



NZ SKILLS STRATEGY

New Zealand Skills Strategy 2008

Discussion Paper





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Contents

Foreword	4	Part 3 – Proposed Priorities and Actions for 2008	25
Executive summary	6	Priority 1	27
		Increasing the literacy, language and numeracy skills of the workforce	
Part 1 – The Skills Challenge	11	Priority 2	30
Introduction	12	Building the capability of firms to support managers and workers to better develop and utilise skills	
The importance of skills	12	Priority 3	33
The link between skills and productivity	13	Enhancing the relationship between the supply of skills, and the demand for them, including a focus on measuring skill acquisition and retention	
Responding to skill shortages	14	Priority 4	40
Making the most of our increased investment in skills	15	Increasing the skills of young people in the workforce	
Skills for Māori and Pacific peoples	15		
The role of immigration	18		
Making work more attractive	19		
Why we need a Skills Strategy	20	Skills Strategy for 2008 – way forward	43
Part 2 – The Skills Strategy	21	Appendix	45
		Appendix 1	46
		Consultation schedule	



Foreword	4
Executive summary	6

Foreword from Skill New Zealand Tripartite members

New Zealand's economic transformation and our future skill needs rely on businesses, workers and government working closely together to implement a Unified Skills Strategy (the New Zealand Skills Strategy).

The Skill New Zealand Tripartite Forum brings together government Ministers and officials, Business NZ, New Zealand Council of Trade Unions (NZCTU), and the Industry Training Federation (ITF), to work in partnership to develop and implement the Skills Strategy.

Government

Last year as part of the Government's Economic Transformation Agenda, we highlighted the need for New Zealand to increase its skill base in order to maintain its international reputation and enhance its global competitiveness. As a nation, we need more innovative ways of tackling the challenges of ongoing skills shortages and productivity levels that are not rising quickly enough.

As announced in January 2008, we are committed to a partnership approach to increase workforce skills.



Pete Hodgson
(co-chair Skill NZ)
Minister for
Tertiary Education



Maryan Street
(co-chair Skill NZ)
Associate Minister for
Tertiary Education



Jim Anderton
Associate Minister for
Tertiary Education



Trevor Mallard
Minister of Labour



Ruth Dyson
Minister for Social
Development and
Employment



Phil O'Reilly
Chief Executive
Business NZ

Business New Zealand

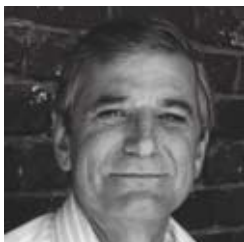
Innovation, productivity and economic growth all depend on sufficient skill levels among working New Zealanders. Business NZ supports the Skills Strategy's aim of delivering a unified approach to ensure New Zealand individuals and organisations are able to develop and use the skills needed in highly productive, high-value workplaces.



Carol Beaumont
Secretary
New Zealand Council
of Trade Unions

New Zealand Council of Trade Unions

In our rapidly changing world, having a highly skilled workforce is a necessity. Our future will depend upon giving people the opportunity to develop their skills and abilities to the maximum; not just as a strategy for competing in a global economy but as an effective way to tackle family poverty, increase social mobility and improve the quality and security of work.



John Meeuwssen
Chair
Industry Training
Federation

Industry Training Federation

For the first time there is recognition of the importance of linking workplace based learning to the other factors that contribute to economic development. Industry training is about integrating learning with improvements in the way workplaces operate and ensuring training complements new and innovative processes.

Unified Skills Strategy – Executive summary

Part 1 – The Skills Challenge

Introduction

This document is the result of discussions of the Skill New Zealand Tripartite Forum. The proposals form what we, through our combined information and knowledge, believe will be effective ways to ensure that as a nation we have the skills necessary to drive economic transformation.

Now we need to draw on your knowledge and information as employers, employees, education and training providers and individuals so that we can have an agreed game plan to make sure we continue to prosper in a competitive global environment.

We would like to point out a few things at the outset:

- we know that our education system must respond to the needs of employers. The tertiary education reforms aim to make sure this is the case. In places the Skills Strategy and proposed actions build on the tertiary education reforms, but the focus is more on the need to increase the skills of workers and make sure that these skills are used by employers
- you will notice that many of our proposed actions relate to co-ordinating activities, strengthening and building networks, and gathering information relating to skills. We think this is a vital first step to progress the Skills Strategy, and will ensure the success of actions that we agree to in the future.

The proposed Skills Strategy and suggested actions aim to promote discussion, understanding and agreement about the fundamental importance of skills to New Zealand's prosperity.

What we mean by skills

We have used the term 'skills' in a broad sense to include all the skills, competencies, capacities, capabilities, knowledge, attributes and experience that enable people to do their jobs.

“8 out of 10 workers of the workforce of 2017 are at work today and so a good place to invest in people is directly at the workplace.”

Carol Beaumont

COUNCIL OF TRADE UNIONS SECRETARY

The importance of skills

New Zealand's continuing wealth will depend on the skills of its people and how firms and industry support New Zealanders to work to the best of their potential. Skills are key to economic transformation; the skills of workers increasingly determine firms' ability to build competitiveness.

The proportion of people with formal qualifications is a good indicator of the overall skill level of a nation, but this is by no means the whole story. Skills development needs to be focused on the needs of industry and the economy, formal qualifications must reflect the skills needed in the jobs for which they are designed, and managers must support workers to work to the best of their ability and potential. As 80 percent of our current workforce will still be in the workforce in 2020, the Skills Strategy aims to make better use of the current workforce by raising people's skills and increasing the value of the work that they do.

The link between skills and productivity

New Zealand's recent economic growth has largely been the result of increases in **labour utilisation** – more people working and more people working longer hours – as unemployment has decreased to historically low levels. The other determinant of economic wealth, **labour productivity growth**, has been low over many years. In effect, what this means is that an hour worked in New Zealand produces approximately 30 percent less than an hour worked in Australia.

The challenge we face is that labour utilisation cannot continue to drive our economic growth into the future. Over the next few years, unemployment will continue to be low, with workers being in high demand. In the longer term, our population is ageing so there will be fewer people available to work. So we need to raise our labour productivity through making sure that each individual in the workforce produces more per hour, rather than working even longer hours.

Key to this will be the ability of our managers and industry leaders to find and use the resources available to them – equipment, technology, better work processes and, very importantly, the skills of their workers.

This is why the Skills Strategy emphasises the development of management and leadership capability within firms, as well as ways to support workers to better influence skills development within their workplaces.



Responding to skill shortages

A skill shortage is a mismatch between the supply of people with particular skills and the demand for people with those skills. They are a normal feature of any economy that is changing. Shortages may be caused by the time it takes for new skills to be developed to meet the needs of industries that have changed as a result of new technology, or rapid changes in consumer demand for products and services in industries affected by cycles in the economy.

A challenge we as a nation now face is that skill and labour shortages exist across the whole of the economy even though more people are working than ever before. This is the consequence of continued jobs growth at a time when unemployment is at historically low levels.

The Skills Strategy is based on the view that there are three main ways to address skill shortages:

- increase the level, quality and adaptability of New Zealanders' skills, including those already in work and those seeking employment. This can be achieved through increasing labour force participation, enhancing the relevance and timeliness of education and training supply, and upgrading the skills of the existing workforce
- increase the supply of skilled labour through immigration. The use of temporary work permits and the emphasis on skilled migrants are examples of using global labour supply to help address some of New Zealand's skills needs
- improve the use of skills in the workplace. This could e.g. include creating attractive workplaces that recruit and retain skilled workers. It can also include raising the level of productivity of the workforce through training, technology, and workplace reorganisation.

In practice, all three of these strategies are inter-related. Increasing the supply of skilled workers (either through immigration or education and training in New Zealand) may be insufficient if workplaces are not well geared to support workers to fully use their skills. Likewise, skilled migrants and young people moving into their first jobs may find it difficult to move into good employment if their skills are not well matched to labour market opportunities.

Why we need a Skills Strategy

This Skills Strategy will give us all a shared understanding of the challenges New Zealand businesses, government and individuals face in meeting the demands of a growing economy. It will allow us to agree on solutions and priorities for action that will result in continued economic growth. Most importantly, we will have a shared commitment to putting these actions into practice.

The Skills Strategy is designed to do this by:

- establishing a mechanism for debating and reaching agreement on the required skills and systems to drive productivity in New Zealand
- better co-ordinating and communicating work across government and New Zealand organisations and individuals
- identifying duplication or where there is a need to do more.

The development of the Skills Strategy is based on an understanding that the significant improvements in skills development and use needed to drive labour productivity and economic growth are going to require co-ordinated action and commitment from all of us.

Part 2 – The Skills Strategy

The Skills Strategy is aimed at developing a New Zealand skills system that will meet the long term needs of the economy.

Our purpose reflects the view that the successful implementation of the Skills Strategy will integrate what happens in the workplace with the formal education and training system. People with the right skills can give firms a competitive edge, through increased innovation, development and use of new technology, new workplace practices and access to new markets.

Workplace practices, technology, the way work is organised and workplace culture impact on the way skills are used and whether workers and managers are able to achieve their potential. So we need to think about skill development not in isolation, but as an integral part of improving New Zealand's productivity.

The goals of the Skills Strategy aim to improve how we use and retain skills in workplaces. They also reflect the need for workers and employers to better understand their skill needs, and to ensure the education and training system is responsive to these needs. We also need to come to an agreement about how we value and measure skills in New Zealand so that we can chart our progress.

Our Purpose

The Skills Strategy will deliver a unified approach to ensure New Zealand individuals and organisations are able to develop and use the skills needed in the workplaces of the future.

Our Goals

- | | |
|---------------|---|
| Goal 1 | The effective use and retention of skills to transform work and workplaces |
| Goal 2 | Increase in the quality of demand from employers and workers |
| Goal 3 | Influence the supply of skills and create a more responsive education and training system |
| Goal 4 | A unified approach to defining, valuing and measuring skills |

Part 3 – Proposed Priorities and Actions for 2008

The Skills Strategy Action Plan proposes four key priorities and a range of actions. These are explained in detail on pages 25 – 42 of this document. Table 1 lists the proposed actions and their contribution to meeting the goals of the Skills Strategy.

Table 1: Summary of Proposed actions and their contributions to Skills Strategy goals				
Proposed Priorities and Actions	GOAL 1 Use and retention of skills	GOAL 2 Quality of demand from employers, workers	GOAL 3 Supply of skills, responsive training system	GOAL 4 Defining, valuing and measuring skills
PRIORITY 1 – LITERACY, LANGUAGE AND NUMERACY SKILLS				
Action 1 – Increasing literacy, language and numeracy learning opportunities, and the quality and relevance of those learning opportunities			√	
Action 2 – Increasing workforce and employer awareness of the benefits of improved literacy, language and numeracy, programme participation		√		
PRIORITY 2 -CAPABILITY OF FIRMS				
Action 3 – Use public-private partnerships to enhance management capability	√			
Action 4 – Streamline government firm capability programmes and improve their links with the private sector		√		
PRIORITY 3 – SUPPLY AND DEMAND OF SKILLS, AND MEASUREMENT OF SKILL ACQUISITION AND RETENTION				
Action 5 – Develop industry-specific skills action plans	√	√		
Action 6 – Improve access to careers and labour market information and advice for adults in the workforce			√	
Action 7 – Undertake a targeted review of the qualifications system, focusing on diploma and certificate levels			√	√
Action 8 – Research to understand the trans-Tasman labour market	√		√	
Action 9 – Develop and disseminate integrated skills information and create a shared language on skills		√	√	√
PRIORITY 4 – YOUNG PEOPLE IN WORK				
Action 10 – Provide advice and support for employers and tertiary/training providers on how they can best support young people currently in work	√			
Action 11 – Improve the provision of information, access to careers advice, and life-long learning advice for young people currently in the workforce, and their parents			√	

Skills Strategy for 2008 – way forward

A cross government Programme Office is now seeking the views of all interested parties on the draft Skills Strategy, including the Skills Strategy Action Plan.

