

Future of Work Forum meeting, 26 June 2023

Workforce Development Priorities

Introduction

This paper has been prepared by Business New Zealand with input from its four regional organisations: the Employers and Manufacturers Association, Business Central, the Canterbury Employers' Chamber of Commerce and Business South.

The meeting of the Future of Work (FoW) Forum on 26 June 2023 will discuss two related topics: Workforce Development Priorities (with the discussion to be led by the CTU) and Building Resilience in the New Zealand Economy (with the discussion to be led by BusinessNZ). This paper expresses **BusinessNZ's** workforce development priorities, and a separate paper will present our views on what is needed to build resilience in the New Zealand economy.

The CTU has already shared a paper on workforce development priorities with the other FoW partners. That paper was intended for discussion at the 4 May Governance, and it is understood that it will be developed further before the 26 June Forum meeting. Because of this, there will be little comment on **the CTU paper here, other than to say that BusinessNZ shares the CTU's** view that the Forum should focus on identifying actions to support lifelong learning. We also support the **CTU's** recommendation that work on the topic, by the FoW partnership, should continue after the Forum meeting.

A life cycle approach

BusinessNZ believes that workforce development priorities can usefully be considered in the context of a life cycle model that spans early education through older people in the workforce. The model is set out below, with outline descriptions of the stages and the workforce development challenges associated with them, as well as implications for action to address identified problems. A life cycle approach is consistent with the principle that learning should be a lifelong process.

It is recognised that further work will be needed to develop appropriate policy responses to the problems. It is also recognised that overcoming some of the problems will require sustained effort beyond the short-term. Some of the problems identified below have developed over the longer-term, and they will take time to resolve.

Stage 1: ECE and primary schooling

Education is about more than preparing children for work, but it must provide them with a good foundation for learning in later stages. It must start the process of equipping them with the skills to operate well in all aspects of adult life, including in the workforce.

The challenges

The key requirements at this stage are the development of effective learning skills, and competence in literacy and numeracy. However, there are important areas of concern about provision at this stage that necessitate policy responses.

The first area for concern is that Early Childhood Education (ECE) is not affordable for many families. There is a significant period between the time when paid parental leave ends, and the time when the 20 hours fees-free provision starts. Affordability is a widespread problem for lower-income families,

especially in **Māori** and Pasifika communities, but the unfunded gap referred to above also means that middle income earners often face having to spend most of their earnings on childcare. In saying this, we acknowledge that Budget 2023 included the announcement that the 20 hours fees-free provision will be extended to 2-year-old infants, but it is evident from the ECE **sector's reaction to the announcement** that there are aspects of the policy design that need to be addressed.

On top of the funding gap, the fact that the fees free provision is for a maximum of 20 hours a week, and for no more than six hours a day, means that the affordability problem endures until primary schooling starts.

The second area for concern focuses on declining standards of literacy and numeracy amongst primary school pupils. This decline is evident from research, such as by **Otago University's** National Monitoring Study of Student Achievement (NMSSA) and the Progress in International Reading Literacy Study (PIRLS) quoted in Education Counts.

The decline has evidently been going on for some time, but the causes are not entirely clear. However, the obvious possibilities are insufficient emphasis on literacy and numeracy in the primary school curriculum, and that many new teachers are not sufficiently equipped to teach the subjects because they were themselves inadequately taught when they were at school. A further possibility is that problems such as dyslexia and neurodiversity are becoming more common amongst pupils, for whatever reason.

Implications for action

BusinessNZ believes that ECE is a key part of the wider education system, and that it should be funded in the same way that primary and secondary schooling is funded. Accordingly, we recommend that full-time ECE provision should progress over time to being fully-funded by the taxpayer.

The provision of some sort of screening for dyslexia and or neurodiversity at this stage will prevent these students having to go through the education system undiagnosed and will enable the system able to better address their needs.

We also believe that more than a curriculum refresh is needed to arrest and reverse the decline in literacy and numeracy standards. Granted, the causes of the problem, and their relative contribution may not be fully understood, but there is an obvious need for greater emphasis on literacy and numeracy in the curriculum, combined with a sharper focus on providing trainee teachers with the skills to teach the subjects. Teachers starting on their career in the classroom might themselves be lacking in literacy and numeracy skills because they were at school when achievement levels in these areas were falling.

In addition, there should be systematic screening of pupils for possible dyslexia and neurodiversity, so that they can be effectively supported with appropriate learning strategies.

It might also be necessary to narrow the curriculum, in order to accommodate a greater emphasis on teaching literacy and numeracy. The existing curriculum already looks somewhat crowded, and teachers are often overburdened. Because this stage of education is fundamental and can affect lifelong outcomes, we also believe that schools should encourage parents to become more involved, if possible, in the early years of education. Ideally, teaching and oversight should continue at home.

Stage 2: Secondary schooling

This stage builds upon the previous stage, and it becomes more focused on the world of work.

