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**NEW ZEALAND INDUSTRY TRAINING POLICY IN  
THE 2008-2010 ENVIRONMENT**

A thesis  
submitted in partial fulfilment  
of the requirements for the degree  
of  
**Master of Social Sciences**  
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by  
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## **ABSTRACT**

This study is broadly concerned with the changing nature of industry training policy in New Zealand between the mid-1980s and mid-2010. It sets the two-year period subsequent to the 2008 election against this broader background. Using key elements of the process of change within industry training policy – ideology and prevailing perceptions of skills and their contribution to economic and social goals – this research sought to investigate the extent to which the National-led Government’s policy approach and practices demonstrate ideological and policy change from the previous two decades. This study used a qualitative approach involving in-depth interviews with representatives of key organisations in industry training. These organisations include the Department of Labour, Ministry of Education, Tertiary Education Commission, Business NZ, Council of Trade Unions and the Industry Training Federation. Thematic analysis of interview data was combined with a review of existing literature in order to argue that the National-led Government’s claims of pragmatic orientation were not substantiated. Rather, it is argued here that the Government’s industry training policies aligned more closely with the neo-liberal policies of the 1990s, than with the Third Way of 1999-2008. For example, there was a deliberate retrenchment of government funding for industry training in some respects, and a significantly lessened role of the non-governmental key organisations in policy development. In addition, it is argued here that the National-led Government has demonstrated a narrow focus on skill development that contradicts wider advice and trends in favour of a multi-faceted view of skill that prioritises skill utilisation as well. Overall, it is argued that the National-led Government’s policy approach and practices are likely to be ineffective at addressing enduring issues in industry training as well as new issues.

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## ACRONYMS

CTU	Council of Trade Unions
CMI	Competitive Manufacturing Initiative
ECA	Employment Contracts Act
ERA	Employment Relations Act
ETSA	Education and Training Support Agency
GIF	Growth and Innovation Framework
HCT	Human Capital Theory
ILO	International Labour Organisation
ITA	Industry Training Act
ITF	Industry Training Federation
ITO	Industry Training Organisation
NEQA	National Education Qualifications Authority
NZQA	New Zealand Qualifications Authority
OECD	Organisation for Economic Co-operation and Development
STM	Standard Trainee Measure
TEAC	Tertiary Education Advisory Commission
TEC	Tertiary Education Commission
TEO	Tertiary Education Organisation
TES	Tertiary Education Strategy
WPWG	Workplace Productivity Working Group
VET	Vocational Education and Training

## **CHAPTER ONE: INTRODUCTION**

### **Introduction**

The purpose of this chapter is to introduce the scope and focus of this study. To begin, the chapter introduces the topic of the research. Then, the chapter outlines the five central arguments posed in this thesis. The specific purpose of the investigation is outlined before the chapter concludes by outlining the structure of the thesis.

### **Background**

This thesis is broadly concerned with the changing nature of industry training policy in New Zealand. The period under investigation spans from the mid-1980s to mid-2010, with a particular emphasis on the 2008-2010 period.

Industry training policy sits in both the tertiary education and labour market/workplace policy space as it is a form of post-compulsory education and training, yet it is directly associated with work. Industry training in itself is a form of work-based learning that is tied to a formally recognised qualification and is primarily undertaken through on-job activities. Chapter Two provides greater detail on how industry training has been framed for the purposes of this thesis.

This thesis traces the changes to New Zealand's industry training policy since the mid-1980s where the origins of the contemporary system can first be observed. The particular period in focus is the 2008 to mid-2010 period because, with the change of government in November 2008, New Zealand's economic and social policy framework has undergone a number of changes. However, to date, there is little substantial research on the effect of the 2008 change of government on industry training policy specifically. Therefore, this research is important because it contributes to an understanding of the direction of industry training under the new government. The thesis achieves this goal by bringing together a comprehensive review of the literature, industry training policy analysis and the perspectives of the key organisations in industry training, in a coherent and critical manner.

## **Central arguments**

This thesis has developed five central arguments based on the theoretical framework, the literature review, policy analysis, and interviews with key organisations, as well as an overall analysis and evaluation of those four dimensions. The first two central arguments relate to the theoretical foundation of this thesis. The remaining three arguments draw on the first two by demonstrating the arguments' relevance to the industry training policy approach and practices of the National-led Government.

The first central argument in this thesis relates to an understanding of the role of ideology in giving cause for policy reform as well as shaping the nature of the resultant policy. Gerring (1997) highlighted that ideology is a complex concept that encompasses a range of meanings (see Chapter Three). For the purposes of this thesis, particular aspects of the core foundations of ideology, as delineated by Gerring (1997), have been drawn on in order to develop a definition that reflects the particular focus of this study. These include function, location, subject matter, and cognitive/affective structure (especially coherency, contrast and stability) as they relate to the influence of ideology in the political sphere. Specifically, this thesis has adopted Mullin's (1972) argument, as highlighted by Gerring (1997), that ideology is significant in providing motivation for change in policy direction, as well as shaping the subsequent nature of policy and its implementation. Therefore, this thesis argues that ideology can be understood as a cohesive set of political beliefs or values that are consistent across a period of time and give cause for, as well as shape, the political behaviour of policy formation and discourse. Thus, ideology provides a vehicle by which policy reform can be better understood.

The second central argument of this thesis is that the resurgence of Human Capital Theory (HCT) in the 1980s also provided an initial impetus for a review of the industry training policy. For the purposes of this argument, the most important aspect of HCT is the argument that there is a correlation between a country's levels of education and training, and its labour productivity, and consequently, economic performance. However, this thesis argues that policymakers' interest in industry training has, more recently, been driven by an increasingly complex view of skills and the contribution they can make to economic and social goals. More

specifically, this thesis argues that the evolving view of skills has extended beyond HCT in order to recognise that demand-side issues such as skill utilisation are just as important as supply side solutions (skill development). In other words, skills should be increasingly viewed as a multi-faceted component of labour productivity.

The third central argument of this thesis is that different examples of ideology have been dominant throughout the two decades of industry training policy reform explored in this thesis. In particular, this thesis argues that the 1984-1999 era was driven, ever-increasingly, by neo-liberalism; while in contrast, the 1999-2008 era was influenced by the New Zealand interpretation of the Third Way. This thesis has found that the 2008 to mid-2010 changes have not been explicitly identified as ideologically driven, like the previous two eras, nevertheless an ideological shift is evident in the industry training policy approach and practices of the National-led Government. Specifically, this thesis argues that the shift is more consistent with neo-liberal principles than those of the Third Way. This thesis argues that core neo-liberal principles are especially manifest with respect to the role the government has adopted in regulation and funding of the industry training sector.

The fourth central argument of this thesis is that the National-led Government has failed to adopt a multi-faceted view of skills and their contribution to labour productivity. In the 2008-2010 environment there was a high degree of consensus between key organisations interviewed for this thesis, and in the literature, that a multi-faceted view of skills is necessary in order to enhance their contribution to labour productivity. However, this thesis holds that the National-led Government's policy approach and practice contradicts this consensus as it has retracted support for skill utilisation initiatives. In addition, as a result of the government's focus on economic outcomes of education, it has shifted its policy emphasis towards youth at the expense of skill development in the existing workforce. In sum, this thesis argues that such a shift indicates that industry training is not a priority for the National-led Government.

The final central argument draws on the previous four, in order to argue that the National-led Government's industry training policy approach and practice is unlikely to address issues that have vexed industry training since its development

in its contemporary form in the early 1990s. Nor, this thesis argues, will the approach be adequate to address potential new issues. This is because in important respects, the National-led Government has contradicted the significant literature and the perspectives of the key organisations with regard to central policy areas. In addition, this thesis argues that the Government has adopted an ahistorical approach given that its policy direction is similar to that pursued in the 1990s which is argued to have considerable failings.

### **Research Purpose**

The specific purpose of this thesis is threefold. The first is to evaluate the extent to which the post-2008 industry training policy of the National-led Government represents a shift in ideology and policy. The second is to identify the most significant issues within industry training policy between the mid 1980s and 2010, with a particular emphasis on the November 2008 to January 2010 period. The third is to ascertain the perspectives of key organisations in the field of industry training with regard to whether the National-led Government's policy approach has the potential to address these issues.

### **Thesis Structure**

This thesis comprises ten chapters. The previous discussion has outlined the background, purpose, and central arguments of the study. Chapter Two outlines the conduct of the research.

Chapters Three to Five present the majority of the literature review as they contain the theoretical and historical context for the study. Chapter Three outlines the theoretical framework on which this research is based as it explains ideology, neo-liberalism, the Third Way, and HCT. Chapter Four and Five present the historical background to the 2008-2010 policy environment as they sketch the development of New Zealand's industry training policy in its contemporary form. These chapters divide the 1984-2008 period into two eras based on the dominant ideology. Chapter Four canvasses the 1984-1999 neo-liberal era, while Chapter Five concerns the 1999-2008 Third Way era.

Chapters Six to Eight cover the period of central concern for this thesis, the 2008 to mid-2010 policy environment under the National-led Government, and present

the key findings and arguments of the thesis. The first chapter of this series, Chapter Five, outlines the National-led Government's industry training policy approach and practices. In this respect, the chapter is a continuation of the literature review. However, it also identifies consistencies and inconsistencies of the policies and practices with the Third Way and neo-liberalism, so the chapter also forms the first stage of analysis and discussion. Chapters Seven and Eight present the findings of interviews conducted with representatives of key organisations in the field of industry training.

Chapter Nine draws on the literature review, the findings and discussion of Chapter Six and, most significantly, the interview findings in order to highlight and discuss the most significant issues in the 2008-2010 industry training policy environment. In addition, Chapter Nine also evaluates the potential for the National-led Government's approach to adequately address the issues and explores the implications of its approach. Chapter Ten concludes the thesis. It brings together the key findings and implications of this study.



## **CHAPTER TWO: RESEARCH APPROACH**

### **Introduction**

The purpose of this chapter is to identify and justify the focus, scope, and conduct of the research. First, it will reiterate the research purpose before explaining the parameters and key terms of the research, especially what is meant by industry training and key organisations. Second, it will explain the research perspective, strategy, and design. The final section will outline the methods of information collection and analysis that have been utilised.

### **Research Purpose**

This research is both exploratory and descriptive as it investigates the changing nature of industry training policy.

As identified in Chapter One, the thesis has three overlapping purposes. The first is to evaluate the extent to which the post-2008 industry training policy of the National-led Government represents a shift in ideology and policy. The second is to identify the most significant issues within industry training policy between the mid 1980s and 2010, with a particular emphasis on the November 2008 to January 2010 period. The third is to ascertain the perspectives of key organisations in the field of industry training with regard to whether the National-led Government's policy approach has the potential to address these issues.

### **Industry Training Policy**

The purpose of this section is to establish the type of industry training under examination and the related area of policy as it pertains to this thesis.

Industry training, in the context of this thesis, is equated with a form of work-based learning. Boud (2005) defines work-based learning as “learning that is undertaken at work or directly for purposes of work... [and] typically utilised as part of some educational qualification or credit towards a qualification” (pp. 669-673). In other words, for this thesis, industry training refers to the process of an employee enrolling in a formally recognised qualification directly associated with their work that provides recognition of the skills and knowledge developed primarily through on-job activities, although it may be complemented by elements

of off-job training. It is important to acknowledge that the learning aspects of industry training are beyond the scope of this thesis; for example, it does not explore the pedagogy of work-based learning. Rather, the thesis is concerned with the broad issues that surround regulation and funding frameworks for the sector.

While the focus of this thesis is on industry training, this thesis recognises that it is not an isolated area of policy. First, industry training is one component of a broad tertiary sector that includes all types of post-compulsory education and training (Bell & Osborne, 2005; Tertiary Education Commission [TEC], 2010a). Therefore, this thesis will explore the influence of relevant tertiary education policy on industry training, the relationship between industry training and the tertiary sector and to a limited extent, the linkages between industry training and the compulsory sector. Furthermore, industry training spans over work and labour market issues, thus is shaped by the employment relations framework. Essentially employment relations policy sets the overarching framework or parameters within which industry training policy is formulated, thus it can either enable or constrain aspects of industry training. Therefore, this thesis will also explore the implications of changes to the employment relations framework on industry training.

This study has deliberately adopted a high-level and selective focus with regard to the policy it explores. First, it is high-level as it takes a broad view of the content of policy with a particular emphasis on the debates and ideology that surround the development of that policy. These theoretical issues are defined in Chapter Three before being applied in the remainder of the thesis. Second, it is selective in the sense that it identifies key policy changes and the most illustrative examples in terms of their importance to the chronology of events, and the broader story of industry training reforms that demonstrate the validity of the arguments posed.

### **Key Organisations**

For the purposes of this research, the term ‘key organisations’ is taken to mean government agencies and non-governmental organisations that have a pivotal role in industry training policy development through formally recognised roles or in the consultation process. Non-governmental organisations also have a vested interest in industry training as they are representative of those who are greatest

effected by policy swings as the facilitators and/or end users of industry training. The following will identify each key organisation and provide a brief rationale for their involvement, based on their current 2010 role in industry training.

Three governmental agencies were identified as playing an instrumental role in the development and implementation of industry training policy and research. The Ministry of Education is the principal advisor to the government on the whole of the New Zealand education system. Its role in the tertiary sector is to provide strategic leadership through the delivery of policies and services; most importantly this includes the development of the Tertiary Education Strategy (Ministry of Education, 2010). The second key government agency, the Tertiary Education Commission (TEC), has responsibility for managing the governments funding of tertiary education (TEC, 2010a). The third key government agency identified is the Department of Labour. Its overall function is “to improve the performance of the labour market and, through this, strengthen the economy and increase the standard of living for those in New Zealand” (Department of Labour, 2010).

Three non-governmental organisations that represent industry training organisations, employers, and employees/learners at a national level were also identified. The Industry Training Federation (ITF) provides the perspective of the facilitator of industry training as it represents all 39 industry training organisations (ITOs) in New Zealand (Industry Training Federation [ITF], 2010). Business NZ<sup>1</sup>'s and the Council of Trade Union's (CTU) participation in this research were crucial due to their role in the tertiary and industry training policy space as representatives of end-users of industry training. Business NZ is New Zealand's largest advocacy body for employers and industry in New Zealand (Business NZ, 2010). The CTU is New Zealand's peak body for organised labour (Council of Trade Unions [CTU], 2010).

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<sup>1</sup> Business NZ was established in 2001 after the amalgamation of the New Zealand Employers' Federation and New Zealand Manufacturers' Federation amalgamated (International Organisation of Employers, 2010). Thus, the historical context refers to the New Zealand Employers' Federation, rather than Business NZ as such.

## **Research Perspective, Strategy and Design**

This research has been conducted from an interpretive perspective and follows a qualitative research strategy as it aims to produce a detailed description, examination and critique of New Zealand's industry training policy framework, with a particular emphasis on the 2008 to mid-2010 period (Bryman, 2008). The research is based on a cross-sectional research design as it investigates the perspectives of six key organisations with a view to generating a snapshot of the industry training sector policy environment as at mid-2010 (Bryman, 2008).

## **Methods of Information Collection**

Two complementary methods of information collection were utilised in this research in order to develop a robust and comprehensive account of the nature of industry training and the key organisations' perceptions of it: a literature review and in-depth qualitative interviews. The research has been conducted at a very fluid point of time in the policy environment. Essentially, the topic of investigation is inherently current, thus the thesis provides a snapshot of the key organisations' views on the industry training policy framework as at February 2010 while the literature explores relevant policy shifts up until mid-2010.

## ***Literature Review***

A comprehensive review and analysis of relevant primary and secondary material was conducted in order to provide a historical overview of industry training policy since the late 1980s and to inform the interviews. More specifically, the purpose of the literature review was to identify key policy initiatives within the industry training sphere and its underlying ideological principles. The principal sources of information were policy documents, research publications, legislation, websites, and scholarly journal articles.

## ***Interviews***

The second method of information collection employed was in-depth qualitative interviews with representatives of key organisations in industry training. The fieldwork was a significant component of this research as it was through interviews with key organisations in the policy arena that unique insights could be gained into their perspectives of the current policy environment. In bringing the diverse views together, the interview analysis will provide a comprehensive,

multi-faceted snapshot of the sector. In order to achieve this, each of the interviews had a slightly different focus that reflected the different interests and perspectives of each organisation.

An interview was conducted with two representatives of the Ministry of Education: David Earle, Policy Analyst in the Ministry's Tertiary Sector Performance Analysis and Reporting Division, and a Senior Official who preferred to remain anonymous. The purpose of the Ministry of Education interview was twofold. First, it was to ascertain the interviewees perspectives, based on their roles within the Ministry, on current and future directions and issues concerning industry training policy. Second, it was to explore a perceived shift in emphasis towards skills development in youth, especially within the upper-secondary compulsory sector.

The TEC interview was conducted with a Policy Manager who preferred not to be personally identified. The purpose of the interview was to elicit views of the Policy Manager with regard to current issues that influence the TEC's investment decisions and future directions for funding arrangements of industry training.

Monique Dawson, Deputy Secretary of the Work Directions Group of the Department of Labour, was interviewed for this research. The Work Directions Group is specifically responsible for labour market information and advising the government on issues in labour market operation including skill development and utilisation issues. The primary purpose of the interview was to ascertain the Department of Labour's perspective on the current and future issues impacting on, and directions of, skills development and workplace productivity policy. The secondary purpose of the interview was to explore the Department of Labour's role in, and perceptions of, partnership initiatives.

The purpose of the interviews with the non-governmental organisations was to ascertain the interviewees' perspectives, based on their role within their respective organisations, with regard to the National-led government's industry training policies and priorities. An interview was conducted with Jeremy Baker who is Executive Director of the ITF. Carrie Murdoch was interviewed in her capacity as Business NZ's Manager of Skills, Education and Trade. Two interviews were

conducted at the CTU. One interview was conducted with Peter Conway who is the current Secretary of the CTU. The other was conducted jointly with Don Farr, Skills Strategy Advisor to the CTU, and Eileen Brown, Policy Analyst/Programme Organiser for the CTU.