A number of forums will be held across the country – details are at the back of this document at Appendix 1. This document and form for feedback is available online at: www.skillsstrategy.govt.nz. At this website you will find related papers on the Skills Strategy, including a Cabinet paper from December 2007 on 'developing a unifying Skills Strategy for New Zealand'. The deadline for submissions is **6 June 2008**.

Following completion of the consultation process on the draft Skills Strategy Action Plan, we expect to produce a final version for publication in July 2008.

We expect further work and more initiatives to be undertaken in the next couple of years, as we build on the Skills Strategy Action Plan.

Part 1

The Skills Challenge

Introduction	12
<hr/>	
The importance of skills	12
<hr/>	
The link between skills and productivity	13
<hr/>	
Responding to skill shortages	14
Making the most of our increased investment in skills	15
Skills for Māori and Pacific peoples	15
The role of immigration	18
Making work more attractive	19
<hr/>	
Why we need a Skills Strategy	20
<hr/>	

Introduction

This document is designed to promote discussion, understanding and agreement about the fundamental importance of skills to New Zealand's prosperity. It outlines the key opportunities and challenges for us in supporting the economic transformation of New Zealand through the skills of our workforce and proposes a set of actions to be taken.

In this first part of the document we describe why skills matter to the economy including the links between skills and productivity. We also talk about the factors that lead to skill shortages, and the things we can do to lessen their impact. This includes a continued focus on targeting investment to areas of education and training most needed in the economy, supporting the skill needs of Māori and Pacific peoples and making work more attractive.

Part 2 of the document proposes a New Zealand Skills Strategy for 2008 – 2012 based on ideas generated by Skill New Zealand. The purpose and goals of this work reflect the view that we need to act now to develop a New Zealand skills system that will meet the long term needs of the economy, and that this system needs to be built around the present and future needs of our workplaces.

Finally, Part 3 proposes immediate priorities and proposed actions that could form the basis for the development of a 2008 Skills Strategy Action Plan.

“It's not the machines that make a difference.

It's what people do with their skills and how they apply their skills to the machinery – that's where you get productivity.”

Peter Crisp, NST Senior Vice President
PROFITABILITY IMPROVEMENT

The importance of skills

One of the most important drivers of productivity and economic growth in developed countries is the skills and technical knowledge of workers. New Zealand's continuing wealth will increasingly depend on the skills of its people and the ability of firms and industry to support New Zealanders to work to the best of their potential. Skills are what people use to create value in their workplaces, leading to business profit, better wages and economic growth.

Skills are also essential to innovation and the use of technology – other key drivers of economic growth. For example, new innovations require problem-solving skills to spot opportunity, entrepreneurial skills to see their potential, and technical skills to develop a change in a product or service. Innovation also relies on managerial and leadership skills to implement change and create the work environment in which all of this occurs.

While the proportion of people with formal qualifications is a good indicator of the overall skill level of a nation, this is by no means the whole story. Many skills are informally acquired in work through experience and learning from others and many of the benefits of formal skills can only be fully realised if they are able to be applied at work. So skills development needs to be focused on the needs of industry and the economy, and formal qualifications must reflect the skills to do the jobs for which they are designed.

Skills needs change over time, and the relative competitiveness of nations depends on having the right mix of skills available at the right time. This is why many countries now have skills strategies to better match the skills of workers with the needs of industry, and to address skill shortages associated with ageing populations, technological change and the increased global movement of skilled workers.

Most importantly, 80 percent of people working now will still be in the workforce in 2020. This makes it vital to improve the skills of the current workforce and the value of the work they do.

Enhancement of skills also has wider social benefits. There are recognised links between skills and social outcomes such as health, the reduction of crime, and social cohesion.

The link between skills and productivity¹

New Zealand's recent economic growth has largely been the result of increases in **labour utilisation** – the increase in the number of people working and the trend towards longer working hours. The other determinant of economic wealth, **labour productivity growth**, has been relatively low for some time, with New Zealand well below average when compared with other developed countries.

The challenge we face is that there is limited capacity for labour utilisation to drive economic growth into the future. Over the next few years, continuing jobs growth will keep unemployment low and the labour market tight. As the ability of firms to access workers with the right skills at the right time is a major contributor to business success, we need to take action now to fine tune our education and training system to deliver skills when and where they are needed.

It is also important to understand that this is not a short term issue. The aging of the population will lead to a shrinking pool of available labour over the next 40 years, providing even greater challenges. Continued economic growth is therefore going to depend on significant increases in labour productivity by raising the value and quality of work.

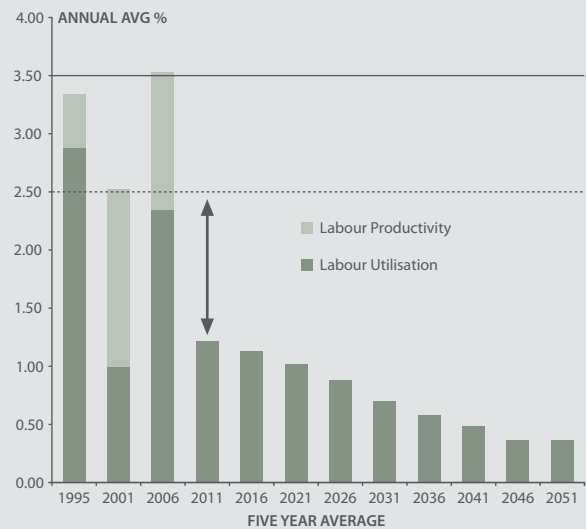
A number of factors contribute to labour productivity including the way equipment and technology is made available to workers and how work is organised within firms. The key is the ability of our managers and industry leaders to find and use the resources available to them – including the skills of their workers. This is the reason the Skills Strategy places an emphasis on the development of management and leadership capability within firms and ways to support workers to better influence skills development within their workplaces.

Working longer hours is not the answer to skill shortages or productivity as New Zealanders already work long hours compared to people in other industrialised countries. Quality of life and working life are important aspects of New Zealand culture that need to be preserved. As has often been said – we have to work smarter not harder.

Importantly, the continued recruitment of extra labour, rather than a focus on increasing the productivity of existing workers, simply increases wage costs without necessarily lifting profitability and productivity. The continued tightness of the labour market makes this a risky and expensive strategy.

As enterprise and innovation also depends on individuals and their organisations being connected to changes and opportunities happening globally, the Skills Strategy aims to provide pathways for firms that are considering opportunities to grow through access to offshore markets. This includes growing the leadership and management skills needed for export activities and accessing more skilled and diverse workers.

Productivity Challenges Associated with the Aging Population



This chart shows the relative contribution of *labour productivity* and *labour utilisation* to economic growth over the last decade – with recent growth largely the result of increases in labour utilisation.

We have also estimated the level of growth that is likely over the next 40 years through labour utilisation taking into account the potential total pool of workers based on what we know about population changes that will occur and average levels of migration. This shows that we will need very large increases in labour productivity over time to achieve a modest level of growth (2.5%) let alone the level of growth we experienced in the 5 years to 2006 (3.5%).

¹ Also see the recent Treasury publication, 'Putting Productivity First', available at www.treasury.govt.nz

Responding to skill shortages

A skill shortage is a mismatch between the supply of people with particular skills and the demand for people with those skills.

'Skill shortages' is a catch-all term used to describe a range of situations in which an employer finds it difficult to find an appropriately skilled person including:

- *if there are too few job seekers with the required skills* it is very difficult for employers to fill job vacancies. For example, the construction industry would suffer from a skill shortage of carpenters if experienced carpenters were needed but there were insufficient carpenters with these skills who were currently unemployed and looking for a job
- *recruitment problems* occur when there are people available with the required skills, but they do not want to take up jobs because of uncompetitive wage levels or conditions of employment, e.g. shift work
- *retention problems* mean that employers frequently lose staff and have to try to replace them. Some causes can be poor working conditions, low pay, poor management practices and lack of a career path within the industry or organisation.

Skill shortages are a normal feature of any economy that is changing. They may be caused by the time it takes for new skills to be developed to meet the needs of industries that have changed as a result of new technology, e.g. roading designers now undertaking surveying 'in the field' using GPS equipment and computer-aided surveying devices, and changes in building construction (design, fabrication and construction techniques).

A mismatch between the skills of workers and industry demand is also caused by rapid changes in consumer demand for products and services in industries affected by cycles in the economy (e.g. shifts in domestic construction caused by changes in the housing market). Historically, these types of shortages have lessened over time as people chose to move into jobs that were most in demand.

The challenge we now face is that skill and labour shortages exist across the whole of the economy even though more people are working than ever before. This is the inevitable consequence of continued jobs growth at a time when unemployment is at historically low levels.

The Skills Strategy is based on the view that there are three main ways to address skill shortages:

- increase the level, quality and adaptability of New Zealanders' skills, including those people already in work and those seeking employment. This can be achieved through increasing labour force participation, enhancing the relevance and timeliness of education and training supply and upgrading the skills of the existing workforce

- increase the supply of skilled labour through immigration. The use of temporary work permits and the emphasis on skilled migrants are examples of using global labour supply to help address some of New Zealand's skills needs
- improve the use of skills in the workplace. This could for example include creating attractive workplaces that recruit and retain skilled workers. It can also include raising the level of productivity of the workforce through training, technology, and workplace reorganisation.

In practice, all three of these strategies are inter-related. Increasing the supply of skilled workers (either through immigration or education and training in New Zealand) may be insufficient if workplaces are not well geared to support workers to make the most of their skills. Likewise, skilled migrants and young people moving into their first jobs may find it difficult to move into good employment if their skills are not well matched to labour market opportunities.

This all means that we need to find new ways to support people to move more easily and rapidly between jobs as the economy changes, with a focus on ensuring all New Zealanders have at least a foundation of literacy, language and numeracy skills. We also need to find new ways to understand, monitor and respond to skill shortages to take into account the fundamental changes in the job market associated with skill and labour shortages that are going to continue into the foreseeable future.

The current state of skill shortages

Skill shortage indicators in the Quarterly Survey of Business Opinion (QSBO) increased in the December 2007 quarter with firms continuing to report significant difficulty finding both skilled and unskilled labour.

46% of firms had difficulty finding skilled staff in the December 2007 quarter. This is up from 41% in the September 2007 quarter.

33% of firms had difficulty finding unskilled staff in the December 2007 quarter, up strongly from 19% in the September 2007 quarter. A shortage of labour was the main constraint on expansion for 21% of firms at December 2007. This figure is similar to the 20% measured in September 2007.

In 2007, only 54% of advertised vacancies were filled within ten weeks of advertising. [The Survey of Employers who have Recently Advertised (SERA)]

Making the most of our increased investment in skills

Tertiary education in New Zealand has expanded remarkably over the past decade, funded through increased public and private investment.

The government has introduced a new investment system for tertiary education and training that has a strong focus on creating better connections between tertiary education organisations and their key stakeholders, including industry, workers, communities, students and iwi. Alongside this, a stronger focus on outcomes and continuous improvement is being established to ensure public and private investment in skills development in the tertiary education sector is maximised. This will result in a much more responsive system; one in which stakeholders will have the ability influence the tertiary education that is delivered in New Zealand.

