

Employers and the school system

*Address by Phil O'Reilly Chief Executive Business NZ
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Thank you for the opportunity to address your conference on secondary school qualifications today.

I intend to make some comments about employers' perceptions and expectations of the secondary school system in New Zealand and in particular the assessment system.

I believe that Business New Zealand is well-placed make a positive contribution on these topics.

As the largest employer's organization in New Zealand, we represent over 70,000 businesses in the private sector. Our membership is comprised of businesses of all sizes and across all sectors.

Through our regional associations, affiliated industry group and regular membership surveys, we get detailed feedback on a wide range of issues and we regularly present employer views to government and the media.

Education and training are high on the list of priorities for business. In recent surveys, employers have ranked education and skills as more important than traditional business issues like tax and compliance costs. I think that is hugely significant. It reflects a new focus on the education system. And it doesn't surprise me that this is the case. Low unemployment and the competitive needs of business suggest that one of the key pathways to success both for business and the nation overall, is skills.

Employers rate a lack of skills in the workforce as the number one brake on business.

I'll be focusing on secondary school issues and the NCEA later in speech but I want to start setting the scene by talking about what business is and how businesses and schools interact.

1) What is business?

So what exactly is business? It seems a deceptively simple question.

A dictionary might tell you that business is a *“commercial or industrial enterprise and the people who constitute it”*.

That is accurate - but inadequate.

It does not capture the dynamism of business.

New Zealand has thousands of enterprises operating every hour of every day from big multinationals through to family firms and sole operators.

Thousands of New Zealanders run a business. Many more work for a business.

We are a very much nation of small business owners.

The dictionary definition does not capture the enormous efforts that people pour into their enterprises to make a living for themselves and their family.

It does not capture the risks that are taken and the successes that are celebrated.

Business is not somehow separated from the community. Business is an integral part of our communities.

At the most fundamental level, the success of the country depends on the success of the businesses within it.

Successful businesses fund quality social services like education, health and welfare through the tax they pay and the taxes of the people they employ.

A prosperous country is one that people want to stay in. A prosperous country can afford to protect the natural environment. A prosperous country can invest in arts, culture, heritage and sport.

Though some may wish it were otherwise, Governments cannot create prosperity and wealth. People create wealth. Businesses create wealth.

From our perspective, a robust, relevant education and training sector is absolutely vital for business and economic success. It is a pre-condition for success.

2) Business engagement with the education sector

That is why it is so important that employers and the education sector engage and interact with each other. They need to understand each others' needs.

In many cases, schools and local business have a great relationship. I've seen many examples around the country and I congratulate them on what they have achieved.

My concern is that not all schools and business enjoy such engagement. Engagement is not systematic across the board. The connections are often dependent on the individuals involved and these linkages are too important to be left to rely on personalities.

I would like to see a process by which we could draw out the elements that contribute to successful engagement between a school and local enterprise and then take those lessons nationally. Because a successful relationship is too important not to learn from.

Part of the problem is that we haven't always been good at talking to each other.

Schools and business have at times been guilty of not talking or not understanding each other. The propensity of each sector to use our own jargon or shorthand certainly hasn't helped the quality of the dialogue at times.

I don't recall ever using the term "pedagogy" until I started meeting with the education sector. Conversely, I am sure many educationalists have strong feelings about my use of the term "productivity" or "competitiveness."

In the same way there are always dangers of misconception.

We still come across school teachers who see business as exploitative and greedy. We hear of people in the sector who consider business to be a zero-sum – that profit has to be made at some one else's expense.

In turn, we have to deal with employers who believe modern schools are too soft and too PC. They hark back to a golden age of education which never existed and pepper their discussions with the phrase "and it never did me any harm".

Both those schools of thought are wrong – but both still exist out there.

I often fear that business lets itself down with the choice of language and imagery we use to describe what we do.

We talk about "fights for market share", "making a killing on a deal", "money making machines" and how it is "a war out there." That is largely macho nonsense.

