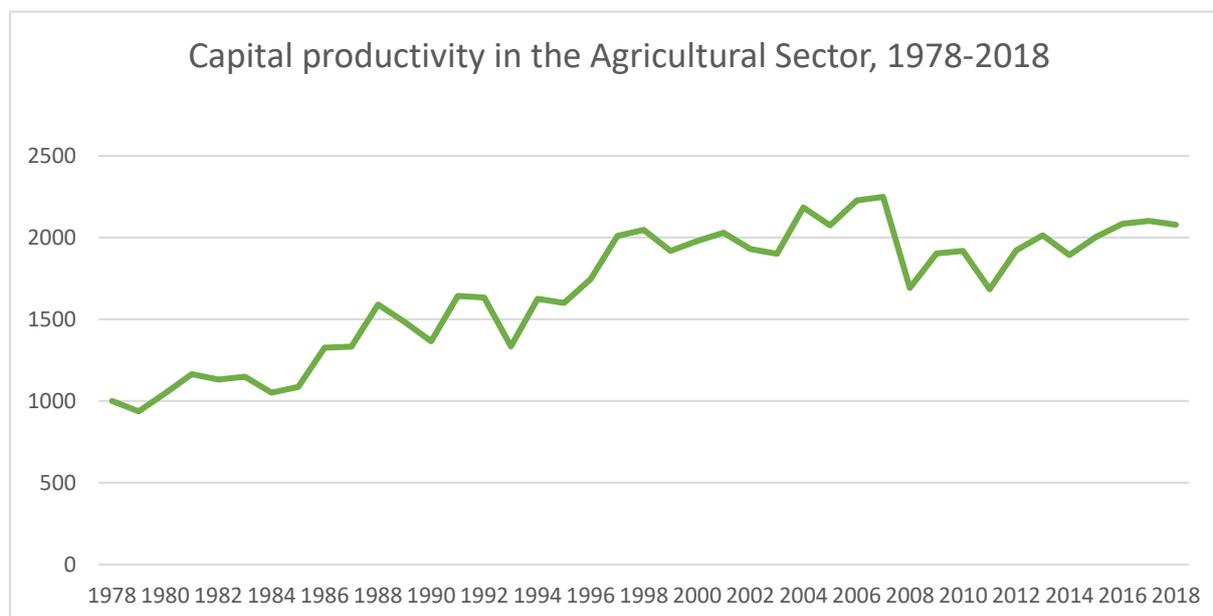
**Figure 1: Multifactor Productivity in the Agricultural Sector, 1978-2018**



**Figure 2: Labour productivity in the Agricultural Sector, 1978-2018**



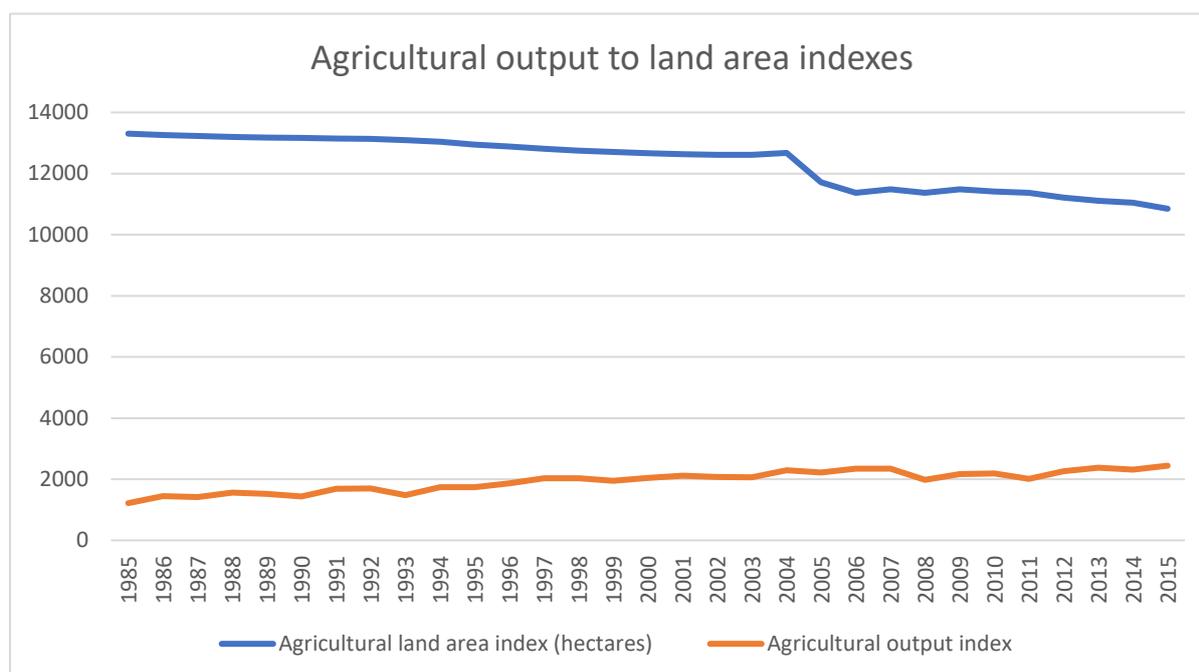
**Figure 3: Capital productivity in the Agricultural Sector, 1978-2018**



- 4.3 Of note is the improvement in labour productivity for the agricultural sector. As outlined in the Commission’s background paper, *‘Productivity by the numbers: 2019’*, labour productivity in the primary industries has exceeded that of the New Zealand economy since 1996.
- 4.4 New Zealand’s agricultural sector has proven resourceful, adapting to international drivers and the economic reforms of the 1980s. In our view, the (to a large extent self-funded) level of investment by the agricultural sectors in improving technology, developing farming systems and developing farmer capacity has been a key driver for these productivity improvements.
- 4.5 An additional driver has been the need to ensure agriculture’s exports remain competitive against overseas producers. The removal of subsidies for primary production resulted in New Zealand having the least subsidised primary production sector among industrialised countries, some of which subsidise their farmers to the tune of 50% of farm gate incomes.<sup>4</sup> In order for primary production exports to remain competitive against these subsidised export markets, New Zealand farmers have needed to change land use, intensify and find improvements in on-farm productivity.
- 4.6 Farmers are now producing more output with less land, as per **Figure 4** and **Table 1**.