Key questions include:

- are people choosing to study in areas of identified economic priorities and labour market demand? If not – what are the factors influencing choices? And how do people know what areas are in demand?
- how do firms absorb new skills and use them to improve labour productivity, particularly where skills have been acquired outside the workplace and need to be merged with firm-specific knowledge in order to be effectively applied? Are they providing enough support to adapt the skills in their particular workplace?
- the tertiary education system has expanded rapidly and we need to know how much further growth is necessary or possible in the current system. What are the factors that impact on continued expansion?

What we know about increases in tertiary education

- from 1996 to 2006, participation in tertiary education increased at all levels, but particularly in qualifications at NQF levels 1 – 3 (foundation and job entry level education and training)
- by 2006, over 20% of the adult population was in some form of publicly-subsidised tertiary education (around double the level in 1996). Around a quarter of this was industry training
- achievement of provider-based qualifications more than doubled between 1996 and 2006, from 69,000 to 154,000, an increase of 124% compared to an 82% increase in the number of enrolments over the same period. Similar increases were evident in industry training
- between 1996 and 2006, the proportion of the population with a bachelors degree or higher increased from 8% to 15%, and the proportion of the population with no qualifications fell from 30% to 26%.

What has been happening with investment in formal education

- public spending on education and employment programmes increased from \$2,167 billion in 1996/97 to \$3,903 billion in 2006/07, a real (i.e. CPI adjusted) increase of 45%
- individual spending (i.e. TEI tuition fees) increased from \$345 million in 1997 to \$577 million in 2006, a 38% increase in real (i.e. CPI adjusted) terms (mainly due to increased participation, but also a 5% increase in the real level of tuition fees)
- the median employer investment in 2007 was 2.4% of payroll. This includes industry training, where employer investment kept pace with Government increases (rising from \$13 million in 1996 to \$54 million by 2006).

Skills for Māori and Pacific people

The Skills Strategy recognises the need to develop the skills and further improve the provision of services to Māori and Pacific peoples, who experience labour market disadvantage, particularly when seen against the mix of skill levels across population groups in New Zealand.

Situation for Māori

Māori are integrated into all levels of the New Zealand economy, contributing actively to the economic system. The biggest contribution that Māori make to the economy, at present, is their participation in the labour market. This participation, in future, will increase considerably due to the Māori population being relatively young in relation to the rest of the New Zealand population, and the growing Māori commercial asset base.

There have been pronounced increases in labour force participation rates among Māori. Māori have performed very strongly in the labour market over the past year with strong gains in employment while achieving record high labour force participation and record low unemployment. As a result, they have further narrowed labour market disparities with other ethnic groups.

These increases in labour force participation also sit alongside strong increases in the number of self-employed Māori owning and operating their own businesses. Between 2001 and 2006, the number of self-employed Māori increased by 3,978 or 23%.

All four broad occupation groups have experienced an increase in Māori employment. However, Māori employment growth relative to overall employment growth has been strongest in skilled occupations. These include trades workers and technicians. By industry, the strongest percentage employment growth for Māori over the last five years has been in construction (72.3%).

Yet there is more to be done to enable Māori to move from a position of being over-represented in the lower skilled occupations to better representation in the higher skilled occupations.

Opportunities for action

Te Puni Kōkiri's Nga Kaihanga Hou: Māori Future Makers² report discusses the drivers of future Māori economic growth. It identifies that the success of future economic development will be based on Māori having the capacity to lead, influence and make positive decisions.

The report also states that the challenge is to move towards an economy based on knowledge and, as part of the process, develop the greatest asset Māori have, its people. To ensure the realisation of these opportunities, Māori will also need the skills to make it happen. This means investing in the skills of tomorrow with today's youth. Having a younger age profile suggests there is greater potential for gains to be made for Māori from investment in tertiary-education. On the other hand, it is one factor that contributes to Māori workers being on average less experienced and lower paid.

There is a need to create access to a learning environment that will ensure that Māori can take full advantage of the opportunities created by – and needed for – the innovation economy. There is a need to ensure that Māori develop a strong base of literacy and numeracy skills, and increase participation in skilled and highly skilled occupations, as well as increased participation in more innovative areas, such as branding of new agricultural products and developing new production methods, development of new environmental technologies, and other emerging areas such as biotechnology.

Good practice

Overall, while the increased rates of Māori labour force participation are encouraging, we also need to ensure the skills of the large inflow of Māori that are entering employment are better matched to higher skilled and higher wage jobs. There are a number of initiatives that are currently in place aimed at increasing the skill levels of Māori – we need to build on these to support Māori engagement in the Skills Strategy.

These initiatives include localised models of trade training for Māori, building management, governance and leadership skills and financial and entrepreneurship education. The work that is progressing on Māori workforce development through the Hui Taumata Taskforce is a good example of what can be achieved.

Hui Taumata Taskforce and Māori workforce development

Alongside the work of government agencies, Māori have been developing their own approaches to increasing Māori skills, productivity and participation in the workforce. A series of initiatives have been undertaken by the Hui Taumata Taskforce (a group comprising eminent Māori, Business NZ and NZCTU, established following the Hui Taumata 2005). Of particular interest has been a Māori Workforce Development project which was initiated to focus on quality and relevant lifelong learning for Māori in order to lift skills, and evidence-based planning for the Māori workforce of the future. Initially, the objective of the Māori Workforce Development project was to identify recent trends for Māori in the workforce. The pilot projects have focussed on:

- bridging support for Māori into employment
- increasing Māori participation in industry training
- career information, advice and guidance for Māori women
- increasing workplace productivity amongst Māori.

The taskforce has also been working with others on a strategy for the wider Wellington region to identify labour market, skill development, education, and small business potential initiatives. The taskforce expects this work will provide a strategy through which Māori, employers and educational institutions can identify and align their collective interests in improving Māori labour market outcomes.

Situation for Pacific people

Strong economic growth in New Zealand has contributed to an improved position of Pacific peoples' in the New Zealand labour market over the past five years. Pacific peoples employment and average wages have risen and unemployment has declined.

The Pacific labour force has grown due to strong growth in the working-age population and a rise in the rate at which Pacific peoples participate in the labour force. The Pacific participation rate rose from 62.4% in the year to December 2002 to 64.1% in the year to December 2007.

In the year to December 2007, around two-thirds (65.5%) of Pacific peoples were employed in service-related industries, with a large proportion employed in the wholesale and retail trade industry (13.1%). The most common single industry for Pacific peoples to be employed in was the manufacturing industry (24.0%), partially reflecting the employment opportunities in areas where the majority of Pacific peoples live.

² For further information on Te Puni Kōkiri's report, 'Kaihanga Hou: Māori Future Makers report', see www.tpk.govt.nz

A closer look at industries shows that between 2002 and 2007 Pacific peoples' employment grew at a faster rate than the national average in high employment growth sectors such as finance and insurance, construction, and property and business services. Pacific peoples have also increased their employment share in low employment growth industries such as accommodation, cafes and restaurants. Over the same period, Pacific peoples have not benefited from economy-wide expansion in other high growth areas such as communication.

The occupations of Pacific workers tend to be low-skilled and semi-skilled: plant and machine operators and assemblers, service and sales occupations, and elementary occupations. In the year to December 2007, 66.2% of Pacific peoples were employed in either semi-skilled or low-skilled occupations (down 5.3 percentage points from 2002) compared to 47% for non-Pacific peoples.

Two characteristics of the Pacific population may help explain the high proportion of Pacific peoples in lower skilled occupation groups – the younger age distribution of Pacific peoples compared to other ethnic groups, and secondly, on average, Pacific peoples have a lower level of qualifications.

Overall, disparities between Pacific peoples' labour market outcomes and those of non-Pacific peoples have declined over the last five years. This may reflect the state of the labour market over the same period where demand for labour has been high. Although declining disparities give the impression that Pacific peoples are 'catching up' in the labour market, this may be due to their lower starting position rather than high relative performance by Pacific peoples.

Opportunities for action

The key areas of focus where further opportunities exist to improve labour market outcomes are:

- reducing the number of Pacific peoples in low-skilled occupations
- increasing labour force participation
- raising wages.

Labour outcomes of Pacific youth are particularly important as the Pacific youth population and its share of the total youth population in New Zealand is projected to increase in the next ten years.

Even though there are some positive aspects of Pacific labour market performance, Pacific peoples are currently clustered in sectors which are more likely to be negatively impacted by economic downturns highlighting the need for a greater focus in this area.

Pacific peoples' outcomes are due, in large part, to their younger age distribution and poor education outcomes. This will be a key focal point of work that is being progressed by the Ministry of Pacific Island Affairs, in particular in the economic development area.

Good practice

There is a strong linkage to building demand in the area of literacy and numeracy as proposed in the Skills Strategy, which may have one of the greatest impacts on Pacific peoples. It is possible that additional interventions such as mentorship and counselling programmes may be required to support Pacific participation and complement actions related to literacy and numeracy.

The Ministry of Pacific Island Affairs Pacific Modern Apprenticeship Action Campaign (as part of the 'Pacific Economic Action Plan' and 'Pacific Womens Economic Development Plan') would appear to have good linkages with the Skills Strategy and it is possible that further work could be undertaken to build on existing efforts in this area.

A win-win situation: financial education in the workplace

The Ministry of Pacific Island Affairs identifies lack of financial knowledge and capability as a major issue for Pacific peoples.

The workplace provides a key avenue for financial education. This education benefits both the employer, through increased productivity, and the employee, as it contributes to their professional development and their everyday life skills.

It has been found that financially capable employees are less likely to suffer from stress (which can cause lower productivity and absenteeism).

Workplace education also sends a strong signal to workers that employers value them, which can in turn lead to increased loyalty to the firm.

The role of immigration

In New Zealand, emphasis is placed on supporting the inflow of people who will be able to add to New Zealand's workforce – particularly in industries affected by skill shortages. This includes strategies aimed at attracting back and making the best use of New Zealand's expatriate community.

Immigration has three main objectives – supporting the movement of skilled and talented people to work in New Zealand, ensuring people who move here settle and integrate well, and managing the security of New Zealand's borders.

New Zealand is one of the developed countries where immigration makes the largest contribution to increases in the working age population. While recognising that the situation can change at any point in time, immigration flows account for around 10% of the total workforce in New Zealand (including skilled migrants, people on work visas, working holidays etc).

Against the background of an intensifying global competition for skilled people, immigration plays a vital role in allowing access to skills and talent to support New Zealand's economy. Immigration can:

- position New Zealand effectively in the global competition for talent and help employers overcome barriers to recruiting talent
- assist firms to connect to global markets by providing a labour force with the ability to draw on and build up international networks
- help attract more active investors to encourage research and development, innovation and entrepreneurship and contribute to firms' corporate capacity by bringing in talented managers.

New Zealand's immigration system has very facilitative temporary work policies – if there is a demand for skills that can't be met onshore then temporary work policy allows employers to employ suitable temporary migrants (the numbers of those on temporary work permits have been growing very steadily over the last few years). In addition, the skilled migrant residence programme is supporting the immigration of skilled people to New Zealand, and we are doing more and new things to work with employers to market themselves offshore.

It is also vital to understand the risks and opportunities associated with the mostly free labour market relationship between New Zealand and Australia leading to substantial movement of people between the two countries. New Zealanders can – and do – access opportunities across the Tasman relatively easily. The Skills Strategy aims to examine the dynamics of the flow of skills and labour across the Tasman to develop future actions aimed at strengthening New Zealand's skills attraction and retention.

Labour market outcomes of recent migrants to New Zealand

Migrants make up an increasing proportion of new entrants into the New Zealand labour market, making up 13% of New Zealand's labour force in the year to December 2007. On average between 2001 and 2007, the labour force participation and employment rates of recent migrants have been increasing, particularly for new migrants who have been in New Zealand for less than two years. There was also a corresponding fall in the unemployment rates of recent migrants over the past 6 years, particularly for migrants who have been in New Zealand for less than two years.