The challenges

Action to improve literacy and numeracy attainment, and the teaching of these subjects, in primary schools ought to reduce the problems in the longer-term, but it will still be necessary to provide remedial support for many pupils in secondary schools in the meantime.

More generally, the secondary school curriculum needs to build on the foundation skills that pupils ought to have acquired in primary school, in order to equip them to eventually move into the workplace.

In other words, a focus of secondary schooling needs to be on developing work-readiness and work-willingness amongst young people.

Surveys, such as the Employers and Manufacturers **Association's (EMA's)** Skill Shortage Survey have shown that remarkably large proportions of employers find that job applicants lack technical skills, including foundational digital skills. In addition, employers perceive that applicants often lack core workplace competencies, such as skills in the areas of spoken and written communication, critical thinking, time management and teamworking. Overseas research indicates that business is looking for people with a strong foundation of work skills and life skills. It is, therefore, prudent to start developing these skills at an early stage.

In addition, pupils often lack good information and access to potential career opportunities and, consequently are deprived of the tools they need to make good education and training choices.

Implications for action

Especially in light of the rapid recent advances in Artificial Intelligence (AI) technologies, the secondary school curriculum will need to adapt. It will also probably be necessary to ensure that there are sufficiently good (i.e. accessible and high-quality) continuing professional development opportunities for teachers of AI-related subjects.

Existing activities to promote work-readiness are not obviously problematic, but they need to be sustained and extended. The Gateway scheme provides pupils with the opportunity to combine school- and workplace-based learning, and to gain credits towards the NCEA. The Young Enterprise Scheme is also a good adjunct to the formal curriculum, and it serves to help young people to develop competencies such as resourcefulness and teamwork abilities.

In terms of enabling pupils to make good education and training choices, better online information services, and opportunities to engage with employers in different sectors, are required. The **Tahatū** careers information platform looks promising, but its development has not yet been completed, and it will need ongoing resourcing to enable it to remain current. There will also need to be an extensive and long term advertising campaign to support its roll-out.

On a related matter, careers fairs for senior secondary school pupils are available in different parts of the country popular, but it is not known whether their geographical coverage is sufficiently wide and whether there is sufficient involvement from employers.

Stage 3: Transition to the workplace

This stage includes tertiary education, industry training and initial full-time employment.

The challenges

Almost by definition, the need for opportunities for students to combine practice with theory applies more to tertiary education than to industry training. Increasingly, degree study includes the application of learning in real workplaces. However, providing these opportunities needs to be encouraged, both to enrich the theory taught and to avoid the possibility of students progressing too far along an education pathway before realising they have made a choice that might not best suit them. Providing more opportunities for learning in real workplaces is also necessary to ensure the work-readiness of post-tertiary labour market entrants.

The so called "labour" intensive jobs are becoming more technical and computer based. We note the drop-out rate from some apprenticeship schemes can be as high as 50%, due to the students' lack numeracy and literacy skills. This problem is likely to endure as long as the problems with teaching literacy and numeracy in schools persist, and this implies that there will be many trainees who will need access to catch up numeracy and literacy courses, if they are to be successful. On this point, it is concerning to note that uptake of the government's Employer-led Workplace Literacy and Numeracy (EWLN) Fund is currently significantly under-subscribed, whereas it was over-subscribed until recently.

On a positive note, we warmly welcome the announcement in Budget 2023 that the Apprenticeship Boost will be made permanent. However, we would also like to see the development of a new type of apprenticeship model. The Reform of Vocational Education (ROVE) has provided for unified pathways between study and training up to level 6, but there is a good case for emulating overseas practice by

extending the pathways, for example to include Degree Apprenticeships. As far as is known, there is currently only one Degree Apprenticeship available in New Zealand.

There is also a more general need to boost the provision of qualifications and standards that are recognised in the labour market. The Workforce Development Councils were established to do this, but it is clear that some are struggling to fulfil their responsibilities. Concern about this was expressed in the Work Programme Progress Update to the FoW Governance Group meeting on 4 May, in which it was noted that “ ... there is variability amongst the WDCs in the standard of advice they are providing to **the TEC**”.

Implications for action

The possibility of students making study choices that might not best suit them will tend to diminish with the roll-out of **the Tahatū platform**. However, the earlier opportunities to undertake learning in real workplaces are provided, the better.

Given the high probability that remedial provision for literacy and numeracy skills development in the workforce will need to continue for some time to come, it will be important to establish why the uptake of the Employer-led Workplace Literacy and Numeracy (EVLN) Fund has fallen. A rigorous evaluation of the Fund's promotion, design and delivery seems called-for.

Increasing provision of Degree Apprenticeships will depend to a large extent on demand from students and support from employers, but it is also likely to necessitate the availability of a TEC funding mechanism to enable the provision and uptake to develop.

The Work Programme Progress Update referred to above, which noted that the performance of the WDCs is variable in some respects, also noted that the NZQA and the TEC are working with the WDCs to improve their performance. However, significant improvements might also depend on the calibre of **the WDCs' Council members**, and on the scope of the workforces for which they are responsible. In other words, it might be necessary at some point to re-evaluate the WDCs and what they are charged with doing.

