



Chapter 9: Employment and vocational training

✦ Overview

- ✦ Employment & employment trends
 - Labour market categories: when are people employed, unemployed, self-employed, etc.
- ✦ Jobs, unemployment & skill shortages
 - The future of work & jobs in a 'global economy'
- ✦ Vocational training & ITA 1992
 - Issues, trends & understanding the 'system'
 - Did it work? (will it work in the future?)

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This chapter will provide insights to key employment & unemployment trends in NZ over the last 15 years. It will also address the issue of vocational training and changes in that area over the last decade. The links between employment, unemployment & education, vocational training are many but well-established in the research literature.

While the chapter will focus on NZ trends and issues it will also allude to trends & issues across OECD countries. The reader should always ask this question when considering NZ labour market trends: what are the similarities and the differences viz-a-viz other OECD countries? This question is important since some of the major changes across OECD countries can be found in NZ – eg. the shift towards a 'post-industrial service society' or changes to unemployment policies – but, at the same time, the uniqueness of the NZ labour market will provide for different trends & issues. The particular NZ approach described in chapters 3, 4, 6 & 8 will have an impact on how ER & labour market changes are implemented & what we think about these changes.

The new vocational training approach established as part of the Industry Training Act 1992 has been part of a wider re-thinking of how we educate & train in a changing labour market. There are still debates about how well this approach is working but there appears to be no doubt that a successful implementation will be crucial for the well-being of the economy (including employment & unemployment) and the workforce.



Employment

- ✦ What happened to goal of full employment?
 - ▣ Strong NZ employment growth post 1992-93
- ✦ High unemployment has been a major policy concern but that changed during 2001-2007
- ✦ Vocational training: the solution
- ✦ Characteristics of NZ labour force
 - ▣ See Figure 9.1 & Table 9. 1
 - ▣ It is important to understand survey estimates & issues associated with labour market trends

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“...unemployment had risen to historically high levels and full employment had become a more elusive and long-term policy goal.” (p. 232). Several OECD countries have experienced low unemployment over the past decade (2%-5%) & NZ has also had lower unemployment over the last couple of years. Thus, the goal of full employment may be less elusive than many commentators tend to think.

However, the rise in non-standard employment, ‘underemployment’ & high unemployment amongst certain ethnic & age groups as well as in certain geographical areas still make unemployment a major public policy issue. The new approaches are based on lessons from the 1980s & 1990s as well as overseas lessons. This includes a focus on long-term unemployed.

“Labour force measures emphasise one aspect of labour supply – the number of people – over others such as the quantities of labour time or effort. With fluid household and social roles, measures of labour supply can show considerable fluctuation over time.” (p. 233). The traditional labour force measures cover insufficiently the rise in atypical employment, the inter-actions with new family patterns, and the rise in individual employee rights & EEO (chp. 8).

Fig. 9.1: Do you understand the various surveys and what they measure?



Employment trends

- ✦ NZ labour force trends are similar to other OECD countries, but have had sharper shifts
 - ❖ Shift towards 'post-industrial society'
 - What types of jobs will prevail in a service & knowledge economy & with what status, income & requirements?
 - ❖ Impact of 'NZ experiment' & small open economy
 - Pre-dominance of SMEs + impact of primary sectors
 - ❖ Fig. 9.3: strong impact of economic growth
 - Slow economic growth has been a long-term problem
 - But low productivity is probably a more serious issue (see chp. 15)

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Decisions about employment are made in a variety of situations & often with a high degree of complexity. “The extent to which people have to work or want to work is related to the financial rewards associated with employment, the economic and social disadvantages of unemployment, the structure and scale of social security benefits, the availability of work, and general community attitudes and values associated with work itself.” (p. 235).

While NZ follows the shift towards the 'post-industrial society', major variations will exist in terms of sector & occupational growth patterns (see pp 235-8). These & future variations will be influenced by historical economic strengths, 'natural' advantages, and the ability to foster a 'knowledge economy'.

“As highlighted by Figure 9.3, employment growth and economic growth have fluctuated together in the reform era.” (p. 369). Thus, the strong employment growth post 1992/93 was partly 'driven' by economic growth & partly driven by a 'cheap labour' factor. This created problems in terms of productivity (see chp. 15) & raised issues regarding the role of ER & labour market institutions in economic performance (see chapters 4, 5 & 6)



Employment trends II

- ✦ Key employment trends include:
 - ❖ See p. 236; Figures 9.1 & 9.2; Tables 9.1 & 9.2
 - ❖ Rise in part-time & casual employment
 - Bifurcation of working time patterns
 - ❖ Limited increase but focus on self-employment, 'agency workers', shifts in employment status
 - Bifurcation in income & working time patterns
 - ❖ Gender & ethnicity patterns (see also chp. 8)
 - ❖ Demographics: aging workforce came late in NZ but is now, with immigration patterns, crucial for public policy & in determining future trends

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See p. 236 for an overview of the main changes in the characteristics of the NZ labour force.

