

Submission

By



To the

Ministry of Education

On the

Schools Plus Discussion Document

28 May 2008

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**SUBMISSION BY BUSINESS NEW ZEALAND ON THE SCHOOLS PLUS
DISCUSSION DOCUMENT
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1. INTRODUCTION

- 1.1. Business New Zealand welcomes the opportunity to comment on the Schools Plus discussion document (hereafter referred to as 'the paper'). We share the Government's belief that there is a clear and pressing need to raise the skill levels of New Zealand youth. We also support most of the broad policy directions outlined in the discussion document, and consider that they have the potential to add real value to young people, businesses and the wider economy.
- 1.2. We do, however, have some questions about the extent to which obligations will be created for employers to train and about the level of compulsion that will be applied to young people to stay in education and training. While we agree that incentives and reforms are needed to promote greater educational retention and achievement, we have concerns that too much emphasis on 'sticks' and too fast an implementation may create more harm than good.
- 1.3. Most of this submission focuses on issues of direct relevance to employers.

2. SUMMARY OF RECOMMENDATIONS

- 2.1. Business New Zealand **recommends** that:

- the development of personal education plans for young people be supported and led by good quality and relevant careers information, advice and guidance.
- that the Schools Plus reforms be accompanied by focused efforts to:
 - raise the quality, relevance, currency and coverage of IAG and;
 - improve the accountability of school Boards for their responsibilities under National Administration Guideline 1.
- the Government's overall objective ("All young people are in education, skills, or structured learning relevant to their needs and abilities, until the age of 18") be viewed as an **aspirational** goal, rather than a concrete target, at least in the short- to medium-term.

- the Government first exhaust all voluntary approaches to raising under-18 education and training participation rates, before resorting to general compulsion for either employers or young people.
- should the Government decide to introduce a compulsory education requirement for under 18 year olds, its introduction date be set for later than 2011, so that schools and employers have enough time to adjust.
- should a training obligation on employers be created, it only apply to full-time under-18 employees.
- any policies designed to guide or regulate the delivery of ongoing learning and training opportunities for young employees:
 - Reduce the risks to firms of poor returns from training investments;
 - Reflect the needs of the businesses and industries concerned, both in terms of delivery methods and content;
 - Offset limited capability in some firms.
- policies designed to promote closer business-school partnerships should be flexible and enable firms and schools, as far as possible, to develop arrangements that best suit them.
- an investigation be undertaken of current successful school-business partnerships, so that the lessons can be used to inform policy and advise other schools.
- explicit recognition and resourcing be given to the role of ITOs (and other relevant and suitably capable organisations) as partners to schools.

3. COMMENT

General approach

3.1. Many elements of the Schools Plus initiative are commendable, and should make a positive difference to young people's futures. We particularly support the proposals that:

- Students are able to "connect what they're doing at school to what they want to do as a career. They will know about the options available to them, and some may choose to combine workplace or tertiary learning with their schooling."

- There should be “strong partnerships with employers, tertiary education organisations, parents, families, whanau, iwi and communities”.
 - “Flexibility in education pathways and support services should be available for all students, reflecting the concept of personalising learning”.
- 3.2. We also support the proposal that all young people should be assisted to develop a personal education plan when they enter secondary school, provided the plan development process also includes good quality careers information, advice and guidance (CIAG). Making this a reality will require a substantial strengthening of CIAG capability and capacity and stronger accountability by school Boards in terms of their responsibilities under National Administration Guideline 1.¹ Flexibility around the provision of CIAG to young people (e.g. contracting in, provision outside of schools) would also be helpful.

Recommendations:

- ***that the development of personal education plans for young people be supported and led by good quality and relevant careers information, advice and guidance (CIAG).***
 - ***that the Schools Plus reforms be accompanied by focused efforts to:***
 - ***raise the quality, relevance, currency and coverage of CIAG for young people; and***
 - ***improve the accountability of school Boards for their responsibilities under National Administration Guideline 1.***
- 3.3. We also have concerns about two aspects of the Schools Plus package that are currently unclear – the level of compulsion that will be applied to young people and employers, and the question of when (and how) the package will be fully implemented.

The issue of compulsion

- 3.4. There appears to be a tension in the discussion paper between the government’s overarching goal and the guiding principles of Schools Plus. On the one hand, the paper states that the government’s goal is for “all young people are in education, skills or structured learning,

¹ “Each Board, through its principal and teachers, is required to...provide appropriate career education and guidance for all students in year 7 and above, with a particular emphasis on specific career guidance for those students who have been identified by the school as being at risk of leaving school unprepared for the transition to the workplace or further education/training.”

relevant to their needs and abilities, until the age of 18.” On the other, two of the guiding principles imply that there is still some question about the level of compulsion that will be applied to young people to stay in education, i.e.:

- “All young people should be *actively and willingly engaged* in education, skills or other structured learning, relevant to their needs and abilities, at least until the age of 18”;
- “*To the extent* that students are *required* to participate in education and training, they will have a range of options available in line with their needs and circumstances.”

