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Education, Business & Growth

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Thank you for the opportunity to speak with you this morning.

I have been asked to provide you with a business perspective on education, and on the work of the Rural Education Activities Programmes (REAP).

I will start with the organisation I represent, and why it exists.

Business NZ is the broad umbrella body for the business community in New Zealand. We have five regional association members – Employers & Manufacturers' Association (Northern), Employers and Manufacturers' Association (Central), the Canterbury Employers' Chamber of Commerce, the Canterbury Manufacturers' Association, and the Otago-Southland Employers' Association. We also have over 50 industry and sector affiliate organisations, including groups as diverse as the Tourism Industry Association, the Insurance Council, the Meat Industry Association and Federated Farmers.

Business NZ was established with the key focus of improving the sustainable growth rate of the New Zealand economy. The reason for this is simple. New Zealand's economic growth performance over the last half century has not been sufficient to provide the standard of living that we, as New Zealanders, expect.

This has a very real impact on the lives of all New Zealanders. GDP is the measure of the collective wealth of our nation. Let me illustrate this with two points:

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- If New Zealand had been able to retain its position of 3rd most wealthy nation in the OECD (as we were in 1950), then we would be 45% wealthier.
- If we had simply kept pace with Australia, we would be 28% wealthier.

In practical terms that means we could all be earning nearly 1.5 times what we are now – and spending 1.5 times as much on the health & education systems, for example. Wealthier nations are, by and large, healthier nations – and have better environments. The chronic under-investment in rural sewage treatment, not to mention our frankly unsafe roading system, is the sort of thing that we can only remedy if we have higher growth rates.

So that is **why** Business NZ is focused on growth – but **how** do we bring about a higher sustainable growth rate?

We are under no illusions that achieving a higher sustainable economic growth rate is a simple task – nor are there any simple solutions. We are clear that it does require a broad range of initiatives, and action from Government, the community and the business sector itself.

Business NZ doesn't claim a monopoly on the best way to improve growth – but we have attempted to identify four broad areas in which changes is needed.

These are:

- Sorting the Basics – creating the right sort of environment for business growth;
- Fostering Innovation – promoting the development and application of ideas into products and services that can generate wealth;
- Growth the Skills – ensuring that our people have the skills necessary to develop and apply those ideas, products, and services; and

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- Smarter and Better Businesses – ensuring that our businesses are well governed, managed and able to generate the wealth we need.

Within this broader strategy, Business NZ has determined four priorities in the area of education and training over the next five to ten years, and it is my job to work to see these achieved.

They are:

- Increase skill levels in the current workforce, by increasing the number of people involved in formal industry training from 80,000 to 160,000 per annum, and significantly increasing the number of people with industry skill standards, by 2005.
- Eliminate 'very poor' literacy and numeracy in the population (i.e. reduce the number of people with IALS Level 1 literacy to fewer than a statistical margin of 5%), by 2010.
- Improve the outcomes of compulsory education, so that all completing compulsory education achieve basic literacy and numeracy standards, and attain at least NCEA Level 1, by 2005.
- Improve the relevance of post-compulsory education, by more rigorous quality assurance, greater partnership with business, and a greater proportion of learning taking place within industry and on-the-job, by 2005.

I want to talk to you about each of these areas, because from our perspective REAP have an important role to play in each of them. In all these areas, there is a vital need for better understanding, communication and linkages. REAPs have the potential to add significant value in this regard, as organisations that are already networks themselves.

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Industry training

Business NZ have made workplace learning, and specifically, formal industry training, a key priority because we have to address the skill needs of those already in the workforce if we are to grow. 80% of the NZ workforce of 2010, and 60% of the workforce of 2020 are already in the workforce¹. New Zealand does not have a tradition of a high-skill / high value economy – so 25% of the NZ population aged 25-64 have no qualifications at all; only 35% have a post-school qualification².

So lifting skill levels across the board is critical. By itself it won't bring about growth and wealth generation, but without it, that won't happen.