While most part-time employees appear happy with their 'part-timeness' & have deliberately sought it, there are major issues associated with changes in working time patterns. While 'underemployment' & inferior conditions are often raised with casual & part-time employment, long hours have become a concern in many OECD countries (see slide 6).

Income bifurcation is pronounced amongst self-employed. While there is a glamorous world of entrepreneurs, 'leased executives', etc. there are also a low-paid side where low average hourly income & income insecurity dominate. Is self-employment voluntary or involuntary? "The whole question of whether people are 'pulled or pushed' into self-employment is a rather vexed one, with the various 'pull and push factors' impacting differently on individuals." (p. 237). Despite much media attention, the size of self-employment has been quite stable (as % of all employees) over the last 15 years, as more self-employed have coincided with higher employment overall – see fig. 9.2.

Gender & ethnicity have long been key labour market issues; they are now joined with the concerns over a aging workforce & immigration patterns.



Jobs & unemployment

- ✦ Six possible sources of new jobs
 - ▣ Different weighting of these sources
 - ▣ Constant emphasis on economic growth, flexibility & upskilling, but different routes:
 - Entails a shifts in public policy & in policy issues
 - 1980s-90s: Structural reforms & 'free market'
 - Post 1999: state intervention & 'knowledge economy'
- ✦ What will the impact of new technology & the 'knowledge economy' be in NZ?

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See the six possible sources of new jobs on p. 238. Over time, these sources have been weighted differently

“...the policy directions in New Zealand over the last decade have focused on economic growth supported by a flexible labour market and a better skilled workforce.” (p. 238).

Thus, the attempt to contain the rapid expanding unemployment from the mid-1970s with subsidised work schemes was considered ineffective & inappropriate from the mid-1980s.

The emphasis on structural reforms & ‘the free market’ ran its course in the 1990s but the 1994/95 Task Force on Employment & McCardle’s integrated & individualised approach to unemployment fueled new approaches which became prominent under the Labour-Alliance Government. Nevertheless, the issue of ‘reciprocal responsibilities’ – see pp 374-5 – is still valid.

However, the main shift is towards more government intervention be it regional economic development, high-tech industries, education & vocational training, or employment relations.



Jobs & unemployment II

- ✦ 'Knowledge economy' & new technology
 - ✦ Higher levels of employment quite normal
 - ✦ Re- & upskilling & 'soft skills' are necessary
 - ✦ Doing it well underpins economic prospects
- ✦ Redistribution of work (an old idea....)
 - ✦ Modifying working life
 - Late entry & temporary, partial, or early exit
 - ✦ Modifying working week
 - Direct regulation or 'discouraging' longer hours

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“Whether new technology will lead to the displacement of jobs has also been debated and the question arises of what kind of jobs (low- or high-skilled jobs) will be created as part of the ‘knowledge economy’.” (p. 240).

Many OECD countries have experienced rising employment levels over the last decade, despite certain industries & jobs disappearing or being re-located. This has led to considerable re-skilling & up-skilling amongst the workforce.

The idea of redistributing work has been around for a long time. It has been advocated – particularly in Europe - as a way to achieve both an improved work- life balance & a reduction in unemployment. Despite the idea’s popular appeal, the actual impact on unemployment is still being debated.

While there have been several innovative experiments – such as early retirement, sabbaticals, temporary stand-down periods, increased leave options, etc. – demographic pressures, low unemployment & skill shortages have often led to reduce entitlements or total abandonment.

Nevertheless, longer annual leave has been implemented in many countries, normal weekly working hours have often dropped below 40 hours, upper limits on weekly working hours have been implemented, and paid parental leave is a standard entitlement (except in the USA & Australia).



