



Submission by

**The Employers and Manufacturers Association
(EMA)**

On

**New Zealand Productivity Commission
Training New Zealand's workforce
Report 3**

17th February 2020

About the EMA

The EMA has a membership of more than 7,500 businesses from Taupo north to Kaitaia that employ around 350,000 New Zealanders.

The EMA provides its members with employment relations advice from industry specialists, a training centre with more than 600 courses and a wide variety of conferences and events to help businesses grow.

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

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Our Submission

The EMA welcomes the opportunity to submit on New Zealand Productivity Commission Draft Report 3 Training New Zealand's workforce "Technological change and the future of work", which addresses a more specific question of "how can New Zealand's education and training systems be more effective in enabling adaptation to technological disruption".

Globalisation and changes in technology will make some traditional forms of work obsolete. At the same time, the impact of change is creating new opportunities.

Education and training plays a critical role in the economy and in the broader community. If New Zealanders are to have access to challenging, well-paid jobs in highly-productivity industries, as well greater social and economic opportunities, our education and training outcomes need to be lifted to align with the rapidly changing opportunities in the labour market. As mentioned in the report, making New Zealand's education and training system more effective in the face of technological change means that the system will need to be more flexible. The EMA supports the view New Zealand's education and training system needs to be more flexible.

The Vocational Education Reforms (RoVE) have identified improvements to the process like increasing the responsiveness of the system to employers, however a lot more detail is required to determine how this is going to work. Forty eight per cent of respondents to the EMA Employers Survey 2019 said the proposed RoVE reforms will not help secure the skills needed.

Technology and automation implementation will disrupt the skills that education and training systems strive to supply. This will shift labour demand towards higher level skills. Currently new workers are not adequately trained and that includes both soft skills and the technical capability to build a broader set of skills to meet the changing work environment.

While it may be impossible to predict how technology will play out in the future, it could possible to identify the skills required. The Manufacturers Network which is now part of EMA, has a project "Skills Shift in Manufacturing" reporting to the Future of Work Tripartite Forum. This report identified current skill shortages and the future demands of skills with new technologies from both employers and employee viewpoints. This research will be important for the manufacturing sector to determine where future training needs should be directed.

With new technology transforming work across a range of sectors, more and more businesses are struggling to find workers with the skills to man machines and manage new processes.

Most businesses in the EMA Employers Survey 2019 say technology will have some impact on their workforce (51 per cent). Employers see the biggest challenge to introducing Industry 4.0 technologies is the lack of qualified staff (43 per cent).

These pressures are currently being reflected in significant skills shortages, particularly for technicians, professionals, machinery operators and managers, with 70 per cent of our employers surveyed saying there is, or soon will be, a skills shortage in their industry sector.

It is important to have a dynamic and open culture within the workplace to ensure education and training needs are available to existing employees to allow quick adaptation to new skill demands throughout their working life.

Most employers are currently impacted in some way by low levels of literacy and numeracy, this also includes a number of skilled migrants. Currently TEC funding for workplace literacy is only available to New Zealand citizens, or permanent residents with the exception of some Pacific Islanders and Refugees. The EMA would recommend that this funding should not exclude migrants on a Work to Residence category. It is important that digital literacy skills are developed to ensure employees are adequately equipped to deal with developments in the economy.

Youth not in employment, education or training is also a concern as they represent a large section of our potential workforce. Most young people will say that school does not prepare them for work. They need to be equipped with the right skills that enable them to fully participate in the technical workforce. The EMA partners with COMET Auckland on delivering a youth employability programme to fully prepare youth for employment. This includes training courses on positive attitude, willingness to learn, communication, thinking skills, team work, resilience and self-management. These are important foundation skills for preparing the future workforce. The programme includes 80 hours of work experience.

Growing the skills and training for Maori and Pasifika are important for New Zealand's future workforce and training programmes and processes should be in place to take advantage of new opportunities that technological change will bring.

Ageing Workforce impacts on technological change, as a larger number of employees remain in the workforce after the entitlement age of 65 and may be resistant to training and change. An ageing workforce can therefore lead to a shortage of qualified workers, making it difficult to find in-demand roles. Labour market figures for New Zealand 65 plus age group show there are over 169,000 aged workers in the labour force.

Life Long Learning and skills development need to meet expected changes in the future work environment. This may require promoting and implementing flexible and different working arrangements suited to the needs of older workers.