Currently there are about 90,000 people involved in formal, assessed, industry training a year. This is a great achievement, but Business NZ believes that this issue is so important that we set the aim of increasing this to 160,000 by 2005 when we set out our priorities in late 2001.

Since then Government has come to a similar view, setting an additional target of 250,000 people in formal workplace learning by 2007. Together with the Council of Trade Unions and the Government, Business NZ has agreed to work to promote the benefits of industry and workplace learning, as part of a "Skill New Zealand" campaign.

It will, of course, be Industry Training Organisations that will do the work to achieve these targets. But they will not be able to do this alone. There is a potentially very useful role for REAP working with ITOs to assist small and medium sized employers in their region access industry training – something

¹ Statistics New Zealand (2001), *HLFS December 2001*, Table 4 (Total People Employed, Unemployed and Not In Labour Force); and Statistics New Zealand (2001), *Demographic Trends 2001*, Table 8.02 (Projected Resident Population, 1999(Base)-2101, Series 5).

² Statistics New Zealand (2001), *2001 Census – National Summary*, Table 21.

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Business NZ, and I am sure the Industry Training Federation, would be keen to explore with you.

Adult Literacy

Adult literacy is another key area of focus for Business NZ. You will all be well aware of the fact that 20% of the NZ population have ‘very poor’ literacy and numeracy skills³. Business NZ has worked with the range of organisations involved in adult literacy and numeracy, on matters such as quality standards for the provision of adult literacy, which are soon to be trialed by NZQA; and the development of national qualifications for literacy practitioners.

REAP have a key role to play here too, both in identifying literacy needs, and assisting individuals and communities to meet those needs. Business NZ would be keen to see the REAP network involved in the National Adult Literacy Coalition, of which we are a member. Again, a key element of addressing this issue will have to be co-operation between organisations.

School outcomes

Nearly 20% of young people still leave our school system with no qualification. The first NCEA results also highlighted some alarming skills gaps, as indicated by the large numbers of young people not achieving some of the critical standards, such as ‘produce formal writing’. The issue here is not about assigning blame – but identifying solutions. It may be that for some young people, schooling is simply inimical to learning.

Business NZ supports a broadening of the secondary school curriculum, and a greater involvement of Industry Training Organisations with the school system. The NCEA will enable young people to begin industry qualifications while still at school – and programmes such as Gateway give them the opportunity to learn in contexts outside the classroom.

³ OECD (2000), *Literacy in the Information Age*.

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What is critical is that applied and practical learning contexts and subjects are not seen as the option for those who can't 'hack it' in the academic subjects – but that industry and work based learning is a premium, sought-after learning pathway.

I think it will be essential that we offer young people for whom schooling is a turn-off, the opportunity of learning which has a perceptible rationale and application, and takes place in a context more suited to their needs. I think this is an exciting area for REAP to examine, and identify where they can play a role.

Business-education links

Lastly, Business NZ strongly believes in the need to build stronger and more meaningful links between business and education. The key to success in any relationship building is mutual benefit – it has to work for both parties. We believe there is a largely unnecessary gap between business people and educationalists. In many cases neither group understands the other particularly well.

But both have a great deal to offer. Educationalists offer not only their professional skills in the areas of learning, but they can also assist business people to access a much wider range of knowledge and information. Business people have insights and understanding of the world into which most of those receiving education and training will move, and are in touch with how ideas and technologies actually work in practice.

Ideally, we would like to see every educational organisation, as a key resource for the business community, and vice versa. Ideally, each organisation (and each department or section of larger institutions) would have a range of long-term partnership relationships with a range of enterprises; relationships in which both parties learnt and developed. Businesses could contribute to course and professional development of teaching staff, while educational organisations could assist with product or business development.

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The key point in all of these areas is this – the business community has issued a challenge to the nation and to itself to dramatically improve the standard of living of all New Zealanders. We know we cannot do this by ourselves – anymore than educationalists can solve all of our social ills. But if we work together, we have a chance of succeeding.

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(Further information about Business NZ and our growth strategy can be found on our web site: <http://www.businessnz.org.nz>)