In the year to December 2007, the average labour force participation rate for recent migrants was 67.8%, slightly below the annual average labour force participation rate for New Zealand as a whole (68.6%). Recent migrants also had a higher unemployment rate (5.2%) compared to the annual average rate for New Zealand as a whole (3.6%). Although the labour market outcomes of new migrants tend to be below that of the New Zealand average, outcomes quickly improve to be similar to the New Zealand average with length of time in New Zealand.

Migrant labour market outcomes differ depending on length of time in New Zealand, where participation in the labour force is highest for migrants who have been in New Zealand for three to five years. The unemployment rate is also considerably lower for migrants who have been in New Zealand for three years or more than for migrants who have been in New Zealand for two years or less. This suggests that migrants take some time to adjust to the New Zealand labour market. Previous studies showed that this differed by migrants' country of origin due to factors such as qualifications, proficiency in English language and transferability of their skills. In addition, labour market outcomes tend to be particularly strong for skilled migrants, with surveys by the Department of Labour showing very high job uptake by skilled migrants (90% for principal applicants). For further information see the Department of Labour's report, 'Life in New Zealand : Settlement Experiences of Skilled Migrants', available at <http://www.dol.govt.nz>



Making work more attractive

Skill shortages are not just caused by having fewer skilled people than are needed to do certain jobs in the economy. There are also many occupations for which there is a considerable supply of individuals with the required skills in the potential labour market who are unwilling to take up available jobs due to wages and conditions of employment. We therefore need to also consider ways to retain skilled workers by making workplaces more attractive, and ensuring our overall workplace culture helps retain skilled people in New Zealand.

In a number of cases, poor conditions and pay rates by international standards are responsible for difficulties in recruiting and retaining skilled professionals, even when people with the required skills are available. This is a challenging and complex issue that is unlikely to be fixed through simple responses. For example, wage increases will make little difference to recruitment and retention difficulties if workers are actually put off by the conditions of work in a particular industry, the location of the job, or the reputation of the employer.

Wage increases without improvements in the value of work are also not sustainable in the longer term. By making improvements in workplace productivity, including through increased use of skills in our workplaces, we will be in a better position to offer work that is more rewarding, not just higher paid, in an environment where skilled workers wish to work and can develop to their potential. This will also encourage a stronger relationship between the value of work performed and the reward.

In addition, it is arguable that New Zealand is not maximising the significant public investment in education and training, as many people are leaving New Zealand after qualifying in their chosen professions. This is particularly the case in occupations such as doctors and health staff, engineers, scientists, and teachers.

We know that there are some positive aspects of skilled New Zealanders working overseas such as developing increased knowledge of overseas markets, developing a higher level of professional specialisation, and cultivating international networks. However, at the same time, New Zealand is losing talented young people and skilled workers with local knowledge.

Why we need a Skills Strategy

This Skills Strategy will build a shared understanding of the challenges faced by New Zealand in meeting the demands of a growing economy, reaching consensus about the priorities for action, developing solutions that will result in real progress and achieving a shared commitment to the implementation of agreed actions.

A significant amount of work relevant to the issues identified in this document is already happening across New Zealand, and is being led out of regions, industries, employer organisations, unions, businesses, education and training providers and government and non-government organisations. Factors driving this work generally include one or more of the following:

- the perception or evidence of skills shortages in some occupations or industries
- frustration that traditional recruitment strategies are no longer working – with firms and industries increasingly competing to attract and retain skilled workers
- industry or firm awareness of the importance of skills development to their survival – let alone growth, increased profitability and productivity
- the increasing emphasis being placed on quality and relevance in the tertiary education and training sector – and the shifts needed to support the aims of the tertiary education reforms
- the awareness that regional development drives economic growth, and that labour market development – including skills – is a key factor to the economic, social, cultural and environmental well-being aspired to in regional strategies.

This work is generally not well connected nor integrated leading to duplication and confusion. There is also a risk that a lack of clarity around priorities for action will mean that different strategies will compete for resources with the potential that effort may not be directed to areas that are most likely to lead to real improvements. It is also often unclear as to what will actually change 'on the ground' as a result of action.

At this stage the Skills Strategy is very much about better co-ordination, based on an understanding that the significant improvements in the development and use of skills, needed to drive labour productivity and economic growth, are going to require co-ordinated action and commitment across New Zealand government, organisations and individuals.

The Skills Strategy is designed to:

- establish a mechanism for debating and reaching agreement on the required skills and systems to drive productivity in New Zealand
- better co-ordinate and communicate work across government and New Zealand to drive better skills development and use of skills
- clarify for government and its partners where there is duplication or where there is a need to do more.

The government can directly influence the quality and types of skills through what education and training it invests in – a key aim of the tertiary education reforms. It also has a role in delivering and better coordinating initiatives and policies which can create an environment for change in the behaviour of workers, firms and industries. However, many of the factors leading to the issues outlined in this paper will only be addressed through the knowledge and commitment of workers, employers and industry leaders of New Zealand.

Part 2

The Skills Strategy

Our Purpose

The Skills Strategy will deliver a unified approach to ensure New Zealand individuals and organisations are able to develop and use the skills needed in the workplaces of the future.

Our Goals

- | | |
|---------------|---|
| Goal 1 | The effective use and retention of skills to transform work and workplaces |
| Goal 2 | Increase in the quality of demand from employers and workers |
| Goal 3 | Influence the supply of skills and create a more responsive education and training system |
| Goal 4 | A unified approach to defining, valuing and measuring skills |

Our purpose reflects the view that the successful implementation of the Skill Strategy will integrate what happens in the workplace with the formal education and training system. This reflects important differences between this strategy and previous skills development work undertaken in New Zealand. We also believe that it will provide a competitive edge to New Zealand in comparison with other strategies being developed by other countries.

Firstly, the strategy is focused on co-ordinated effort across New Zealand and has been developed through collaboration between Business NZ, NZCTU, the Industry Training Federation and many government agencies. Few countries provide the environment for this kind of partnership to occur.

Secondly, while still focusing on the skills needs of individuals, the Skills Strategy recognises the need to think about the holistic skills needs of organisations and the critical importance of workplace practices to the future development and use of skills. The purpose reinforces the importance of moving to higher value, higher wage workplaces of the future. There has been a view that government has a limited role in what happens inside firms – with the result that insufficient attention has been paid to what goes on inside workplaces³. Yet many government regulations and services directly affect workplaces, including health and safety regulations and a range of business support programmes.

The Skills Strategy recognises the role that government has in supporting improvements in workplace practices and the need to ensure that its activities across agencies are better aligned and co-ordinated. The Strategy is also designed to ensure that publicly funded activities are directed to areas of greatest need where there is no overlap with non-government activities.

The Skills Strategy also recognises that government programmes will often be best delivered through others who have the advantage of networks and specific industry or local knowledge.

Finally, the Skills Strategy aims to support future economic growth by encouraging firms and industries to take the longer term approach to skills acquisition needed to support significant increases in workplace productivity. It is also aimed at laying a foundation for on-going discussion and analysis of skills issues to support the development of future actions.

³ An example of work that has focused on workplaces practices is the programme of awareness raising activities lead by Business New Zealand, the Chambers of Commerce, New Zealand Council of Trade Unions and The Department of Labour through the Workplace Productivity Agenda. For more information see: <http://www.dol.govt.nz/workplaceproductivity/productivity/index.asp>

Goal 1: The effective use and retention of skills to transform work and workplaces

Why this is important

New Zealand has been making an increased investment in our education and tertiary system to increase the number of skilled people entering the workforce. Yet, surprisingly, overall productivity⁴ has not grown at the rate expected with our increasingly skilled labour force. The explanation may in part be that employers are not fully using the skills of their workers.

Workers will be able to make a larger contribution to their workplaces if they have a strong theoretical understanding of the work that they do, and the ability and confidence to solve problems and innovate.

As also discussed in Part 1, retention issues are also a key contributing factor to skills shortages. We therefore need to also consider ways to retain skilled workers by making workplaces more attractive, and ensuring our overall workplace culture helps retain skilled people in New Zealand.

How we will know we have achieved this goal

- there will be communication, understanding and agreement about the roles and responsibilities of government, industry, individual firms and workers to make sure we use the skills of workers
- the education and training system will support life-long learning and career development opportunities for individuals
- the education and training system will support a 'whole of firm' approach to skills that takes into account language, literacy and numeracy skills, 'soft' skills (e.g. staff development, relationship building, coaching, mentoring) and management and leadership capability development, as well as more technical skills
- there will be a national culture shift in approaches to skills development, use and retention to reflect the dynamic link between needs and training so that training will support job redesign as businesses move up the value chain
- industry, government and firms will find ways of retaining skilled people already in New Zealand workplaces, as well as to retain skilled people in New Zealand more generally.

Consultation Questions – Goal 1

1. Do you agree that staff retention is a problem?
2. If yes, can you think of ways to improve staff retention?
3. Do you agree that often workers' skills are not fully used?
4. If yes, why do you think workers' skills are not fully used?
5. What else could we do make sure that we use workers' skills?

Goal 2: Increase quality of demand from employers and workers

Why this is important

Employers need to know what skills can help their firms improve productivity, and workers need to be able to voice their ongoing skill needs and take responsibility for their on-going skills development.

The tertiary education reforms are designed to ensure that public investment in education and training better meets the needs of industries, employers and students. This work will ultimately only lead to improved investment if industries, businesses and individuals are able to better understand and articulate their skills needs.

We therefore need to identify ways to support industries and firms to take greater ownership of their present and likely future skills needs and develop a better understanding of barriers to workplace learning. We also need to develop a process that will enable better information about their needs to be used to inform the delivery of tertiary education and training. It will also be important that workers have access to the right information to allow them to make career choices and negotiate opportunities for skills development.

How we will know we have achieved this goal

- firms will be supported to change business models to drive increased productivity through an understanding of current and future skill needs. They will work together within their industries and sectors to make this change
- workers will be supported to acquire skills to allow career progression. They will be able to contribute to the design of skill and workplace development programmes, and have an increased awareness of skill development opportunities
- industry training organisations will be supported in their strategic leadership role to assist industry planning. This will lead to a better match between skills supplied through the tertiary education system and what industry needs.

Consultation Questions – Goal 2

6. Do you agree that there is a need to improve the way that employers and workers think about workplace learning?
7. If yes, can you think of things that could be done?
8. What do you think are the key barriers to workplace learning?

"Use our skills, and we're more likely to stay."

According to a recent Australian survey on staff retention, staff are more likely to stay with a firm if their skills are put to use. The survey cited the biggest reason for leaving a job being lack of job satisfaction, and the main reason for this lack of job satisfaction being that workers' skills are not used to their full potential.

www.insyncsurveys.com.au

⁴ Also see the recent Treasury publication, 'Putting Productivity First', available at www.treasury.govt.nz

Goal 3: Influence the supply of skills and create a more responsive education and training system

Why this is important

As we work towards the achievement of our goal of increasing the quality of demand from employers and workers, it will be important that the tertiary sector responds to changes in demand by delivering education and training products that better meet their needs.

The tertiary education reforms and the Tertiary Education Strategy 2007-12 have put in place the key priorities and processes for the tertiary education system to respond to the needs of businesses. In particular, the Tertiary Education Strategy includes as one of the five specific areas for improved achievement as, 'building relevant skills and competencies for productivity and innovation'. It notes that the need to rapidly adapt to a tight labour market means that increasing the achievement of advanced trade, technical and professional qualifications is a priority outcome.