Most respondents in the EMA employers Survey (52 per cent) say an ageing workforce will have an impact on their business.

It is also important to note that while lower levels of education can limit income, it can boost employment opportunities because of the prevalence of low income jobs like service, retail and occupations like labourers.

The EMA agrees that a more complete picture of education and training is required and would support research carried out by the Productivity Commission examining the impacts of education and training on earnings and employment.

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. These have significant impact on SME's, which make up the majority of companies in New Zealand.

SME's too often fail to see the value in providing a formal training programme. SME's staff are often forced to be a 'jack of all trades' in order to plug the skills gap. For many it will be essential to see a clear return on investment before agreeing to staff training. There are low cost seminars that offer

practical advice such as on- line forums, industry networking groups and Government business websites. The pace of technological change within companies will require more flexible, structured training programs, including micro-credentials.

Formal education is not the only way in which people develop skills. Learning can result from daily activities related to work or learning embedded in planned activities not explicitly designated as learning. The issue is that a large amount of this training is not accompanied with a qualification, which reduces the opportunity for an individual to secure skilled work that requires these skills. Skills attained outside the formal education system need to be recognised with some type of qualification, but this would require input from employers.

Training New Zealand's workforce and having skills recognised would also need greater connections between employers, training providers, individuals and Government. The matching of jobs and skills is the most important issue for employers and individuals - and is also one the key priorities of the Vocational Education reforms.

Workplace Training

Learning is a key component of successful organizations' strategic plans. To remain relevant and viable, organizations need to be agile when the workplace is changing rapidly. To be agile, employees need to learn. Training is a part of learning and typically happens for compliance purposes, or when a new initiative is launched. It is not a part of what employees do every day. Valuable time away from work is spent on training and to make it worth the investment, the learning gained needs to be transferred into the workplace.

In the future, training will not be enough. To be agile and responsive to the rapid changes in the workplace, people will need to learn every day—and that learning will need to align with business goals. Training will still need to be part of the strategy, but learning will be the core tenant of success.

Some of the barriers to education and training, for both employers and workers especially around lack of information and concerns about relevance and quality, could be overcome by having the training in the workplace.

The EMA acknowledges that New Zealand has high rates of participation in work related education by professionals and low participation rates for labourers and machine operators. With the advance of technological and the introduction of automation, there will be a greater demand for training in these sectors.

The country is better off if workers are properly trained. Trained workers are more productive workers, which means more productive companies and greater overall economic output.

Further issues with training will arise as more people move into contracting. Research has shown a significant number of millennials move into freelancing and this will have a greater impact on

training programs for this group. According to a study in United States (Freelancing in America 2017) the majority of workers will be freelance by 2027. Nearly 144,000 New Zealanders are self – employed contractors, which is just over 5 per cent of all employed. (Stats NZ 2018)

Funding

The EMA would recommend that that the Industry Training Direct Funding Scheme for employers that was proposed and piloted in 2014, but did not proceed, should be revisited. Four organisations; Engineering Taranaki Consortium; Southern Group Training (Northland and Southland); Ryman Healthcare (nationwide) and NZ Kiwifruit Growers Incorporated (Bay of Plenty) were part of the pilot that received funding to provide on-the-job training specifically tailored to their business. Implementing this scheme would allow employers with large number of trainees to apply for access to the fund directly to conduct approved training.

SME's make up a significant number of New Zealand business and the EMA sees a need to establish a small business programme to help them engage in the training required to meet technological changes. There could be a programme where companies with fewer than 50 employees could address employee training needs through a list of pre-registered courses.

There are 3 possible schemes for funding individual learning accounts; Individual learning accounts in which training rights are accumulated over time; Individual savings accounts in which individuals accumulate resources over time for the purpose of training (unused resources remain the property of the individual) and; vouchers. These provide individuals with direct subsidies to be used for training purposes, often with co-financing from the individual, they do not allow for any accumulation of rights or resources over time.

Many of the existing individual learning schemes in different countries tend to provide small sums of money to support training costs. These small amount mean that participants can only undertake relatively short-duration training, which may not lead to real increases in the individual's qualification levels.

Another issue is engaging under-represented groups in learning schemes, although this is not easy to achieve. Overseas research shows higher educated individuals are always over-represented in individual learning schemes. Any introduction of vouchers etc. should have the common objective to promote access to those with less access to training, generally the least-skilled, but also sometimes individuals with low income, employees in SME's, employees with non-standard employment contracts and self-employed workers.