In fact the most important skills in business are people skills – networking and customer service for example. They serve a business person far better than any pseudo-battlefield tactics.

In business, you have to persuade people to buy your products and services or you go out of business. You have to listen, you have to be a part of your community and you have to have trusting relationships with many other people including customers, suppliers and even neighbours. It is that simple really.

Though we don't often think about it in such terms, businesses actually have a great deal in common with schools.

Both are learning entities always seeking to improve.

Both are focused on building skills and capacity whether it is with students or staff.

Both need to interact with their communities.

Both work best within a set of civic virtues which include caring, co-operation, trust, fairness and loyalty.

The best relationships are built on trust – not coercion. They are built on loyalty and dependability. This is as valid in the corporation as it is in the classroom.

Consider a common business transaction like ordering some products and paying for them for by cheque. The purchaser is trusting the supplier that the products will be fit for purpose and will arrive on time.

The supplier is trusting the purchaser that the cheque will be honoured and that they will be paid for their goods. Remember, the goods are often delivered before payment is received.

It is a system that is based on trust, not a million miles away from a system of teaching and learning.

Schools and businesses are very different entities but we have a lot of similarities. We have a lot to build a strong relationship on and we welcome the chance to do so.

Business is also looking to improve our linkages and engagement with Government too.

This is actually the third speech I have delivered to groups including education officials recently.

I think it is a very positive development that Government is beginning to treat business as a genuine stakeholder in the education system because quite frankly we are. We employ your students and graduates for the rest of their lives.

I think it is fair to say that previously some officials have failed to make those kinds of links and business was often not consulted or it was consulted in a token manner.

We are very pleased that a number of education agencies are now seeking to engage with business and we strongly believe that this will make the resulting policies more robust and relevant for every one involved. Quite simply, it will make things better.

3) What business wants

Let me turn now to a question I am frequently asked – “So what does business want from the education sector”?

I’m happy to answer that today with a particular emphasis on the secondary school sector.

We set up the framework in a recent publication called “Skills Perspectives” which distilled a lot of our thinking about education, training and skills.

We concluded that employers wanted students to have three types of skills when they entered the workforce:

- 1 Essentials Skills –Literacy, numeracy and language skills.
- 2 Technical Skills –The more traditional definition of academic, vocational and technical skills required in a particular field.
- 3 Interpersonal Skills – these are the more personal generic skills needed for a person to be “job ready”.

Let me expand on those concepts a little.

There is absolutely no doubt that literacy and numeracy is the key issue for business. Improving skills in this area would be the number one thing schools could do that business (and society) would value.

At all levels of the education system, business wants educational institutions to continue and indeed intensify their focus on ensuring every single student has basic literacy, numeracy and language skills.

To employers, that is absolutely the core business for schools. There are still too many young people leaving school without the levels of competence they will need at work.

It is no use us all talking about a high skill workforce if these basic skills – the foundation skills that all the others are built on – are missing.

Of course, we have to address the literacy and numeracy needs of those who have left education too. The issue has to be addressed in the workplace as well as in schools.

That is why we consider the Government's work on a workplace literacy and numeracy strategy to be encouraging and we are doing what we can to support it.

It is critical because one of the biggest challenges facing New Zealand in its quest to become a high-income, high-growth country - the economic transformation as it called in Government circles at the moment - is a lack of fundamental literacy, numeracy and language skills.

Let me share with you some results from a survey done by one of members – the Employers and Manufacturers Association (Northern). They surveyed a large number of employers on a range of literacy issues.

56% of employees always followed verbal instructions.

85.7% of firms said documents were completed with inaccurate or missing data.

Perhaps most worryingly, firms reported that only 70% of employees fully understood warning or hazard notices in the workplace.

That is a very serious issue and one of the reasons why we place so much emphasis on literacy and numeracy in our advocacy work.

Another is the simple fact that the job opportunities for those with literacy, numeracy and language difficulties in the future will be even more limited than they are today.