<sup>4</sup> OECD: Agricultural Policy Monitoring and Evaluation 2017. Available at [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP\(2017\)12/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/CA/APM/WP(2017)12/FINAL&docLanguage=En)

**Figure 4: Agricultural output to land area, 1985 to 2015<sup>5</sup>**



- 4.7 Productivity improvements have not simply resulted from better on-farm equipment, machinery and improvements in crops. Better practices and human capital have played a significant part, as has significant sector investment into research, development and extension and skills and training. The human elements of these areas are addressed in the review, although it is important to recognise the multi-faceted components of improved productivity in the agricultural sector.
- 4.8 In line with the draft findings, in relation to the sheep, beef, grain and dairy farming sectors specifically, improved productivity has resulted in more employment, not less, as evidenced in **Table 1**. However, there are some caveats to these statistics. The first is there has been a ‘substitution effect’ with paid employment to an extent replacing family labour.<sup>6</sup> This may in part be driven by consolidation in land holdings as per **Figure 4** (larger land holdings and a move away from the traditional ‘family farming’ situation).
- 4.9 In the dairy sector, cows per FTE have increased while labour per cow has decreased. This may partly have been due to contracting and resulted in growth in the service industry, which will not be represented in these employment statistics.<sup>7</sup> In the case of the dairy sector, improved productivity is considered to be largely due to shifts towards more intensive land use as a whole, including into more marginal land.<sup>8</sup> It is not known how other sectors will have been similarly impacted.
- 4.10 We hope the wider discussion prompted by the Commission’s review will appropriately consider the broader benefits of innovation and inform a regulatory environment which aims to enable rather than inhibit technological development and innovation.

<sup>5</sup> Data sourced from Statistics New Zealand <https://www.stats.govt.nz/>

<sup>6</sup> DairyNZ pers.comm.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

**Table 1: Number of enterprises and employment in Sheep, Beef, Grain and Dairy farming, 2000 to 2019<sup>9</sup>**

ANZSIC06		A014 Sheep, Beef Cattle and Grain Farming		A016 Dairy Cattle Farming		Combined sectors (A016 and A014)	
Measure		Geographic Units	Employee Count	Geographic Units	Employee Count	Geographic Units	Employee Count
Year							
2000		31668	25500	21198	14900	52866	40400
2001		31254	24600	21192	16600	52446	41200
2002		30984	26100	21240	19800	52224	45900
2003		30402	24400	19869	20400	50271	44800
2004		30375	23600	19329	20600	49704	44200
2005		30699	24900	18861	20900	49560	45800
2006		31389	25400	18759	21100	50148	46500
2007		31527	24800	18003	21400	49530	46200
2008		30237	23200	16431	23000	46668	46200
2009		28674	20600	16734	24100	45408	44700
2010		28413	21600	16692	23800	45105	45400
2011		27615	21100	16605	24800	44220	45900
2012		27453	21500	16896	26300	44349	47800
2013		25854	21600	16224	26100	42078	47700
2014		25644	21500	16455	28100	42099	49600
2015		26280	21800	17043	27900	43323	49700
2016		25440	21600	16863	26700	42303	48300
2017		24489	19900	16680	26700	41169	46600
2018		23826	20500	14937	25800	38763	46300
2019		23817	20600	15189	25700	39006	46300

## 5. FUTURE PRODUCTIVITY AND TECHNOLOGY NEEDS FOR AGRICULTURE

5.1 The draft report summary of 'Factors affecting technology-adoption decisions by New Zealand firms' (Table 1.1) are to an extent relevant to the agricultural sector, excluding those 'sector unique' factors outlined in section 4 of this submission:<sup>10</sup>

5.1.1 Strong customer relationships (to an extent, depending on the product, nature and 'ownership' of the supply chain and export marketing);

5.1.2 Competition.

5.2 In respect to competition, New Zealand farmers are *largely* 'price takers' in our overseas export markets and face significant transport costs relative to other producers. Value for producers is to an extent reliant on ownership of the supply chain, with (depending on the product) large retailers having significant 'price setting' power where access to that market is controlled by a handful of large firms (for example, large supermarket chains).

<sup>9</sup> ANZSIC codes A014 and A016

<sup>10</sup> Although these factors may apply to a varying extent to related sectors (for example, farm services and supplies):

- 5.3 Consequently, measures which provide agriculture with mechanisms for direct to consumer marketing and production will be a useful factor into the future, including education and training and investment settings that provide capacity for these value chains.
- 5.4 Additionally, a consequence of agriculture's need to compete on price has been a heavy and wholesale drive in productivity and increased production, as per **Figure 4**. Intensification has had an impact on the environment, and these impacts are attracting international recognition,<sup>11</sup> with the potential this may adversely impact either market access, particularly to premium markets, or the value of our exports.
- 5.5 As a result, whereas productivity increases in agriculture have to date been driven in large part by competitive pressures, technological change and innovation will now be required to both reduce environmental impact<sup>12</sup> and move towards greater 'value add'.<sup>13</sup>
- 5.6 These factors will in turn drive the need for flexibility and innovation in the primary sectors, including:
- 5.6.1 A labour supply that is sufficiently skilled and trained in order to adapt to the increasing range of (often interacting) challenges, including market perception and environmental responsibilities;<sup>14</sup>
  - 5.6.2 A regulatory environment which is sufficiently flexible to enable adaptation to changing market requirements, which provides for technology development and adoption, and which does not impose costs with no corresponding improvements in productivity;
  - 5.6.3 Sufficiently responsive government investment in infrastructure, trade, research and development and environmental monitoring and mitigation.
- 5.7 Reflecting the findings of draft report 1, our view is that productivity, technology change and innovation in the agriculture sector has been adopted more quickly by larger farming operations, for example commercial farms. Greater funding availability and lower costs relative to overall investment enable greater technological development for these larger operations; there is less risk of going out of business if the investment is a poor one.
- 5.8 Due to the work of industry good bodies (DairyNZ, Beef & Lamb, the Foundation for Arable Research, Horticulture NZ), who are industry funded, extension and technology transfer from these 'early adopters' to smaller scale or less resourced farms has been enabled.<sup>15</sup> These industry good bodies ensure that technology and innovation is available, as much as feasible, to other farmers once proven and adopted. Extension programmes for new technology and better practices remains an important component of technology development and uptake in order to allow for widespread use.

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<sup>11</sup> For example, the OECD review of New Zealand's environmental performance, 2017, available at [https://www.oecd.org/environment/country-reviews/Highlights\\_OECD\\_EPR\\_NewZealand.pdf](https://www.oecd.org/environment/country-reviews/Highlights_OECD_EPR_NewZealand.pdf)

<sup>12</sup> Many of these are currently underway, providing both environmental benefit and productivity benefits, including but not limited to better effluent management, fertilizer application and agricultural application.

<sup>13</sup> There is potential agricultural production may move to a niche, high 'value add' model, although this can not be assumed given the rise of competing products (plant based meats, the potential for lab grown food).

<sup>14</sup> Outlined in the Food and Fibre Skills Action Plan 2019–2022, available at <https://www.mpi.govt.nz/funding-and-programmes/other-programmes/future-skills/>

<sup>15</sup> In addition to the work of farmer facing groups like LandCare and commercial enterprises (farm advisors, banks, insurers, suppliers) and the work of Ministry for Primary Industries etc.

