

Youth entrepreneurship and employability

*Address to Asian Forum on Corporate Social Responsibility 2006
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25 September 2006 Manila Philippines*

Our overall theme at this Forum - corporate social responsibility – is a subject that we in New Zealand have a somewhat different outlook on, than in many other countries.

This is because New Zealand a small country where the vast majority of businesses are small, with 10 or fewer employees.

Whereas in other countries corporate social responsibility endeavours tend to be undertaken by large multinational companies, in New Zealand they tend to be done by small companies acting together, often in partnership with government.

There are some good examples of these kinds of business-led partnerships in the general area of youth unemployment, the main topic of my address today.

For example, we have a very pretty part of the country that some of you may be familiar with as tourists – the Queenstown lake area in the South Island. It's a very successful tourist destination – so much so that a lot of attractions have been developed there, a lot of investment has been made – and as a result, property prices have soared.

This has caused a problem. The problem is that the young people who make up the work force in Queenstown – as hospitality workers and ski lift operators and so on – have been priced out of the property market. They can't get affordable housing in the Queenstown area, so they move elsewhere to work. That's a problem for the tourist industry that sustains the Queenstown area. They need those young people to keep the town running.

In response, a collective group was formed, consisting of local businesses, the regional authority and central government, that has bought a stretch of relatively low-cost land near Queenstown, to develop a large centre of low cost rental housing.

It's a perfect example of the kind of collective action that works well in a country with a small population and a predominance of small businesses.

Youth issues are top-of-mind for us. New Zealand shares with many other countries a concern about youth unemployment. Our statistics may not be as problematic as in other places – but they are still a worry.

The youth unemployment rate in New Zealand is more than twice the rate of the general population. For some minority ethnic groups, that rate is even higher.

The reasons for it are complex, but among the reasons are poor educational outcomes, location issues (centres of population located in areas of industrial decline), dysfunctional family structures, family breakdown, and welfare dependency – all factors implicated in young people not doing well in school, not getting qualifications and not getting involved in entrepreneurship or work.

The consequences for those young people can be dire. No skills means no job and no prospects of one. Not being able to save, get a house, build capital, begin a business or form a stable family. Being more likely to end up involved in criminal activity, physically or mentally ill, and isolated from the mainstream.

Those consequences also impact on society at large. The waste of resources - for example the sunk cost of educational investment without fruit in the form of qualifications and skills. The costs - in terms of economic growth and tax revenue foregone, and the cost of welfare. And the dangers posed to society of individuals with time on their hands and the temptations of antisocial or personally destructive activity.

In New Zealand our welfare system includes a domestic purposes benefit that pays unmarried women to stay home to care for their children. It's the outworking of very caring and altruistic intentions - in the thirty odd years the policy has been in place it has cared for a generation or more of people who without it may have had little hope.

But it has brought perverse consequences also – including the incentive for young women to have a baby instead of studying, training or getting a job. It's an unfortunate fact that the pockets of population with the highest concentration of families supported by the domestic purposes benefit are also the areas of highest youth unemployment.

Improving this particular policy initiative is beyond the ability of business to achieve – policy work at government level is required. But business is of course affected by this and other policy settings that result directly or indirectly in a high rate of youth unemployability.

Youth unemployability means a diminished pool of skills from which to draw potential employees; a slower rate at which new blood can be found for enterprise; and a potential workforce imbalance, with an aging population taking the lion's share of available jobs.

I use the term 'youth unemployability' instead of the term 'youth unemployment' because in New Zealand we not only have a youth unemployment crisis; we also have a skills shortage crisis. A significant proportion of unemployed youth are unemployed not because there are no jobs, but because they lack the skills to do them.

This where business can help, and in New Zealand we have several schemes that help link businesses with youth and youth organisations in an endeavour to open horizons, transfer skills and help young people into the world of work.

They range from the relatively simple 'visits to business' – for example the annual Workchoice Day in our larger cities where groups of senior secondary students get to spend a day in an enterprise, observing the world of work – right through to quite sophisticated projects that link the school syllabus with enterprise subjects within a work setting.