If people do not work or are stuck in low-skill work because of these types of difficulties than much of the community investment is lost. It affects the person's prospects and also largely squanders the taxpayers investment in their education.

Of course, these concerns are not really new. A 1939 New Zealand Council for Educational Research found that "47% of the employers find the standard of written English unsatisfactory in their junior clerks and 41% object to the standard of speech."

Literacy and numeracy are improving rather than declining but there is still much to be done. These skills will be even more important in the workplace of the

future. People with literacy and numeracy skill gaps could get by in 1939 – they won't in 2029.

Let me turn to work ready skills.

“Work ready skills” is a concept we use to describe a suite of personal and interpersonal skills and attitudes that mean a person can function in a commercial environment.

It is worrying that businesses are reporting increasing numbers of applicants who lack personal and communication skills such as verbal communication, listening, problem solving, creative thinking, teamwork, a strong work ethic and an understanding of the requirements of employment.

That makes it much harder for them to be employed and to succeed in employment. Schools – while not the only actor involved – can play a role in lifting the work readiness for their students.

I am also going to take the opportunity here to comment on what business wants in relation to trade training.

We are making a plea that students at school are presented with balanced information about all their career and training options. We still get the impression that many school students are being steered towards university when they would often be better suited to another path. University is frequently but wrongly seen as the only path to success.

Working in the trades is an excellent option for many kids. Most trades are now high skill, high tech and frequently high return. The opportunity to run your business often comes very quickly in the trades.

The stereotype of dirty and menial work is out of date. So is the one about low pay. High demand for skilled trades people is seeing the income gap with university graduates narrow considerably.

The worst case scenario is when a school leaver goes to university for two years, doesn't really engage and then leaves with no qualification and a big student loan. They are starting behind the eight ball from there on. We need to try and ensure school leavers start on the right path.

We want to see bridges built so that students can move efficiently:

- 1 from school to work,
- 2 from school to training to work, or
- 3 from school to higher education to work.

I don't want to sound like I am just demanding that schools must do this and schools must do that.

Businesses too have obligations and responsibilities so I want to highlight Business New Zealand's involvement in student enterprise.

Lion Nathan has just handed over its long-running school-based Business Experience programme to the Enterprise New Zealand Trust. Business New Zealand has agreed to become the major sponsor so the Lion Nathan Business Experience programme has become the Business New Zealand Student Enterprise Learning Link (SELL).

Groups of 80 students will go through a three day business planning workshop before having their final business plans judged by local business people. As a result of Business NZ's sponsorship, the scheme will be taken across the country.

It was formally launched last week by Cabinet Minister Ruth Dyson at a Parliamentary function attended by MPs from across the political spectrum.

We want secondary students to see what being in business involves. We want secondary students to have an understanding of how business works, whether or not they ever work in business. Because that's the purpose of the program. It is not to make everyone attending a little business person. It is intended to make them better citizens. By sponsoring SELL, we are putting our money where our mouths are and making a difference to thousands of children a year. I am tremendously excited about this project.

I would like to see more celebration of enterprise in schools. We don't see much celebration of business or enterprise success in schools – certainly not compared to sporting or cultural success.

I guess that is a reflection of New Zealand as a whole. As a nation, we celebrate success in sport and culture far more often than success in business. I would like to see the balance shift a little. We are willing to play our part.

4) Employers and the NCEA

Let me move now to one of the big issues for this conference – the NCEA and employers.

Business New Zealand has been a consistent supporter of the NCEA even when a number of employers have spoken against it and even when it would have been very easy to be critical of the implementation issues that it has clearly faced..

We believe the NCEA offers a richness of information about what a student can do that far exceeds the information offered by the previous qualification system.

Frankly, seeing that a person got 51% in English was virtually meaningless. Employers (and others) that see marks as the be-all and end-all of education are living in the past. New Zealand changed the assessment system for a good reason.

The NCEA actually reflects the reality of the workplace far better than the previous system of memory based exams. It shows what a student knows and how they learn.