- 5.9 Given the large-scale capital investment required for farming the ability to develop innovative new, smaller scale businesses following the traditional farming model is limited. There appear three broad responses (or a combination) in terms of future farming:
- 5.9.1 Farming which relies upon an increasing range of skilled employees and off-farm advisors and support services;
  - 5.9.2 Further farm consolidation;
  - 5.9.3 Development of less specialised, more complex farming systems with an focus on 'value add', marketing to high value markets and responsiveness to consumer preferences.
- 5.10 In terms of the scope of the Commission's work, there is a need to ensure regulatory training, education, R&D and investment is appropriately flexible and aligned to these future needs.

## 6. RESPONSES TO DRAFT REPORT 1 FINDINGS

Finding or recommendation	Federated Farmers comment
<p>F1.1 Technological diffusion is the result of a multitude of decisions by individuals, firms and governments. Many factors influence the likelihood of adoption and hence diffusion, including:</p> <ul style="list-style-type: none"> <li>- uncertainty about the relative costs and benefits of adoption;</li> <li>- access to complementary skills and inputs, including capital;</li> <li>- changes in input prices;</li> <li>- labour-market dynamics, employment relationships and institutional settings;</li> <li>- the strength of customer relationships;</li> <li>- the size of markets and levels of market competition; and government policy.</li> </ul>	<p>We agree with the finding, and the broader discussion outlined in Table 1.1.</p> <p>'Government policy', one of the identified factors, is a broad term, while another, 'the size of markets and levels of market competition' is not sufficiently broad. We ask the Commission to consider broadening these factors to account for:</p> <ul style="list-style-type: none"> <li>- export market access requirements,</li> <li>- environmental resource limitations,</li> <li>- the scale and costs of investment into research and development, and technology transfer.</li> </ul>
<p>F1.2 Technology can have many distinct effects on the labour market, and more than one effect can occur. Technology can replace human labour, augment human labour, increase the demand for labour by reducing the cost of goods and services, create new markets and jobs, and improve matching between workers and employers. Because of this complexity, it can be difficult to predict in advance the aggregate impact of a specific technology on work and labour.</p>	<p>Agree. In respect to the primary sector, greater technological development and productivity improvements have resulted in more employment, not less.</p>
<p>F2.1 The impact of technology on the labour market has changed over time. In the earlier years of the First Industrial Revolution, mechanisation replaced skilled artisans, increasing the demand for lower-skilled labour. Wage growth was slow. From the mid1800s, the demand for higher-skilled labour increased, reflecting the needs of large and complex factories and new production methods. Wages grew more rapidly.</p>	<p>Agree.</p>

F2.2 From the 1970s, technological change has rewarded occupations devoted to complex non-routine tasks and penalised those that largely have routine and automatable tasks.	Agree. The option for businesses to substitute labour with machines and associated competing technology is potentially a factor in relation to 'sticky' wages for routine and automatable roles. This is particularly relevant in respect to government proposals to solve 'sticky wages', for example through Fair Pay Agreements.
F2.3 The impact of technology on income inequality has differed over time, and the nature of the current relationship between technology and inequality is unclear.	Agree. Particularly important is the relationship between this finding and F2.2.
F2.4 Protectionist policies delay rather than eliminate adjustment costs. Such policies create additional costs due to investment misallocation, placing an even higher burden on the generation in which adjustment occurs.	Agree. Productivity improvements in the agricultural sector after the removal of subsidies stand as an example of the need to 'swallow a cup of cold sick' early on and adopt less protectionist policies. This approach comes with some adverse short-term implications for individuals but is better in the long run, compared to a protectionist approach.
F2.5 Recent economic and labour-market changes in New Zealand have favoured people with higher education, the services sector and Auckland. While there have been reductions in the employment share of middle-skilled jobs in New Zealand, there has not been an increase in low-skilled jobs as seen in the United States. Instead, the share of low-paid and low-education jobs has declined.	We agree the data indicates this is the case. As with F2.3 and F2.4 we consider this finding has important implications for any 'fixes' to labour and employment for low-paid roles.
F2.6 New Zealand's poor productivity performance is due in part to the weak diffusion of technologies across the economy. New Zealand's leading firms are slow to adopt worldleading technologies, and the poorest-performing firms are not driven out by competition.	We are not in a position to provide comment on this finding from an economy-wide perspective.  From an agricultural perspective, the important role of farmer and industry funded R&D and tech transfer in the sector has been an important contributor for New Zealand agriculture's competitiveness in overseas markets and needs to be supported into the future. A large component of the 'cost benefit' of technology development is contingent on 'industry good' research, extension and tech transfer.

<p>F3.1 Artificial intelligence (AI) could potentially increase productivity and displace human labour. However, there is no consensus on the pace of current and future progress in AI, its effect on specific occupations, its aggregate impact on employment, nor its likely effects on the nature of work.</p>	<p>Agree. It is difficult if not impossible to forecast both the nature or impact of AI in the medium to long term, and New Zealand's policy settings should look to adapt to these developments as required instead of trying to 'protect' the economy from AI development.</p>
<p>F3.2 Data for the United States suggests that technology-induced structural change to the labour market is not historically associated with mass unemployment.</p>	<p>Agree, and we consider this data is broadly applicable to the New Zealand context.</p>
<p>F3.3 The pace of technological change (and any consequential labour-market change) does not appear to be accelerating. Rather, local and international statistics point in the opposite direction, towards declining labour market and business dynamism.</p>	<p>It is important the drivers for declining labour market and business dynamism are identified.</p> <p>In our view, reduced business dynamism in the agricultural sector is being driven more by significant increases in costs, complexity and capital requirements, in combination with relatively low returns on capital, particularly against alternative land use (urban development and more latterly forestry development) and increasing regulatory costs and complexity.</p> <p>These factors in turn act as 'barriers to entry', and mean farmers are paying more to 'tread water' resulting in less opportunity to invest in business creation.</p> <p>Despite this, there are a developing number of 'niche' farmer operations who are developing innovative products, particularly those identifying export/domestic market requirements. An assessment of the enablers to this innovation would be useful.</p>
<p>F3.4 There are inherent difficulties in undertaking predictive modelling of the employment effects of technological change. There are many 'jobs at risk from automation' models, yet the predicted job loss effects have not appeared in labour-market data. It would be imprudent to plan for the future based on the predictions of any one, or group, of these models.</p>	<p>Agree.</p>