The Skills Strategy will build on the tertiary reforms, including developing processes and systems that will ensure a better match between supply and demand into the future.

How we will know we have achieved this goal

- tertiary provision will be aligned with demand and will support skills use and retention
- individuals will choose to study for and then work in areas where there is a demand for skills
- skills development, use and retention will be improved through a range of mechanisms that meet the changing needs of workers and industry
- there will be an agreed set of principles across industry, workers and government on the sustainable resourcing for skills development in New Zealand.

Consultation Questions – Goal 3

9. Do you agree that we need to improve the way that firms and workers influence the supply of workplace learning?
10. If yes, can you think about things that can be done?

Goal 4: A unified approach to defining, valuing and measuring skills

Why this is important

How we define, value and measure skills will be critical in 'telling the story' about improvements in skill acquisition, use and retention and changes in productivity through the focus of the Skills Strategy.

We know skills can be difficult to measure. And often the relationship between an increased skill level and how that is translated to better performance in the workplace is not clear. But it is generally accepted that there is value for employers from investing in training and further skill development for employees. This includes specific technical skills, as well as 'soft' skills, such as communication and presentation skills.

Skills have generally been measured and analysed through information about education attainment (including qualifications), people's occupations and length of employment. Not surprisingly, evidence suggests that workers with higher qualifications are more likely to earn more than those with lower qualifications and less experience. This may not, however, tell the whole story.

Business surveys indicate that informal learning (that is, learning that is not assessed or tested) makes up a significant component of firm-sponsored training. This type of learning may be difficult to value or measure in formal assessments, but may lead to benefits that can be measured in other ways such as reduced wastage, reduced staff turnover, improved morale, or increased productivity.

A broader approach to defining, measuring and valuing skills will need to recognise individuals' employability, labour market mobility and experience.

How we will know we have achieved this goal

- there will be commonly understood terminology that describes what we mean by skills use and retention by employers
- we will have a coherent qualifications system that recognises that skills are gained in many learning environments, e.g. work-based education and training, and through informal learning
- we will have agreed approaches to the measurement and analysis of skills, skills use and retention. This will include ways to measure increased and lifelong return on investment from the acquisition of effective skills for individuals, workplaces and organisations.

Consultation Questions – Goal 4

11. Do you agree that there is a need to develop a shared way of describing and measuring skills?
12. Do you agree that there is a need for a broader way of describing and measuring skills that takes into account skills that are developed informally?
13. If yes, what sorts of skills do you think should be measured?

Part 3

Proposed Priorities and Actions for 2008

Priority 1	27
Increasing the literacy, language and numeracy skills of the workforce	
Priority 2	30
Building the capability of firms to support managers and workers to better develop and use skills	
Priority 3	33
Enhancing the relationship between the supply of skills, and the demand for them, including a focus on measuring skill acquisition and retention	
Priority 4	40
Increasing the skills of young people in the workforce	

Taking into account the issues described in this paper and the purpose and goals of the proposed Skills Strategy, we have developed 11 potential actions across the following four priority areas:

Proposed Priorities for 2008	
Priority 1	Increasing the literacy, language and numeracy skills of the workforce
Priority 2	Building the capability of firms to support managers and workers to better develop and use skills
Priority 3	Enhancing the relationship between the supply of skills, and the demand for them. This includes a focus on measuring skill acquisition and retention to better understand how well we are doing
Priority 4	Supporting young people currently in the workforce to increase their skills and engage in relevant training

Consultation Questions
14. Which of these priorities do you think is most important?
15. What other priorities would be necessary to achieve our goals?
16. If you do have suggestions about other priorities, please briefly describe the actions that we might take to achieve them.

This section of the consultation document describes specific actions, including how the initiative will be implemented, key people involved, timelines, and what we expect to achieve.

The potential actions across the four priority areas are proposed as a starting point for 2008. These have been identified as a result of the work being undertaken by Business NZ, NZCTU, the Industry Training Federation, and government agencies. These actions are seen as a way to get some 'quick wins' while also laying the necessary foundations for more comprehensive responses to be developed over the coming years.

We are very interested in community feedback about the priorities and actions suggested in this paper, including your views on the ways that actions should be implemented. This will help to inform the development of a detailed Skills Strategy Action Plan to be released later this year.

We also recognise that there has been work taking place at the regional level and within some sectors to address skills issues tailored to the needs, challenges and strengths of regions and sectors/industries, e.g. a regional skills and training strategy for Northland released in August 2004, skills issues in the ICT industry, and work through the Food and Beverage Taskforce.

Many regions are pursuing labour market strategies, and some regional initiatives would have good alignment with the work proposed in the Skills Strategy. We would want to build on this work, and bring together some of these activities as part of, or aligned with, the Skills Strategy, including activities that might inform the development of the 2008 Skills Strategy Action Plan.

Priority 1 – Increasing the literacy, language and numeracy skills of the workforce

The Challenge

The 2006 Adult Literacy and Life Skills Survey found that 1.1 million New Zealanders – 43% of adults aged 16 to 65 – have literacy skills below those needed to participate fully in a knowledge society (this compares to levels of 52% in the USA and 40% in Canada). The survey also showed that 51% of New Zealand adults have low numeracy (this compares with 59% in the USA, 50% in Australia and 48% in Canada).⁵

New Zealand's low levels of literacy, language and numeracy have been identified as contributing to our relatively low productivity. Low literacy and numeracy levels can affect employees' level of engagement in the workplace and limit their resilience and potential in the labour market. Improving literacy and numeracy skills in the workforce will increase the number of New Zealanders who are able to participate more effectively in the economy. This in turn will support the ongoing transformation of workplaces into ones which have high levels of productivity, provide higher value work for their employees, and through this contribute to improved social and economic outcomes for all New Zealanders.

Raising literacy and numeracy skills in New Zealand is identified as a priority in the Tertiary Education Strategy 2007-12. The Government has been working on a Literacy, Language and Numeracy (LLN) Strategy for New Zealand, which will drive improvement in these skills.

This LLN Strategy is focused on progressively building over five years the demand for and supply of literacy, language and numeracy learning opportunities, as well as the capability of providers. Its aim is to build a system that is responsive to changing demands in the workplace and in the wider community. This will be achieved by promoting a range of approaches to delivery that ensure both value and quality in provision, while growing firms' and individuals' understanding of the impacts of these skills and of their learning options.

Proposal

The Skills Strategy proposes to build demand, supply and capability in the area of literacy and numeracy provision, in order to raise overall levels of literacy and numeracy so that more New Zealanders can fully participate in and contribute to the economy and society.

The Skills Strategy will progressively deliver improvements in demand, supply and capability over the next five years. However, it also provides a longer-term road map for the sector, indicating the Government's medium-long term intentions in this area.

The Tertiary Education Commission (TEC) will be the lead agency in the development and implementation of this work. Other key groups that will be involved include: employers, unions, Industry Training Organisations, tertiary providers – polytechnics, private training providers, other tertiary education providers, Wānanga and a number of other government agencies including the Department of Labour, the Ministry of Education, Te Puni Kōkiri, Ministry of Pacific Island Affairs, ACC and the Ministry of Social Development.

The key actions will focus on building demand, supply and capability. These areas of work have already been identified as a priority by Business NZ, NZCTU, the Industry Training Federation, Government and other key organisations.

“Supporting workers to improve their skills in areas such as literacy and numeracy is critical to building the high wage, high skill economy that everyone wants.”

Carol Beaumont
COUNCIL OF TRADE UNIONS SECRETARY

⁵ Ministry of Education, *The Adult Literacy and Life Skills Survey: Overview and International Comparisons*, (Wellington, 2008), p. 18, 21.

ACTION 1

Building Supply and Capability

Increasing the number of literacy, language and numeracy learning opportunities available in a range of contexts and increasing the quality and relevance of these opportunities.

This action contributes to increasing the number of workers who have the literacy and numeracy skills required in the workforce. It also contributes to ensuring that workers have sufficient literacy and numeracy skills so they can build higher level skills. It will create a supply of literacy, language and numeracy provision that is responsive to the needs of employers and workers and is of high quality, which contributes to goal 3 of the Strategy (a more responsive supply side).

Why we think this is important

Research confirms that improving workforce literacy, language and numeracy skills works best if the learning is 'embedded' into existing training. The Strategy proposes a significant increase in the amount of deliberate literacy and numeracy teaching and assessment that is embedded into vocational training. This priority area will develop and increase the supply of this training available to workplaces, as well as tertiary institutions and communities.

Some young people still need assistance with literacy, language and numeracy after they have left school, to improve their chances in the workforce. The actions outlined in Priority Area 4 to increase the skills of young people will also have an impact in improving outcomes for young people in the workforce. International research shows that embedded literacy, language and numeracy works particularly well for young people. A key action will therefore be to investigate ways to increase learning opportunities for this group.

Any increase in the supply of literacy, language and numeracy provision needs to be accompanied by an increase in investment in building the capability of trainers and providers and ensuring that there is robust infrastructure to support quality provision.

Specific steps to increase supply of learning opportunities

A particular area of focus in this work will be the further development and eventual expansion of the Industry Training Embedded Literacy and Numeracy Pilots. This action area will result in an expansion of the number of participating Industry Training Organisations over the next three years and an increase in the number of industry trainees (including Modern Apprentices) who will raise their literacy and numeracy skills along with completing their qualifications.

Consideration will also be given to how the amount of literacy, language and numeracy embedded in Youth Training and Training Opportunities can be enhanced.

There will also be an increase in the amount of literacy and numeracy that is explicitly taught in certificate level provision in tertiary education organisations.

Capability building will focus on ensuring that provision of literacy and numeracy in all contexts is high quality and achieves transferable skills for learners. This includes a focus on increasing the qualifications of educators and their access to sustained professional development, developing teaching and learning resources and tools and providing advice to employers, educators and providers.

ACTION 2

Building Demand

Increasing workforce and employer awareness of the benefits of improved literacy, language and numeracy and increasing programme participation.

This work will include a range of initiatives targeting employers, employees and industries and regions with high numbers of workers with low literacy, language and numeracy skills.

This action contributes to increasing the quality of demand from employers and workers (Goal 2 of the Skills Strategy). In particular, this means helping employers and employees to understand the benefits of improved literacy, language and numeracy for firm performance and for individuals.

Why we think this is important

In addition to significant benefits outside the workplace, there is increasingly strong evidence that over time workers can translate literacy, language and numeracy skill gains into higher value – and higher paid – work. More skilled workers are also better able to adapt to changing environments, allowing firms to update working practices and products more rapidly. Low literacy, language and numeracy skills contribute to error, wastage and re-work, and to poor health and safety outcomes and high staff turnover in the workplace. These factors in turn contribute to New Zealand's relatively low productivity. Business and union groups regard addressing this challenge as a priority.

However, demand for work-based literacy, language and numeracy from employers and employees is currently relatively low and requires stimulation. These approaches to raising awareness and stimulating demand have been successfully used internationally and can be adapted for the New Zealand context.

Specific tasks

Initiatives within this key action area include:

- the establishment of an employer network to champion work-based literacy, language and numeracy programmes
- strengthening the NZCTU's Learning Representatives' work with employees
- a publicity campaign targeting the workforce.

Support will be provided to regions and industries with concentrations of employees with low literacy, language and numeracy levels to tackle this challenge.

The Department of Labour will be the lead agency in the development and implementation of this key action area. Other key groups that will need to be involved include: employers, employees, regional and industry bodies, government agencies that work with industries or with firms at the regional level, Industry Training Organisations, and tertiary providers.

The mechanisms for delivery include network establishment and support, marketing, and the distribution of information through government agencies and other stakeholders who engage with firms.