All interviews were conducted between the last week of February 2010 and the end of March 2010. The interviews were conducted in a semi-structured qualitative manner. That is to say, the literature highlighted particular topics of importance from which a set of broad questions were developed to be used as prompts. In order to ensure the interview was responsive and reflexive to the particular situation, questions were also developed that reflected the role of the interviewee and the organisation which they represented. The questions were not asked in a set order and particular lines of questioning were followed up in more detail if relevant. Interviewees had the opportunity to ask questions in return if they desired. Each interview was recorded using a digital recorder. The sound recordings were transcribed verbatim and thematically analysed. Consistent with the University's ethical requirements, the transcripts and recordings were provided for interviewees who requested it and they had the right to make changes. However, those who did so made only minor changes that acted as clarification of the original transcript.

### **Summary of the Chapter**

The purpose, scope and conduct of this investigation have been outlined in this chapter. Most importantly, the chapter has defined industry training as a form of tertiary education that involves work-based training undertaken towards a formally recognised qualification. Industry training primarily involves on-job skill and knowledge development, although it may be complemented by some off-job training. The chapter has noted that both tertiary and employment relations policy influence the shape of industry training policy; accordingly, these policy areas will be explored in the thesis where relevant. The chapter has also outlined the research perspective, strategy, design and methods employed. In particular the chapter identified the qualitative basis of this research and that a mixture of primary and secondary sources including literature and interviews with key organisations in the field of industry training have been utilised.

## **CHAPTER THREE: THEORETICAL FRAMEWORK**

### **Introduction**

As briefly identified in Chapter One, this thesis makes two separate but related arguments. The first holds that ideology has a significant influence on policy in the sense that it can give cause for policy changes and that it shapes the outcome (Gerring, 1997; Mullins, 1972). Second, the government's interest in industry training policy reform was initially stimulated by the resurgence of HCT but has more recently been driven by an increasingly complex view of skills and the contribution they can make to economic and social goals. The purpose of this chapter is to provide the theoretical and conceptual framework that underpins these arguments.

The chapter is divided into two parts in order to achieve its purpose. The first part offers a conceptual understanding of ideology and of two political ideologies relevant to the topic of this thesis: neo-liberalism and the Third Way. The second part defines HCT before outlining how the theory has been adapted by neo-liberalism, and, to a lesser extent, the Third Way.

### **PART ONE: THE INFLUENCE OF IDEOLOGY ON POLICY**

This part will begin by exploring the key elements of ideology in order to provide a definition of the concept that uniquely frames this study. Next the part will define neo-liberalism and the Third Way by identifying each ideologies origins and explaining the key principles at the core of each ideology.

### **Ideology**

Ideology is widely recognised as a contentious term that is often used without clarification thus leading to its ambiguity (Eagleton, 1991; Gerring, 1997; Mullins, 1972). Therefore, the purpose of this section is to define ideology in a way that refutes such criticism and can act as a basis for applying the concept in later chapters. The definition draws on established works that explain rather than apply the concept of ideology. In particular, Gerring's (1997) article *Ideology: A definitional analysis* has been influential.

Eagleton (1991) notes that the term ‘ideology’ “has a whole range of useful meanings” and that an attempt “to compress this wealth of meaning into a single comprehensive definition would thus be unhelpful even if it were possible” (p. 1). Gerring (1997) reaffirms Eagleton’s (1991) assertion in his statement that “it is not reasonable to try to construct a single, all-purpose definition of ideology, usable for all times, places, and purposes” (p. 983). Gerring’s (1997) article is therefore useful as it comprehensively scrutinises “the most thoughtful and/or influential definitions circulating within the social sciences in the postwar decades” in order to distil the core attributes of ideology for others to be able to define the concept according to the context in which they intend to apply it (p. 957).

Gerring (1997) identifies seven core attributes from the literature: location, subject matter, subject, position, function, motivation, and cognitive/affective structure. The following summarises Gerring’s (1997) explanation of these attributes:

- Location: where the ideology is situated, which can be in thought, behaviour and/or language.
- Subject matter: what ideology concerns. A distinction is made between the use of ideology in politics, power and the world at large, although it is noted that ideology is most commonly applied in the political sphere.
- Subject: who holds or demonstrates ideologies; a social class, group or individual.
- Position: whether ideology is of the dominant or subordinate group.
- Function: how ideology is used, which can be to explain social situations, repress submerged portions of a belief-system, integrate collectives or “bind individuals to a community by establishing an authoritative set of norms and values” (p. 972), to legitimate a dominant group, or to motivate into action as it “form[s] the nexus between ideas and actions” (p. 972). The latter function draws on Mullins (1972) assertion that ideology is significant as it “gives one cause for doing” (p. 509, as cited in Gerring, 1997, p. 622)
- Motivation: the interests that are represented in the ideology.
- Cognitive/Affective Structure: There are sixteen sub-categories of this attribute although coherency, stability, and contrast are identified as the



most important aspects. These three are the only characteristics universal to definitions of ideology in the literature surveyed. In essence, these characteristics refer to how ideology demonstrates an internal consistency, is able to be differentiated from surrounding ideologies, and does so for a sustained period.

Gerring (1997) encourages writers to “recognise their situatedness” and develop a context-specific definition based on these attributes (p. 983). This thesis is concerned with the influence of political ideas on the nature of policy, thus for the purposes of this thesis, function, location, subject matter, cognitive/affective structure (especially coherency, contrast and stability) are important factors to examine. Therefore, the preceding ideas have been synthesised in order to provide a definition of ideology that uniquely frames this study. That is to say, within the context of this thesis, ideology can be understood as a cohesive set of political beliefs or values that are consistent across a period of time and give cause for, as well as shape, the political behaviour of policy formation and discourse. This definition incorporates both the abstract aspect of ideology (the political beliefs or values) and the tangible (how the abstract has manifested in discourse and policy formation).

### **Different Ideologies**

This section will define particular examples of ideology relevant to the topic and period of enquiry in this thesis; these are neo-liberalism and the Third Way. It will deal with the abstract part of defining these ideologies by identifying the core political beliefs and values at the heart of each ideology whereas the following chapters discuss how each ideology has influenced industry training policy at different times. One of the most noteworthy distinctions between neo-liberalism and the Third Way concerns what each ideology believes to be the acceptable extent of government activity in economic and social affairs. Hence, the following definitions will locate where each ideology stands in regard to this debate and how that particular stance is justified. In adherence with Gerring’s (1997) appeal for authors to situate their discussion of ideology, it is important to note that while the following definitions will draw on international literature, they are driven by the New Zealand experience.

### ***Neo-liberalism***

Neo-liberalism has its origins in neo-classical economics and free-market economic theory (Barry, 1987; Giddens, 1998; Green, 2003; Harvey, 2007; King, 1987). For example, the influence of eighteenth century economic theorist Adam Smith is evident in aspects of the ideology, as are some ideas of mid-twentieth century Austrian economist Frederick von Hayek, and Milton Friedman of the 'Chicago School' (Barry, 1987; Giddens, 1998; Green, 2003; Harvey, 2007; King, 1987).

Harvey (2007) defines neo-liberalism as:

...a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. (p. 2)

This definition is characteristic of the definitions offered in the literature surveyed. It captures the three key principles that the neo-liberal ideology subscribes to:

- Limited role of the government;
- Individual freedom of choice;
- The primacy of market mechanisms.

The latter two principles are not mutually exclusive; rather they intersect and build upon one another in order to justify the limited role of the government. In essence, neo-liberalism argues that government activity should be limited to facilitating a competitive market environment that maximises individual freedom of choice.

#### ***A limited role of the government***

A focal principle of neo-liberalism is that the government should adopt a facilitative role (Giddens, 1998; Harvey, 2007; Olssen, 2002; Olssen, Codd, & O'Neill, 2004; Piercy, 1999). The neo-liberal view of a prescriptive government is negative; however, neo-liberalism does perceive a valid role for the government in establishing conditions that are conducive for market transactions between individuals (King, 1987; Olssen, 2002; Piercy, 1999). In other words, the scope

of government is not interventionist, nor is it permissive. As Olssen (2002) writes, neo-liberalism has developed a “positive conception” with regard to the governments function in “creating the appropriate market by providing the conditions, laws and institutions necessary for its operation” (p. 1).

The following sections will explain how this limited role of the government is justified by an emphasis on individual freedoms exercised within a market environment.

#### *Individual political and economic freedom*

A core tenet of neo-liberalism is “the maximization of individual freedom” in political and economic spheres (Olssen, Codd & O’Neill, 2004, p. 137). Neo-liberalism views economic and political freedoms as “inextricably intertwined” (Nolan, 2008, p. 15).

Neo-liberalism draws on Hayek and Friedman’s construal of freedom that defines the notion in a negative sense; by what freedom is not, rather than by what it is. Put simply, these theorists believe that freedom is the absence of compulsion. With regard to political freedom, Friedman (1961) asserted that the “essence of political freedom is the absence of coercion of one man by his fellow men” (p. 15).

Of particular importance for the purposes of this thesis is the neo-liberal belief in economic freedom. In a similar vein to Friedman’s arguments concerning political freedom, Hayek emphasised economic freedom as the “foundation of a good society” (Nolan, 2008, p. 14). Economic freedom is necessary, according to neo-liberals, as individuals are thought to be the best judges of their own needs. As Olssen (2002) asserts, neo-liberalism holds that individuals are “economically self-interested subjects” who will make rational choices that will best meet their “own interests and needs” (p. 1). Given this view of freedom, it is logical that neo-liberalism considers the government to be a coercive force that distorts the ability for individuals to make rational choices. Thus, the limited role of government identified above is necessary in order to allow individuals the flexibility to make their own self-interested choices. As will be elaborated on

below, neo-liberals argue that the best environment to make such choices is a market environment.

### *The primacy of market mechanisms*

Neo-liberals believe that individual economic freedom, as outlined above, should be exercised in a market environment (Barry, 1987; Green, 2003; Nolan, 2008; Olssen, 2002; Piercy, 1999). Rather than chaos, neo-liberals believe this will result in a natural order or equilibrium. This is an adoption of Adam Smith's notion of the "invisible hand" that argues "the uncoordinated self-interest of individuals correlates with the interests and harmony of the whole society" (Olssen, 2002, p. 1).

Neo-liberals argue that the most equitable allocation of property is achieved through exchanges in a free market (Friedman, 1961; Green, 2003; Nolan, 2008; Olssen, 2002; Piercy, 1999). Olssen (2002) asserts that neo-liberals believe "the best way to allocate resources and opportunities is through the market" as it presents "the best opportunities for people to utilise their skills and therefore optimise their life goals" (p. 1). This principle is informed by the Hayekian argument that "the market is the most effective mechanism for coordinating the efforts of the myriad of individuals in the economic system" (Nolan, 2008, p. 14). It is a justifiable principle, according to Friedman (1961), because "[t]he market gives people what the people want instead of what other people think they ought to want" (p. 11).

Therefore, the belief in markets is, according to neo-liberals, necessary as it removes government intervention and results in a fair distribution of property. Based on this premise, there are three factors crucial to the operation of the market: property, competition and price. Property is a vital component of the operation of the market as "without it there would be nothing to exchange" (Barry, 1987, p. 33). Neo-liberals argue that almost everything can be commodified, including tangible goods and intangible services (Barry, 1987). Competition within the market is necessary as neo-liberals consider it to be the "only method by which our activities can be adjusted to each other without coercive or arbitrary intervention of authority" (Hayek, 1944, as cited in Nolan, 2008, p. 14). Embedded in this argument is both a demand for, and justification

of, a reduced role of the government. Finally, price is central to the market, for example, Nolan (2008) asserts that “at its heart is the price mechanism” (p. 14). Price, or value, is “revealed only in the exchange process” when the market “allocates subjectively valued goods and services according to supply and demand” (Barry, 1987, p. 33).

Essentially, neo-liberals argue that the creation of a market environment in which private property rights, competition and a price mechanism are maintained, is necessary to facilitate the achievement of other central neo-liberal values including the maximisation of individual freedoms and the limitation of government activity (Barry, 1987; Green, 2003; Nolan, 2008; Olssen, 2002).

In sum, neo-liberalism advocates a role for the government that is confined to establishing the appropriate market conditions for individuals to make rational, but self-interested choices.

### ***The Third Way***

What constitutes the Third Way is contested, as it is a contextual concept (Eichbaum, 1999; Kelsey, 2002). For example, the term ‘Third Way’ has been utilised to describe such diverse movements as Scandinavian social democracy and Italian fascism (Kelsey, 2002; Powell, 2003). This thesis is concerned with the New Zealand variation of the contemporary version of the Third Way that developed in Western Europe, principally Britain, during the 1990s. The following section will briefly highlight the development of the Third Way within the British context, before turning attention to the New Zealand perspective as defined in a collection of essays by Chatterjee and others (1999).

At its most basic, the Third Way can be understood as a political ideology that draws on elements of social democracy<sup>2</sup> and neo-liberalism (Eichbaum, 1999; Giddens, 1998; Powell, 2003). Therefore, the Third Way results in “neither regulated big state” of social democracy nor the “unregulated free market” of neo-

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<sup>2</sup> Social democracy was dominant in Western Countries in the mid-twentieth century (Giddens, 1998; Sullivan, 2003). The cornerstone of social democracy is “pervasive state involvement in social and economic life” (Giddens, 1998, p. 7). Other complementary principles such as a greater emphasis on collectivism and egalitarianism enforce this perceived role of the government (Giddens, 1998; Sullivan, 2003).

liberalism (Eichbaum, 1999; Harris, 1999, p. 26; Powell, 2003). Instead, Eichbaum (1999) argues, the Third Way represents an “evolutionary progression from the traditional social-democratic paradigm to a set of ideas and policies more commensurate with the changed realities” (p. 37).

Theoretical discussions on the contemporary Third Way tend to cite the work of Giddens as it is “generally seen as one of the more substantive contributions to debate over the Third Way” (Eichbaum, 1999, p. 39) (see also: Kelsey, 2002; Powell, 2003). In particular, Giddens’ 1998 text *The third way: The renewal of social democracy*, acts as a blueprint for the Third Way ideology. With regard to the role of the government, Giddens (1998) alludes to a perceived failure of the neo-liberal agenda, stating that “[r]eform of the state and government should be a basic orienting principle of third way politics – a process of the deepening and widening of democracy” (p. 69). This leads to the Third Way’s belief in a more proactive government than the neo-liberal ideology would accept. This is coupled with the notion of partnership though, as the Third Way believes that government activity should be complemented by an active civil society. In particular, Giddens (1998) argues that “[g]overnment can act in partnership with agencies in civil society to foster community renewal and development” (p. 69). Thus, partnership, in the Third Way sense, is an important bottom-up exercise in collaboration and consultation with peak community and business groups.

Piercy (2003b) notes that New Zealand has turned to the British version of the Third Way, however “policies and programmes have had to be adapted in order to take account of the qualitatively different needs of a small economy and the country’s specific cultural and social context” (p. 35). Initially, the Third Way was comprehensively scrutinised and assessed for its suitability in the New Zealand context in *The New Politics: A Third Way for New Zealand* (Chatterjee et al., 1999). This thesis has discerned four key values that the Third Way ideology subscribes to from the Chatterjee et al. (1999) anthology:

- The legitimate role for the government in economic and social spheres;
- The value of partnership;
- Realigning economic and social goals;
- The notions of subsidiarity and solidarity.

While the first principle establishes that the Third Way perceives a valid role for an active government, the latter three set the parameters and justify that role.

#### *The legitimate role for the government in economic and social spheres*

Most importantly, the Third Way argues for a government that is more than facilitative; it should make a conscious decision to participate actively in the economic and social sphere where appropriate (Conway, 1999; Eichbaum, 1999; Harris, 1999; Piercy, 2005). Conway (1999) asserts that:

It is not enough for a government to restrict itself to policy initiatives aimed at creating the right competitive environment for business and then wait and hope for growth. The government has to be part of making it happen. (p. 185)

Consequently, the Third Way requires a “greater number of policy instruments” (Eichbaum, 1999, p. 34). In this respect, Eichbaum (1999) and Harris (1999) in particular, diverge from Giddens’ (1998) conceptualisation of the Third Way as they “advocate a much more active role for the state” (Piercy, 2005, p. 3). Piercy (2005) argues that this “paved the way for an *adaptation* of ‘third way’ ideas rather than simply their adoption” (p. 3, emphasis in original).

#### *The value of partnership*

Eichbaum (1999) and Conway (1999) advocate that the government encourages and assists the development of relationships with stakeholders, including unions and business, and the public and private sector<sup>3</sup>. This echoes the emphasis on partnership by Giddens (1998). Eichbaum (1999) draws on Giddens argument for “a refurbishment of civil society, largely by means of partnerships between local communities and the government” (pp. 46-47). Conway (1999) affirms this principle:

...the policy direction should be clear. It must be nothing less than a full-scale government commitment to a ‘hands-on’ approach alongside the business community and wider civil society to build a quality economy that can deliver sustainable, equitable outcomes. (p. 185)

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<sup>3</sup> This thesis focuses on partnership arrangements at the strategic policy level between national representatives of those stakeholders. These are often referred to as examples of ‘social partnership,’ particularly in international literature such as Cummings and Jecks (2009). This thesis uses the term interchangeably, depending on the context.

The Third Way views the government as an intermediary or “broker” which facilitates a “new relationship between the public and private sector” (Eichbaum, 1999, p. 48). The relationship emphasises the advantages each partner represents; that is, “the dynamism of the markets” are utilised with the state mediating to ensure the interests of the public are protected (Eichbaum, 1999, p. 47). This view of partnership allows the government to adopt a steering role, rather than a prescriptive or hands-off role akin to social democracy and neo-liberalism respectively.