<p>F3.5 The scale, pace and direction of technology-induced change to New Zealand's labour market will depend, to a significant extent, on how quickly technology develops and diffuses overseas. Productivity growth and direct labour-market impacts from technology are likely to lag, and be more muted than overseas trends, unless New Zealand overcomes its poor track record in adopting and diffusing technology.</p>	<p>Agree, although we consider the agricultural sectors may differ from the broader economy.</p> <p>In terms of the agricultural sectors, the key barriers for further innovation are likely to be capital and operating costs and return on investment, driven by regulatory costs and restrictions, resource limitations and the need for additional research and development beyond that provided by industry.</p> <p>As it relates to the wider economy (particularly the domestic economy) the finding appears accurate.</p>
<p>F3.6 Poor technological diffusion may imply less direct risk to employment in New Zealand, but it also implies lower productivity growth, with the result that workers' incomes grow more slowly.</p>	<p>Agree.</p>
<p>F3.7 A continuation of existing trends seems the most likely scenario, including further automation of routine tasks and the concentration of knowledge-intensive jobs in major cities. It is unlikely that, in the next 10–15 years, automation technologies will widely displace human labour in New Zealand.</p> <p>Increased technology with fewer jobs is a low-likelihood but high-consequence outcome. However, a Stagnation scenario of low productivity growth and a significant risk of high unemployment is more likely than large-scale technological displacement of work. Neither outcome should be completely discounted.</p>	<p>We have no opinion, although we note the Commission's reasoning in respect to the four scenarios is sound.</p>
<p>F4.1 Monitoring labour-market and business statistics can identify divergence from current trends. Such divergence will most likely be evident in other countries, particularly those with faster technology adoption, before it is evident in New Zealand.</p>	<p>Agree. In terms of labour market reform, we consider robust monitoring and a willingness to adapt (as a 'fast follower') as preferable to trying to pre-empt labour-market changes.</p>

	<p>However, in terms of education and skills and training, it is important some effort is made to provide for pre-emptive policy settings in order to ensure investment in education, skills and training platforms is sufficiently directed to provide for quick adaptation and innovation, particularly given the specific make-up of the New Zealand economy.</p>
<p>F4.2 Faster adoption of technology increases the economy's ability to adjust to change without disruption. This requires policy changes that support and encourage faster adoption, and address objections to change, by:</p> <ul style="list-style-type: none"> <li>- reducing policy uncertainty for firms and for workers;</li> <li>- better supporting workers and others adversely affected by technology adoption;</li> <li>- better preparing New Zealanders for potential changes to the nature of work and the skills required; and</li> <li>- supporting the efficient allocation of capital and other resources to productive enterprises and away from less-productive ones.</li> </ul>	<p>Agree in part. The flexibility of the regulatory environment is also an important component of the economy's ability to adopt and invest in technology, as is the level of research and development.</p> <p>We are also concerned at the potential for government to 'pick winners' with any degree of accuracy in respect to 'supporting the efficient allocation of capital and other resources to productive enterprises and away from less-productive ones'. It may be useful to refine the finding to ensure 'supporting' is not translated as 'directing'.</p>

## **Section 2: Employment, labour markets and income (draft report 2)**

### **7. CONCLUSIONS AND FINDINGS OF DRAFT REPORT 2**

- 7.1 We broadly support the conclusions and findings of draft report 2. In our view, the priority is to develop a forward-looking labour market and employment system that provides for both employees and employers, without imposing significant regulatory or compliance costs.
- 7.2 We also agree, broadly, with the proposal to move towards 'income security' as a policy preference to 'job security' with the latter providing benefits in respect to promoting a positive view of a more dynamic environment and productivity changes. Such an approach promises to provide employees with a 'fall back', without the inflexibility, inefficiency and stickiness that a focus on 'job security' would (or does) provide.
- 7.3 We also agree an effective approach will focus on facilitating or transitioning workers into between employment, or enabling workers seeking to enter the workforce, effectively 'top of the cliff' interventions.
- 7.4 At the same time, it is important that any transition to an 'income security' approach does not impose unnecessary costs on employers. Job security focussed policy can act as a deterrent to employers taking on additional employees, particularly for smaller scale businesses, including in the farming sector. The expected flexibility benefits provided by a policy focus on income security may be negatively offset if the costs fall on employers, and these costs act as a deterrent to employment.

## 8. RESPONSES ON DRAFT REPORT 2 FINDINGS

Finding or recommendation	Federated Farmers comment
<p>F1.1 Distinguishing the effects of technology from other sources of labour-market change is hard and not necessarily helpful for policy making. Policies to support workers adversely affected by labour-market change should treat those affected by technology no differently from those similarly affected by other causes.</p>	<p>We agree. As stated, there is significant complexity to 'broad brush' impacts resulting from technology change, although a targeted response may be justified in certain areas.</p>
<p>F1.2 Inwards and outwards migration are responsible for numerically larger effects on the size and composition of New Zealand's labour force than is the output of its school system.</p> <p>Policy makers, employers, unions and others often characterise the broader education system as a "skills pipeline". Inwards and outwards migration, and changes in the labour-supply choices of the existing workforce, invariably overwhelm attempts to forecast demand and fine tune the supply of skills in the workforce.</p>	<p>We broadly agree in respect to the 'headline' findings.</p> <p>In respect to the primary sector, greater technological development and productivity improvements have resulted in greater net employment, over a smaller number of businesses and a smaller land area.</p> <p>However, as stated, this increase has not kept pace with the increases in workers in New Zealand overall, with the result that the share of those employed in the primary industries has decreased.</p> <p>There is a distinction between 'direct employment' and 'job creation', however. As noted, there has been a shift towards service industries. A proportion of these service industries will be services to agriculture, either directly or through broader fields (e.g. accountancy).</p> <p>Additionally, even though the Commission rightly places the school system in an appropriate context relative to other sources of labour supply and underlines these factors as an example of why forecasting demand is not entirely effective, it does not mean the school system does not remain an important and influential source, particularly given it is a factor over which New Zealand has important control.</p>
<p>F1.3 Demographic and social changes have seen an increase in the proportions of women and older people participating in the labour market, alongside high levels of net migration. New Zealand has had low rates of unemployment while having its highest ever rates of labour-force participation. Under-</p>	<p>We agree, both with the identification of these changes and recognition this is a strength. However, as identified by the Commission there are demographics and regions where underemployment is notable, and a focus on targeting barriers and supporting and enabling transitions into the workforce would be valuable.</p>