3.5. We would strongly urge the Government to retain the ‘actively and willingly engaged’ caveat in the final Schools Plus policy, and to not go down the road of requiring all young people to be enrolled in education and training until they are 18, at least in the short- to medium-term. From our perspective, a general obligation to be enrolled in education or training could ultimately end up harming, rather than enhancing, young people’s opportunities and futures.

3.6. For example, if the obligation for all 18 year olds to be in training were translated into a requirement for their employers either to undertake the training or provide time off for training (as has been the case with the move to raise the education and training leaving age in England), the costs of employing under-18 year olds would increase substantially. A training obligation could therefore create strong disincentives for employers to hire 16 and 17 year olds, particularly for smaller firms.

3.7. Such an outcome would be a tragedy, because gaining early experience in the labour market is one of the best ways of ensuring that young people have ongoing access to employment as adults. As British academic Alison Wolf notes, “it is a far more effective way of breaking the cycle of unemployment and deprivation than any form of formal training.”² A key aim of any reform to education and training policy for under-18s should therefore be to ensure that young people retain good access to the labour market, while also having better opportunities and stronger incentives to remain in education and training.

3.8. Furthermore, requiring young people to stay in education or training when they are disengaged from learning is unlikely to lead to greater achievement levels on their part, nor is it likely to encourage them to become lifelong learners. Moreover, the enforced presence of

² Alison Wolf, *Diminished Returns: How Raising the Leaving Age to 18 Will Harm Young People and the Economy* (London: Policy Exchange, 2007), p.24

disengaged young people in school or tertiary institution classrooms may be disruptive to those students who do want to learn.

- 3.9. We would recommend instead that the Government's overall objective be viewed as an *aspirational* goal, around which policy can be focused, rather than a concrete target, at least in the short- to medium-term. In other words, the goal should be to make education and training sufficiently attractive and relevant that more young people *want to stay*, instead of being compelled to. The Government should, in our view, first exhaust all voluntary approaches and options, before resorting to compulsion.

Timing

- 3.10. We note that there is no date attached in the paper to the achievement of the Government's overarching goal. The paper does talk about "completing major reforms in secondary schooling, and doing more to open up the pathways beyond school, by the end of 2011". However, it is not clear whether it is expected that all under 18 year olds should be in education and training from this point on. We note that a similar reform process in England is taking a longer and more gradual implementation path – the 'education and training leave age' will be raised to 17 in 2013 and 18 in 2015.
- 3.11. To the extent that the Government intends to create a compulsory education requirement for under-18 year olds, we would strongly suggest that the introduction date be set for later than 2011, to enable schools and employers enough time to adjust. As noted above, we would prefer that voluntary approaches be taken before compulsion is introduced.
- 3.12. We also strongly recommend that, should a training obligation on employers be created, it only apply to full-time under-18 employees. Part-time employees can make their own training arrangements, and it is neither realistic nor economic to expect employers of part-time staff to invest heavily in training them.

Recommendations:

- ***that the Government's overall objective ("All young people are in education, skills, or structured learning relevant to their needs and abilities, until the age of 18") be viewed as an aspirational goal, rather than a concrete target, at least in the short- to medium-term;***
- ***that the Government first exhaust all voluntary approaches to raising under-18 education and training participation rates, before***

resorting to general compulsion for either employers or young people;

- *that should the Government decide to introduce a compulsory education requirement for under 18 year olds, its introduction date be set for later than 2011, so that schools and employers have enough time to adjust;*
- *that, should a training obligation on employers be created, it only apply to full-time under-18 employees.*

Key questions

What do employers see as the key barriers to providing ongoing learning and training opportunities to young employees?

3.13. The main barriers to the provision of training and development opportunities specific to young people can be broken down into three broad categories.

3.14. The first barrier is the **risk of wasted investment**. As the OECD's recent "Jobs for Youth" report noted, young people's "first few years in the labour market are characterised by considerable voluntary mobility." Young people in New Zealand change jobs frequently – according to a Massey University study, 18% of first jobs lasted less than 18 months and another 14% lasted between six months and a year. Given this high level of churn, employers who spend significant amounts on training young people risk not seeing any return from that investment.

3.15. The second (and related) barrier **perceived low returns to training**. A significant proportion of 16 and 17 year olds in employment are in casual, part-time or temporary jobs. Given the relatively low levels of attachment that casual, part-time or temporary employees tend to have to the firm and the often low value produced by many of these positions, employers are often – quite rationally – reluctant to invest in training these people.