#### *Realigning economic and social goals*

The purpose of an active government that works alongside stakeholders, as outlined in the previous two sections, is to realign economic and social goals (Conway, 1999; Eichbaum, 1999). For example, Conway (1999) asserts that it will “build a quality economy that can deliver sustainable, equitable outcomes” (p. 185). Essentially, in contrast to neo-liberalism, the Third Way does not give precedence to economic goals at the expense of social outcomes. Rather, proponents of the Third Way attempt to retain a social justice agenda, for example by attempting to “alleviate inequality of outcome by means of equality of access” (Eichbaum, 1999, p. 48). At the same time, the Third Way is flexible to “accommodate the particular and often unique economic, social, political, historical and cultural” context (Eichbaum, 1999, p. 37).

#### *The notions of subsidiarity and solidarity*

Harris (1999) asserts that two fundamental principles should inform the actions and policy of a Third Way Government: “solidarity” and “subsidiarity” (pp. 26-27). Solidarity recognises that “...the more that individuals are defenceless within a given society, the more they require the care and concern of others, and in particular the intervention of government authority” (Harris, 1999, p. 26). Thus, solidarity is a justification of the emphasis placed on social outcomes alongside economic imperatives as it argues that it makes sound economic sense to reduce social exclusion. Subsidiarity is the “notion that inter-dependent human society operates at various levels” and that “a decision should not be taken at a higher level if it can more appropriately be taken at a lower level” (Harris, 1999, p. 27). In other words, the government should not be charged with making decisions if the decision can be made at the level of the citizens. There are two significant



consequences of this principle. First, the government has no valid role in some areas as citizens can make their own decisions: “it should not absorb and stifle when there is no need for it to do so” (Harris, 1999, p. 27). Second, the government “should not be *expected* to do everything;” as such, citizens need to take some responsibility (Harris, 1999, p. 27, emphasis in original). These principles logically lead to the Third Way’s embrace of partnership.

In essence, the New Zealand iteration of the Third Way advocates a facilitative role of the government through its development of a strong, sustainable policy framework that emphasises the advantages that both the public and private sector offer in achieving economic and social goals. It encourages strong partnerships between the government and peak business and labour bodies to drive this.

## **PART TWO: THE RESHAPING OF EDUCATION BY HUMAN CAPITAL THEORY**

Skills development has been a significant issue in policy debates since the 1980s. Skill acquisition has been “embraced” as a “powerful and necessary mechanism for addressing problems as diverse as high unemployment, international competitiveness, social disadvantage and poverty” (Buchanan et al., 2001, p. 11). Clearly, some of these arguments stem from an economic concern, whilst others are more closely tied to social justice based concerns. The following will explain how an economic argument articulated by a particular reading of HCT, dominated the neo-liberal justification for education. It will then explain how the Third Way diverges from this hard-line economic view to incorporate elements of HCT, tempered with a concern for social benefits of education. These sections explore the implications of each perspective on the public/private division of funding. To begin, this part will briefly define the general foundations of HCT.

### **Human Capital Theory**

HCT is argued to be the most enduring and influential economic analytical frameworks for education (Buchanan et al, 2001; Marginson, 1993). The theory has its genesis in neoclassical economics in the late 19<sup>th</sup> Century, and has waxed and waned in prominence as it passed through stages of development (Baptiste, 2001; Bramwell-Cadman, 1997; Marginson, 1993). This thesis is concerned with the articulation of HCT in its modern form that developed from the 1960s

onwards. This section provides the theoretical grounding necessary for the remainder of this thesis to explore the varying levels of influence of HCT in driving interest in, and consequently shaping, New Zealand's industry training policy framework.

HCT is grounded in the notion of 'human capital,' which refers to the "knowledge, attitudes, and skills that are developed and valued primarily for their economically productive potential" (Baptiste, 2001, p. 185). HCT is based on the assumption that skills and knowledge can be thought of as a form of capital or property like any other thus can be evaluated in economic terms. That measurement has been based on the income differentials between education levels (Becker, 1993). Early human capital theorist Jacob Mincer (1997), for example, specifically argued that the primary factor determining income is an investment in post-compulsory education. Tanaka (2009) mirrors this by asserting that there are "distinct wage profiles for different educational credentials" (p. 2). Based on this assumption, HCT proposes that education is an important investment as it increases the skills and knowledge necessary for an individual to command higher wages in the labour market (Baptiste, 2001; Becker, 1993; Fitzsimons, 1999; Kuiper, 2002; Marginson, 1993; Olssen, 2002; Tanaka, 2009; Quiggin, 1999).

In addition to the individual level benefits of a higher income, there are implications at the societal level. 1960s writers on HCT, such as Gary Becker, E.F. Denison, Jacob Mincer and Theodore Schultz, perceived HCT as a "general economic model about the importance of investment in education" and used this argument to justify an increase in government spending on education (Olssen, Codd & O'Neill, 2004, p. 11) (see also: Baptiste, 2001; Marginson, 1993). For example, Denison's (1962) writings, as overviewed by Olssen (2002), argued that "improved education was one of the major factors contributing to economic growth" (p. 10). As Piercy (1999) summarises, these early HCT writers argued that "the more educated a population, the better the economy would perform" (p. 28). The early construal of the theory was therefore consistent with social democracy with respect to the considerable emphasis placed on the national-level, collective benefits that resulted from training.

This thesis argues that the fundamental premise of the modern form of HCT (that a country's stock of human capital correlates to economic performance) has remained pervasive in policy debates since the 1980s and into the 2000s. Chapters Four to Nine will provide more detail on how the arguments have been articulated in policy debates. The remainder of this chapter will identify how and why the theory has been adopted and shaped by ideology and has therefore driven industry training policy, with particular regard to funding, in different directions since the 1980s.

### ***The Neo-liberal Appropriation of Human Capital Theory***

HCT was refined in the 1980s to mirror parallel debates about the importance of productivity<sup>4</sup> in the economy. The new version of HCT argued that labour productivity improvements result from education and this is what accounts for economic growth (Marginson, 1993). In particular, Chicago School human capital theorists argued that “education and training increase individual cognitive capacity and therefore augment productivity” (Marginson, 1993, p. 38). Olssen (2002) identifies three connected propositions that explain this relationship:

- that education and training increase an individual's cognitive capacity;
- which in turn increases productivity; and
- an increase in productivity tends to increase an individual's earning which becomes a measure of human capital. (p. 10)

In other words, the revised version of HCT explained the positive correlation between education and economic performance as a result of the increased capacity of individuals enabling improved productivity which is tied to higher incomes (Marginson, 1993; Olssen, 2002).

The resurgence of HCT was closely aligned with neo-liberal principles that were dominant at the time. It therefore reflects principles of a limited role for the government, individualism and markets. The neo-liberal articulation of HCT focuses on the individual benefits of education and claims there are little or no

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<sup>4</sup> Productivity is “the ration of output to one or more of the inputs used in production – labour, land, capital” (Pells, Steel & Cox, 2004, p. 3). It is a useful tool for considering how efficiently these production inputs are utilised (Pells, Steel & Cox, 2004). However, it is important to note the different components of productivity identified in this definition. This thesis is specifically interested in labour productivity which refers to the output per hour of labour input (Ashley-Jones, 2009; Bascand, 2010; Pells, Steel & Cox, 2004; Statistics New Zealand, 2010). Labour productivity is the most common and useful measure of productivity, therefore unless otherwise stated, productivity refers to labour productivity in particular (Statistics New Zealand, 2010).

benefits accruing to the wider society (Marginson, 1993; Olssen, 2002). The most significant implication of this argument is that it necessitates a re-assessment of the public/private division in funding of education in which private investment is emphasised over public investment (Marginson, 1993; Olssen, 2002). This is justified by the neo-liberal “economic approach to human behaviour” that views human behaviour as “purposeful and goal-oriented,” thus it is expected that rational individuals would be prepared to fund their education, as the individual return in the form of higher income is evident (Olssen, 2002, p. 10). Essentially, the neo-liberal version of HCT rationalises a reduced responsibility of government for funding and the creation of a market environment in which individuals can exercise freedom of choice with regard to education as it is viewed as a tradable commodity.

### ***The Third Way Departure from Human Capital Theory***

The Third Way adopts elements of HCT, particularly the link between education, labour productivity and the economy. However, the Third Way departs from the neo-liberal appropriation of HCT in an important sense as it re-evaluates the private and public benefits of education and consequently calls for a re-reading of the public/private divide in investment (Eichbaum, 1999; Giddens, 1998).

The shift away from HCT is in line with the wider Third Way concern for the realignment of social concerns with economic priorities and undermines the market provision of education advocated by neo-liberalism. Essentially, the neo-liberal reading of HCT emphasised the economic benefits of education as accrued to the individual, at the expense of the social good education can provide (Marginson, 1993; Olssen, 2002). The Third Way revisits this debate in order to balance both economic and social concerns. In this sense, the Third Way mirrors early human capital theorists, such as Schultz, who promoted the collectivist view of education (Marginson, 1993).

Eichbaum (1999) and Giddens (1998), for example, acknowledge that education is not solely a means to achieving profitability, productivity increases, or economic improvement. Instead, education is also considered a means to achieve social justice, contribute to social capital and, perhaps most significantly, to develop an active and informed citizenship (Eichbaum, 1999; Giddens, 1998). This reflects

Harris' (1999) notion of subsidiarity, as an educated citizenship is essential for effective devolved responsibility. Eichbaum (1999), drawing on Giddens (1998), argues that for the Third Way, "[e]ducation and training become key ingredients in a public policy mix designed to facilitate access to paid work" because "participation in the labour market [is] viewed as the basis for economic and social participation more widely" (p. 48). In other words, the economic impetus for education remains in the Third Way as the demand for education is closely tied to the needs of the labour market. However, instead of stopping at a labour market outcome, the Third Way espouses the flow-on effects of a citizenship that is capable of actively contributing to civil society as an equally valid objective of education. This view recalls early HCT theorist, Schultz's arguments that "education served cultural as well as economic purposes" (Marginson, 1993, p. 37).

The most significant effect of this re-prioritisation is that the Third Way calls for a reassessment of the split in funding responsibility away from an emphasis on user-pays and minimal government funding. Instead, the Third Way recognises that "Government has an essential role to play in investing in human resources and infrastructure needed to develop an entrepreneurial culture" (Giddens, 1998, p. 99). In essence, the Third Way accepts that a greater public investment in human capital, both financially and in terms of regulatory control, is necessary (Eichbaum, 1999; Giddens, 1998; Law, 2002; Piercy, 2005).

### **Summary of the Chapter**

This chapter has defined the core concepts and theories that underpin this thesis. It has defined ideology as a cohesive set of political beliefs or values that are consistent across a period of time and give cause for, as well as shape, the political behaviour of policy formation and discourse. It identified that the core principles of neo-liberalism include a limited role of the government; individual freedom of choice; and the primacy of market mechanisms. There are four core principles of the Third Way including: the legitimate role for the government in social and economic spheres; the value of partnership; realigning economic and social goals; and the notions of subsidiarity and solidarity. The chapter also defined HCT. Early 1960s iterations of HCT argued that a country's stock of human capital correlates to economic performance. The chapter noted that the

neo-liberal appropriation of HCT extends this fundamental argument to claim that labour productivity improvements result from education and that is what accounts for economic growth. Furthermore, the neo-liberal articulation of HCT focuses on the individual benefits of education and claims there are little or no benefits accruing to the wider society. While the Third Way accepts the relationship between skills, labour productivity and the economy, it re-evaluates the public and private benefits of education in order to argue for greater public investment than what neo-liberalism would accept. In this respect, the Third Way diverges from HCT.

## **CHAPTER FOUR: THE 1984-1999 NEO-LIBERAL ERA**

### **Introduction**

The purpose of this chapter is to trace the establishment and consolidation of industry training policy in New Zealand's between 1984 and 1999. The chapter has been divided into two parts in recognition of the multi-stage nature of the reforms. The first covers the Fourth Labour Government's initiatives of 1984-1990. The second part canvasses the 1990-1999 National Government's radical changes to the policy framework that consolidated the Labour Government's platform. Each part discusses the drivers of reform, outlines the most significant policy initiatives and identifies any significant critiques or perceived issues that challenged the dominant policy trajectory. Woven into the discussion is an identification of how the policy approach and practices are consistent with neo-liberal principles.

### **PART ONE: 1984-1990 FOURTH LABOUR GOVERNMENT**

Against a backdrop of neo-liberal economic reform advocated by then Minister of Finance, Roger Douglas, and the Treasury, there was resistance to the reform of education policy within the 1984-1990 Fourth Labour Government and from the public (Cochrane, Law & Piercy, 2007; Deeks & Rasmussen, 2002; Law, 1993; Murray, 2001). This section will identify how, despite this opposition, concerns about the nature of the existing industry training system and the resurgence of HCT in policy debates prompted an examination of industry training policy that set the groundwork for anticipated future reform.

### **Economic and Ideological Cause for Reform**

Following its election in 1984, the Fourth Labour Government was met with a "declining economy" and "the country faced a crisis of confidence in New Zealand's future" (McLaughlin, 2003, p. 12) (see also: Easton, 1989; Kelsey, 1993; Kelsey, 1997; Piercy, 1999). In response, the Government embarked on a programme of neo-liberal economic reform designed by Douglas and advocated by economists within the Treasury and the New Zealand Business Roundtable (Dalziel, 1999; Deeks, Parker & Ryan, 1994; Law, 2002; McLaughlin, 2003; Walsh, 1989).

New Zealand's economy underwent radical restructuring during the first term of the Fourth Labour Government as it transformed from one of the most highly regulated in the world, to one of the least regulated (Butterworth & Butterworth, 1998; Deeks, Parker & Ryan, 1994; Law, 2002). For example, public assets were commercialised or privatised, a market model was introduced in economic policy and the domestic economy was exposed to international competition (Deeks, Parker & Ryan, 1994; Green, Hipkins, Williams & Murdoch, 2003; Harris, 1999; Law, 2002; Piercy, 2005). Each of these economic policy changes is consistent with the core principles of neo-liberalism including a reduced role of the government, and the promotion of individualism and market mechanisms.

### **Ideological Contention and Contradiction**

Contrary to the wide-reaching and pivotal changes made to the economic policy framework, employment relations and tertiary education policy was a site of ideological conflict (Cochrane, Law & Piercy, 2007; Deeks & Rasmussen, 2002; Law, 1993; Law 1996; Murray, 2001; Piercy, 1999). There was tension within the Government between the dominant neo-liberal ideologues and factions attempting to retain elements of the party's social democratic heritage (Easton, 1989; Law, 1993; Law, 1996; McLaughlin, 2003; Murray, 2001; Walsh, 1989). For example, Murray (2001) notes that while advice from Treasury continued to push resolutely the neo-liberal agenda in this area, there was dissent from members of the Labour Government who still advocated the social democratic heritage of the Labour Party:

...education policies, including those affecting vocational training, became the site of a contest between the hard-line neo-liberal viewpoint epitomised by Treasury, and attempts by some in the government to define workable policies that would assure social equity and justice. (p. 171)

Following the initial spate of economic reform in its first term, the government turned its attention towards a "re-examination and redirection of social programmes" as it neared and entered its second term (McLaughlin, 2003, p. 12). Because of the Government's internal ideological conflict, the policies were "riddled with ambiguities" (Law, 1996, p. 165). The 1987 *Labour Relations Act* is demonstrative of how the government's ideological tension manifested in policy. The Act fundamentally changed the employment relations environment as



it shifted away from centralised arbitration and determination of working conditions through industry awards, and towards decentralised, enterprise-level bargaining (Deeks, Parker & Ryan, 1994; Deeks & Rasmussen, 2002; Walsh, 1989). This, in combination with the Minister of Labour's stance of low or no involvement in labour issues, reflects the neo-liberal principle of minimal government activity (Deeks, Parker & Ryan, 1994; Law, 1993). On the other hand, Law (1996) notes, the move towards such measures as compulsory union membership meant that the Act "retained the essence of the tripartite, welfare state industrial relations framework" (p. 165). This indicates a tension as the inclusion of organised labour in policy or practice is not conducive to the neo-liberal belief in minimal government and free markets (Law, 1993).

### **The Influence of Human Capital Theory on Reform**

This thesis argues that the interest in industry training during the 1980s and 1990s was stimulated by the resurgence of HCT in the international context and that filtered into New Zealand policy debates. In particular, the Organisation for Economic Co-operation and Development (OECD) released a number of reports that emphasised links between education and economic growth that reflects HCT arguments, and subsequently popularised the notion in member countries (Butterworth & Butterworth, 1998; Law, 1996; Marginson, 1993; Organisation for Economic Co-operation and Development [OECD], 1990; Piercy, 1999). The HCT arguments permeated New Zealand policy debates due to a perception that the existing industry training system was inadequate to meet skill supply and therefore the challenge of linking education to economic performance (Doyle, 1999; Law, 1996; Piercy, 1999). The perceived failure of the existing system was attributed to three factors, some of which echo neo-liberal concerns while others reflect economic and workplace realities.

First, it was argued the existing system was inflexible and cumbersome (Doyle, 1999; Green, Hipkins, Williams & Murdoch, 2003). During the period in focus, trade training was governed by the *Vocational Training Act 1982*. The Act created an expansive system of occupation based and local apprenticeship committees that required representation from the government and both employer and employee organisations (Green, Hipkins, Williams & Murdoch, 2003). An Apprenticeship Division of the Department of Labour administered the

committees. Doyle (1999) argues that the industry training system “was seen as failing to meet the skill needs of industry” with regard to the quantity and quality of skills demanded (p. 2). Further, Doyle (1999) notes that concerns were centred upon “the inflexibility of the system, its perpetuation of outmoded occupational demarcations, low levels of participation by young women, its lack of attention to on-going training, and its failure to adapt to the changes in technology and work organisation” (p. 2). Green, Hipkins, Williams and Murdoch (2003) observe that the system was “heavily centrally regulated, was sluggish and unresponsive, [and] had limited coverage” (p. 9). Green, Hipkins, Williams and Murdoch (2003) suggest that the falling number of apprentices and trainees indicate problems in the system; however, the extent to which participation rates are reflective of a failing system is contentious, as they are, in part, attributable to increasing unemployment rates during the 1980s (Deeks, Parker & Ryan, 1994).