<p>employment is also low and largely short term. All these factors are strengths of New Zealand's current labour market.</p>	
<p>F1.4 New Zealand's labour market appears dynamic on multiple measures, which is a further strength of the labour market. However, data on the rate at which people switch from one job to another does not point to increasing labour-market dynamism over the past two decades.</p>	<p>We agree the findings indicate job-to-job transitions are low compared against OECD statistics. However, we caution against the assumption this is a bad thing, as low job churn can provide an incentive for employers to invest in training and worker support. It is also unclear whether the specific make-up of the New Zealand economy is a factor in driving low job-to-job transitions. It may also be useful to assess job-to-job transitions across various sectors.</p>
<p>F1.5 New Zealand has persistently weak labour productivity growth. Growth since 1996 has averaged 1.4%. It has further slowed since the Global Financial Crisis, in common with other advanced economies.</p>	<p>Agree.</p>
<p>F1.6 New Zealand's economic growth since 1996 has been achieved mostly through more people participating in the workforce rather than by improving productivity as measured by the value of output per hour worked. This type of growth does not support increased wages.</p>	<p>We agree, although in respect to the primary sector, significant investment has gone into mitigation of the effects of land use on the environment and investment in industry assurance programmes, particularly over the last decade. It is unclear how this may have impacted labour productivity and productivity related investment in the sector.</p>
<p>F1.7 Average New Zealand wages are around three-quarters of those in Australia, and below those in many advanced economies.</p>	<p>Agree.</p>
<p>F1.8 The benefits and costs of greater technology adoption will likely fall unevenly on workers and households, creating significant costs for some. However, to lift overall incomes and wellbeing, policy settings must encourage greater technology adoption. Government should resist policies that protect existing firms and workers as these tend to discourage technology adoption.</p>	<p>We agree; this is a critical finding, a priority action and a key 'takeaway' in respect to the review. Again however, we underline the important role that long term employment or low job churn can play a role in encouraging investment in staff.</p>

<p>F2.1 Issues of insecure work, poor job quality, low wages and equity of opportunities are not specific to digital labour platforms. Policies should target these issues rather than the platforms or their underlying technology.</p>	<p>No opinion.</p>
<p>F2.2 That people make trade-offs to participate on labour platforms is not in itself a policy problem. Trade-offs are a feature of participation in most, if not all, social and economic processes.</p>	<p>Agree.</p>
<p>F2.3 Digital labour-platform operators seek to recruit and retain participants to achieve market liquidity, scale economies and network effects. Operators are sensitive to reputation and platform switching. So that poor performance and bad practices have reputational consequences, the Government should encourage choice and mobility between platforms and transparency of their labour-market practices. This approach is preferable to the prescriptive regulation of platform business models and rules.</p>	<p>No opinion.</p>
<p>F2.4 The proportion of people doing platform-mediated “gig work” is very small in New Zealand, and there is little evidence of an increasing trend. Most workers undertake platform-mediated work for short periods, and for supplementary income, rather than as a main job.</p>	<p>No opinion.</p>
<p>R2.1 Stats NZ should work with the Ministry of Business, Innovation and Employment and Inland Revenue to improve measurement of non-standard work and of work mediated by digital labour platforms.</p>	<p>We agree this would be useful, although not a priority.</p>

<p>F2.5 Increases in platform-mediated work may not be to the detriment of traditional jobs. There are limits to the potential for jobs to be subdivided into discrete tasks and shifted to work-mediating platforms. Traditional employment models will likely predominate where job- and firm-specific skills and knowledge matter, continuity of relationships is valuable, or firms value self-directed workers.</p>	<p>It is important that the ongoing role of traditional employment models is recognised. These include roles in the primary sector.</p>
<p>F2.6 In contrast to many other countries, New Zealand's healthcare, income support, tax and worker's compensation (ACC) systems treat employees and contractors on a largely equivalent basis. This reduces incentives for firms to classify workers as contractors to avoid costs, and the extent to which contractors and the self-employed are disadvantaged compared to employees.</p>	<p>We agree, with the caveat that contracting in some sectors are marked by significant up-front costs and lumpy and inconsistent revenue. This does not diminish the Commission's overall finding in relation to the equivalency of many forms of support between employers and contractors and how this impacts employer decisions around classification, however.</p>
<p>R2.2 The Government should explore options to modify the legal tests for employee status. The tests should focus on the fundamental nature of the work relationship – the extent of employer control, worker autonomy and choice, and the extent of lock-in to a specific firm. Whether work is “fundamental” or “supplementary” to a firm's business should not be part of the legal test.</p>	<p>Agree. It is important this recommendation is considered in the Ministry of Business, Innovation and Employment review into ‘Better protections for contractors’.</p>
<p>F2.7 Legal risks discourage firms from offering better conditions and benefits to contractors. Clarifying the law on the employment status of workers and contractors could incentivise firms to compete on quality and conditions of work. One way to do this would be to provide some form of “safe harbour” to firms wishing to offer benefits such as access to group discounts, training or health support to their contractors.</p>	<p>There is merit to this finding, given the existing issues for contractors in the ‘grey area’ (dependent contractors) between employment and independent contractors. However, it is important that any clarifications do not unnecessarily place onerous costs on employers or reduce market flexibility.</p>
<p>R2.3 To give greater legal certainty to firms that wish to offer independent contractors a wider range of benefits and</p>	<p>We agree with the recommendation to provide legal certainty which can provide for employers enabling a greater range of benefits and support. It is important this ‘enables’</p>

<p>support, the Government should explore options to provide some form of “safe harbour” that reduces the risk of legal challenge to the employment status of their contractors.</p>	<p>rather than dictates the ability to offer greater benefits/support as these will needed to be tailored to each specific context.</p>
<p>F2.8 There is no strong case for the introduction of a new category of employment status between employee and contractor.</p>	<p>Agree.</p>
<p>F3.1 Workers who lose their job can face lower earnings in subsequent jobs. Such “income scarring” appears to be large and long lasting in New Zealand. However, research is based on small samples and is possibly subject to selection effects. Further research would help to better understand the extent and causes of income scarring in New Zealand.</p>	<p>We agree further research is required. The draft report discussion notes strengths and weaknesses to New Zealand’s current income support systems, and the comparative analysis outlined does not identify a ‘silver bullet’ approach within the OECD.</p> <p>It is important that any proposed amendments to income support systems do not place onerous obligations on employers, without considering the feasibility of those aspects. In some cases additional requirements for employers may adversely impact the ability or incentive to employ, leading to perverse outcomes.</p>
<p>F3.2 Poor job matches may contribute to income scarring in New Zealand. Financial stress on displaced workers and New Zealand’s thin labour markets may underlie poor job matches.</p>	<p>They may, although the studies outlined are anecdotal and further research is required before the implications are considered.</p>
<p>F3.3 Improved income smoothing mechanisms in New Zealand would increase the wellbeing of displaced workers. It would also facilitate labour-market dynamism, improve labour market matching, build human capital, and foster favourable attitudes towards technology adoption.</p>	<p>It may also provide onerous, if it imposes additional costs on employers (either directly or indirectly). Given New Zealand’s low savings rate there is a valid need to improve self insurance through increased savings. Given the concerns relate in part to drops in (relative) income, any proposals aimed at moving to an income smoothing approach need to be carefully thought through, particularly the impacts on the costs of employment and the incentives to employ.</p>
<p>F3.4 Mandatory redundancy payments provide a source of income for displaced workers to use while they look for work. However, mandatory redundancy payments directly increase the cost of labour, and can encourage non-standard forms of employment over standard forms. Payments received do not</p>	<p>Agree.</p>