A good example of the latter is the *Gateway* programme that allows senior secondary students to incorporate work-based learning with their school studies, and gain credits for it. For example a student might work towards a trade qualification in say plumbing or hairdressing - learning and being assessed in their trade subjects in a workplace, while still learning and being assessed for their core school subjects at school.

I should explain that New Zealand has a relatively new, quite radically different school and qualifications system that aims to integrate academic learning and industry training together in such a way that young people can indeed mix and match work and school subjects to make their own customised qualification.

The National Qualifications Framework is based on specified standards in each subject. For school subjects, the standards have been developed by working parties of teachers, academics and so on. For industry training subjects, the standards have been developed by industry leaders in the relevant fields under the auspices of Industry Training Organisations. The standards get regularly reviewed and updated or replaced, so they incorporate developments and innovations in the relevant learning areas.

Assessment – whether at school towards school qualifications, or in industry towards industry qualifications – takes place against those standards. And those standards are the building blocks for national qualifications of various kinds.

The big change that this system – now about 10 years old – has brought is that it has moved away from norm-referenced assessment. Previously we had a system of School Certificate and University Entrance, the sort of system probably familiar to most of us here today, where all students sat national exams in largely academic subjects.

Basically, in New Zealand, if you got in the top 50% of those sitting the exam, you were able to progress to higher study. It was the gateway to getting further academic or professional qualifications. If you were in the bottom 50%, then you failed, and you left school without a qualification and either looked for unskilled work or took up some form of trade training.

The problem with this sort of system is the waste that it represents – the 50% of candidates that failed the exam basically left school with nothing to show

for their time there. Even if they had learned *some* things, the qualifications system didn't certify those things they'd learned.

There's also the problem of the great divide that a norm-referenced system produces – where success is seen in terms of academic subjects and failure is seen as a pathway to a life either as an unskilled worker or tradesperson. That great divide is becoming more and more artificial these days with the emergence of technical careers that are more and more high-tech – neither academic nor trade – for example, many different careers within the general digital technology area.

This change to a standards-based system has been, as you can imagine, a huge upheaval – quite controversial and not without its problems. It has, however, started to succeed in getting more young people - who would previously have ended up as unskilled workers or unemployed - instead ending up with relevant qualifications that allow for skilled jobs and higher incomes. For some minority ethnic groups that have traditionally lagged behind in gaining work skills, it has brought some remarkable success.

I mention all this because one of the main reasons this system was developed was because of mounting concern about youth unemployment, and the need for a system that builds on young people's work and keeps them involved in relevant learning, rather than jettisoning 50% of every cohort, as in the old norm-referenced system.

So – to get back to the point - now we are seeing programmes like *Gateway* that facilitate young people learning in either academic or work environments or both – and allowing them to get qualified in a very flexible way.

Another good example of this flexibility is in our *Modern Apprenticeship Scheme* – a revamping of the traditional apprenticeship system that you'd no doubt be familiar with. The 'modern' part of it refers to the fact that apprenticeships are now also integrated into the National Qualifications Framework. The apprenticeships are no longer a 'time-served' type of qualification – the assessment is standards-based; and the learning can take place in the workplace or at a polytechnic, or a combination of the two.

As well, apprenticeships are now available in industries that did not traditionally use apprentices – in plastics processing and electronics for example - and there are co-ordinators available to support the apprentice and the employer, to make the most of the flexibility now within the scheme.

What we want to do is minimise the dropout rate from apprenticeships and maximise the number of young people with relevant, applicable skills.

Another programme of which I'm particularly proud is one that's operated by my own organisation Business NZ, within the regions served by our large regional business associations. It's called *Student Enterprise Learning Link*, or *SELL*, and what's outstanding about this programme is that it goes beyond

just learning skills to get a skilled job – it teaches the skills needed for entrepreneurship – for creating your own business.

It's a three-day project for senior students that we run in numerous secondary schools with the assistance of a charitable trust, Enterprise New Zealand Trust, that specialises in youth enterprise education.

The students develop a concept for a product or service; develop a business plan; develop a loan or other funding application; develop a marketing plan – and then present their 'pitch' to a panel of businesspeople who provide feedback and encouragement.