Secondly, it has been claimed that cutbacks in the state sector, in tune with neo-liberal ideals of a minimal government, compounded the issue of skill shortages (Deeks, Parker & Ryan, 1994; Deeks & Rasmussen, 2002; Doyle, 1999; Murray, 2001). The 1986 *State-Owned Enterprises Act* and the 1988 *State Sector Act* in particular changed the nature of public sector employment by encouraging a private sector model that gives precedence to the market (Deeks, Parker & Ryan, 1994; Deeks & Rasmussen, 2002). The most significant consequence of this shift, for the purposes of this thesis, was that public sector training programmes were adjusted to reflect a “short-term, commercial approach to vocational training” that in turn led to a diminished role of the public sector as a training provider (Deeks & Rasmussen, 2002, p. 382). Murray (2001) in particular argues that some of the apprenticeship training that was available only in the public sector was in effect removed from the industry training system when those public departments were shut down. Doyle (1999) affirms this argument, stating that the private sector “did not fill the gap” in training and the supply of skilled workers fell (p. 2).

Thirdly, it was argued that the changing nature of work required a highly skilled workforce and the increased demands for skill exposed issues in the existing training system (Bramwell-Cadman, 1997; Buchanan et al., 2001; Deeks & Rasmussen, 2002; Doyle, 1999; Mathews, 1989). Buchanan et al. (2001) provide a detailed analysis of the “emerging realities at work” occurring internationally,

noting the importance of “the changing levels and nature of commercial competition, the radical recasting of forms of business organisation and the significance of non-standard forms of employment” (p. 15). These observations were equally relevant in the New Zealand context. For example, Deeks and Rasmussen (2002) argue that the existing system was unable to meet the demands of “[t]he shift towards a post-industrial society with most people employed in service industries, the increased pace of technological change, the integration into international markets, and new working patterns” (p. 382). Consequently, these changes exposed issues in the ability of the existing training system, domestically and internationally, to develop skills effectively (Buchanan et al., 2001; Deeks & Rasmussen, 2002; Mathews, 1989). Deeks and Rasmussen (2002) assert that the changes “all resulted in demands that could not be easily accommodated by the traditional education and training processes” (p. 382).

In sum, the combination of the above three factors meant that reform of the existing work-based training system was necessary in order to meet the needs of those already in the workforce (Deeks & Rasmussen, 2002; Doyle, 1999; Piercy, 1999). Deeks and Rasmussen (2002), for example, observe that “there was widespread *agreement* that a new training approach should include all sections of the workforce and that it should allow for continuous upskilling” (p. 383, emphasis in original). This indicates that the skill needs of those already in the workforce were a priority for policymakers.

### **The Reform Process**

Despite the dissonance within the Government regarding the nature of the proposed industry training reform, the Labour Government took a number of steps, particularly in its second term that provided the basis for future reform of industry training (Law, 1993; Law, 1996; McLaughlin, 2003; Murray, 2001).

Four research based policy documents produced during this era articulate the basis for industry training reform. These are: an unpublished Department of Labour draft Green Paper (1986); a report by the Cabinet ad hoc Committee of Employment and Training (1988); the report of the Working Group on Post Compulsory Education and Training (1988) that is known as the Hawke Report after its author; and two *Learning for Life* (1989) papers.

The 1986 Department of Labour draft Green Paper on vocational education and training highlighted the importance of education in economic performance, thus affirming the prominence of HCT in policy debates. The paper argued that “if New Zealand was to survive in an increasingly competitive world economy, it had to have a highly flexible, skilled workforce, and New Zealanders had to develop a culture of ‘lifelong learning’” (Butterworth & Butterworth, 1998, p. 58).

The report of Labour’s Cabinet ad hoc Committee of Employment and Training (1988) was strongly influenced by the Green Paper identified above and set the guidelines for reform (Butterworth & Butterworth, 1998; Murray, 2001). The report echoed the Government’s conflicting ideological commitments. For example, it retained elements of the social justice agenda of social democracy yet was hesitant about promoting an active role of the government in achieving these goals, which is indicative of neo-liberalism (Butterworth & Butterworth, 1998).

The Working Group on Post Compulsory Education and Training was established in 1998 with the purpose of consolidating the “plethora of reports seeking a change of direction or emphasis” in order to determine the role of the government in post-compulsory education and training (Butterworth & Butterworth, 1998; Murray, 2001; OECD, 1997, p. 5). The Hawke Report, “recommend[ed] a wide repertoire of changes in the organisation and delivery of tertiary education” (Murray, 2001; OECD, 1997, p. 5). The conclusions reached in the Hawke Report were influential on the two *Learning for Life* documents outlined below.

The first *Learning for Life* document began with an assertion that “[t]he present structure needs changing because it was designed for different times and for different circumstances” (Department of Education, 1989a, p. 3). It fulfilled the role of a precursory discussion document that distilled the most important issues from the Hawke Report. Its counterpart, *Learning for Life: Two* (1989), translated the vision of the previous reports into an anticipated policy framework (Department of Education, 1989a, 1989b; Murray, 2001; Piercy, 1999; Piercy, 2003b). Importantly *Learning for Life: Two* was a “statement of the government’s intentions for post-compulsory education and training, setting in place the framework that would take effect in the 1990s” (Murray, 2001, p. 176).

The Hawke Report and both *Learning for Life* documents advocated a united approach to the sector; they recommended that existing distinctions between education and training, as perpetuated by the division in responsibility between the Department of Education and the Department of Labour, be avoided (Green, Hipkins, Williams & Murdoch, 2003; Murray, 2001; Piercy, 1999). The two most significant proposals that would redress this disjuncture were “that funding mechanisms across the sector be as similar as possible, and that a single Ministry of Education and Training should be set up” (Green, Hipkins, Williams & Murdoch, 2003; p. 10). In addition, the establishment of a National Education Qualifications Authority (NEQA) was proposed in order to “simplify the present unco-ordinated [sic] and confusing system of qualifications, and... improve the ability of those studying to move between different courses and institutions in pursuit of their qualifications” (Department of Education, 1989b, p. 3).

The Fourth Labour Government set the platform for reform in the reports outlined above. However, there was significant resistance that delayed the implementation of policy including a hostile response from the education sector coupled with “[c]ontinuing political turmoil” (Murray, 2001, p. 176). These barriers prevented the complete implementation of the proposed new policy trajectory, although the Labour Government was able to undertake three significant actions, nearing the end of its second term.

First, in anticipation of future reform, the Government made preliminary legislative changes in the 1990 *Education Amendment Act*. These were the establishment of NEQA and the Education and Training Support Agency (ETSA). NEQA, which was eventually renamed the New Zealand Qualifications Authority (NZQA), had the purpose of “develop[ing] a “comprehensive and coherent framework for nationally recognised qualifications in secondary schools and in post school education and training” (Doyle, 1999, p.2). The Act charged the ETSA with the responsibility for apprenticeship and workplace training schemes<sup>5</sup> (Murray, 2001).

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<sup>5</sup> Alongside this function in industry training, a central role of ETSA was to administer employment schemes such as ACCESS and the Training Opportunities Programme; however, it is beyond the scope of this thesis to explore this role (Stolte, 2000).

Second, following the recommendation of the *Learning for Life Two* report, the Ministry of Education established a Taskforce on Skills Development in April 1990. The Taskforce straddled the end of the Fourth Labour Government and the beginning of the 1990 National Government. The purpose of the Taskforce was to “consider current and future skill requirements, and to make proposals on systems and strategies for a nation-wide skills policy” (Taskforce on Skills Development, 1990, p. 3). The findings of the Taskforce described New Zealand’s skills situation as being in a “state of crisis” (Taskforce on Skills Development, 1990, p. 5). The Taskforce argued that the current system would fail to address this issue, in part due to “under-resourcing and a lack of government leadership” (Murray, 2001, pp. 213-4). In addition, it argued that divisions between all levels of education and the needs of industry “hinder skill formation” (Taskforce on Skills Development, 1990, p. 5). It recommended, amongst other things, that training be industry-led and result in national standards that would lead to nationally recognised qualifications (Green, Hipkins, Williams & Murdoch, 2003; Taskforce on Skills Development, 1990).

Finally, in June of 1990, the newly established ETSA convened the ‘*New Directions*’ Conference on Industry Based Training for the 1990s and Beyond. As the title indicates, the purpose of the conference was to explore potential avenues for reform of the industry training sector. More specifically, Piercy (1999) states, the aims of the Conference were to “identify directions for change, to reach agreement on how to widen the training base and to explore strategies for increasing the skill base across industry” (p. 96). It included representation from the CTU and the New Zealand Employers’ Federation (Piercy, 1999). Murray (2001) notes that the report on the Conference indicated:

...there was a high degree of consensus among the conference participants. The importance of an industry-led system was reinforced, as was the need for the display of flexibility by all parties, aided by enabling, rather than restrictive legislation. (p. 213)

This statement indicates that Labour was advancing a concord in the area of industry training reform between the government, business, and trade unions, a theme that Piercy (1999) explores in much more detail. Ultimately, in the face of the barriers identified above, the Fourth Labour Government was unable make the

step-changes it desired before the November 1990 election in which it was defeated.

## **PART TWO: 1990-1999 NATIONAL GOVERNMENT**

The following part will outline how in 1990 the incoming National Government shared many of the same concerns about skills policy as its predecessors, as outlined in the previous sections, and was in consensus that a neo-liberal policy approach would be most effective in order to address the issues. It will also discuss how this ideological consensus motivated the development and implementation of a policy approach that emphasised industry-led rather than government-led industry training and a competitive market environment in the sector.

### **Neo-liberal Driver of Reform**

McLaughlin (2003) notes that the general thrust for reforms between the 1980s and 1990s has been attributed to “more ideologically based than problem-based” motivations and, as a result, is “more affected by the three-year election cycle” (p. 12). This observation is particularly evident in the 1990 Election when National was elected with an overwhelming majority and acted quickly to implement greater reforms than its predecessor (Law, 1996; McLaughlin, 2003; Piercy, 1999, 2003b). According to Piercy (2003b), the National Government “embraced neo-liberalism to a much greater extent than Labour” and consequently “continued and intensified the changes implemented by the 1984 Labour Government” (p. 43). Similarly, Law (1996) regards the 1990 election as a “triumph of ideology” (p. 169).

Senior ministers of the new government, including the Minister of Finance, Ruth Richardson, and Minister of Education, Lockwood Smith, were particularly committed to neo-liberalism and, given their roles, had significant influence on the direction of policy (Butterworth & Butterworth, 1998; Law, 1996; Murray, 2001; Richardson, 1995). With regard to tertiary education policy reform in particular, Smith “was to reinvigorate the reform process” as he “believed that the changes made by the previous government were in the right direction but did not go far enough in devolving authority to the educational institutions” (Butterworth & Butterworth, 1998, p. 209).

Following its election in 1990, the new Government “moved to consolidate and extend” the “revolutionary” economic changes and with the “same determination” instigated reform of social policy (Murray, 2001, p. 210).

### **Employment Relations**

One of the first ways in which National’s commitment to neo-liberalism was translated into policy was in the enactment of the 1991 *Employment Contracts Act* (ECA). Deeks, Parker and Ryan (1994) note that the New Zealand Business Roundtable and the New Zealand Employers’ Federation “were influential in shaping the industrial relations policy of the National Party” (p. 84). The ECA epitomises the core neo-liberal principle of the primacy of individual freedom. Deeks and Rasmussen (2002) argue that the “fundamental philosophy of the Act was one which rejected the collectivist tradition of New Zealand employment relations in favour of an individualistic one” (p. 73). The manner in which the ECA framed the employment relationship as a contract between an individual employer and employee exemplifies its neo-liberal foundations. The ECA no longer recognised trade unions as “legitimate representatives of groups of employees” and instead referred to “employee representatives” (Deeks & Rasmussen, 2002, p. 73). This is significant because if the employment relations legislation did not recognise unions, then it was impossible for industry training policy to do so.

Doyle (1999) states that when National initiated policy changes in industry training following its election it was because “there was widespread consensus that there was a problem, and that the existing industry training system was not working” (p. 2). The criticisms recall those that were presented during the Labour Governments policy development. Thus, in a similar fashion to the ECA, National continued its commitment to neo-liberalism in the area of industry training.

### **Industry Training Reform**

The multitude of reports produced under the Fourth Labour Government primed the policy environment for reform by the new government (McLaughlin, 2003; Murray, 2001). McLaughlin (2003) observed that National “built on the



directions of the Hawke report and the previous Labour government but moved further to a competitive market-based approach” (pp. 21-22). The Government delivered its intentions for the sector in the *Industry Training Strategy*, released in July 1991 (Education and Training Support Agency [ETSA], 1991). The Strategy aimed to generate discussion so it was “used as a basis for consultation” for the *Industry Training Act 1992* (ITA) which was to give legislative authority for the intended changes (ETSA, 1991; Murray, 2001, p. 220).

In line with the fundamental argument of HCT that links education and economic performance, the Strategy stated that:

Securing a high standard of living for all New Zealanders depends on New Zealand industry being internationally competitive. One of the essential requirements if we are to achieve that competitiveness is a highly skilled and adaptable workforce. A key way of achieving that is through training. (ETSA, 1991, p. 7)

Two parallel initiatives were developed in order to achieve the Strategy’s intention to “fill the qualifications gap, and to create a more highly skilled and adaptable workforce” (Butterworth & Butterworth, 1999, p. 216). These were the establishment of industry training organisations (ITOs) and a National Qualifications Framework (NQF) (Butterworth & Butterworth, 1998; Doyle, 1999; Murray, 2001).

The Strategy and consequently the ITA devolved responsibility for training to industry in line with the neo-liberal mantra of limited government and markets (Deeks & Rasmussen, 2002; Doyle, 1999; ETSA, 1991). Deeks and Rasmussen (2002) draw attention to the “on-going debate about the appropriate role of the government” and how the National Government “decided in favour of a market-driven approach” (p. 389). This was apparent in a number of statements in the Strategy and eventually enacted in the ITA. For example, in the foreword to the Strategy, then Minister of Education, Lockwood Smith, and then Minister of Employment, Bill Birch (1991), assert that “[i]mprovements in industry training can only come from industry itself” and that “[i]ndustry training is likely to be most effective when it is designed and managed by industry” (p. 3). The notion of industry-led training is reaffirmed throughout the Strategy, for example, the

Strategy assured that “**control** of industry training, including apprenticeship, **will pass to industry** itself” (ETSA, 1991, p. 10, emphasis in original).

### *Industry Training Organisations*

ITOs were established by the ITA in order to:

- Set national industry standards;
- Purchase training;
- Provide quality assurance of training providers and workplace learning (Green, Hipkins, Williams & Murdoch, 2003).

It is important to note that the function of ITOs did not extend to the provision of training; that is provided largely on the job with some complementary off-job training. It is also important to note that the industry training system had a voluntarist aspect to it that was manifest at two levels. First, ITOs were to be industry demand driven as industry applies to government for recognition, rather than government leading the establishment of ITOs. Second, there was no regulatory onus on employers to provide industry training. The voluntarist foundation of ITOs is consistent with the neo-liberal value of individual freedom of choice.

The establishment of ITOs was an integral component of the Strategy as they are how the neo-liberal principles of limited government and market mechanisms translated into practice. The Strategy states that “[t]he Government wants industry training organisations to be owned and led by industry and to be as responsive as possible to industry training needs” (ETSA, 1991, p. 20). However, the government retained some involvement through the ETSA (Doyle, 1999; ETSA, 1991). Specifically, the role of ETSA expanded to include responsibility for recognising ITOs and managing the contestable funds provided for the “design, management and delivery of industry training” (Doyle, 1999, p. 4).

With regard to funding the new structures, the arguments proposed in the Strategy were accordant with neo-liberal HCT arguments that the beneficiary of the education should bear some of the cost. ITOs were to be largely self-funding, although government initially provided funding to assist in the establishment of ITOs, support the administration of training and to subsidise off-job training costs (ETSA, 1991; Green, Hipkins, Williams & Murdoch, 2003). In 1995, funding

arrangements changed with the establishment of the Industry Training Fund (Green, Hipkins, Williams & Murdoch, 2003; OECD, 1997). The Government would fund industry training in the form of subsidies for particular ITO activities, the total of these subsidies adds up to a “price per Standard Trainee Measure (STM)” (Green, Hipkins, Williams & Murdoch, 2003, p. 5). Essentially, an ITO accessed funding through the Industry Training Fund on a per trainee basis (Green, Hipkins, Williams & Murdoch, 2003; OECD, 1997). A 1997 Ministry of Education Green Paper on tertiary education advocated that this system could be refined in order to ensure better use of the government subsidy, although the proposed changes did not eventuate (Ministry of Education, 1997).

The composition of ITOs reflected the wider employment relations framework that no longer recognised unions. Unlike the previous regime of Apprenticeship Committees that legally required union representation, the ITA removed the compulsion to involve unions in ITOs (Green, Hipkins, Williams & Murdoch, 2003; Murray, 2001; Law, 1996). The inclusion or otherwise of employee or union representation was to be “at the discretion of those involved in the establishment process” (Murray, 2001, p. 224). Law (1996) observed that “[i]n the view of the present National government, most employers and, it seems many workers, the idea of union involvement has outlived its usefulness” (p. 170). However, it is important to note that union representation was included in a number of ITOs (Cochrane, Law & Piercy, 2007).

In sum, ITOs are an exemplary manifestation of the National Governments neo-liberal values of minimal government, individualism, the primacy of markets, and a particular iteration of HCT. This is because ITOs are industry-led and self-funded with the government’s role limited to creating the appropriate legislative environment to facilitate ITOs operation.

### ***Qualifications***

As stated earlier, the second key aspect of the National Governments Industry Training Strategy was the establishment of a National Qualification Framework, administered by NZQA. Butterworth and Butterworth (1998) state that Smith viewed the NQF as a “central plank in the government’s education policy” (p. 218).