3.16. The third barrier is **capability**. A significant proportion of young people are employed in smaller firms, which often lack the capacity, capability or time to manage training programmes. According to Statistics New Zealand's Linked Employer-Employee Dataset, in December 2006, 22% of 16 and 17 year olds were employed in firms with 1-9 employees, and a further 29% held jobs in businesses with 10-49 employees.

3.17. A significant number of employers have also reported poor work-readiness, literacy and numeracy skills amongst young people, which tend to increase the costs of training.

From a business perspective, what is the best way to deliver ongoing learning and training opportunities to young employees?

3.18. Approaches to delivering ongoing learning and training opportunities to young people should take into account the barriers to training outlined in paras 3.13-3.16 above. In other words, they should:

- **Reduce the risks of poor returns from training investments:** this could be done in a number of ways, such as:
 - Reducing the costs that employers have to bear for training young people through higher subsidy rates;
 - Relaxing restrictions on ITOs and providers offering short courses in workplaces - the risks from small investments in training are lower than large ones;
 - Allowing employers to recover some training expenses in situations where young employees move on to other jobs before the returns can be realised;
 - Treating 16 and 17 year olds in training as workers “who are employed under contracts of service under which they are required to undergo training, instruction, or examination for the purpose of becoming qualified for the occupation to which their contract of service relates” for the purposes of section 4 (1) (c) (ii) of the Minimum Wage Act 1983, thereby allowing employers to offset the costs of training through slightly lower wages.
- **Reflect the needs of the businesses and industries concerned, both in terms of delivery methods and content:** businesses are more likely to invest in training where they see a direct fit with their operational and strategic goals. Work-based learning in support of Schools Plus therefore needs to be industry-driven and permit employers to decide the method of delivery.
- **Offset capability limitations** by, for example, making use of existing training and brokering organisations, such as Industry Training Organisations, to ease the administrative burdens and resource requirements (e.g. pastoral care) associated with training young people.

Recommendation:

- ***That any policies designed to guide or regulate the delivery of ongoing learning and training opportunities for young employees:***
 - ***Reduce the risks to firms of poor returns from training investments;***

- ***Reflect the needs of the businesses and industries concerned, both in terms of delivery methods and content***
- ***Offset limited capability in some firms.***

What is the role of employers in ensuring a young employee's education plan is acted on?

3.19. Except in cases where the employer and employee have agreed to include the plan in a formal training agreement, we do not believe that employers can be expected to “ensure” that an education plan is acted on. As we understand the Schools Plus proposals, education plans will be designed to reflect the particular interests and goals of individual youths and may have no connection to the growth goals or needs of a firm.

3.20. Moreover, given the considerable diversity of the business community and differing levels of capability therein, we would be very reluctant to see a general “role” or “responsibility” created for employers to carry out an employee's education plan. As noted earlier, such responsibilities or obligations are likely to create disincentives for employers to hire young people in the first place.

From the employer's perspective, what are the critical factors in establishing and strengthening partnerships with schools, families, whanau, tertiary education organisations and community organisations?

3.21. The critical factors in establishing partnerships between learning institutions and workplaces are:

- Mutual trust, openness and clarity around each other's role, responsibilities, expectations and timeframes;
- The ability to set roles, responsibilities, expectations and timeframes that are appropriate to the capability levels of the two parties (rather than having them laid down centrally);
- The opportunity to define, review and revise these roles, responsibilities, expectation and timelines at times and paces suitable to the workplaces and learning institutions;
- The ability of partnerships to provide ongoing value to both parties; and
- The ability of the partnerships to provide benefits that outweigh the costs.

- 3.22. These factors suggest that policies designed to promote closer business-school partnerships should be flexible and enable firms and schools, as far as possible, to develop arrangements that best suit them.
- 3.23. A number of schools across the country already have made innovative arrangements with businesses and industries. It would make sense to learn from their experiences about what works and what does not, and use the lessons to advise other schools.
- 3.24. It would also appear sensible to make use of existing 'trusted advisor' networks to help create links between schools and firms and to help young people effectively prepare for the workplace. There would be merit in explicitly recognising and resourcing the role of ITOs (and other relevant and suitably capable organisations) as partners to schools.

Recommendations:

- ***That policies designed to promote closer business-school partnerships should be flexible and enable firms and schools, as far as possible, to develop arrangements that best suit them;***
- ***That an investigation be undertaken of current successful school-business partnerships, so that the lessons can be used to inform policy and advise other schools;***
- ***That explicit recognition and resourcing be given to the role of ITOs (and other relevant and suitably capable organisations) as partners to schools.***

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Business New Zealand is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, EMA Central, Canterbury Employers' Chamber of Commerce and the Otago-Southland Employers' Association – and 70 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business NZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation, the International Organisation of Employers and the Business and Industry Advisory Council to the Organisation for Economic Cooperation and Development.