Vocational Education Reform

The Government has embarked on a major reform to the vocational education and training system. Significant proposals have been announced and consulted upon, however as mentioned in the paper, much of the detail has yet to be determined. It is important to note all university programmes are outside the scope of these reforms.

Response to issues / recommendations

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”.

The EMA supports widening the access to work-based education and training to all people rather than restricting it to their employment status. We recognize that the current vocational reforms still refer to “trainees” as defined under the Employment Relations Act as having a training agreement as part of their employment agreement. This can impact on Managers, Self Employed, Independent Contractors, and Interns etc.

The way we work is changing with an ever increasing number of people now working for themselves. Public policy has struggled to maintain pace with this change, leading to a lack of support or restrictions for training for those who are not classified as a trainee. Training has been identified as the key to both increasing earnings and tackling New Zealand’s low productivity.

Making apprenticeship funding available for providers to subsidise training courses for self-employed people would help in increasing training opportunities.

Training costs are tax-deductible if these educational expenses meet the strict criteria defined by the Internal Revenue Service department of the IRD. Similarly, the Internal Revenue Service department allows self-employed workers to deduct some training costs, including transportation to and from course locations.

However under the New Zealand tax system, you can’t deduct expenses of a private nature, and this includes tertiary study fees and expenses, regardless of whether you are in business or not. A policy

change is required to make training for new skills tax-deductible for self-employed, as it is for employees.

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.

The EMA supports people legally entitled to work in New Zealand to be available for both work-based and provider based vocational education and training connected to their work, regardless of their visa status.

A large number of migrants are highly skilled and qualified and enter the country under current Immigration policy settings with English as second language. The over-qualification of migrants is widespread among OECD member countries. Skills recognition is one of the key instruments to address the issue. Proper assessment and recognition of migrant's existing skills would avoid any unnecessary investment in developing them and focus on additional training required for the critical missing skills.

Policy should be enhanced to focus on vocational language training and provide it where possible on-the-job, together with equipping all immigrants with the basic skills for succeeding in the labor market and providing more opportunities for immigrants with foreign qualifications to take bridging courses.

Under TEC funded programmes like Workplace Literacy the employee is required to be a New Zealand citizen. An employer or the trainee migrant can elect to pay for the training. The main route to residence is through Essential Skills Temporary Work Visa, followed by post-study work visa. Changes were made to immigration settings in 2017 to Essential Skills visa settings, to ensure that only those likely to be able to transition to residence could stay in New Zealand long term. Changes next year would require employers to be accredited to recruit migrant workers which will require the employer to demonstrate that their business practices incentivise training and upskilling of New Zealanders. A number of migrants in New Zealand are on a Work to Residence Visa. While this Visa isn't designed for those people who are self-employed, this group would come under Entrepreneur Resident Visa. While it unclear what eligibility rules will apply to temporary work visa holders wishing to receive subsidies, the EMA would support that migrants on the Work to Residence category should be entitled to government tuition subsidies and regulated tuition fees.

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.

The EMA agree reforms are needed with student loans for adults and workers so they have better access to the tertiary system. The current limit on the ability to borrow through the student loan scheme for short courses is a barrier to work related education and training. Usually 0.125 EFTS is equivalent to 15 credits or points, while 0.5 EFTS is usually equivalent to half a year full-time study and one EFTS is usually equivalent to one year's full-time study. This restricts the access to students whose courses are less than 15 credits from getting a loan.

The EMA acknowledges some companies will refund employees who have funded courses, or that qualifications gained outside their organisation will be reimbursed once the person has gained the qualification. It is noted that some employees are in a position when working to fund their own

qualifications, while others may not have sufficient funds and would require a loan. Why restrict the criteria for a loan, when someone already in the workforce could start immediately repaying the loan?

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.

Micro-credentials have the potential to facilitate labour-market dynamism. Despite the recent introduction of NZQA rules for the approval of micro-credentials and TEC guidelines for their funding, considerable barriers remain to the NZQA-approved micro-credentials.

Two specific restrictions limit the provision of NZQA-approved micro-credentials:

1. Limits on provision(3.4)
2. Limits on Stacking (3.5)

Under the funding conditions for Student Achievement Component funding, micro-credentials are counted as training schemes. Without Tertiary of Education Commission (TEC) agreement, training schemes cannot comprise more than five percent of the total dollar value of a Tertiary Education Organisations delivery. We see potential for micro-credentials to become a key part of the education landscape, particularly as the nature of work and skill demands change. On this basis, TEC will consider exceptions to allow micro-credentials to exceed the five percent cap on training schemes.