The Industry Training Strategy describes the proposed NQF as a “national, standards-based framework to which education and training programmes will be linked if they require national certification” (ETSA, 1991, p. 15). The NQF was intended to provide a degree of assurance for learners and industry as it indicated the “degree of knowledge and skill involved” of the qualification (ETSA, 1991, p. 16). In addition, the NQF was intended to align the esteem of industry training with the rest of the tertiary sector as it would “encompass all post-compulsory education and training in a ‘seamless system in which general education and career education will enjoy equal standing’” (Butterworth & Butterworth, 1998, p. 218). Doyle (1999) argued that this feature “holds the potential... to address the problems vexing education and training” including:

...the lack of esteem vocational education and training is held in, the need for workers to develop higher order thinking skills, the failure of so called academic education to equip students to apply their education to real life situations, the lack of pathways between general and vocational education and training systems.  
(p. 30)

During this early period of rapid policy change the National Government established an industry training policy framework that was conducive to its neo-liberal ideology. In relation to the scope of this thesis, the Government did not make any significant changes for the rest of the decade aside from the rebranding of ETSA to Skill New Zealand in 1998 (Statistics New Zealand, 2001). Skill New Zealand operated under the auspices of the Associate Minister of Education (Tertiary Education), but “straddled the education sector and the labour market” (Skill New Zealand, 2002, p. 8). It served three interconnected purposes: to support the national skills strategy’s contribution to New Zealand’s “prosperity and well-being;” to ensure access to “nationally recognised workplace education and training opportunities;” and to “influence businesses to increase their investment in training” (Skill New Zealand, 2002, p. 8). The latter purpose is particularly conducive with the neo-liberal iteration of HCT.

## **Critiques**

The National Government set a foundation of policy that was fundamentally different from the previous system, although it closely followed the Fourth Labour

Government's intended trajectory. However, even at the time of its implementation "there was not a consensus about the strategy, or its implementation" (Doyle, 1999, p. 2). For example, the CTU's (1993) *Building a Better Workplace* cites a number of reports to substantiate its claims that "the voluntarist market approach taken in the current industry training legislation is not dealing with the real needs of workers and employers" (p. 6). Doyle (1999) noted that when *Building a Better Workplace* (1993) was released, it "appeared like a lone voice on a number of policy issues," however as the decade progressed, the concerns were "echoed by a number of organisations" (p. 11). Doyle (1999) identified "a variety of unresolved issues in industry training as the new millennium begins" (p. 233). She cited "equity and access issues regarding training, the funding and delivery of industry training, and wider concerns regarding the ability of the new strategy to deliver a skilled workforce" as the three most significant issues (p. 230). In addition, Doyle (1999) highlighted potential concerns with the minimal regulatory requirements of ITOs. In particular, she warned that the omission of a requirement for employers to commit to on-going training may risk that "industries will enter into training agreements in order to trigger funding (p. 5). Cochrane, Law and Piercy (2007) encapsulated their 1990s critiques (such as those presented in Law, 1996) in the assertion that the 1990s were a "wasted decade for industry education and training" and that there was "widespread agreement that the market model was failing" (p. 41).

Retrospective discussions of the 1990s industry training policy environment mirror these concerns (Deeks & Rasmussen, 2002; Kelsey, 2002; McLaughlin, 2007; TEC, 2004). For example, McLaughlin (2007) asserts that "the neo-liberal labour market reforms did not prove to be the promised panacea" (p. 2). More specifically, the TEC (2004) argued there were:

...concerns within government and the wider community that the policy settings of the 1990s had fragmented the tertiary system, leading to destructive competition, quality weaknesses, inadequate engagement between the tertiary education system and its stakeholders, and a lack of a strategic direction to guide providers and the use of public resources. (p. 3)

## **Summary of the Chapter**

This chapter has presented the neo-liberal era of 1984-1999 as initially involving a gradual process of industry training policy reform that was accelerated with a change of government in 1990. The Fourth Labour Government (1984-1990) initiated industry training reform through the publication of four research based policy documents that the 1990 National Government then consolidated, extended and implemented rapidly following its election. The chapter argued that embedded in all stages of this reform were core neo-liberal principles, although the extent to which they were enabled and constrained differed under each government due to ideological tension and external pressure. Of particular importance during this era was the enactment of the 1992 *Industry Training Act* that established industry-led ITOs. The chapter noted that ITOs are responsible for the design, facilitation, and monitoring of industry training; not for its provision as it occurs on-job. The chapter also highlighted that the establishment of an ITO is voluntary; similarly, there is no regulatory requirement for employers to provide formal training through an ITO. The chapter concluded by outlining critiques of the system. As those critiques were developed, the Labour Party reassessed its ideological foundations and shifted towards the Third Way, as discussed in the following chapter.

## CHAPTER FIVE: THE 1999-2008 THIRD WAY ERA

### Introduction

The purpose of this chapter is twofold. First, it is to identify how the 1999-2008 Labour-led Government demonstrated an ideological shift away from neo-liberalism and towards the Third Way. Second, it is to explain the changes to industry training policy, as well as the broader tertiary education and employment relations policy framework where relevant.

To begin, the chapter will identify how a shift in ideological foundations and an increasing focus on the role of skills in contributing to labour productivity and social goals gave impetus for a new era of policy reform based on Third Way principles. Then it will outline the process of reform by, first, identifying the key policy developments, and, second outlining the most significant changes in practice that resulted. Woven into this roughly chronological discussion is an identification of the Third Way principles that underpinned policy development during this era.

### Third Way Driver of Reform

During its nine years out of office, Labour “disengaged itself from the policy and practices it had pursued in government in the 1980s” and shifted its ideological basis from the neo-liberal ideology in favour of the Third Way (Piercy, 2003b, p. 36). This section will demonstrate how that ideological shift provided, at least in part, a motivation for reform of the industry training sector once elected.

During the 1999 election campaign, National continued its endorsement of a neo-liberal competitive, market-based approach for industry training (McLaughlin, 2003). In contrast, the Labour Party was critical of these ideological foundations and promoted a greater role of the government in establishing a long-term strategic direction for tertiary education that was illustrative of the Third Way<sup>6</sup> (McLaughlin, 2003; Piercy, 2003b; Piercy, 2005; Shaw & Eichbaum, 2005). This

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<sup>6</sup> As identified in Chapter Three, advocates of the Third Way had released *The New Politics* in 1999 that explored policy options for New Zealand based on this ideology. Some of the authors were closely associated with the Labour Party, thus the principles espoused in the book were highly influential over Labour’s policy development (Kelsey, 2002; Law, 2002; Piercy, 2005). Kelsey (2002) for example, describes *The New Politics* as “an attempt to promote a Third Way pre-election manifesto” (p. 64).

approach was reflective of its wider agenda for employment relations in which Labour was critical of the ECA (New Zealand Labour Party, 1999b). Consequently, Labour's employment relations policy proposed the replacement of the ECA with legislation that, amongst other things, recognises unions and promotes collective bargaining (New Zealand Labour Party, 1999b)

Labour's 1999 election policy documents were also overtly critical of National's approach in industry training (New Zealand Labour Party, 1999a). Labour's *21<sup>st</sup> Century Skills* (1999a) policy, for example, described the National Government as having "completely failed in this area of education and training" (New Zealand Labour Party, 1999a, p. 2). Labour was particularly opposed to the voluntary nature of the ITA and claimed that "[c]urrent policies have led to a hit and miss system which will at best see pockets of skill develop" (New Zealand Labour Party, 1999a, p. 2). Thus, Labour argued, instead of meeting the challenge of increasing skills and improving labour productivity and economic performance, the National Governments approach had "put the future of the New Zealand economy at risk" (New Zealand Labour Party, 1999a, p. 2).

Consequently, the policy documents outlined an alternative trajectory based on Third Way principles (Piercy, 2003b). In particular, Labour proposed a collaborative and consultative government that would work in partnership with a range of stakeholders to develop robust skills policy (New Zealand Labour Party, 1999a). While Labour was critical of the competitive market basis of the system, Piercy (2003a) noted that *21<sup>st</sup> Century Skills* in particular identified that "the basis of the system had a lot to offer" (p. 2). The document therefore signalled Labour's intent to reform, rather than rebuild the existing system of ITOs. Therefore, it is important to highlight that throughout this era, ITOs retained their three core roles (to arrange training, set national standards, and to provide quality assurance). In addition, ITOs remained industry-led. However, the reforms outlined below refined and added new expectations with regard to the role of ITOs and their structure.

### ***The Influence of Minor Parties on Ideology***

In each of its three terms, Labour led minority governments that both enabled and constrained its ability to pursue its Third Way principles. The Labour/Alliance



Coalition Government of 1999-2002 was able to clearly articulate and enact its preference for Third Way values as both parties aligned with similar ideological principles (Clark, 2002; Kelsey, 2002). For example, Prime Minister, Helen Clark (2000; 2001; 2002), described her Government as Third Way in the international and local arena. Similarly, Steve Maharey, who spearheaded many of the reforms in his capacity as Associate Minister for Education (Tertiary Education) demonstrated a commitment to the principles of the Third Way, although, at times, was hesitant about using the specific term (Maharey, 2001c, 2003). In contrast, the subsequent two terms of government were in coalition with more centrist parties: the Progressive Coalition Party (2002-2005) and Jim Anderton's Progressive Party (2005-2008) (Kaiser, 2008). Consequently, the specific use of the term Third Way waned. However, with regard to industry training, this chapter will demonstrate that a number of significant policy changes did occur that are illustrative of Third Way principles throughout the three terms of Labour-led Governments.

### **The Enduring Dominance of Human Capital Theory**

Internationally, the link between education levels and economic performance remained a significant issue into the 21<sup>st</sup> Century (Bassanini & Scarpetta, 2001; Buchanan et al., 2001). The OECD, for example, continued to argue that the accumulation of human capital was a "basic determinant of economic growth" (Bassanini & Scarpetta, 2001, p. 13). This indicates that HCT continued to exert a dominant influence in early 2000s policy debates.

Within the New Zealand context, skills, especially those developed through industry training, received increasing attention because of their contribution to labour productivity, which was focussed on as a means of improving economic performance (Clark, 2005; Hardie-Boys, 1999; Office of the Prime Minister, 2002; Pells, Steel, & Cox, 2004). An early example of the Government's commitment to skills development is in the 1999 *Speech from the Throne* that states:

New Zealand's skills production in those areas relevant to the new knowledge-based industries has been inadequate. A competitive model in tertiary education has led to unsatisfactory outcomes in terms of both the quality and the appropriateness of the skills produced. (Hardie-Boys, 1999, para. 24)

The Government's Growth and Innovation Framework (GIF) and economic transformation agenda further articulated this connection (Office of the Prime Minister, 2002). In 2002, the Government brought its distinct strands of economic development policies<sup>7</sup> under one coherent programme, the GIF, which identified skills as one of four key factors that could contribute significantly to New Zealand's labour productivity and therefore economic growth (Office of the Prime Minister, 2002). A sharpened focus on economic transformation, as proposed in a series of Cabinet Papers released in 2006, ultimately replaced the GIF, although the new agenda built on similar themes (ITF, 2006; Office of the Minister for Economic Development, 2006). In particular, the evolved focus was on an environmentally and socially sustainable approach for economic transformation that included "innovative and productive workplaces, underpinned by high standards in education, skills and research" (Office of the Minister for Economic Development, 2006, p. 3).

In this respect, the Third Way era has clearly continued the neo-liberal iteration of HCT that emphasises the importance of skills and labour productivity in economic growth. However, the following will demonstrate that with respect to the outcomes of education the Labour-led Government's policy approach and practices diverged from HCT, as it argued that skills were more than just a means to an economic end as social outcomes were coupled with economic goals. In addition, the following sections (that fall under 'Reviewing the Relationship between Skills and Productivity') will demonstrate that towards the end of the decade, the policy approach and practices of the Labour-led Government further shifted from HCT as it adopted a more complex view of how skills policy can contribute to labour productivity.

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<sup>7</sup> For example, the Catching the Knowledge Wave project. This was a partnership between the Government and the University of Auckland, with support from leading business, academic, trade union and community groups (The University of Auckland & New Zealand Government, 2001). The project explored the importance of knowledge in a modern economy and how it might contribute to economic development and social cohesion (The University of Auckland & New Zealand Government, 2001).

## **Employment Relations**

The existing employment relations framework first required significant change in order to set the foundation for tertiary and industry training policy reform<sup>8</sup>. Thus, one of the Government's first legislative actions was the replacement of the ECA with the *Employment Relations Act 2000* (ERA). Deeks and Rasmussen (2002) described the ERA's recognition and promotion of trade unions as a "major departure" from the ECA (p. 126). The recognition of trade unions is significant as it paved the way for the re-invigoration of civil society that the Third Way advocates (Eichbaum, 1999). In particular, as the following sections will identify, the legal recognition of unions enabled a policy programme that included unions in consultation and implementation.

### **Policy Development Stage One: Tertiary Education Advisory Commission**

The Tertiary Education Advisory Commission (TEAC) was established in April 2000 (Maharey, 2000a, 2000b). The purpose of TEAC was to review and evaluate the entire tertiary education sector, with a view to advising the Government on the future strategic direction of the sector (Maharey, 2000a; Maharey, 2000b; McLaughlin, 2003; Opie, 2004; Piercy, 2005; Shaw & Eichbaum, 2005).

The establishment of TEAC promised a shift away from the neo-liberal approach typical of the 1990s National Government, as outlined in the previous chapter, and towards greater government activity that aligns economic and social priorities which are illustrative of Third Way principles. For example, there was a general acceptance within the Committee that "the system was too competitive and not sufficiently aligned to New Zealand's social and economic needs" (McLaughlin, 2003, p. 26). The Third Way notion of partnership was also ubiquitous as the Commission was comprised of a wide range of representatives of the tertiary education and was expected to consult a range of stakeholders in its work (Maharey, 2000b; Shaw & Eichbaum, 2005).

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<sup>8</sup> The importance of the employment relations framework under the Labour-led Governments cannot be understated. However, given the focus of this thesis, the nature of the *Employment Relations Act* (ERA) is noted rather than explored. For further information on the impact and importance of the ERA and its link to industry training, please refer to: Cochrane, Law and Piercy (2007); Deeks and Rasmussen (2002); Law (2002); and Piercy (2003b).

TEAC presented its “vision and strategy to shape the tertiary system and its funding” in a series of four reports, released between July 2000 and November 2001 (McLaughlin, 2003, p. 18) (see also: TEAC, 2000; TEAC, 2001a; TEAC 2001b; TEAC, 2001c). There are four recommendations of TEAC that are significant in the context of this thesis and each is indicative of a perceptible shift towards the Third Way.

The first recommendation of TEAC was to “[d]evelop a more collaborative tertiary education sector that will help New Zealand become a world-leading knowledge economy and society” (McLaughlin, 2003, p.18). This was echoed in Maharey’s (2000c) assertion that “[i]nstitutions should start now in moving away from the competitive model and towards more cooperative and collaborative strategies” (para. 34). There is a clear link between this focus and the Third Way notion of partnership as well as a shift away from neo-liberal competitive models of training.

TEAC made three further recommendations for specific policy action that were to build upon one another in order to achieve this overall vision. The first was to develop a “single comprehensive, central steering body for the whole education system” (TEAC, 2001a, p. xvi). The second was for the new government body to develop a strategy for the sector (TEAC, 2001b). The third recommendation of significance was the “use of charters and profiles in conjunction with quality and desirability tests to steer the system” (TEAC, 2001c, p. ix).

### **Policy Development Stage Two: Skills for a Knowledge Economy**

A significant omission in the TEAC review was specific consideration for industry training. In 2001, a review of the Industry Training Strategy was conducted by the Department of Labour, Ministry of Education and Skill New Zealand under the rubric of *Skills for a Knowledge Economy* (Maharey, 2001a, 2001b; McLaughlin, 2003; Office of the Associate Minister of Education, 2001).

The review was undertaken in response to the recognition of the importance of skills in the economy, as well as issues arising from the changing nature of work, for example the increasing application of technologies, that require a skilled workforce (Office of the Associate Minister of Education [Tertiary Education],

2001a). Maharey (2001a) noted that although “ITO’s have developed in a somewhat haphazard fashion” there have been “pockets of excellence” (p. 2). Thus, the purpose of the review was to “identify issues and approaches that will enhance the current industry training system” rather than to dismantle and rebuild the system. (Maharey, 2001a, p. 2).

The first stage was the release of a consultation document that identified the government’s stance on perceived issues, possible options for reform, and encouraged feedback from interested individuals and organisations (Office of the Associate Minister of Education [Tertiary Education], 2001a). The particular issues concerned access and responsiveness of training, funding, types of skill development, levels of skill development, information about skills and the implications for government agencies (Office of the Associate Minister of Education [Tertiary Education], 2001a). The review echoed elements of TEACs recommendations as it indicated the need for a strategic policy direction. For example, in the foreword, Maharey (2001a) asserted that New Zealand needs an “integrated skills strategy, not just an industry training system” (p. 1).

The Government grouped its decisions arising from the review into six themes that identify particular changes and/or future areas of exploration (Office of the Associate Minister of Education [Tertiary Education], 2001b). The first theme, “improving access to and responsiveness in training,” includes the decision to require ITOs to provide “leadership in skill and training matters for their industry” and to include union representative in its governance (Office of the Associate Minister of Education [Tertiary Education], 2001b, pp. 4-5). The second theme concerns the funding structures surrounding industry training. The third and fourth themes concern the types of skills that ITOs should develop. One emphasised the need for ITOs to develop generic skills that would be portable between industries, while the other identified the need for stronger foundation skills (Office of the Associate Minister of Education [Tertiary Education], 2001b). The fifth theme recognises the inadequacy of information policymakers receive about skill needs for industries and identified that this is an area to receive future attention (Office of the Associate Minister of Education [Tertiary Education], 2001b). The final theme responds to feedback to the review that wanted “greater co-ordination between Government agencies to facilitate industry training” and

proposes that the TEAC recommendation for a new government body will achieve this (Office of the Associate Minister of Education [Tertiary Education], 2001b, p. 8).