Jobs & unemployment III

- ✦ NZ has faced skill shortages post-1999
 - ✦ Unemployment concerns have decreased
 - May return dramatically if 2008-9 job losses continue
- ✦ Staff retention & turnover in the limelight
 - ✦ Variation across occupations & industries
 - ✦ Turnover rates can often indicate in-depth issues
 - Why do staff leave? Push and/or pull factors?
 - ✦ Major ingrained problems – pay & development
 - Overseas pay levels are often higher & NZ firms have reputation for skimping on staff training & development

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“It is remarkable how few similar measures have been taken in New Zealand in the last decade, where there has been an almost complete absence of statutory or collective regulation of working time.” (p. 231). However, media reports on work-life balance issues have featured frequently in recent years. The Council of Trade Unions (CTU) has also started a campaign against excessive working hours. The introduction of paid parental leave & a fourth week of statutory annual holidays have also moved NZ closer to some of the smaller European countries.

Still, it is noticeable that there is little legislative intervention in terms of long working hours. The main exception is health & safety precautions & this is why working time is more regulated in certain industries or occupations (eg. truck drivers, pilots).

The discussion of various types of unemployment (see p. 244) & the impact of unemployment indicates the severe problems many OECD countries have faced since the early 1970s. The problems – such as ill health, premature death, suicide, marital breakdowns, child abuse, racial conflict, violence and crime – may re-appear if unemployment stay high after the 2008-9 recession. In particular, high youth unemployment has become a real concern in New Zealand in 2009.



Vocational training

- ✦ Vocational education & economic success: like motherhood & apple pie these days
 - ❖ It is the question *how* such a highly skilled workforce is to be 'achieved' that is debated
 - Goal: life-long learning systems, tailored to individuals
- ✦ This is a long-running problem, pre-1984
 - ❖ Import of skilled labour through immigration
 - ❖ The state was a major training provider & funder
 - ❖ Private sector: SME problem & no training culture

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“One of the key themes of the last couple of decades has been that a well-educated and highly skilled workforce would be crucial in achieving sustainable economic growth and low unemployment.” (p. 248).

This theme has included Becker’s human capital notion, HRM & the resource-based view of the firm (see chp. 11), strategic unionism & its focus on wealth creation, education & vocational training (see chp. 12), and workplace reform & high performance work systems (see chp. 16).

When it comes to *how* to achieve such a highly skilled workforce, then “This is where the two popular themes of flexibility and developing human capabilities may be in conflict with each other.” (p. 249). There are fundamental issues concerning how a deregulated labour market with low state intervention (particularly in terms of funding & structures for education/training programmes) can deliver suitable human capabilities outcomes. While the drift towards more flexible training approaches with an emphasis on firm-specific, on-the-job training is well-known, it relies on employers to ‘drive’ the upskilling of the workforce. This is a big ask & its fit with the NZ labour market is questionable (‘market failure’ & ‘free-riding’ are problematic in NZ).

Traditionally, NZ has had a skill ‘problem’ with the state trying to breach the gap. The lower level of public sector training, the lack of a well-established training culture, & the predominance of SMEs pose a considerable obstacle towards establishing a training culture. Solving this is a major ER issue.



Training reform issues

- ✦ It was agreed that NZ had a problem
 - ✦ Low educational levels of workforce, narrow & inflexible training schemes, lack of upskilling
 - Lack of generic skills makes upskilling difficult
- ✦ Post-1984 reforms create their own issues
 - ✦ Public sector stops as major training provider
 - ✦ Economic recession undermines training
 - ✦ Overseas ownership both positive & negative
- ✦ 'Solution': both agreement & disagreement

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“Until the mid-1980s, about one-third of New Zealand secondary school pupils left school without a certificate or award of any kind.”(p. 251). Thus, many people lacked the learning approaches/tools to upskill & the availability of adult learning facilities – besides polytechnics - were limited.

It was also problematic that apprenticeships were based on traditional occupations & trades; the shifts in technology, job contents & service sector jobs were not catered for. It was also difficult for mature people to join as apprenticeships were all several years long & on low pay & there was no credit for prior learning (on-the-job).

The post-1984 reforms clearly highlighted the shortcomings of the theoretical approach. The public sector reforms (see chp. 3) reduced employment levels and training efforts. The corporatised & privatised organisations had a more short-term & immediate training focus. This coincided with economic recession & stagnant employment levels (table 9.1) & a decline in apprenticeships (see p. 252).



Industry Training Act 1992

- ✦ Based on agreement & unilateral decision re: areas of disagreement – see Table 9.3
 - ❖ Key components of ITA 1992, see p. 253
- ✦ Fundamental shift in vocational training
 - ❖ Many potentially beneficial elements
 - Provides competency-based learning/assessment
 - Associated with national qualification framework
 - Portability & flexibility (on-the-job & prior learning)
 - ❖ Market-orientated with assumption of employers being the main drivers & funders

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“While the disagreement over these areas was sometimes a matter of degree – for example, supporting a more active or a less active governmental role – it was also based on philosophical and political differences.” (p. 252).