The work programme for the completion of these specific tasks includes:

- Employer Champions Network – ongoing from 2008
- Learning Representatives – ongoing (already established)
- Working with priority industries and regions – ongoing from 2008
- Publicity campaigning – ongoing from 2009.

Finally, monitoring of progress and success indicators will be important for learning about the implementation of these specific tasks.

A monitoring framework is being developed with other agencies by the Department of Labour. The framework will establish monitoring mechanisms that will measure the progress and impact of the package of proposed interventions. Success indicators will be developed by the end of 2008.

Consultation Questions – Priority 1

17. We would welcome your views on the implementation of these actions including any examples of relevant initiatives that you have been involved with.
18. Are there any other actions or specific tasks that you would want to see included?

Priority 2 – Building the capability of firms to support managers and workers to better develop and use skills

The Challenge

The capability of firms in relation to skills is about how effectively a firm attracts, develops, uses and retains skills at all levels of the organisation to enable it to produce goods and deliver services and to provide quality work.

Many of the skills employed by firms are developed through work-related or work-based activities. Skills are developed on the job in 'learning-by-doing' situations and carry over from investments made by earlier employers. They get refined through formal employer-funded or government-funded training programmes and are further developed through knowledge transfers amongst workers. When individuals develop new skills in the context of their work, retention rates improve and the new skills are available for achieving the firm's goals.

Managing diverse sets of skills to achieve positive outcomes in the workplace is an increasingly complex challenge. Managers and management systems must both become more sophisticated if firms wish to grow and sustain improvements in their performance. Firms must maximise returns from their productive assets, especially the talents of their people, in order to compete in today's globally competitive marketplace. Enhancing the ability of managers to better use, develop, and retain the skills of their employees, is today's business imperative.

Skills development, skills utilisation, and skills retention all matter. Obtaining improvements in each at the firm level is largely a function of firm culture, which is largely set by top management. The Government and its private sector partners are seeking to develop and encourage the provision of management development programmes that support firm-led and firm-focused outcomes.

Overall firm performance often improves when a high percentage of work-related learning activities are connected to the core business purpose and fit directly to key business strategies. New Zealand's economic transformation agenda is also increasingly driven by the desire to have more firms engage in international commerce, so management development programmes must also seek to support this aspiration.

A challenge for New Zealand is helping employers to see the positive benefits of increasing the skill levels of their workers and providing work-related learning opportunities, as well as supporting workers to see the benefits of work-related training for their own future development and employability.

Recent research suggests that the Government's existing work to improve labour productivity has been received enthusiastically by firms that are looking to make changes to the workplace, but that making these changes has been more difficult than anticipated. Furthermore, findings from recent research suggest that some organisations need more direct support to make changes that will improve their workplace productivity.

It is critical, therefore, that firms are provided with targeted assistance to build their capability, including advice, systems support, localised support, toolkits of information, raising awareness of the issues and the importance of continuous improvement measures. Partnerships at the local/regional level, or around sectors and clusters of industry, with tertiary education organisations, will ensure tailored support mechanisms can be implemented.

We will also need to understand what is required to help workplace leaders, managers, employees and employee representatives, including the NZCTU Learning Representatives, increase the quality of demand for skills. This will mean building more effective ways to influence the supply of skills, gaining more effective use of labour market information by firms, and developing a better understanding of the role of training in how skills are developed and used.

Ultimately, significant increases in New Zealand's productivity rate will only be achieved if a much larger proportion of New Zealand workplaces understand and implement best practice approaches to leading and managing staff, creating productive workplace cultures, networking and collaborating for transfer of knowledge, encouraging innovation and the use of technology, developing people and skills, organising work and measuring performance. This priority would also consider how managers and workers can be supported to increase their understanding of information communication technology (ICT)- enabled productivity and innovation, and the capability to know the benefits of using ICT in the workplace.

Proposals

We propose two actions for this area: public-private partnerships to enhance management capability in targeted geographic areas or industries; and streamlining government firm capability programmes and linking them better with private sector initiatives. While firm capability covers a wide range of activities, the first action focuses on management capability as this is considered to be the highest priority.

The second action, however, encompasses all programmes and initiatives that relate to firm capability. There is a clear link between these two actions.

The proposed actions for building firm capability connect with and contribute to all of the goals of the Skills Strategy, with a particular focus on ensuring the effective use, development, and retention of skills to transform work and workplaces, and to increase the quality of demand from employers and workers.

ACTION 3**Use public-private partnerships to enhance management capability in targeted geographic areas or industries****Why we think this is important**

Management capability plays a key role in enabling firms to organise work and introduce practices that optimise skill use and productivity. The perceived availability of management skills in New Zealand is lower than Australia, United Kingdom and many OECD countries, and while many managers have skills and abilities they often do not or cannot apply them effectively. New Zealand research also suggests that both the supply of, and demand for, management development is very low. Barriers to uptake vary, but are likely to include low awareness of training and development options; insufficient supply, timing or location of development options; or insufficient relevance of development opportunities to firm operations.

The action focuses on addressing the gaps between the supply of and demand for management capability initiatives by enabling firms to access development opportunities in a form and manner which suits them and which adds value to their operations and bottom lines. By strengthening management capability through firm-focused engagement activities, we will establish a sound base upon which other firm capability building initiatives can build.

The private and public sectors will work in partnership, through these projects to build models that will improve and increase the stock of managerial capability in New Zealand so more firms can innovate, grow, and ultimately compete in international markets.

This action contributes to effective use of skills in workplaces (Goal 1 of the Skills Strategy).

Specific Tasks

- we propose inviting several clusters of firms and training providers to enter into experimental pilots to explore practical and innovative approaches to developing relevant firm-focused management capability initiatives. This would include, but not be limited to, mentoring, training, opportunities to strengthen governance arrangements and improving worker engagement tools. There are a number of current initiatives taking place in regions and sectors that can be strategically linked to this action item. For example, strengthening links between tertiary education organisations and the business community, and better using and developing ICT skills in the workplace, including enhancing management capability
- trusted partners can work closely with firms to better articulate their demand for management development services and related resources. We propose issuing a Request for Proposal and select participants in the second half of 2008.

Approved clusters would meet specified criteria (e.g. ability of providers to deliver to firm requirements; firm suitability; potential to apply lessons from pilot to other sectors/regions; suitable and appropriate leadership; and potential economic impact).

In order for the proposed approved clusters to make a difference, the targeted firms would need to:

- be aware that they have a capability gap
- be willing and able to manage change, including committing the time and resources to fixing their skills gaps
- have above-average growth potential.

It is expected that each pilot would have a private sector leader or facilitator (e.g. Employers & Manufacturers Association, Economic Development Authority, Industry Training Organisation, Chamber of Commerce) that enjoy:

- the confidence and trust of the firms involved
- understand the needs of participating firms
- understand the management development market
- can facilitate/broker appropriate firm-provider arrangements.

It is proposed that the Ministry of Economic Development and Department of Labour (joint lead), work with New Zealand Trade and Enterprise, Tertiary Education Commission, Foundation for Research Science and Technology, the Industry Training Federation and social partners to manage the invitation/Request for Proposal process, determine evaluation requirements, ensure availability of required resources, monitor pilots and ensure ongoing accountability.

ACTION 4

Streamline government's firm capability programmes and improve their links with private sector initiatives

Why we think this is important

Government supports firm capability and investment development through a number of structures and processes: for example, tertiary education through the Tertiary Education Commission, firm training supported by New Zealand Trade and Enterprise, sector-specific initiatives (e.g. Food and Beverage, Manufacturing Action Group); issue-based initiatives (Growth and Innovation Advisory Board, Workplace Productivity, quality participation); and industry research funding through the Foundation for Research, Science and Technology.

Many of these initiatives have arisen in response to specific issues, and may not necessarily link logically with each other or to the private business training and advice market. Moreover, the plethora of initiatives creates 'product clutter', which may not be easily accessible or understood by businesses and which may diffuse the effectiveness of some interventions.

A key objective for this work is that government support for firm capability is designed and delivered in a way that is coherent, effective, and efficient and which is linked to – but plays a clear and distinctive role from – that of the private sector. This action contributes to increasing the quality of demand (Goal 2 of the Skills Strategy).

Specific tasks

- we propose to review the current set of government business and firm capability development interventions, also taking into account any existing work on reviewing government support to New Zealand businesses.

It is proposed that the review is jointly led by the Ministry of Economic Development and Department of Labour, with the Tertiary Education Commission, New Zealand Trade and Enterprise, Foundation for Research Science and Technology and Skill New Zealand partners (Business NZ, NZCTU and the Industry Training Federation).

Discussion Questions - Priority 2

19. Have you been involved in any similar initiatives? If so, what was your experience/lessons learned?
20. Are there any other actions or specific tasks that you would want to see included?

Priority 3 – Enhancing the relationship between the supply of skills, and the demand for them. This includes a focus on measuring skill acquisition and retention to better understand how well we are doing

The Challenge

A stronger relationship between supply and demand is a key focus of the new tertiary education system. The success of the Tertiary Education Strategy relies on action from all involved. As stated in the Strategy, students need to make informed decisions about what to study, tertiary education organisations must focus on excellent and relevant tertiary education, while stakeholders (industry, firms etc) need to provide good information about the skills and knowledge they need from the tertiary education system.

The new system for tertiary education will promote a much stronger focus on quality and relevance of education. It will ensure that tertiary education organisations identify, plan for, and meet the needs of students, employers, employees, industry, Māori, community groups and other stakeholders.

We need to be more effective in ensuring that workplace leaders and managers can influence the supply of skills, so that we move to a more demand-led system. We need systems within workplaces which build learning into work, allow workers to think about their own professional development and talk to managers about this, for example through the NZCTU's Learning Representatives. The tertiary system must deliver skills that meet the needs of individuals, workplace leaders, managers and industries, and be responsive to the need of industry and other stakeholders. The tertiary education reforms and the actions that the government has taken in collaboration with social partners is a good start to changing the culture and establishing a stronger relationship between the supply and demand for skills.

The industry training sector – Industry Training Organisations, the Industry Training Federation – also has a critical role to play as a conduit between firms and tertiary education organisations in relevant industries.

Tertiary Education Reforms

Over the last two years, the Government has developed a new investment approach for tertiary education. This new approach is fundamentally different from previous arrangements.

The new system:

- is more strategic and based on investment decisions that reflect government priorities along with local priorities, student and stakeholder needs
- aligns planning, funding and quality assurance and monitoring to achieve these strategic investment decisions
- strengthens the capability of New Zealand's tertiary education system, to ensure that tertiary education organisations are able to operate effectively within the new system
- supports a high trust, high accountability and low compliance cost environment
- supports continuous improvement and innovation
- introduces a distinctive contributions approach to investment to encourage each part of the system to focus on its strengths.

The new system sees a shift in the focus from student demand to stakeholder need. Through this system, tertiary education organisations plan tertiary education that is aligned with the needs of students, employers and businesses in their regions (and/or nationally, where appropriate) and those of their communities. Effective and ongoing engagement with stakeholders is therefore a key requirement of the reforms.

Proposals

In order to support an enhanced relationship between the supply and demand for skills, we need improved labour market and skill information that forms an integrated knowledge base. We need to collaborate better for improved labour market information to inform our decision-making e.g. information relating to demographic projections, occupational and sectoral trends, and regional data. Creating a greater understanding of how well we are doing in regards to skills, is a key component to pushing the debate beyond just skills development to greater use of skills.

New Zealand has not had a strong tradition of bringing relevant and timely labour market information together to inform decision makers at all levels. A potential vehicle for doing this is therefore to bring together a comprehensive skills knowledge base to better inform decision making, particularly around the supply of skills and their utilisation in the workforce.