### **Legislative Mandate for Policy Implementation**

The first tangible outcome of the policy reform process was the addition of two provisions to the ITA in the *Industry Training Amendment Act 2002*. The first requires ITOs to include trade union representation in their governance structure (TEC, 2006a). The most significant implication of this is that the TEC “cannot recognise an organisation as an ITO... unless it is satisfied that the organisation has developed efficient and effective arrangements for the implementation” of this requirement (TEC, 2006a, p. 1). The second provision fulfils the industry training review’s recommendation for ITOs to provide leadership in skill and training matters for their respective industries (Industry Training Amendment Act, 2002; Office of the Associate Minister of Education [Tertiary Education], 2001b). The new provision suggests that ITOs fulfil this role by “identifying current and future skills needs... developing strategic training plans to assist the industry to meet those needs... [and] promoting training that will meet those needs to employers and employees” (Industry Training Amendment Act, 2002, Part Two, Section 6[c]). This is a significant shift towards a complex view of skill policy as it opens up space for ITOs to “influence *supply* of skills through participation in and interaction with the education system and *demand* for skills through deep connections with employers” (ITF, 2006, p. 3, emphasis in original).

The reforms recommended by TEAC were given legislative mandate by the *Education (Tertiary Reform) Amendment Act 2002*. In particular, this Act allows for the establishment of the TEC and “enshrines many of the TES aims and provides for the creation and implementation of the Statement of Tertiary Educational Priorities (STEP)” (Piercy, 2003a, p. 3). Kelsey (2002) argues that the passing of the Act could “create a completely politicised and highly unstable regime” (p. 109). This is because the “government of the day would set both the education strategy and funding priorities” yet neither “the process for doing so nor the core educational principles on which they should be based” were defined (Kelsey, 2002, p. 109). The significance of Kelsey’s (2002) argument is revisited

in the following sections and chapters that demonstrate how the TES in particular reflects dominant ideological principles.

### **Tertiary Education Commission**

The TEC was established as a direct result of TEAC's recommendation for a central steering body for the tertiary sector<sup>9</sup>.

The introduction of a new government agency necessitated a significant shake-up of existing governmental oversight and involvement in tertiary education. Under the new regime, the Ministry of Education was to take overall responsibility for development of policy and guidance, including the development of the tertiary education strategy (discussed below) and monitoring of the TEC. Skill New Zealand, which had formerly assumed responsibility for work-based training, was disestablished and integrated into the new TEC structure (Skill New Zealand, 2002). The TEC assumed the responsibilities previously undertaken by Skill New Zealand and the Tertiary Resourcing Division of the Ministry of Education as it adopted an advisory function to the Ministry and an implementation role with regard to the regulation and funding of tertiary education organisations (TEOs), including ITOs (McLaughlin, 2003; Skill New Zealand, 2002; Webb & Grant, 2003).

At the launch of the TEC, then Prime Minister, Helen Clark (as cited in Shaw & Eichbaum, 2005), stated that '[e]ducation can never be reduced to a mere economic output' as education "has the potential to transform the lives of individuals and whole communities" (p. 221). Thus, the TEC and the rhetoric surrounding its establishment demonstrate a number of Third Way principles. Most obviously, it demonstrates an embrace of a more active government because of its intended role to steer the sector and a shift towards the Third Way inclusion of social imperatives as a justification for education and training. The TEC was to oversee the other TEAC recommendations outlined below (McLaughlin, 2003; Piercy, 2005).

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<sup>9</sup> A transition TEC had been established in 2002 in order to make progress on TEAC's other recommendations before it came into legal existence on 1 January 2003 and was officially launched in February 2003. (Skill New Zealand, 2002; Shaw & Eichbaum, 2005; Tertiary Education Commission, 2004).

### **Tertiary Education Strategy**

The recommendation for a strategy for the tertiary sector was realised in the publication of the first *Tertiary Education Strategy* (TES) (Office of the Associate Minister of Education [Tertiary Education], 2002). The purpose of the TES is to articulate the government's vision for the tertiary system, including industry training, for the five years following its publication.

The *Tertiary Education Strategy 2002-07*, developed by the interim TEC, was marked as “the centrepiece of a series of reforms” of the “diverse tertiary education system” (Office of the Associate Minister of Education [Tertiary Education], 2002, p. 5). In line with the first recommendation of TEAC to develop a collaborative system, Opie (2004) observes that the inaugural TES envisaged “an integrated system of education” that was to include a wide spectrum of ages and subjects (p. 301). A second TES was published under the Labour-led Government's that built on the previous and refined its priorities in response to changes in the sector (Office of the Minister for Tertiary Education, 2006).

The TES is unequivocally a Third Way policy instrument that facilitates an active role of the government in setting the direction of the sector. As Piercy (2005) notes, the TES indicates that “‘third way’ policy makers do not want to return to the high levels of prescription characterised by social democratic governments, yet still want to intervene in situations of either perceived market failure or social exclusion” (p. 4). In a broad sense the TES also reflects the Third Way principle of subsidiarity. The TES is not intended to be a top-down, inflexible document. Rather, the development of each TES involves consultation with key interest groups and identifies priority areas within which such groups are expected to take responsibility for achieving goals within a supportive framework.

### **New Funding Regulations**

Included in the first TES was an acknowledgement that it is a “high-level document that will be supported by other documents with a shorter-term focus” (Office of the Associate Minister of Education [Tertiary Education], 2002, p. 5). The *Statement of Education Priorities* (STEP), an expanded use of Charter and Profile provisions fulfil this role (Office of the Minister of Education, 2005).



The purpose of STEP is to establish the “government’s immediate priorities” for the tertiary system for the one to three years following its publication (Office of the Minister of Education, 2005, p. 4). Thus, the STEP is a means of dealing with short-term pressures on the tertiary system, such as economic or demographic issues. The 2005/07 STEP in particular echoes the Third Way inclusion of social and economic goals as it acknowledges that the “tertiary education system creates the skills and knowledge which New Zealand needs for a thriving economy and society” (Office of the Minister of Education, 2005, p.4).

Charters and Profiles were intended to ensure “consistency and transparency of information” as they “articulate the strategic direction and activities of providers” (Office of the Associate Minister of Education [Tertiary Education], 2002, pp. 6, 19). ITOs are required to include in their Charter a commitment to providing “leadership within the industry on matters relating to skills and training needs” as a result of amendments to the ITA in 2002 (as cited in TEC, 2006b, p. 1). In addition, ITO Profiles’ were to include “objectives, key performance indicators and a reporting framework” for that role (TEC, 2006a, p. 5).

Charters and Profiles are particularly good examples of a Third Way government as they require greater accountability from TEOs. Furthermore, given the role of Charters and Profiles in determining funding levels, these tightened requirements represent the government’s adoption of a greater role in influencing the industry training sector in line with Third Way principles.

### **A Second Phase of Reform: The Next Steps**

The Labour-led Government initiated and implemented a second phase of reform in 2006. This phase intended to align the tertiary system with the government’s economic transformation agenda although it retained consideration for the social contribution that tertiary education makes (Cullen, 2006). Essentially, this phase sharpened funding policy by moving away from a focus on enrolments in order to “bring more of a focus on national and regional priorities for funding” (ITF, 2006, p. 9). This phase of reforms was based on the view that each TEO should make a distinctive contribution to the wider sector (Cullen, 2006; TEC, 2004). This

section will briefly outline how a 2004 TEC policy exercise informed the 2006 reforms and what the significant changes were.

The beginnings of the second phase of reforms can be seen in the TEC's 2004 document, *The Distinctive Contributions of Tertiary Education Organisations*. The document encouraged "differentiation and specialisation" between TEOs (TEC, 2004, p. 9). The most significant implication of this recommendation was a greater importance attached to the Charter and Profile exercise as these instruments set the parameters of operation for each TEO. With regard to the role of ITOs in the tertiary sector, the document affirmed that the Government wanted improved coverage of ITOs and therefore access to industry training, as well as "greater collaboration between ITOs in the future," and "greater ITO-polytechnic-university collaboration" (TEC, 2004, pp. 21-22). This indicates that the first phase of reforms, which had intended to unify the tertiary sector, insufficiently addressed the ongoing antagonism between ITOs and other TEO's.

The 2006 reforms directly stemmed from the overarching Cabinet Paper *Tertiary Education Reforms: The Next Steps* (2006), and supporting papers. *The Next Steps* (2006) built on the vision of the *Distinctive Contributions* (TEC, 2004). The Cabinet Papers outlined how the Government intended to shift the focus of the system towards high quality and relevant tertiary education that meets both social and economic goals in which providers and ITOs make distinctive contributions (Cullen, 2006).

The skills leadership role of ITOs, enshrined in the *Industry Training Amendment Act 2002*, was emphasised as the particular distinctive contribution of ITOs, yet it required development as the "achievement of the role [had] been uneven" (Cullen, 2006, p. 9). Cullen (2006) proposed that this "implies change" in the TEC and TEOs in order to "respond to the needs identified by [ITOs]" (p. 9).

The most significant outcome was that Investment Plans replaced Charters and Profiles in an attempt to require greater accountability of ITOs. Included in the Investment Plan is an identification of the proposed activities of the ITO, a justification for those activities and an explanation of how its performance will be evaluated (TEC, 2010). An Investment Plan must have consideration for how the

ITO will respond to the current TES and to the needs of its stakeholders (TEC, 2010). Investment Plans were important in advancing the consolidation of the skills leadership role of ITOs in two respects. First, the Investment Plan of an ITO is required to demonstrate how they will fulfill the skill leadership role. Second, other TEO's Investment Plans are required to use that information in order to justify their activities.

This stage of reforms is a clear rejection of the neo-liberal belief in free markets. The introduction of greater regulatory requirements for TEOs, including ITOs, is indicative of the government's view that a market approach in which TEOs are self-determining has failed. Charters and Profiles, and subsequently Investment Plans, are Third Way regulatory policy instruments that facilitate a greater role of the government in the sector.

### **Reviewing the Relationship between Skills and Productivity**

A growing body of international and domestic research emerged throughout the 2000s that argued supply side solutions (skill development) need to be matched with consideration for demand-side issues (Buchanan et al., 2001; ITF, 2006; Lloyd & Payne, 2002). This suggests a more complex view of the contribution that skills make to labour productivity than what HCT proposes. Essentially, during the period in focus, HCT arguments that the country's level of skills correlate to its economic performance were extended in order to recognise that the quality and way in which those skills are utilised is also important. The requirement of ITOs to provide skills leadership is an early example of how the Government intended to bridge skill supply with demand. However, it was not until after making fundamental changes to industry training policy and the wider tertiary sector, that the Government's process of reform made a significant shift towards emphasising demand-side policy. In particular, two policy initiatives that targeted skills and labour productivity were established that straddle education and labour market/work policy.

### ***Workplace Productivity Initiatives***

In 2004, the Workplace Productivity Working Group (WPWG) was established (Workplace Productivity Working Group [WPWG], 2004). The purpose of the WPWG is to evaluate "how New Zealand is doing in terms of workplace

productivity, and to identify some practical options for how we can lift our workplace productivity” (Annakin, 2004, p. 3).

In August 2004, the WPWG produced *The workplace productivity challenge*. The report’s specific focus is on the workplace and how initiatives within it might “contribute to economic growth and lift New Zealand’s living standards” (WPWG, 2004, p. 7). The report identified seven complementary drivers of workplace productivity, one of which is investing in skills and people (WPWG, 2004). Four broad areas of action were recommended in order to enhance the contribution of each workplace productivity driver. These included raising awareness of workplace productivity, the development of diagnostic tools for firms to investigate performance, assistance and support in the implementation of responses to the issues identified by those tools, and further research and evaluation (WPWG, 2004). The Workplace Productivity Reference Group (Reference Group) was established in 2005 in order to develop further options as to how firms can achieve improved workplace productivity (Department of Labour, 2010). The Reference Group includes representatives of different government agencies such as the Department of Labour and Ministry of Economic Development, as well as peak bodies Business NZ and the CTU, and individual businesses and unions (Department of Labour, 2010).

A practical application of the Reference Groups recommendations is found in a joint Department of Labour and ITF project (supported by the Reference Group) that was specifically aimed at “improving the ability of Industry Training Organisations to assist workplaces to raise their productivity” (Harvey & Harris, 2008, p. 6). The first outcome of the project was the publication of a literature review that found a multi-faceted approach to skills development and deployment is necessary in order to realise productivity improvements (Harvey & Harris, 2008).

The workplace productivity policies clearly reflect Third Way principles. Most significantly, the Agenda is a partnership arrangement between the government and non-governmental key organisations. This is evident in the structures that contribute to the overall Agenda, including the WPWG and the Reference Group, as well as in the implementation of the recommendations of these groups which

reflect collaboration between government and non-governmental organisations. In addition, *The Workplace Productivity Challenge* is an example of subsidiarity, as it does not consider it the domain of the government to intervene directly in workplace productivity. Rather, the report encourages these other parties to take responsibility, in conjunction with an appropriate level of support from government agencies. For example, it notes that “[i]ndustry, business, unions and employees are all important in lifting productivity at the firm level” (WPWG, 2004, p. 40).

### ***Skill New Zealand Tripartite Forum***

The first phase of tertiary reforms had “put many of the building blocks in place to drive the supply side for skills” (Hodgson, 2007, p. 2). However, it was recognised that more specific action needed to be taken in order to develop a “national consensus on the role of skills in contributing to New Zealand’s economic future” and a greater understanding of demand side issues (Hodgson, 2007, p. 2; Skill New Zealand Tripartite Forum, 2008). As a result, in July 2003, Maharey announced the establishment of the Skill New Zealand Tripartite Forum (New Zealand Government, 2003). However, while this section will describe the origins of the Tripartite Forum, it is primarily concerned with the outcomes of the Forum following its revitalisation in 2006, specifically the development of the Skills Strategy.

The Forum brings together representatives of the government, Business NZ, the CTU and ITF in order to “promote workplace learning and industry training” (New Zealand Government, 2003, para. 1). The rationale presented for the establishment and subsequent revitalisation of the Forum reflect a complex view of skills contribution to productivity. The Forum’s proponents argued that New Zealand already had high levels of labour utilisation (that is, labour working hours), thus future economic growth would need to stem from labour productivity improvements, and skills are a central means of achieving that (Hodgson, 2007; New Zealand Government, 2003; Skill New Zealand Tripartite Forum, 2008; Skills Strategy Programme Office, n.d.). For example, when the Forum was revitalised in 2007, then Minister of Education Pete Hodgson, asserted that there was “[l]imited capacity for labour utilisation to drive economic growth into the future... The transformation to a high wage, high skill, and high value economy

will therefore require significant increases in labour productivity” (Hodgson, 2007, p. 5). While there are a number of factors affecting labour productivity, Hodgson (2007) identified skills as a “central determinant of how these influences can come together” (p. 5).

The Skills Strategy Programme Office established in 2007, which led the development of the Skills Strategy (Hodgson, 2007; Skills Strategy Programme Office, n.d.). The Strategy is a mechanism for focussing “the skills debate on how to drive productivity growth through skills development and utilisation” and to improve collaboration, co-ordination and communication within and between government, workers and industry (Hodgson, 2007). Its purpose is to “deliver a unified approach to ensure New Zealand individuals and organisations are able to develop and use the skills needed in the workplaces of the future (Skill New Zealand Tripartite Forum, 2008, p. 10). More specifically, the over-arching goals were to:

- Improve the use and retention of skills to transform work and workplaces;
- Increase employer and worker awareness of their skills needs;
- Influence the supply of skills through a more responsive education and training system;
- Develop a unified approach to defining, valuing and measuring skills;
- Make the most of the available workforce by supporting everyone to work, through skills development and supportive workplace practices. (Skill New Zealand Tripartite Forum, 2008, p. 10)

The key mechanism for achieving these goals was an ‘action plan,’ developed following a process of consultation, that identifies priority areas for attention and proposes specific actions for how each might be achieved. For example, the first action plan published in 2008 recommended ten actions as a “starting point” that would “lay the necessary foundations for more comprehensive responses to be developed over the coming years (Skill New Zealand Tripartite Forum, 2008, p. 13). In other words, it was expected that the development of an action plan was not static; rather it would be an on-going process that builds upon strengths and weaknesses of previous plans.

The Skills Strategy and its mechanisms are Third Way policy instruments. The establishment of a government-led initiative that intends to steer skill supply is indicative of the Third Way role of the government. The rationale for the establishment of the Skills Strategy reflected the Third Way's concern for social goals alongside economic imperatives. For example, the proposal for the Skills Strategy stated that "[e]nhancing skills also has wider social benefits, with recognised links between skills and wider social outcomes such as health, crime and social cohesion" (Hodgson, 2007, p. 1). Most significantly, the Skills Strategy is an exemplary Third Way partnership initiative. The Strategy itself is a joint initiative between the government and key non-governmental organisations. The 2008 *Action Plan*, for example, explicitly identifies Business NZ and the CTU as "social partners" and recognises the valuable contribution of the ITF in the process of its development (Skill New Zealand Tripartite Forum, 2008, p. 13).

### **Summary of the Chapter**

This chapter has demonstrated that Labour entered Government espousing a Third Way policy programme. Labour had expressed significant concerns with the neo-liberal approach of the 1990s and acted quickly to implement a Third Way approach in the broad tertiary sector as well as in industry training policy. However, rather than comprehensive reform, Labour refined the existing framework in order to align the framework with its ideological principles. Importantly, the structure of ITOs was adjusted in order to require union representation and their core role was expanded to include a greater role in skills forecasting. Overall, the Third Way principles were manifest in the policy approach and practices, including for example: the notion of a greater role of government through the adoption of a steering approach for the sector; a strong commitment to partnership exhibited in a number of initiatives intended to address skills development and utilisation; and the Third Way inclusion of social outcomes of education alongside economic benefits. Importantly, the Labour-led Government adopted a multi-faceted view of skills that demonstrates a shift away from HCT.