The biggest issue for employers is getting full value out of all the information on the Record of Learning. It looks very different from the qualifications system they were familiar with and our surveys indicate that employers have a low level of confidence in their own ability to accurately read a Record of Learning. I suspect they are right.

The presentation and accessibility of the Record of Learning is improving and I welcome the comments from Karen Poutasi – the new head of NZQA – that she is looking to improve the grouping and wording of results to further help community and employer understanding.

That is a very positive step forward and we look forward to working with her on that.

We will also will be helping employers improve their skills in reading NCEA results properly. The NCEA is here to stay and they need to be able to access the new levels of information.

The future of the NCEA was not always so certain. Issues with the implementation of NCEA in 2004 meant that public and employer confidence in the qualification system was severely shaken. I think it is far to say that if there were systemic failures this year the entire system would have been jeopardy.

That didn't happen and I think it is appropriate to acknowledge the sterling work done by Karen Sewell as Acting Chief Executive of the NZQA during a difficult period. She stabilised the qualification system, resolved many of the implementation issues, improved communications and began the process of restoring confidence in the qualifications system.

The next steps are to bed-in the system and de-politicise the issue. That is not to say that valid criticisms can not be made or that no further improvements are necessary. Our vision is for an NCEA system which is reliable, trusted and easier to understand.

Karen Poutasi has quickly identified that one of the key priorities for bedding in the NCEA is to restore the reputation and credibility of NZQA itself. I think her comment that she wants the NZQA to be “*viewed as authoritative in its areas of expertise*” is insightful. It is exactly the right strategy. Business New Zealand supports her efforts to put the “Authority” back into the Qualifications Authority.

I will finish my comments on the NCEA with two quick observations.

A single record of learning covering all institutions and courses has mooted in some parts of the education sector. This would see all the qualifications information about a student from all providers collated in a single document. This would take some time and effort to implement but as a concept it certainly appeals as being easier for the student and employer.

Finally - my personal hobbyhorse – the vexed issue of whether failures should be recorded on a Record of Learning. My comment is always that if you record failures for the NCEA, it will be the only time in your career you will ever do so. An employer will never see a CV which lists a person’s failures. Never. I don’t see the rationale for doing it in the qualifications system. As a representative of the business community however I know that a number of business people want to record failures and I respect their opinion.

That doesn’t mean a failure can be called “deferred success” though. That is a bridge too far.

5) Dynamic environment

The business and education sectors need to have an on-going strategic conversation about skills and qualification. We need to approach the conversation in an empowered manner and with trust on both sides.

Because the environment we will both be operating in will never stand still, the strategic conversation needs to be dynamic. It has to be on-going because education and business needs will be changing.

From a business perspective, we expect the businesses of the future to have a number of characteristics:

They are much more likely to be exporting.

They will be highly adaptable, fluid and nimble to a level rarely seen today.

They will have a far higher proportion of knowledge workers (from sub-trades to post-grads).

They will be firmly rooted in New Zealand culture but they will be better able to work cross culturally.

They will be wired and will have an even greater use of technology across the company.

Such a shift has implications for business and schools in what we do and how we do it.

The world you are educating children for will be changing at an increasing rate. If a school stands still it will be the equivalent of going backwards - fast. The assessment system will never be "finished" in this environment but that is not a bad thing. A static system goes out of date very quickly.

We need to move forward in a spirit of partnership with schools, students, parents, communities and business.

Conclusion

My final thought for your conference today is this – if you want to know what business thinks is important, just ask us. There is no need to make assumptions – business people are usually happy to engage on issues. Often it is harder to get them to stop.

Direct and honest communication builds relationships and understanding. It means we can ensure education is as relevant as possible for the students. That way, every body benefits.

Today, I've given you my thoughts on the nature of business and the need for systematic engagement between schools and business.

I've outlined what employers are looking for from secondary schools and detailed Business New Zealand's position on the NCEA.

I've flagged that an on-going strategic dialogue will be necessary in a rapidly changing world. I look forward to that.

Thanks for your time. I'm happy to take any questions or comments in the time remaining.