<p>reflect the costs that displaced workers face. Further, mandatory schemes blunt voluntary signalling of job security.</p>	
<p>F3.5 Portable individual redundancy accounts could promote labour-market flexibility while enhancing income security. However, such accounts do not pool risk across workers, and may provide low levels of support for young workers or those who experience multiple job losses.</p>	<p>Agree.</p>
<p>F3.6 An unemployment insurance system funded by employers and workers, with payments linked to previous earnings, would smooth the incomes of displaced workers. It could be designed to cover self-employed workers. However, it would reduce net wages, increase the cost of labour, and discourage hiring.</p>	<p>Agree in principle, although the caveats in respect to potentially reduced wages, increased costs of labour and the discouragement of hiring are critical. Further research on both the justifications for and the implications of any unemployment insurance scheme is required.</p>
<p>F3.7 Technological change does not create a case for a universal basic income in New Zealand. Universal and unconditional payments to a wide population are unavoidably expensive if they are set at levels that support a decent standard of living. There are better ways to address concerns about technological change.</p>	<p>Agree.</p>
<p>F3.8 A package of changes to benefits and tax credits that provide greater, time-limited, support for displaced workers would build off an existing system that is relatively neutral to work arrangements. Unlike portable individual redundancy accounts and unemployment insurance, changes to benefits and tax credits would not discourage hiring because they would be funded from general taxation.</p> <p>However, such changes could involve significant costs to the Government and greater complexity (especially the interaction</p>	<p>Agree in principle, although again further work around the cost implications and likely benefits is required. Funding from general taxation may be a preference to an employer funded scheme, if any such approach does not result in greater complexity (with related transaction costs) and perverse outcome in terms of incentives for employment.</p>

<p>between benefits and taxes, and impacts on effective marginal tax rates).</p>	
<p>F4.1 Active labour-market policies (ALMPs) is a term used internationally and by the OECD for a variety of government programmes designed and targeted to help people find or sustain employment. The distinction between policies that do and do not count as ALMPs is arbitrary and varies across countries, making international comparison difficult. The mix of spending on ALMPs in New Zealand is very different to that of other OECD countries.</p>	<p>Federated Farmers supports the principles behind ALMPs as a basis for helping people to transition into meaningful employment. However, for the reasons outlined in the draft report, the comparisons should be treated with caution, and the move towards additional spending on ALMPs should be considered primarily as a reallocation of existing social spending.</p>
<p>F4.2 New Zealand's spending on AMLPs is low internationally, according to the OECD. This is not, of itself, a reason to increase spending. New Zealand's ALMP spending per unemployed-person is much closer to the OECD average.</p>	<p>Agree.</p>
<p>F4.3 Access to ALMPs in New Zealand is narrow compared to most OECD countries. This is because most programmes are linked to income support, and access to income support in New Zealand is narrow.</p>	<p>No opinion.</p>
<p>F4.4 Employment and income support services are closely integrated within the Ministry of Social Development (MSD). Consequently, many MSD programmes are not available to, or designed for, workers who have lost their job and seek a new one, for workers at risk of unemployment, or for those seeking to enter the workforce but not eligible to receive a main benefit.</p>	<p>As with previous findings, we agree that, at a broad level, investment should be refocused to enable transitioning between and into employment. Any such investment should be rigorously assessed.</p>
<p>F4.5 Reliably measuring the effectiveness of labour-market programmes is challenging. Programme evaluation is patchy</p>	<p>Agree.</p>

<p>and rarely robust. International and New Zealand evidence suggests that labour-market programmes in general, and ALMPs in particular, have mixed effectiveness.</p>	
<p>F4.6 There would be benefits for displaced workers, at-risk workers and the labour market more generally, if suitable and cost-effective labour-market programmes were available to a wider group of people. There is patchy information at the present time on the cost-effectiveness of existing programmes for existing clients. This is inadequate to justify expanding these programmes to a wider group of people. The measured introduction of small-scale pilots could generate the information required to be confident that programme expansion would be beneficial.</p>	<p>Agree. Design and implementation of labour-market programmes should include industry input, to ensure they are practically focussed and fit for purpose.</p>
<p>R4.1 The Government should not create new or expand existing labour-market programmes without considering issues of system architecture, service commissioning and evaluation.</p>	<p>Agree; and as above engagement with industry is an important component of these considerations.</p>
<p>Q5.1 Does Figure 5.1 fully capture the factors that influence the technology adoption decisions of New Zealand firms? Which factors are the most influential, and why?</p>	<p>Yes. In respect to the primary sector;</p> <ul style="list-style-type: none"> <li>- Business environment factors include 'market access requirements;</li> <li>- Infrastructure includes 'infrastructure access to natural resources and to provide for environmental mitigation'.</li> </ul>
<p>Q5.2 What adjustment costs discourage firms from adopting technology? How relevant are they in a New Zealand setting?</p>	<p>In respect to the primary sector, regulatory uncertainty (and/or sufficiently tailored, effective and considered regulation) is a key and growing disincentive to invest in technology.</p> <p>For example, investing in technology to reduce impacts on water quality, reduce water demand or mitigate climate emissions is in part hindered if the regulatory 'goalposts' do or are likely to change.</p>

	<p>Additional environmental and productivity gains may also result if the regulatory environment is sufficiently adaptive to and supportive of scientific development and adoption.</p> <p>In addition, the costs of labour can act as a barrier, including costs associated with hiring, training workers who are new to the sector, addressing poor performance, and the cost/benefit of investment in upskilling workers who may be relatively transitory.</p>
<p>Q5.3 How difficult and expensive is it for New Zealand firms to adjust their workforces when adopting technology? More specifically, how does employment protection legislation affect their ability to:</p> <ul style="list-style-type: none"> <li>- upskill existing workers?</li> <li>- hire new workers?</li> <li>- change the work performed by existing workers?</li> <li>- make existing workers redundant?</li> </ul>	<p>Many farmers are owner/operators, with technology change largely informed by industry good bodies. This, combined with the fact technological change is required for both productivity and environmental compliance/mitigation, can often mean technological change occurs both in 'shifts' and through minor, ongoing change.</p> <p>Existing employment protection, as a broad view, hinders technology adoption in both instances, but particularly in relation to the more significant shifts. In respect to training, the more sizeable shifts are generally met with additional farm services as an alternative to upskilling workers, due to both complexity and because requirements for the adoption of (and occasionally use of) technology is over a limited timeframe, where outsourcing is a more cost effective option.</p> <p>Beyond this, for farmer owner/operators there is an economy of scale issue where employment and related administration costs that are largely 'fixed' can influence the decision to hire one or additional staff, and or invest in training of staff.</p> <p>Industry good bodies address the issues facing farmers through their training programmes which facilitates ongoing practical training, although this does not reduce the legislative and administration costs facing farmers (and the implications).</p>
<p>Q5.4 What influences the attitudes of New Zealand workers and the public towards technology adoption in the workplace?</p>	<p>As draft report 2 outlines, the fear of lost income, which may be somewhat addressed through reducing these risks through employment facilitation and income surety.</p> <p>A public discussion on the broader benefits of technology to individuals would also be useful.</p>
<p>Q5.5 What adjustment costs drive workers' fears of technology adoption in New Zealand?</p>	<p>No opinion.</p>