## **CHAPTER SIX: THE 2008-2010 POLICY ENVIRONMENT**

### **Introduction**

This chapter is the first of a series of three that specifically deal with the 2008 to mid-2010 industry training policy context. The chapter serves three purposes. The first is to trace the development of industry training policy and wider tertiary policy where relevant, under the post-2008 National-led Government. In this respect, the chapter represents a continuation of the literature review as it predominantly draws on primary material, supported by relevant secondary material where available. The second purpose is to identify the consistencies and inconsistencies between the National-led government's policy approach and practices with its predecessors. The third purpose is to identify the ideological basis of the Government's policy approach, and practices. Given these latter two purposes, this chapter is the first stage of findings and analysis as it addresses the first purpose of the thesis by evaluating the extent to which the post-2008 National-led Government policies and practices represent a policy and ideological shift.

The chapter has been divided into two parts. The first revisits the theme of ideology and the evolving view of HCT and skills in order to illustrate their continued dominance as policy drivers. The second part outlines specific issues, policies and practices that serve the needs of the three purposes presented above. The selections have been made based on the extent to which they illustrate change and continuity in policy, practice, and ideology from previous eras (Chapters Four and Five). With regard to ideological change, the chapter evaluates the selected policy against the ideological parameters set in Chapter Three.

### **PART ONE: IDEOLOGY AND THE IMPORTANCE OF SKILLS**

Chapter Four and Five demonstrated the enduring influence of ideology and how the role of skills in labour productivity has gradually shifted from a basic HCT argument towards a more complex, multi-faceted view, in giving cause for industry training policy reform and shaping its nature between the mid-1980s and 2008. The following two sections will explore the extent to which these factors have driven industry training policy debates in the post-2008 environment before



the second part of the chapter explores how they have shaped the nature of resultant policy approach and practices.

### **Ideology as a Policy Driver**

In November 2008 a National-led Government was elected that promised a move away from ideological-based policymaking. This shift contrasted with previous eras of industry training in which senior ministers openly articulated their subscription to the ideology that has motivated and shaped their respective industry training policies (see Chapters Four and Five).

When addressing the 2008 National Party Annual Conference in his capacity as Leader, Key (2008) asserted that a core value of his Party was the “fundamental belief that less government is better than more” (para. 4). This belief is illustrative of neo-liberalism. However, aside from this early indication of the National Party’s ideology, senior ministers in the National-led Government of 2008 have not publicly articulated their ideology, including Prime Minister, John Key, successive Minister’s of Tertiary Education, Anne Tolley, and Steven Joyce, and Minister of Labour, Kate Wilkinson. Key in particular has attempted to distance himself and his Government from its ideological history, instead preferring to be identified as practically-oriented (Armstrong, 2009; du Chateau, Oliver & Bingham, 2008; Hubbard, 2010; Key, 2009a, 2009b). To illustrate, Key (2009b) specifically asserted that he is “interested in what works, not ideology” (para. 63).

In sum, this thesis argues that the new Government intended to, at least overtly, distance itself from its ideological history and claim a ‘pragmatism over ideology’ approach to policy making. However, this thesis also argues that ideology is a complex and pervasive concept that manifests in different ways including discourse and policy. Therefore, this chapter will identify how the National-led Government’s policy approach and practices nevertheless demonstrate consistencies and inconsistencies with neo-liberalism and the Third Way.

### **Skills and Productivity as Policy Drivers**

In conjunction with Chapter Three, the previous two chapters articulated the increasing urgency around the HCT argument that skills development through

industry training has the potential to contribute to productivity growth and therefore economic performance. In addition, Chapter Five noted that the Labour-led Government's policy approach and practices adopted a more complex view of skills in order to argue that utilisation was just as important as development. Nevertheless, New Zealand's labour productivity growth was on a downward trend between the 1990s and late 2000s (Ashley-Jones, 2009; Bascand, 2010; Earle, 2010). According to official statistics, New Zealand's labour productivity growth rate declined from an average annual increase of 2.6 per cent in the 1990s, to 1.3 per cent between 2000 and March 2009 (Ashley-Jones, 2009; Bascand, 2010). Therefore, the relationship between skills and labour productivity became an increasingly pressing issue in industry training policy debates.

Internationally, the relationship between skills, productivity, and the economy has remained a core concern in the late 2000s (International Labour Office, 2008; Karkkainen, 2010; Keeley, 2007; Somavia, 2008). The Director-General of the International Labour Organisation, Juan Somavia (2008), has asserted that "[i]nvesting in education and skills... to help achieve dynamic growth with quality jobs is a pressing priority throughout the globe" (p. iii). The rationale for skills development coupled economic benefits with the view that skills are a vehicle for bringing about broader social benefits such as greater involvement in community activities or improved health (International Labour Office, 2008; Keeley, 2007).

Similar themes were raised in research publications and policy documents within the New Zealand context (Business NZ, 2009; CTU, 2009; Earle, 2010; Green, Huntington & Summers, 2008; Harvey & Harris, 2008; MacKormick, 2008). For example, a Treasury working paper that explicitly addressed the relationship between skills and productivity argued that "productivity comes from the development, supply, matching and utilisation of skills" (MacKormick, 2008, p. 7). In addition, Business NZ's (2009) recommendations for improving New Zealand's productivity levels advocate that "[t]he focus needs to be on improving the quality of the flow of skills into our workforce, and on raising the level and utilisation of skills in our workforce" (Business NZ, 2009, p. 21). These arguments reflect a wider trend in research that accepts the HCT argument that skills contribute to productivity, but also that the quality of skills and they way in

which they are utilised are just as important as the quantity of the workforce skills.

According to MacKormick (2008), the application of skills in the workplace can increase labour productivity by:

- directly increasing individuals' productivity, enabling them to achieve more with the resources and technology available;
- increasing the productivity of others they work with – enabling others to work more effectively with the resources and technology available;
- enabling firms to adapt more quickly – by integrating new technologies, or adjusting to new markets and new challenges;
- increasing people's capacity to innovate – creating, adopting and applying new ideas and technologies. (p. 7, emphasis in original)

Given the above, it is not surprising that the National-led Government has also highlighted issues related to productivity. For example, Wilkinson (2009) asserted that “our productivity and labour market issues remain largely unsolved” (para. 9). The following sections will explore the National-led Government's skills policy approach and practices, with a particular emphasis on industry training in order to explore the continuities and discontinuities with the wider acceptance of a complex view of skill and the importance of industry training.

## **PART TWO: POLICY APPROACH AND PRACTICES**

The following sections serve to highlight consistencies and inconsistencies in terms of policy programmes and the ideological principles that underpin them between the current National-led Government and the previous two decades of governments. In order to present how particular policies have developed and been implemented, this part has been divided into sections that deal with particular policies or policy areas in a linear fashion. Therefore, it should be noted that this has meant that the overall order is roughly chronological, but not always so.

### **Contextual Issue: Recession**

Before consistencies and inconsistencies can be identified, it is important to note that an international recession that has influenced the New Zealand economy shadows the National-led Government's policymaking (Department of Labour, 2009; Ministry of Education, 2010b). This thesis proposes that the recession may

have a distortive effect on the National-led Government's funding policy. This proposal will be considered in the following sections as well as the findings chapters before a conclusion is reached in Chapter Nine.

With regard to international trends, the OECD conducted a survey of its member nations in June 2009 on the "impact of the economic crisis on the education sector" (Karkkainen, 2010). The report of that survey found that "most countries were increasing the volume of higher and vocational education in particular" (Karkkainen, 2010, p. 8). This trend was evident in Australia for example, where industry training received a major funding boost in the 2010 Federal Budget through the announcement of the *Skills for Sustainable Growth* package (Swan & Gillard, 2010). Karkkainen (2010) argued that the purpose of the increased public investment was to "tackle unemployment, but also to prepare for the needs of future innovation and growth" (p. 8). In relation to New Zealand, the Ministry of Education (2009) argued that in 2009 "there was additional demand for tertiary education enrolments as a result of the weaker labour market" and that in response the government "provided for some additional places" (p. 134). This reflects Karkkainen's (2010) observations at a broad level. The following sections and chapters will consider Karkkainen's (2010) findings in relation to the New Zealand context in more detail.

### **The Influence of Minor Parties on Ideology**

In 2010, National leads the Government with support from the ACT Party, the Maori Party, and United Future in confidence and supply agreements (Key & Dunne, 2008; Key & Hide, 2008; Key, Sharples & Turia, 2008). Chapter Five noted that the 1999 Labour-led Government's coalition and confidence and supply agreements both enabled and constrained the extent to which it pursued Third Way principles. This thesis argues that with regard to the National-led Government, the arrangements, specifically that with the ACT Party, has embedded elements of neo-liberalism in policymaking.

Within the National-ACT confidence and supply agreement, areas of congruence were noted in relation to the philosophical (ideological) foundations of the two parties, for example with regard to "individual freedom" and "limited government" (Key & Hide, 2008, p. 2). As identified in Chapter Three, these are

core neo-liberal principles. However, the most significant proposal in the confidence and supply agreement, for the purposes of this thesis, relates to the parties “joint aspirations for greater prosperity for New Zealanders” that each party agrees could be realised if New Zealand income levels were more comparable with Australian counterparts (Key & Hide, 2008, p. 2). In order to achieve this goal, the agreement includes a pledge to establishing:

...a high quality advisory group to investigate the reasons for the recent decline in New Zealand's productivity performance, identify superior institutions and policies in Australia and other more successful countries, and make credible recommendations on the steps needed to fulfil National's and ACT's aspirations. (Key & Hide, 2008, p. 2)

In addition, the agreement stressed that the National and ACT Parties have a “joint commitment to limited government – government limited to its proper role – and greater economic freedom [that] will need to be consistently adhered to” in the advisory group’s work (Key & Hide, 2008, p. 2). This thesis argues that such a commitment is significant as it indicates that the group is an ideologically-based mechanism.

The planned advisory group was established in July 2009 under the title 2025 Taskforce (2025 Taskforce Secretariat, 2009). The Taskforce’s recommendations, as presented in *Answering the \$64,000 Question: Closing the Income Gap with Australia by 2025*, indicate acceptance of core elements of HCT. For example, the report argued that “[t]he size of the workforce, and the level and quality of ‘human capital’... are important parts of any story of wealth accumulation and improving living standards” (2025 Taskforce, 2009, p. 38). However, the report dismissed the suggestion that the reason for New Zealand’s comparatively low income levels is attributable to skills (2025 Taskforce, 2009). This thesis argues that the report’s argument is significant as it foreshadows a reduced government investment in skills in line with the neo-liberal iteration of HCT. This view holds that public investment in education is only appropriate when it is counterbalanced by the benefits of that education accruing to the public. In this example, the public benefit would be realised in taxes that are proportional to income. Therefore, the 2025 Taskforce argument that increased skills do not equate to higher incomes, provides a justification for retrenched government funding. This

notion is explored further under the section of this chapter that deals with the priorities of the Tertiary Education Strategy 2010-15

### **Employment Relations**

As identified in the previous two chapters, the 1990 National Government and 1999 Labour-led Government both instigated fundamental employment relations reform in order to enable its respective tertiary and industry training policy reforms. Contrary to this pattern, prior to the 2008 election, the National Party resolutely rejected any suggestions that the ERA would be replaced by employment relations legislation similar to the ECA (NZPA, 2008; Wilkinson, 2007). For example, the National Party's Labour and Industrial Relations spokesperson, Wilkinson (2007) asserted that "[t]he days of the Employment Contracts Act brought in by National are past – just as the days of the Industrial [sic] Relations Act 1987 brought in by Labour are past" (para. 18). This statement further signals National's intention to distance itself from its ideological history. In the period between the election and mid-2010, the promise had been upheld as no fundamental changes, specifically with regard to the recognition of trade unions, had been made that effect industry training. This thesis argues that the consistency in employment relations is important as it provides the legislative support for trade unions that is necessary for the CTUs continued involvement in partnership initiatives. In turn, that support presents the potential for a continuation of the Third Way principles of partnership in policy development and implementation.

### **Industry Training Policy and Practice Indications**

This section serves to highlight that the National Party prioritised youth in its pre-election policies and this was continued once in power as the National-led Government has frequently and unequivocally expressed that skill development in youth is at the forefront of its education and skills development policy (English, 2009; Key, 2009e; Ministry of Economic Development, 2010; Ministry of Education, 2009; Ministry of Education, 2010b).

As noted in previous chapters, industry training spans both the education and labour market sector. However, National's 2008 election policy for education centred on the compulsory sector of which some elements marginally connected

to industry training, and its *Employment and Workplace Relations* policy omitted industry training entirely (New Zealand National Party, 2008a, 2008b).

National's election policies provide an indication of a shift in priorities from skill development for the existing workforce, to youth and new entrants to the labour market. In particular, National's April 2008 election education policy did not explicitly cover industry training, although it asserted that "trades and training should be put back into our schools" (New Zealand National Party, 2008b, p. 1). In order to achieve this, National proposed, amongst other initiatives, that "Trades Academies" be established (New Zealand National Party, 2008b, p. 1). In addition, the Youth Guarantee was a central plank for National's policy platform. This proposal broadly relates to industry training as it requires all 16-17 year olds to study towards a school-level qualification through an approved institution (New Zealand National Party, 2008b). The institution may be secondary school or a TEO, thus it opens the possibility for ITOs to participate in the scheme (New Zealand National Party, 2008b). While the Youth Guarantee, and under its umbrella, Trades Academies, have been implemented to different extents<sup>10</sup>, the initiatives will not be explored in significant detail given the interest of this thesis in industry training that focuses specifically on work-based learning (Ministry of Education, 2010a). What is important is that they represent a shift in priority with regard to funding and mechanisms for industry training; this will be discussed in Chapter Nine.

At first glance, highlighting that the National-led Government has prioritised youth achievement as an inconsistency with previous policy and practice is somewhat of a misnomer. This is because it was also an important part of the second TES developed by the Labour-led Government, so it could be represented as an area of consistency (Office of the Associate Minister of Education [Tertiary Education], 2002). However, this thesis argues that the National-led Government's youth priority demonstrates a shift away from the Third Way and is more consistent with neo-liberalism. This is because the Labour-led Government

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<sup>10</sup> Five Trades Academies have been established as partnerships between schools, Tertiary Education Institutes, ITOs and employers in order to deliver vocational based programmes to secondary school students (Ministry of Education, 2010a). Trades Academies are available for senior secondary school students who "combine study at a Trades Academy with studies towards their NCEA" (Ministry of Education, 2010a, para. 2).

used it in order to promote social benefits, while the National-led Government is enacting the youth priority across a broader range of policy and is driven by economic imperatives that are consistent with neo-liberalism. This recalls Kelsey's (2002) criticism that the TES would become a politicised mechanism that reflects particular priorities of the government of the day. This section will demonstrate that the youth focus dominates the National-led Government's training priorities, while the remaining sections will explore implications of such a focus in policy practices.

The 2008 *Speech from the Throne* that sets out the policy trajectory for the coming term of Government affirmed National's election campaign preference for skill development in youth and higher education, as opposed to industry training (Satyanand, 2008). It touched on industry training tangentially by stating that the Government would "respond better to employers' and students needs" in tertiary education (Satyanand, 2008, para. 74).

Another early indication of the government's youth priority is found in the 2008 *Profile and Trends* document (Ministry of Education, 2009). It identifies that a "key concept underpinning the new government's approach [in tertiary education] is to strengthen the interface between the secondary and tertiary education systems" (Ministry of Education, 2009, p. 34).

The government's goals for economic development for its term were laid out in the Government's Economic Growth Agenda announced by Prime Minister, John Key, in July 2009 (Key, 2009e; Ministry of Economic Development, 2010). The Agenda is built around six "main policy drivers," one of which is "education and skills" (Key, 2009e, para. 75). Policy programmes to advance this driver of economic growth are expected to centre on compulsory education and the "secondary-age students outside the traditional school system" (Key, 2009e, para. 135). The importance of all six policy drivers have been reaffirmed by senior ministers and in policy documents throughout the Government's term (Brownlee, 2009; English, 2010a; English, 2010b; Ministry of Economic Development, 2010; Ministry of Education, 2010b).



In sum, the Government's focus on youth at the expense of other sectors of education contrasts with Third Way principles. In particular, it is inconsistent with Third Way arguments for lifelong education as a means of developing a strong citizenship necessary for civil society. In addition, what is most significant about these policies is that it is a starkly different position from the policies pursued between the 1980s and early 2000s, which focussed more so on developing the skills of the existing workforce (Chapter Four and Five).

### **Consistencies and Inconsistencies in Partnership Practices**

As highlighted in Chapter Five, the Labour-led Government was committed to the Third Way notion of partnership. Internationally, the case for social partnership has continued to receive support from the ILO that argued social dialogue, achieved through social partnership mechanisms, is a critical means of achieving decent work, productivity improvements and international competitiveness (Cummings & Jecks, 2009). This thesis argues that in contrast to international advice and the previous government's policy approach, the National-led Government has, to varying degrees, continued elements of partnership, but in important respects it has not. Therefore, this thesis argues that the National-led Government's approach represents greater inconsistencies with the Third Way ideology. The Job Summit and Revised Skills Forum, as discussed below, are demonstrative of both the ideological and policy shift.

### **Job Summit**

One of the government's first actions that broadly concerned industry training was the Prime Minister's Summit on Employment (Job Summit), held in February 2009 (Key, 2009f). The Job Summit was advanced as a means of dealing with the economic downturn and ensuing high unemployment (Key, 2009f). Its purpose was to bring a diverse range of stakeholders together in order to encourage them to assume a leadership role in identifying strategies for addressing this issue (Key, 2009f). The Job Summit included representation from government departments, private sector businesses, individual unions, academics, professional organisations, community groups, and, most significantly for the purposes of this thesis, Business NZ, the CTU and the ITF (Key, 2009f). Therefore, the Job Summit represented a continuation of the core Third Way principle of partnership. In addition, the inclusion of a diverse section of civil society and the

government's expectation that civil society takes part of the responsibility for recognising and addressing is indicative of the Third Way notion of subsidiarity.