The market orientation was clearly illustrated by the the discussion over levy options. In the end, no optional levy funding was included in the ITA 1992.

“Most commentators agreed that the new industry training approach had a number of *potentially* very beneficial elements.” (p. 253). In order to ensure that the new approach has been able to deliver the expected results, there have been a number of adjustments to the original philosophy and, in particular, in the practical application of vocational training measures.



ITA 1992 – outcomes?

- ✦ Appears to have had some beneficial effects
 - ❖ Level of training, coverage, new thinking
- ✦ But it also appears to be insufficient
 - ❖ Re-occurrence of skill shortages & imbalances
 - ❖ Funding & role of state is a major issue
 - Employers have difficulty in driving this forward
 - ❖ ITOs restructuring is constantly foreshadowed
 - ❖ Coherence of system & institutions is in doubt

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The figures presented in the chapter – incl. Fig 9.5 & 9.6 – indicate that the new system delivers more vocation training. The most important change may be, however, that training opportunities are developed in previously non-covered areas & both employers & employees have started to think differently about education & training.

The number of ITOs appears excessive; the issue is how to solve this without damaging the ongoing training efforts.

While the coherence of the system & its institutions was questioned at the turn of the century it appears to work better & with less disagreement amongst the key players. In particular, the previous stand-off between NQF & the major educational providers appears less prevalent.

Nevertheless, continuous reports of skill shortages during 1998-2002 indicated that not all was well. Some sector had clearly given too little attention to vocational education & training & firms in these sectors had to live with continuous skill shortages or rely on importing the necessary skilled people in the post 2002 period.



Changes in the new millennium

- ✦ Improved provision of public funding
 - ▣ Skill shortages & budget surpluses have interacted positively
 - Rise in trainees is one indication (Figure 9.6)
 - Employers have been willing to participate
- ✦ Modern Apprenticeships – a success
 - ▣ Continuous expansion of effort & funding
- ✦ Few structural changes; instead a focus on processes & outcomes ('making it work')

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It is important the many commentators & researchers had become concerned by the end of the 1990s. In particular, the “dearth of work-based apprenticeship training has been much lamented.” (p. 258). There were, however, a number of other educational problems which had either been overlooked or exaggerated during the major reform wave of the 1984-1994 decade. They included, amongst other things, unsatisfactory pay and employment conditions in research institutes, polytechnics and universities.

The attempt to institute tripartite collaboration to foster more industry-level direction and efforts has been partly successful and there are indications that this will continue under the National-led government elected in late 2008.

It is interesting to notice how little change the post-1999 Labour Governments instituted to the fundamental principles & structures of vocational training. The emphasis appeared more on making the system run better (including sufficient funding) & boost apprenticeships for young people.



Current & future issues

- ✦ Modern Apprenticeships tackles long-term issue but further efforts are necessary
 - ✦ Industry bottlenecks & biased age distribution
- ✦ Co-ordination is a major issue
 - ✦ Problem: flexibility & choice/scope of NQF
- ✦ SMEs: how can they be part of this system?
 - ✦ Lack of resources, structures, training culture
 - ✦ Externalising as an option?: training providers & employees become 'drivers' & stakeholders

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There has clearly been a major increase in educational funding & there have also been a strong rise in apprenticeship and trainee numbers. This has countered, however, a strong economic upswing during which employers have been faced with skill shortages across a wide range of jobs and occupations. While this indicates that there have been insufficient training efforts for quite some time, it is also influenced by the job market expanding rapidly and by 'brain drain' as skilled employees have sought better opportunities overseas.

There is no doubt that NQF offers flexibility & lots of choice re: unit standards. The selling of these opportunities appears to be the key problem. In particular, it has been problematic that clear pathways weren't always signalled to employers, employees and potential trainees. The inclusion of MITO's qualification roadmap (Figure 9.7 – p. 261) shows one way of doing this.

In the new millennium, it has become clear that SMEs are crucial in New Zealand's search for a highly productive economy. It is more difficult, however, to introduce ways of making SMEs a part of highly skilled, highly productive economy as there are some fundamentals missing. While many commentators & researchers agree on that it is necessary to overcome the lack of resources & structures in order to implement a training culture across the economy; the problem is really to agreed on how this is going to happen and then make it happen.