The Tertiary Education Strategy

Government priorities are set out in the Tertiary Education Strategy, including three key goals for tertiary education and four priorities to achieve these goals. These priorities are:

- increasing educational success for young New Zealanders – more achieving qualifications at level four and above by age 25
- increasing literacy, numeracy and language levels for the workforce
- increasing the achievement of advanced trade, technical and professional qualifications to meet regional and national industry need
- improving research connections and linkages to create economic opportunities.

ACTION 5**Develop industry-specific skills action plans**

Supported and led by Industry Training Organisations and other industry bodies, which build on the Skills Strategy and are connected to wider industry and economic development activities.

Why we think this is important

Industry-specific plans are vital to taking a long-term approach to their skill needs, and allow relevant partners to work alongside them to help ensure their skills needs are met.

It is important to align skills plans for specific sectors within the government's work on Economic Transformation. This will support complementary work, share knowledge gained across initiatives, and encourage clear communication of our aims. Such skills plans would also consider how young workers in particular industries can be included and their specific training needs.

The Manufacturing Action Group has already agreed to use the framework of the Skills Strategy in pursuing skills initiatives in the manufacturing sector, and ensuring work going forward is aligned to the Skills Strategy. Work on refreshing the Digital Strategy and ICT skills issues will also be relevant and potentially could also use the framework of the Skills Strategy.

Developing industry-specific plans will contribute to both ensuring effective use and retention of skills to transform work and workplaces, and increasing quality of demand (Goals 1 & 2 of the Skills Strategy)

Specific Tasks

- assist industries to better plan for their future skills needs, including a better understanding of recruitment and retention issues, and connecting them to existing initiatives e.g. firm capability, management capability, advanced skills, as well as other sector groups such as the Manufacturing Action Group, and the Food and Beverage Taskforce
- a first step might be to do a stock-take of current initiatives across departments and sector organisations. We would aim to connect initiatives that government agencies and sector organisations are currently working together on in with agencies and organisations such as with New Zealand Trade and Enterprise, Business NZ, NZCTU, the Industry Training Federation, and the Economic Development Association of New Zealand
- we also want to ensure that Industry Training Organisations' planning explicitly integrates Skills Strategy goals into each initiative.

ACTION 6

Improve access to careers and labour market information and advice for adults in the workforce, including enabling pathways within and between industries

Why we think this is important

Putting increased effort into career development of people in employment helps both people and businesses to realise their full potential and enables them to manage change more effectively. Career and labour market information and advice is central to this process.

Research from the National Institute for Careers Education and Counselling, Cambridge, UK points to a lack of effective career development support for the majority of the employed workforce, with employers generally focusing on what they identify as 'talent' groups (managers, future leaders and people with scarce skills – groups in high demand in the labour market) and government generally focusing on unemployed, low-skilled and disadvantaged groups. As a result, most people fall in the gap and are not catered for either by employer-based or government provision.

This action will support the need to influence the supply of skills and create a more responsive supply side (Goal 3 of the Skills Strategy).

Specific Tasks

- in the short term, we propose to increase awareness of current government provision of career and labour market information relevant to adults in the workforce. As part of this work, consideration will be given to expanding and enhancing the range of information (including labour market information) and tools targeted at adults in the workplace on Career Services website and within their wrap-around suite of services
- we then propose to investigate the best way of providing personal career management support and the best way deliver this to people in targeted industries and/or workplaces; and to design career development tools.

We propose that Career Services, in partnership with others, will be the lead agency to take forward work in this area as it has an evolving and sophisticated service delivery infrastructure, (including web-based, phone-based and in person services), is widely recognised as the 'go to place' and has a track record of providing relevant, independent, accessible and user-friendly career information, advice and support.

ACTION 7

Undertake a targeted review of the qualifications system, focusing on diploma and certificate levels; the extent to which the system enables industry input into standards and qualifications; provides pathways for lifelong learning; and ensures qualifications that are useful for individuals.

Why we think this is important

A person's qualifications give important information to employers about the nature and level of their skills. They are a signal in the labour market that helps to quickly link employers with the right person for the job. The effectiveness of this signal depends on how precisely the qualifications describe what skills can be expected by the employer, and what skills the job seeker understands they have gained through study.

In some cases, it is difficult for employers to know exactly what skills are represented by qualifications. This may lead to inefficiencies: a person either not being employed, although able to perform the job; being employed in a position that is beyond their skills; or being employed in a position where their skills are not fully used.

Individuals themselves need to have a very good understanding of what their qualifications represent in terms of their set of skills so that they can make this clear to employers, and be confident that their qualifications will meet employers' expectations.

Further, in order to achieve the adaptive workforce we need to be competitive, and to ensure lifelong learning, the system of qualifications should allow both individuals and tertiary providers to identify prior skills so as to gain entry into the appropriate level of study that builds on prior qualifications or courses. Qualifications should also provide a map to further learning opportunities. To create this level of understanding efficiently will depend on both the system of qualifications and how that system is communicated.

Skill development is currently recognised through a variety of processes in New Zealand – both formal and informal, and there are a number of different qualifications recognition processes.

We think it is important to review these processes as there may be a more effective way to align with current or future industry needs, and the needs of individuals through improving the understanding of the skills that qualifications represent. One way to gain greater clarity about qualifications is to have industry employers involved in the design of qualifications; in particular ensuring employer input into qualifications designed by individual tertiary education providers.

We propose that this review focuses on diploma and certificate levels. Firstly, because the significant number of certificates and diplomas means that this is the area where there is most likely to be lack of clarity about the connections between qualifications and skills. Secondly, as the bulk of industry qualifications are certificates and diplomas, this gives us an opportunity to examine the current qualification design processes in terms of the extent to which it allows input from industry.

This targeted review of the qualifications system will contribute to influencing the supply and utilisation of skills. It will also assist in creating a unified national approach to defining, valuing and measuring skills (Goals 3 & 4 of Skills Strategy).

Specific Tasks

The initial tasks that will be undertaken within a short timeframe are to:

- develop a Terms of Reference based on a clear articulation of the scope of a review
- investigate the impact of current qualification design processes
- assess our current situation with regard to clarity and number of qualifications and compare it to international qualifications systems
- develop underlying principles that link to the following outcomes:
 - related qualifications are connected
 - standards and qualifications are used flexibly
 - current and future industry needs are met.

We propose that the Ministry of Education and the New Zealand Qualifications Authority jointly lead this work, with active participation of the Tertiary Education Commission, Department of Labour, the Industry Training Federation, Industry Training Organisations, The Institutes of Technology and Polytechnics Quality, and Institutes of Technology and Polytechnics. It is expected that the Skill Zealand Tripartite Forum would consider and agree the Terms of Reference.

ACTION 8

Research to understand the dynamic of the trans-Tasman labour market and the levers available to influence skills attraction and retention

Why we think this is important

Workers move with relative ease and frequency between New Zealand and Australia. In order to make best use of the skills of both Australian and New Zealand workers, we need a better understanding of this Trans-Tasman flow.

Some of the questions that will need to be answered are:

- how effective are New Zealand businesses at accessing and retaining workers in the joint Australia/New Zealand labour market?
- what are the dynamics of the joint labour market, and how does this differ from the New Zealand labour market?
- how do we ensure that tertiary education spending delivers the maximum economic benefit to New Zealand?

Our focus on developing, using and retaining skills needs to be placed within this broader Trans-Tasman context.

This action both supports the effective use and retention of skills, and influence the supply of skills (Goals 1 and 3 of the Skills Strategy).

Specific Tasks

The Department of Labour will lead work to learn more about the dynamic of the trans-Tasman labour market and about possible levers to influence it. The work will focus on three areas:

- skills shortages in different sectors: to what extent are they global, trans-Tasman or a local / regional phenomenon? What does that mean for how they can be addressed?
- a comparison of pay and work conditions in important sectors, and how these interact with migration patterns
- how labour market and other factors explain the motivation of people moving to and from Australia, and what that implies for the focus of New Zealand's skills initiatives and investment.

It is expected that this work will highlight sectors and industry areas that merit particular attention and will inform future initiatives to strengthen New Zealand's skills attraction and retention. It is proposed research and analysis be completed by end September 2008, and from this actions can be developed by end November 2008.

ACTION 9

Develop and disseminate integrated skills information, and create a shared language on skills issues through discussion to help industry, educators and government to work together and achieve shared aims

Why we think this is important

There is a lot of information relating to skills held by government departments, employers, education and training providers and individuals. We need to bring it all together in a coherent database in order for it to be useful to us in planning for our skill needs, including obtaining timely information on skills shortages to support decision making by a wide range of stakeholders.

The Department of Labour has begun work to develop an integrated database by bringing together existing data that it produces, e.g. information, relating to occupational trends and projections, wages, and vacancy rates. The Department wishes to expand this to include more sources of information. The data is intended to cover key areas of supply, demand and matching with the intention of making this available on-line and updated over time.

In addition to bringing together labour market and skills information, we need to make sure that those who need it to support this work know about the database and have access to it.

One of the ways to do this would be to test the information through focused workshops that would lead into a wider set of discussions, such as an annual summit of key users of this information, both at national and regional levels. The database will provide an informed starting point for discussion as we continue to update and interpret the information we have available. The information will be relevant at the regional, industry and small business development level in planning skills needs.

Aligned to the development of the information database, we need to all understand the words we use to describe various aspects of skills, such as 'retention', 'soft skills', and 'leadership capability'. We also need to limit the number of terms we use to ensure clarity. Currently, there are a multitude of terms that are used by government, sector groups and the public to describe skills-related issues. We need to know that when we use a term we mean the same thing or we will not be able to co-ordinate our activities to reach our goals.

An integrated skills database, dissemination of this information, and a common use of skills-related terms will assist in reaching a better understanding of supply and demand issues, and support a unified approach to defining, valuing and measuring skills (Goals 2, 3 and 4 of the Skills Strategy).

Specific Tasks

- develop an integrated database of skills-related information
- hold focused workshops to test the information that the Department of Labour has so far integrated in the database with the key relevant government agencies, Business NZ, NZCTU, and the Industry Training Federation
- expand the current database to include information from other government agencies and stakeholders to provide a comprehensive picture of skills issues with the Department of Labour as the lead organisation
- hold a skills summit to disseminate and discuss the information on the database
- develop definitions of key terms, having scoped plain English skills-related terms and definitions as currently used by government and non-government sectors (including internationally)
- once agreed, promote the use of shared definitions and a limited number of terms across government and sector organisations.

We propose that all these tasks be led by the Department of Labour, working with relevant government agencies, and the Skill New Zealand Forum.

Discussion Questions – Priority 3

21. We would welcome your views on the implementation of these actions including any examples of relevant initiatives that you have been involved with.
22. Are there any other actions or specific tasks that you would want to see included?

Priority 4 – Supporting young people currently in the workforce to increase their skills and engage in relevant training

The Challenge

The Skills Strategy is designed to raise the skill levels of the working aged population and improve the use of those skills, in order to increase labour productivity, enable sustainable economic development and support a higher economic standard of living for all New Zealanders. Young people currently in work are a key group of people that we need to take account of in the Skills Strategy, along with others in the workforce.