<p>Q5.6 Does it make sense to group New Zealand with the other four “Anglosphere” countries in Figure 5.3? If not, where would you place New Zealand?</p>	<p>Based on the categorisations in the draft reports, it makes sense for New Zealand to be included in the “Angloshpere” countries.</p>
<p>F5.1 There is a strong case for the Government to consider whether a move to a flexicurity model for New Zealand’s labour market is desirable.</p>	<p>As per our response to F3.6, we agree in principle, particularly given a flexicurity model would shift to more dynamism and ideally, better productivity.</p> <p>Firms, particularly smaller firms, would have to see some improvements (or promise of improvement) in technology and productivity in order to be able to (in turn) see the value in justifying (or affording) higher labour costs. Increased labour costs are the cart, productivity improvement has to be the horse.</p>
<p>F5.2 The Tripartite Forum on the Future of Work appears to be a suitable vehicle to further explore a route towards a new labour-market model for New Zealand that is more supportive of technology adoption and productivity growth.</p>	<p>Agree, with engagement with individual sectors and industries as well as clear processes for consulting on proposed changes.</p>

## **Section 3: Training New Zealand's workforce (draft report 3)**

### **9. CONCLUSIONS AND FINDINGS OF DRAFT REPORT 3**

- 9.1 We broadly support the conclusions and findings of draft report 3.
- 9.2 Federated Farmers and other primary sector representatives have been involved in the 'Skills Leaders Working Group' over late 2019 with the support of MPI, culminating in the Food & Fibre Skills Action Plan 2019 –2022.<sup>16</sup> Draft report 3 is predominantly consistent with, and extends upon, these findings.
- 9.3 We particularly support the discussion around the roles of public funding in supporting change, technology adoption and productivity growth. There currently appears to be a predominant view that workforce training is a 'private good' to be funded by employers and employees, but as draft report 3 indicates, education and training can facilitate technology change and adoption, and promote income security.

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<sup>16</sup> <https://www.agriculture.govt.nz/dmsdocument/37751/direct>

## 10. RESPONSES ON DRAFT REPORT 3 FINDINGS

<p>F2.1 New Zealand workers have high rates of participation in work-related education and training, compared to workers in other OECD countries. People in professional occupations or with higher levels of prior education are more likely to take part in work related education and training.</p>	<p>No opinion.</p>
<p>F2.2 Participation in provider-based tertiary education by people aged 25 years and older, and by those who are active or recently active in the workforce, has fallen since 2009. These declines have been faster than for younger cohorts. This fall in participation is due to an improving labour market, and to policy changes which cut funding for lower level programmes.</p>	<p>We agree.</p>
<p>F2.3 Work-based training has increased since 2012, especially the numbers undertaking apprenticeships. There has been a notable increase in industry training by people with degrees and other post-school certificates and diplomas. This is further evidence of how those with higher prior educational achievement are more likely to train than those with less.</p>	<p>We agree to an extent, although the data does not recognise the role that informal on-the-job training plays.</p> <p>Drivers for informal on-the-job training may, to differing extents, reflect a lack of alignment between industry and worker requirements on one hand and formal training and qualifications on the other.</p> <p>The benefit from on-farm training for employees can be reflected in CVs, or word of mouth references between employers and in some respects is considered a more reflective mechanism for providing confidence in 'work readiness' and skills.</p>
<p>F2.4 Lower-level education and training (ie, New Zealand Qualifications Framework levels 1–4) in New Zealand tends not to boost people's incomes but can improve their employment outcomes compared to similar people who do not undertake training. The achievement of higher-level certificates and diplomas can improve incomes, although its effects vary by gender and field of study.</p>	<p>We agree.</p>

<p>F2.5 Barriers to education and training, for both employers and workers, include insufficient time, the cost of training, lack of information, and concerns about relevance and quality.</p>	<p>We agree. Access to suitable training in rural areas is a particular issue, as is a lack of time.</p>
<p>F3.1 New Zealand's industry training system unduly restricts access to work-based training to people who are employees. The Education (Vocational Education Reforms) Amendment Bill currently before Parliament continues the current definition of a "trainee" as a person with a training agreement that is part of an employment agreement as defined under the Employment Relations Act 2000. No aspect of the Government's reforms appears to require a trainee to be defined by employment status. Embedding distinctions between employees, other workers, and others in legislation risks maintaining an unjustified disparity in access to education and training.</p>	<p>We strongly agree. From a primary sector perspective it would be useful if any 'employer focussed' training (as well as employee training) is integrated with, and/or complementary to, the work being undertaken by industry good bodies (IGB) like DairyNZ, Beef&amp;Lamb, FAR and Horticulture NZ.</p>
<p>R3.1 In implementing its reforms of the vocational education and training system, the Government should widen access to work-based education and training to all people in the workforce and to volunteers, rather than restricting access based on employment status. Where apprenticeships or other training programmes need long-term ongoing relationships between trainees and their work-based supervisors, this should be specified in programme requirements, rather than through a legal definition of "trainee".</p>	<p>Strongly agree, and as above any such training would ideally be integrated with or complementary to the work of industry good bodies.</p>
<p>F3.2 It is unclear what eligibility rules will apply to temporary work visa holders wishing to participate in, and receive government training subsidies for, vocational education and training following the Government's current reforms.</p>	<p>Strongly agree.</p>