The quality required of the kids' work is very high, in fact the standards are so exacting that work is underway to develop standards on our National Qualifications Framework so the students can achieve 'entrepreneurship' standards towards their school qualification. And the kids just love the experience – it's extremely exciting and motivating.

The businesspeople who make up the judging panel are in most instances members of Business NZ's regional business associations, so it's a good example of very close work between businesses and schools in the interests of youth entrepreneurship.

The last example I would like to tell you about is another that I feel quite close to in association with my personal role as Chief Executive of a large regional authority. In this role I work closely with the Mayor of my region on a large range of initiatives including those relating to investment, infrastructure, regional development, industry development and so on. At the smaller end of the scale is a relatively modest undertaking called the *Mayors' Taskforce for Jobs*.

It had its birth in the concern felt by several Mayors in several different parts of New Zealand, over high youth unemployment in their regions. A number of them got together to see what they could do as a group, and they came up with the idea of setting a goal that each of them would try and achieve on their own patch – the goal of having every young person (under 25) in their region either in education, in work or in training. In other words they are aiming for zero unemployment among under-25s in their local authority area.

They approach the objective in different ways, but often they are involved in encouraging businesses in their area to take on apprentices or other trainees, or in encouraging specific educational or training initiatives of various kinds. None of the Mayors has achieved their goal – yet. But by accepting the goal, shared now by just about all Mayors in New Zealand, and by keeping it top-of-mind, there have been some excellent results among young people for whom previously there was not much hope.

So that's a quick tour around some of the youth employment initiatives that are being worked on in the New Zealand context - and I look forward to

hearing about some of the initiatives in other countries represented here at this Forum.

What principles can we draw from the examples of youth employment work in New Zealand and other countries? What are the most useful action points that businesses can take note of? I have a few suggestions.

First, businesses can get involved. The enterprises that I mentioned earlier were nothing more than individual companies deciding to make a contribution by being open to working with young people and helping them onto a skills pathway within a structured project. It doesn't take much in terms of funds; usually it all it takes is a relatively small investment of time and effort.

As well as getting involved in actual programmes, businesses can help by lending support to training systems - like our National Qualifications Framework and to Industry Training Organisations - by making their expertise available in the task of setting standards or updating them, or other relevant tasks.

Another way is by influencing training institutions. This is an area that Business NZ is very focused on. Using influence to encourage polytechnics and other training organisations to offer better business-related education – that can have a powerful impact for good.

And another way is to seek to influence government policy. This is a large part of Business NZ's daily work – presenting submissions, contributing to official working parties, advocating to individual politicians and so on. In the youth employment area there are a number of very 'live' issues right now, for example debate over minimum wage law and over probationary periods in employment contracts.

With regard to minimum wages, there is draft legislation currently in Parliament that would get rid of the youth minimum wage – in effect introducing the same minimum wage rate for everyone. In New Zealand the youth minimum rate is set slightly below the adult rate. The enterprises that Business NZ represents believe quite strongly that the youth rate should be retained. Their reasoning is that the skill level of young people is normally below that of adults – and if they are to compete on a totally level playing field, they will tend to lose out against adults in competing for those jobs in those marginal areas. Keeping the youth rate gives young people more of a chance to get on that vital first rung of the employment ladder.

With regard to probationary periods, there is draft legislation being considered by Parliament that seeks to allow a 90-day period at the commencement of employment, during which alleged unjustified dismissal claims would not apply. The business community believes this is necessary given the high rate of spurious grievance claims being lodged, which cost employers valuable time and money to defend. Having an initial period during which such claims would not apply would help employers feel a lot more confident about taking a chance offering a job to a young unemployed person.

I hope this gives you some understanding of the type of work we are doing in New Zealand to help improve the prospects of young unemployed people. I am sure it is similar to undertakings in many other countries.

The benefits are not just for youth, but also for the companies involved. By contributing to the goal of youth employment, companies can help ensure a sustainable balanced workforce in the future; they can get better connected with the diverse markets and stakeholders of the future; and they can grow their customer and stakeholder support.

In my view this kind of corporate social responsibility is the way of the future – it benefits the companies involved while, more importantly and most fundamentally, helping to create a better future for our young people.