Criteria for micro-credentials needs to show that they are an addition to current learning and do not duplicate current quality-assured learning approved by NZQA.

TEC is unlikely to invest in micro-credentials endorsed by a single employer. Buy-in from a single employer indicates relevance and quality, but it also indicates that the employer would probably fund the micro-credential itself and that the skills that a learner gains may not be transferable.

Therefore it is important for companies to engage with business organisations or industry association groups to deliver micro-credentials.

TEC do not want micro-credentials to displace privately funded training. To be eligible for funding, the micro-credential must not predominantly involve training that employers are legally obliged to provide like workplace specific health and safety training, or which a business has a particular commercial interest in, like specific training to use their proprietary software.

The quality assurance, level of detail and relevance of these approaches to micro-credentials poses a significant challenge. If the recognition process is too lengthy, complicated and costly it will discourage potential users. At the same time, if the recognition process is easy, employers may not have confidence in the quality of any certification.

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, subject to providers demonstrating sufficient resources, capability and internal processes.

We agree that TEC limits the availability of micro-credentials by restricting the amount of short –course delivery a tertiary provider can offer to 5 per cent of the dollar value of its provision.

The EMA supports this proposal and that micro-credentials should have the ability to be stacked. Employees may be less likely to embark on study if they believe they cannot build a qualification over time. We would support the building up of a number of micro-credentials leading to a certificate.

Micro credentials are certification-style qualifications that individuals choose to study to improve a skill found in a particular industry area. They are short, low-cost online courses that provide learners with a digital certification or a 'digital badge' when complete. This new learning concept continues to gain recognition and is highly sought after by employers.

The key difference between micro-credentialing and other qualifications offered by higher education institutions, such as certificates or bachelors, is that micro credentials are delivered as 'bite-sized' chunks, illustrating the proficiency in a particular skill. They are developed with its particular industry in mind, ensuring that the qualification meets industry-specific needs, is relevant and is recognised by future employers.

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.

The workplace is increasingly seen as a site for learning with changes in the economy stimulating a greater focus on work and workplaces as a significant site for learning. The need for all workers to maintain their employability in a climate of increasing change is well documented and with an ageing workforce there is an increasing need to keep skills current and relevant to continue to work. Thereby by removing any reference to inputs (learning hours) through recognition of prior learning an individual can potentially have their workplace and personal life assessed and matched to the requirements of a qualification.

Flexibility in size and types of program that can be incorporated with formal qualifications is increasingly regarded by providers and industry as important to allow for timely responses relevant to emerging needs. New Zealand incorporates within its NQF the ability to recognise 'training schemes', which are smaller than full qualifications, but can be approved if they are genuinely needed by learners and stakeholders. They are offered by accredited tertiary education organisations. Training schemes must have a coherent structure that allows learners to achieve the learning outcomes and must have an appropriate NZQF level, and incorporate sufficient learning to demonstrate progression of knowledge.

In New Zealand each qualification has a credit value based on how long the program designer considers it would take the learner to achieve the outcomes. Each qualification in the framework specifies the number of credits required at specified levels in order to earn that qualification. One credit is equivalent to 10 notional learning hours (including contact time, assessment and self-study). A typical learner is considered able to complete 120 credits of learning in a year (1200 notional hours). Each qualification in the framework specifies the number of credits required at specified levels in order to earn that qualification

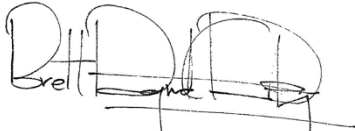
R3.7 To reduce duplication and improve accountability, the Government should clarify the roles and responsibilities of the various agencies and organisations in the new vocational education system.

While it may be too early to comment while the Government is still trying to bring or the pieces together, the EMA would agree that roles and responsibilities of all the agencies and organisations should be clearly defined with quality assurance processes that prevent duplication of courses.

It is important to the EMA that the proposed Workforce Development Councils should ensure accountability to industry and have processes for industry stakeholders to stay actively involved.

There needs to be a shared vision for the Vocational Education Reforms that is endorsed by stakeholders as well as the Government. It should make clear the expected role of the reforms including the roles and responsibilities of all participants in the system.

Thank you for your consideration,



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