Stage 4: Mid-career

This stage extends beyond the period of acquiring technical and professional qualifications, towards management and business-ownership. It is also the stage during which many people switch from one career to an entirely different career.

The challenges

Especially with a falling birth rate and the possibility of sustained high levels of emigration by New Zealand citizens, it is likely that immigrants will play an increasingly important role in the workforce in the future. This was confirmed by research for BusinessNZ by Sense Partners that showed future labour demand is unlikely to be met by increasing the participation rates of different population groups already in the workforce.

Many immigrant workers will come with experience and good educational and training qualifications, but they are likely to need to upgrade their skills, in the same way as NZ citizens in the workforce need to train. Accordingly, there needs to be a wholehearted commitment to facilitating lifelong learning for everyone in the workforce.

On the subject of NZ citizens in the workforce, many of them will have important skills and experience that are not matched with formal qualifications. The problem with this is that people in this position could face barriers to their career progression, or their job mobility.

Amongst other things, the adoption of Industry 4.0 technologies and GPT applications are likely to have profound impacts on skills demands. The Vocational Education and Training system will need to adapt to the requirements.

Inevitably, many workers are likely to be displaced by the new technologies, and a robust policy response might be needed to support them. However, one difficulty is that it is not yet clear exactly how GPT applications will affect workforces.

A further challenge might **arise as the result of New Zealand's response to climate change**. Research for BusinessNZ, by Sapere, has indicated that some Emissions-Intensive, Trade-Exposed (EITE)

companies in New Zealand might be vulnerable because the technologies they need to reduce their emissions are not affordable, or simply not yet available.

Implications for action

In response to slow workforce growth from within New Zealand, it will be important to have welcoming and stable immigration policy settings, if the **economy's** future labour needs are to be met. The current policy settings are mainly geared towards attracting highly-skilled migrants, but there also needs to be scope for lower-skilled migrants to enter the country to take up roles that are persistently hard-to-fill. And, consistent with the principle of lifetime learning, opportunities to train and upskill need to be available to migrants.

Businesses need to adopt a more enabling approach to their staff by utilising performance reviews etc to assist in career planning to retain and retrain staff for the future years. In support of this, it will be important to encourage the award of micro-credentials and the recognition of prior learning.

In what ways, and to what extent, GPT applications will disrupt the labour market is far from clear. Similarly, **it is not known how New Zealand's climate change response** will have effects, even though it seems likely that labour will be displaced. However, it will be necessary to have effective policy responses in place, and this means that the forthcoming Equitable Transitions strategy needs to be able to play an effective role.

Stage 5: Late career

More and more older people, including many who are older than superannuation age, are active in the labour force. The reality is that someone reaching the age of 50 in 2023 might remain in the labour force for a further 20 years or more. Accordingly, it is important to acknowledge and take account of the needs of later career people.

The challenges

Even if they are not displaced by new technologies, many older workers will either need, or want, to change their careers relatively late in life. However, there are barriers to this, some of which have been identified in the Older Workers Employment Action Plan.

Some older people past the superannuation age want to contribute in some way, even if they are not employed. A lot of these people will have the potential to play a role in supporting workforce development, for example through mentoring.

Implications for action

Business NZ believes that eligibility for student loans should be extended to enable people beyond the age of 55 to undertake vocational education and training.

In addition, there needs to be good provision of careers information and advice for all adults in the labour force, regardless of age. This implies that the scope of **Tahatū** should encompass workers at all stages in their working lives, rather than simply focusing on secondary school students and early stage employees.

Implementation of the Older Workers Employment Action Plan could also be extended to encompass measures to make good use of the of retirees who are willing and able to share their wisdom and experience with younger people who are in, or are seeking, employment.

The connection between workforce development and building resilience in the New Zealand economy

As was noted in the Introduction, BusinessNZ will prepare a separate paper for the 26 June Future of Work Forum, on the topic of building resilience in the New Zealand economy. Undoubtedly, there will be events in the future that will affect the livelihoods of families, communities, industries or even the whole economy. Bouncing back from the harmful effects of these events will require participants in the workforce to possess resilience. Resilience is partly innate, but it also derives from effective workforce development strategies, especially high quality lifelong education and training provision.

Following some events, it might not be realistic to expect the affected parties to simply bounce back to where they were before. Instead, it might necessary to think in terms of resilience that lead to alternative careers, businesses or industries. Creating these alternative futures is likely to require not only high quality education and training provision, but also a support infrastructure. The support infrastructure is likely to include careers information and advice services, and funding mechanisms that individuals can access.

Next steps

While this paper has identified a number of challenges, and has outlined the implications for action in response to them, it is acknowledged that it has not necessarily specified precise solutions. Finding the right solutions is likely to take time, and this is why BusinessNZ supports the **CTU's** recommendation that work on the topic of workforce development priorities should continue after the next Forum meeting.