<p>R3.2 In implementing its reforms of the vocational education and training system, the Government should ensure that people legally entitled to work in New Zealand will be eligible for both work-based and provider-based vocational education and training that is connected to their work, regardless of their visa status or length of residency.</p>	<p>Strongly agree. Temporary work visa holders are critical sources of labour for the primary sector, particularly during periods of low unemployment. Providing effective training for temporary work visa holders can assist in lifting productivity and reducing the pressures faced by farmers, making employment more viable.</p>
<p>F3.3 The current limit on the ability of people to borrow through the student loan scheme for short courses is a barrier to work-related education and training. It is most likely to affect those on lower incomes, who may not have the savings available to self-fund.</p>	<p>We agree.</p>
<p>R3.3 The Ministry of Social Development should remove the 0.125 equivalent full-time student minimum course load for access to student loans for compulsory course fees.</p>	<p>We agree.</p>
<p>R3.4 The Government should extend funding eligibility to providers for students who do not intend to pursue full qualifications, and remove specifications that limit the provision of short courses.</p>	<p>We strongly agree, as this would allow for better integration between on-the-job training and provide greater incentives for 'short course' type training.</p>
<p>F3.4 Micro-credentials have the potential to facilitate labour-market dynamism. Despite the recent introduction of New Zealand Qualifications Authority (NZQA) rules for the approval of micro-credentials and Tertiary Education Commission guidelines for their funding, considerable barriers remain to the provision of NZQA-approved microcredentials.</p>	<p>We agree, although in respect to the primary sector we are of the belief some of these issues can be worked through.</p>
<p>R3.5 The Minister of Education should, under section 159L of the Education Act 1989, issue a determination of funding mechanisms for student achievement component funding that removes the 5% cap on the delivery of micro-credentials,</p>	<p>We agree this will provide for more employer/employee friendly training, and is an important component to delivering on other recommendations.</p>

<p>subject to providers demonstrating sufficient resources, capability and internal processes.</p>	
<p>F3.5 “Stacked” micro-credentials are more valuable to workers, as they can build a qualification over time. Being unable to stack could discourage workers from embarking on study. Concerns that the stacking of micro-credentials could lead to duplication, fragmentation of qualifications, and employer confusion do not outweigh the benefits of stacked micro-credentials for workers and for labour-market dynamism.</p>	<p>We strongly agree. In terms of course design, it is also useful if micro-credentials reflect skills developed through ‘on-the-job’ training. This is the intent of the Food and Fibre Skills Action Plan 2019–2022.<sup>17</sup></p>
<p>F3.6 Recognition of prior learning (RPL) would make it easier for individuals to move from one industry to another, as in-work learning is formalised by RPL via a credential. However, current funding policy creates a barrier to RPL.</p>	<p>We agree.</p>
<p>R3.6 To encourage providers to offer recognition of prior learning, the Tertiary Education Commission should remove any reference to inputs (eg, learning hours) in its definition of an equivalent full-time student.</p>	<p>We agree.</p>
<p>F3.7 The lack of significant funding reallocation between tertiary providers over time has led to inertia and conservatism. It has dampened incentives for providers to innovate and to be responsive to student and employer needs. It is important that the proposed unified funding system does not result in more inertia and conservatism.</p>	<p>We agree.</p>
<p>F3.8 Clear organisational roles, responsibilities and accountabilities underpin effective systems. Elements of the</p>	<p>We do not agree. In our view, some of these issues are being worked through at present. In particular, a framework which attempts to embed industry in training design and</p>

<sup>17</sup> <https://www.mpi.govt.nz/dmsdocument/37751-food-fibre-skills-action-plan-webv2-pdf>

<p>current vocational education reforms appear to create overlapping roles and functions and unclear lines of accountability.</p>	<p>implementation will, for a time, provide a lack of clarity around roles and accountabilities. We expect these will be addressed at the WDC level, over the initial implementation phases.</p> <p>We agree there is some complexity around defining 'industry', although under RoVE industry bodies have the option of opting in or transitioning, which we consider an effective approach. If qualifications are designed to be transferrable between industries this will in part address the 'industry specific' training programmes.</p>
<p>F3.8 Clear organisational roles, responsibilities and accountabilities underpin effective systems. Elements of the current vocational education reforms appear to create overlapping roles and functions and unclear lines of accountability.</p>	<p>In our view, the Ministry remains clearly responsible for the overall architecture and outcomes of vocational education, with industry embedded in the operational components. As above, we consider the current lack of clarity a trade-off and an issue which will be addressed over time, in an industry specific manner.</p>
<p>R3.7 To reduce duplication and improve accountability, the Government should clarify the roles and responsibilities of the various agencies and organisations in the new vocational education system.</p>	<p>Clarification is useful, but will ultimately occur over time. Clarity needs to be sufficiently specific to industry and have the ability to adapt over time.</p>

## **Section 4: Educating New Zealand's future workforce (draft report 4)**

### **11. CONCLUSIONS AND FINDINGS OF DRAFT REPORT 4**

- 11.1 We support the conclusions and findings of draft report 4, particularly the focus on developing 'pathways into work'.
- 11.2 As outlined in section 9 of this submission, Federated Farmers and other primary sector representatives have been involved in the 'Skills Leaders Working Group' over late 2019 with the support of MPI, culminating in the Food & Fibre Skills Action Plan 2019 –2022.<sup>18</sup> Our submission is informed by this perspective.

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<sup>18</sup> <https://www.agriculture.govt.nz/dmsdocument/37751/direct>

## 12. RESPONSES ON DRAFT REPORT 4 FINDINGS

<p>F1.1 Desirable characteristics of an education system for the future of work are its ability: to empower people to learn new skills and knowledge throughout life; and to help people make well-informed choices and avoid closing off viable options inadvertently, unnecessarily or too early.</p>	<p>We agree.</p>
<p>F2.1 The performance of New Zealand school students is declining over time and there are persistent (on some measures widening) gaps between high and low achievement. The New Zealand education system produces persistently poorer outcomes for some young people, especially children in socio-economically disadvantaged communities, and Māori and Pasifika learners.</p>	<p>We agree the available data backs this finding.</p>
<p>F2.2 Implementation of the New Zealand Curriculum’s key competencies is far behind its intended timeframe. There is no evidence of the teaching of key competencies in 28% of schools.</p>	<p>No opinion.</p>
<p>F2.3 The national curriculum, in its expressed intent, is well-suited to prepare young people for the future of work. However, there is clear evidence of a systematic implementation failure of the national curriculum. For many students, their experience of the national curriculum falls far short of its intent.</p>	<p>No opinion.</p>
<p>F2.4 The “well-lit” pathway or route from secondary school to university works well for some students, but not for all. Variability in careers advice, timetabling constraints and regulatory requirements – especially those related to</p>	<p>We strongly agree. Vocational-focused pathways in school are vitally important for training and workforce development for the primary sector, and existing approaches in many secondary schools appear to act as a deterrent to a more vocational approach/pathway. This then dissuades some students from choosing non-university related training and vocations.</p>

<p>University Entrance – add to the difficulty of developing vocational-focused pathways in schools.</p>	
<p>F2.5 Keeping options open, along with enabling students to change course as needed, is an important attribute of an education system. But barriers exist to changing course and provider, especially in tertiary education.</p>	<p>We agree.</p>
<p>Q3.1 This report identifies challenges and opportunities for reform to the education system in preparing young people for the future of work. What other constraints, issues, challenges and opportunities should the Commission consider?</p>	<p>We consider the challenges and opportunities identified in section three of draft report 4 are accurate.</p>

**SUBMISSION ENDS**