A number of the actions and other proposed work across the Skills Strategy will impact on young people in work (e.g. the actions on increasing the literacy, language and numeracy skills of the workforce, and the development of industry specific skills action plans). Nevertheless, there are reasons why we should take action specifically to increase the skills of young New Zealanders that are currently in the workforce. In particular:

- New Zealand has an ageing population. We cannot afford the loss of potential and productivity that result from young people leaving education to move into low-skilled employment. We must ensure that more young people are gaining higher levels of qualifications and skills, and can use these in workplaces
- New Zealand's high participation in tertiary education is among older age groups but we rank less well in the OECD on the proportion of our population aged between 15 and 19 in formal education
- in 2005, 74 percent of 15 to 19 year olds were participating in formal education – well below the OECD average of 82 percent. This participation rate does not, however, include workplace learning, which has been a fast-growing area of tertiary education in New Zealand. The proportion of 15 to 24 year olds with a tertiary qualification has remained unchanged at 20 percent over the last 10 years
- according to the Household Labour Force Survey (HLFS), some 60,000 young people aged 15 to 19 and 150,000 young people aged 20 to 24 are working for 30 hours a week or more. About a further 90,000 young people aged 15 to 19 and 50,000 young people aged 20 to 24 are working part-time
- HLFS results also suggest that about 60,000 young people aged 15 to 19, and about 143,000 young people aged 20 to 24, are in some form of employment but not participating in formal education or training
- HLFS results (December 2007 quarter) show that just over 20,000 young people aged 15-19 are not engaged in employment, education or training
- students who identify ethnically as Māori or Pasifika tend to have poorer education and employment outcomes than those who identify as Asian or NZ European
- a low skills base is a barrier to improved labour productivity, economic growth, and improved living standards and quality of life for all New Zealanders.

The Government is currently consulting on a work programme, called *Schools Plus*⁶, that sets a goal for all young people to be in education, training or structured learning, relevant to their needs and abilities, until the age of 18. This is to enable all young people to reach their potential and ensure that New Zealand has the skilled workers it needs in the future. The Skills Strategy is concerned about the current workforce, including young people in work. The actions outlined in this priority area therefore focus on young people in paid employment.

The Skills Strategy also relates closely to the vision of the Mayors' Taskforce for Jobs, that 'all young people under 25 years be in paid work, in training or education, or in productive activities in our communities', and the priority goal shared with the Government that 'all 15-19 year olds will be engaged in appropriate education, training, work, or other options which will lead to long-term economic independence and wellbeing.'

Furthermore, the Skills Strategy is related to a priority outcome identified in the Tertiary Education Strategy 2007-12 to 'increasing educational success for young New Zealanders – more achieving qualifications at level four and above by age 25'. Ultimately, we want all young people to be equipped with skills for lifelong learning that will enable them to fulfil their potential, participate in a global knowledge society, and lead the lives they themselves choose.

Proposals

The focus of the actions in this priority area concern:

- employers and tertiary/training providers: providing better support and advice to employers and others (including tertiary/training providers) on how they can best support young people currently in the workforce
- young people: Improve the provision of information, access to careers advice, life-long learning advice for young people currently in the workforce.

We would particularly welcome the views of employers, tertiary providers and others, about what specific measures, advice and support they would require to ensure that young people in the current workforce are able to increase their skill levels and effectively use these skills in the workplace, including access to relevant training.

“Although there has been good progress in recent years, there is still work to do to ensure that school leavers and tertiary graduates can hit the ground running when they start work.”

Phil O'Reilly, Chief Executive
BUSINESS NEW ZEALAND

⁶ Further information on Schools Plus is available at <http://www.schoolsplus.govt.nz/>, including a discussion document, a calendar of engagement hui and workshops and the facility to provide online feedback. Written feedback on Schools Plus will be accepted until 31 May 2008, and can also be emailed to schools.plus@minedu.govt.nz.

ACTION 10

Provide advice and support for employers and tertiary/training providers on how they can best support young people currently in work

Why we think this is important

There are many young people currently in employment who do not have the opportunity to engage in tertiary education and training. This is either because they and their employers are unaware of available support; the support is unavailable in their industries; or young people and their employers are not aware of the benefits of education and training and choose not to engage.

Our aim is for all young people in work, and their employers and those who provide training for young people, to be aware of the benefits of tertiary education and training. This is to ensure that these young people have access and opportunities to engage through a range of mechanisms, supported by government, employers and tertiary providers. This action would contribute to the effective application and retention of skills to transform work and workplaces (Goal 1 of the Skills Strategy).

Specific Tasks

In the short term, we are proposing to better capture a range of information so that we have a full picture of young people in work in order to provide a basis for further action and informing other Skill Strategy priorities.

The first step we propose is therefore to use existing data to build knowledge of young people in the workforce, in particular an understanding of the main employers by industry, and transition trends for young people in employment. The Department of Labour would lead this work, with the support from the Tertiary Education Commission, Ministry of Education, Business NZ, NZCTU and the Industry Training Federation.

In the medium term, the Tertiary Education Commission will examine the current incentives and policy settings for tertiary education and training for young people in employment, in particular the Industry Training system, to ensure there are appropriate incentives and no systemic barriers to greater levels of engagement of young people.

Further work will then take place to develop plain language information that informs both employers and young people in work, about the productivity and work progression benefits of tertiary education and training, in particular where there are significant numbers of young people employed but not engaged in tertiary education or training.

It is envisaged that the information gained through examining existing data will assist key agencies to target appropriate industries, and work with tertiary education organisations to ensure better alignment on the training needs of young people in the workforce.

We would propose developing a range of resources with Skill New Zealand partners to further disseminate the benefits of training. It is proposed that the Tertiary Education Commission leads this work with the support from Business NZ, NZCTU, the Industry Training Federation, the Department of Labour and Career Services. There is also likely to be some connections through this work with how young workers are reflected in the development of industry specific skills action plans, and language and numeracy skills of the workforce.

ACTION 11

Improve the provision of information, access to careers advice, and life-long learning advice for young people currently in the workforce, and their parents

Why we think this is important

Young workers currently in the workforce who are able to clearly identify a pathway for themselves and who are explicitly aware of the outcomes of their personal decision-making are likely to be better motivated and self-directed workers. Such people are more likely to enter the labour force sooner, repay outstanding student loans more speedily, and progress on to become skilled and confident workers.

User research commissioned by Career Services found that:

- key gaps in information identified by recent tertiary students looking back over their career pathway include the breadth of job options related to a subject/course and the realities (pros and cons) of courses and occupations
- parents' degree of involvement in career decision-making with their child was dependent on their child's drive and pro-activity
- the views expressed (overtly or inadvertently) by parents heavily influence their children's decision-making options.

Our aim under this action is to ensure that young people in the workforce and their families can access high-quality information, and careers and learning advice that enables them to obtain the education and training they require to fulfil their potential and succeed in the world of work. This action will contribute to how we influence the supply of skills and create a more responsive supply side (Goal 3 of the Skills Strategy).

This action would also align with the Schools Plus work where a priority is to improve the provision of information and access to careers advice for young people until they reach the age of 18.

Specific Tasks

Career Services, which has an evolving and sophisticated service delivery infrastructure, including web-based, phone-based and in-person services, will lead work to progress this action.

In the short term, this will focus on:

- providing targeted information on the Career Services website for:
 - school leavers
 - young people in the workforce
 - parents, family and whānau
- promote increased uptake and awareness of recently enhanced web-based career information, learning advice and resources
- promote and expand recently piloted services aimed at young people and their parents (including texting, phone guidance and outbound calling).

Over the short to medium term, this work will focus on ensuring that there is more customised support for young people in the workplace and/or targeted industries, including investigating models for individual career accounts, and life long learning advice.

Discussion Questions - Priority 4

23. We would welcome your views on the implementation of these actions including any examples of relevant initiatives that you have been involved with.
24. Are there any other actions or specific tasks that you would want to see included?

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Skills Strategy for 2008 – way forward

A cross government Programme Office is now seeking the views of all interested parties on the draft Skills Strategy, including the Skills Strategy Action Plan.

A number of forums will be held across the country – details are in the attached Appendix 1. This document and form for feedback is available online at: www.skillsstrategy.govt.nz. At this website you will find related papers on the Skills Strategy, including a Cabinet paper from December 2007 on 'developing a unifying Skills Strategy paper for New Zealand'.

You are welcome to post submissions on this website or e-mail to skills@dol.govt.nz.

Written submissions can also be sent to:

Unified Skills Strategy Programme Office
c/o Department of Labour
Level 3 Unisys House
56 The Terrace
PO Box 3705
Wellington

The deadline for submissions is 6 June 2008.

Following completion of the consultation process on the proposed priorities and actions we expect to produce a final version for publication in July 2008.

The successful implementation of the Skills Strategy will rely on a shared understanding of how the different government agencies and other organisations can work together to achieve the outcomes and objectives of the Strategy.

Clearly, the Skills Strategy for 2008 is a starting point, and the Skills Strategy Action Plan for this year is focusing on some key issues agreed by the Skill New Zealand Tripartite Forum. We expect further work and more initiatives to be undertaken in the next couple of years, as we build on the Skills Strategy Action Plan.

An across government Programme Office will ensure delivery and implementation of the action plan, monitor progress against the action plan, and report to the Skill New Zealand Tripartite Forum on delivery of the plan against agreed milestones.

Appendix

Appendix 1

Consultation schedule

46

Appendix 1

New Zealand Skills Strategy: Consultation schedule

Date	
12 May 2008	Auckland – North Shore Masterton
13 May 2008	Auckland – Central Porirua
14 May 2008	Auckland – Henderson Wellington
15 May 2008	Auckland – Manukau
19 May 2008	Hamilton Nelson
20 May 2008	Rotorua Greymouth
21 May 2008	Gisborne Christchurch
22 May 2008	Napier Christchurch
26 May 2008	Palmerston North Timaru
27 May 2008	Wanganui Dunedin
28 May 2008	New Plymouth Invercargill
29 May 2008	Whangarei Kaikoura

Details on the venues and times of workshops are available at www.skillsstrategy.govt.nz and in local papers. Please email skills@dol.govt.nz or call 04 913 8012 for more information.



New Zealand Skills Strategy 2008

- Submission

email: skills@dol.govt.nz

www.skillsstrategy.govt.nz

Please attach additional information and return by 5pm 6 June 2008 to

Unified Skills Strategy Programme Office, c/o Department of Labour
Level 3 Unisys House, 56 The Terrace, PO Box 3705, Wellington

Name.....

Email address.....

Address (street)

Address (city/town postal code).....

Are you (tick boxes by options): A worker? An employer? A young worker? From a training or education institute?

Do you agree with the key issues detailed in goals and proposed outcomes as outlined in pages 23-24? Y / N.

If no, why not? What other issues and outcomes do you think should be examined?

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Are there any issues you want to raise in relation to how the Skills Strategy meets the needs of Māori and Pacific peoples?

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PRIORITY 1 – INCREASING THE LITERACY, LANGUAGE AND NUMERACY SKILLS OF THE WORKFORCE

Do you agree with the proposed actions outlined in pages 27-29? Y / N

If no, why not? Do you have additional or alternative suggestions for possible actions to meet this priority? Please explain

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PRIORITY 2 – BUILDING THE CAPABILITY OF FIRMS

Do you agree with the proposed actions outlined in pages 30-32? Y / N

If no, why not? Do you have additional or alternative suggestions for possible actions to meet this priority? Please explain

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PRIORITY 3 – ENHANCING THE RELATIONSHIP BETWEEN SUPPLY AND DEMAND FOR SKILLS

Do you agree with the proposed actions outlined in pages 33-39? Y / N

If no, why not? Do you have additional or alternative suggestions for possible actions to meet this priority? Please explain

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PRIORITY 4 – INCREASING THE SKILLS OF YOUNG PEOPLE IN THE WORKFORCE

Do you agree with the proposed actions outlined in pages 40-42? Y / N

If no, why not? Do you have additional or alternative suggestions for possible actions to meet this priority? Please explain

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