The Job Summit was also important as it reflected the government's wavering commitment to industry training. At the Job Summit, Key alluded to his support for training when he stated that it is important to "help those who lose their job get ready for the next one, so that if they do take a hit they can come back fighting" (Key, 2009b, para. 26). More explicitly, Key stated that his priority was to "keep up or increase the levels of industry training during this recession" (as cited in ITF, 2009, para. 2). In March 2009, a Cabinet paper was released that claimed the Job Summit was successful "in terms of contributing further valuable ideas for preserving jobs through the present economic crisis and creating the best possible conditions for business to step up as economic conditions improve" (Key, 2009c, p. 1). However, this thesis holds that the extent to which it supported the contribution of industry training to improving New Zealand's economic performance is debateable. While Key's support for industry training was pronounced at the Job Summit, follow-up actions on the recommendation to keep "people in education and creat[e] jobs through education and training" were more consistent with the overall youth priority (Key, 2009b). In particular, significant attention was paid to the Youth Guarantee and the Trades Academies, whereas industry training specifically, received little attention. The most significant outcome of the Job Summit regarding industry training was that the time frame that ITOs are eligible for trainee subsidies if trainees are made redundant was extended from 6 to 12 weeks in order to fund ITOs to assist in finding such trainees new work (Ministry of Education, 2009; Tolley, 2009a; Tolley, 2009b).

### **Revised Skills Forum**

The following section will demonstrate that the National-led Government's revival of the Skills Forum is an important example of contradiction in its commitment to partnership.

In an address to the CTU Biennial Conference, Key indicated his Government's intent to redevelop the Skill New Zealand Tripartite Forum under the rubric of the 'Skills Forum':

The Minister of Labour will be chairing a revitalised Skills Forum to focus on what we can all do in this area. The continued leadership of the NZCTU in this forum, together with other social partners, will be critical to its success. (Key, 2009d, para. 54)

This thesis holds that the omission of the word ‘tripartite’ in the Forum’s title can be interpreted as a subtle shift away from the Third Way notion partnership.

A Skills Forum meeting was convened in December 2009 in which the role of the government and partners in advancing the aims of the Forum were identified, yet a second meeting, proposed for March 2010, did not eventuate (Wilkinson, 2010b). Despite the failure of the second meeting to proceed, the Skills Forum received renewed attention in the lead up to Budget 2010 (Transport and Industrial Relations Committee, 2010; Wilkinson, 2010a). Wilkinson (2010a) identified the Skills Forum as one of four priorities that would facilitate the achievement of her intentions for Vote Labour<sup>11</sup>. Specifically, the Minister’s goal was to “improve the operation of labour market regulation, and through that the effectiveness of the services and information that is provided to labour market participants” (p. 2). Wilkinson (2010a) promised, as Chair of the Skills Forum, to “work with my colleagues to contribute to ensuring that New Zealand has the skills we need for economic growth” (p. 3).

The Transport and Industrial Relations Committee (2010), that included representation from both the National Party and Labour Party, noted in its preparations for Budget 2010 that they were “concerned” the second meeting of the Forum did not proceed despite Wilkinson’s acknowledgement that the Forum “produces tangible outcomes,” such as the Skills Strategy outlined in Chapter Five (pp. 2-3). In contradiction to the support for the Forum expressed by Wilkinson (2010a) and members of the Transport and Industrial Relations Committee, the 2010 Budget shifted funding intended for the Skills Strategy towards funding for a particular health and safety initiative (Cabinet Office, 2010; Transport and Industrial Relations Committee, 2010).

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<sup>11</sup> Vote Labour is the component of the Government’s Budget that is under the jurisdiction of the Minister of Labour. It is intended to “facilitate[s] economic development through policy and services that build healthy and productive workplaces” (Wilkinson, 2010a, p. 2).

In sum, this thesis holds that the mixed messages that surround the Skills Forum are indicative of National's evolving ideology. The Skills Forum is a residual Third Way partnership mechanism and while the rhetoric surrounding the Skills Forum has largely been positive, it is with respect to tangible measures of support that the government's commitment has waned. Therefore, this thesis argues the National-led Government's approach is at least an indication that it is shifting away from the Third Way partnership principle.

### **Budget 2009 and 2010**

Further mixed messages and uncertain support from the National-led Government for industry training can also be found in its two Budgets released to date. Budget funding changes for the Skills Forum have been dealt with previously, therefore this section deals with the implications of Budget 2009 and Budget 2010 for ITOs specifically. The two Budgets are important as they reallocate funding in various ways in which some respects has resulted in significant cuts to industry training.

The 2009 Budget affirmed National's shift away from skills development in the existing workforce towards future workers (youth), as discussed earlier. For example, in his *Budget Speech* (2009), Minister of Finance, Bill English, stated that New Zealand's "education and welfare systems need to be adapted to ensure the next generation of workers lift their skill levels and stay connected to the world of work" (p. 7).

The TEC (2009) outline of budget implications for ITOs states that "[t]he Government wishes to continue to support ITOs' role in the development and maintenance of national qualification" (p. 2). However, the document argues that the influence of the recession has required a "move away from soft 'capability funding'" (TEC, 2009, p. 2). Therefore, funding for ITOs' strategic leadership on skill and training was to be halved from 2011 (TEC, 2009). The 2009 Budget also reduced some planned funding for ITO literacy and numeracy projects (TEC, 2009). The 2010 Budget continued this approach as it further reduced funding for ITOs' strategic leadership role (TEC. 2010b).

At face-value, these funding cuts can be viewed as a product of the recession. However, this thesis argues that in the context of wider neo-liberal signals, the

reduced funding is also indicative of a shift towards neo-liberal HCT arguments that the government has little, or no, valid role in investing in industry training. The Budgets also, more subtly, reflect the neo-liberal belief in the primacy of market mechanisms. In particular, the reduction of funding for ITOs' skills leadership can to a certain extent be viewed as a means of encouraging market signals rather than strategic guidance.

In particular, this section has highlighted the 2009 Budget changes because they were the "first steps" towards the Government's TES as outlined below (TEC, 2009, p. 1).

### **Tertiary Education Strategy 2010-15**

The *Tertiary Education Strategy 2010-15* (TES)<sup>12</sup> is, between the 2008 election and mid-2010, the most coherent statement of the National-led Government's intentions for the tertiary sector. Therefore, it is one of the most important policies for the purposes of demonstrating the consistencies and inconsistencies in policy and ideological approach with that of the previous Labour-led Government.

The TES confirms that the Government's "skills driver" (as one of six structural policy drivers identified in the Government's Economic Growth Agenda) is specifically focussed on youth achievement alongside literacy and numeracy, and the performance of the tertiary system (Ministry of Education, 2010b, p. 3). It argues that the tertiary education system will play a key role in enhancing the contribution of this driver to economic growth (Ministry of Education, 2010b).

The nature of a tertiary education strategy, as Chapter Five identified, is inherently Third Way because it is a vehicle for greater government involvement in the tertiary sector. In contrast, neo-liberalism places its faith in the markets ability to determine the direction of tertiary education without government intervention. Therefore, that the National-led Government has developed and implemented the TES is, to a certain degree, indicative of the continued presence of Third Way principles. However, the National-led Government has utilised the

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<sup>12</sup> The draft 2010-15 TES was released for consultation in September 2009 before the final was published in December 2009 (Ministry of Education, 2009; Ministry of Education, 2010). It is important to note that given the short time frame between the final TES and the interviews for this research (two to three months), the interviews have been largely informed by the Draft.

TES in a different manner from previous Labour-led Governments that is significantly more aligned with neo-liberal principles than those of the Third Way. For example, the 2010-15 TES is of a smaller scale than previous Strategies. This means that while the government has continued the function of a strategy document, the focus is specific and limited, rather than a broad and flexible steering mechanism that is associated with the Third Way. Even more significantly though, as the following discussion will demonstrate, its priorities are tied closely to economic imperatives, particularly labour market outcomes, and it is in this respect, that the TES is more consistent with the neo-liberal iteration of HCT.

The TES has three main parts: the strategic vision, specific priorities, and expectations of providers and students (Ministry of Education, 2010b).

### ***Vision***

The first part articulates the government's broad vision for the tertiary system:

...a world-leading education system that equips all New Zealanders with the knowledge, skills and values to be successful citizens in the 21<sup>st</sup> Century. A world-leading education system is an important first step towards a productive and growing economy that delivers greater prosperity, security and opportunity for all New Zealanders. (Ministry of Education, 2010b, p. 6)

The broad vision of the TES is paired with four specific expectations for the general tertiary sector, one of which is particularly demonstrative of the Government's policy consistencies and inconsistencies. That is, the expectation of the system to "[r]aise the skills and knowledge of the current and future workforce to meet labour market demand and social needs" (Ministry of Education, 2010b, p. 6). The expectation is consistent with enduring HCT arguments as it specifically recognises the role that skills have to play in productivity improvements and economic growth. This expectation, according to the TES, has been developed in response to New Zealand's "historically low productivity rates and to give greater prosperity and opportunity for New Zealanders" (Ministry of Education, 2010b, p. 6). The inclusion of social goals alongside economic demands for education is also consistent with the 2007-12 TES. On the other hand, this priority demonstrates an inconsistency within the

Government's policy approach as it contradicts wider priority shifts away from skill development in the existing workforce by indicating that developing the skills of those already in the labour market is crucial to labour productivity.

### ***Priorities***

The high-level focus is further distilled into short-term priorities for the tertiary system between 2010 and 2015.

The TES argues that the recession has “curtail[ed] government income at the same time as increasing the costs of social welfare and debt servicing” (Ministry of Education, 2010, p. 10). In addition, it asserts that the recession has resulted in an increased demand for tertiary education. These factors coupled together have influenced how the Government's priorities will be achieved as the TES argues the government is concerned with achieving “the best return on the public's investment” (Ministry of Education, 2010, p. 10). This confirms Karkkainen's (2010) arguments about increased demand, but the trend towards restricting investment contradicts with international trends of governments increasing the volume of vocational training in particular.

The priorities encompass increasing participation and achievement, particularly of young people (under 25 year olds), improving the outcomes of students on levels one to three of the NQF, and “improving the educational and financial performance of providers” (Ministry of Education, 2010b, p. 10).

As identified previously, the focus on youth achievement is not a new priority in itself as it was included in the 2007-12 TES (Office of the Associate Minister of Education [Tertiary Education], 2002). However, with regard to the manner in which the National-led Government is justifying such a focus in the 2010-15 TES, the priority demonstrates greater consistencies with neo-liberalism. The earlier TES justified its focus on youth by arguing that it will result in greater economic returns in the form of higher income, paired with social outcomes such as a “solid foundation for lifelong learning” (Office of the Associate Minister of Education [Tertiary Education], 2002, p. 30). The 2010-15 TES is similar in that it also accepts the fundamental HCT argument that higher education levels correlate with higher income levels. However, the 2010-15 TES justification for investing in

youth also stems from the greater economic returns that government will experience. Specifically, the TES identifies “more young people moving successfully from school into tertiary education” as a priority because higher education results in greater individual returns, but, importantly, that “[t]argeting young people can therefore improve the return on public funding” (Ministry of Education, 2010b, p. 12). In other words, government investment is justified because it is counterbalanced by a higher and longer return in taxes. This is significant as it indicates that the National-led Government does not consider public funding to be appropriate unless it will be offset, therefore it is consistent with neo-liberal HCT arguments about the public/private divide of investment (Chapter Three).

The focus on performance is ambiguous with regard to its relevance for ITOs, as their role does not include provision of training. However, the general focus is still important as it indicates a potential shift towards more market based imperatives, although this is mediated by the identification of priorities that suggests a dismissal of market-based regulation.

When the TES was released, Tolley (2009c) identified that one of its aims is to “ensure the sector is more responsive to the needs of students and employers” (para. 1). The TES clarifies that the government defines and prioritises those ‘needs’ in relation to their economic value. For example, in order to achieve the priorities, the TES states it is necessary for government funding to be shifted “away from low quality qualifications (such as those with low completion rates or poor educational or labour market outcomes) to fund growth in high-quality qualifications that benefit New Zealanders and contribute to economic growth” (Ministry of Education, 2010b, p. 10). This emphasis on the economic rationale for education and training is indicative of the neo-liberal iteration of HCT and an area of inconsistency with previous TES.

### ***Expectations of ITOs***

The third part of the TES, that concerns the expectations for ITOs, begins by stating the three core roles of ITOs in the current context:



- To design national qualifications and run moderation systems to ensure fair, valid and consistent assessment against national standards;
- To arrange for the delivery of industry training that enables trainees to attain these standards;
- To provide leadership to their industries on skill and training matters, identify current and future skill needs, and work with employers and employees to meet those needs. (Ministry of Education, 2010b, p. 19)

Subsequently, three expectations of ITOs are articulated. The first expectation is that ITOs are to “create clear pathways towards advanced trade qualifications at level four and above” (Ministry of Education, 2010b, p. 19). This is significant as it indicates that the Government perceives industry training as a stepping stone, rather than a valid end in itself. The other two expectations of government for ITOs are to “enable working New Zealanders to complete nationally recognised qualifications” and to “build and maintain strong support from the industries they serve” (Ministry of Education, 2010, p. 19).

### **Summary of the Chapter**

In sum, this chapter has outlined how the National-led Government has pursued a policy approach and practices that represent significant inconsistencies when compared to the Labour-led Governments. Furthermore, this chapter holds that the Governments’ approach demonstrates greater consistencies with neo-liberalism. Most notably, this chapter has demonstrated that the National-led Government has enacted new initiatives aimed at youth achievement that are tangentially related to industry training, while skills policy aimed specifically at the existing workforce, especially through industry training, are a marginal priority. In addition, the chapter has argued that partnership initiatives (characteristic of the Third Way) such as the Skills Forum have received little substantive support. The following chapters will use the findings and analysis of this chapter in order to identify enduring issues in industry training and evaluate how effective the National-led Government’s policy approach and practices might be at addressing those issues.

## **CHAPTER SEVEN:**

### **INTERVIEW FINDINGS REGARDING BROAD ISSUES**

#### **Introduction**

The purpose of this chapter is to present the interview findings that relate to the broad industry training policy environment. The material has been divided into four categories that cover the most significant issues that influence or shape policy.

#### **Skills, Productivity, and Economic Performance**

This section presents the findings that address the relationship between skills, productivity, and economic performance. It includes those findings that relate to how significant the organisations perceive the contribution of skills to productivity and to New Zealand's economic performance and, in particular, the importance of industry training in this equation.

The Department of Labour, Business NZ and the ITF interviewees were in agreement that skills play a crucial role in improving productivity and therefore improving economic performance. Dawson confirmed that one of the key areas of the Department of Labour's Work Directions Group is the importance of skills in the labour market:

...obviously the skills of workers and the way that those skills are being used and developed in workplaces is a really central issue for us in thinking about how we can improve the operation of the New Zealand labour market and it's obviously a really critical component of labour productivity and therefore economic growth.

The ITF's Jeremy Baker, described skills as "critical" in contributing to economic development. When Business NZ's Carrie Murdoch was asked about the skills and productivity equation, she reflected on the importance of education in promoting involvement in the labour market that generally leads to productivity improvements:

Skills obviously are important... having the relevant and right skills at the right time and right place... I guess education and training generally is essential to achieving productivity improvements, and it's critical to improve the opportunities to

participate in the workforce; both today, tomorrow and 10 to 20 years from now.

Although cited as an important factor, skills were widely accepted as only part of New Zealand's poor productivity performance. Don Farr of the CTU noted that while skills are important, simplified definitions of skill and training hinder gains in productivity:

Trying to fight against the narrow definition of training and starting to see where education, and the nature and culture of the workplace are the fundamentals, and it's that that leads to the productivity boost which everybody wants to see in the long term.

Murdoch and the CTU's Peter Conway agreed that skills are only one factor of the productivity equation. Murdoch discussed how a number of skills and capabilities must work together effectively in order to achieve productivity improvements:

...having the skills at the right place and the right time is part of it, there's obviously some broader macro policy settings factors that can also impact on productivity. And obviously research and development and innovation is critical, you know you look at management capability that's critical as well, literacy and numeracy skills that's important too. So it's about getting all of these key capabilities or skills aligned and working together... So it's not just let's increase skill levels, therefore we'll increase productivity. It's not quite as linear as that.

Conway noted the "direct relationship between skills and wages and higher education" but, like Murdoch, avoided solely attributing economic performance to labour productivity improvements achieved through skill. Conway instead advocated the recognition or encouragement of multi-factor productivity as there are a number of issues influencing productivity beyond skills and he argues it is important to consider the relationship between the issues:

...we would have a whole cluster of things that actually talk about how wages can be lifted on a sustainable basis...like technology, work organisation, workplace culture... And so the approach we would take around the skills question is partly about the relationship between all of those.

When comparing New Zealand and Australia's productivity growth, Dawson attributed New Zealand's low rate to the quality of skills New Zealanders are investing in and developing. However, she also recognises that it is a circular issue that is compounded by low investment in capital:

...we spend bucket loads of money on vocational education but there's real issues around the quality of it, our completion rates are really quite shocking, and we also don't have the same levels of capital deepening as Australia. So Australian firms invest more in plant equipment and a person using better technology is going to be more productive than a person using redundant or lesser quality technology. But it's a vicious circle because employers can't get better gear if the people they've got working for them don't have the skills to operate the better gear. So every way you look at it, there's a skills dimension to all the aspects of the economy that would be needed to raise labour productivity.

Baker and Farr also discussed New Zealand's low productivity when compared to other OECD nations. Baker referred to New Zealand's "pretty low international workforce productivity" while Farr expressed his concerns as such:

One of the things that we were and still are extremely scared of is that New Zealand, at the moment, has the lowest productivity in the OECD. We apply greater number of work hours to production and produce the lowest outcome... we throw more labour hours into production and have the lowest return. It's absolutely appalling. And if we don't move on that fast, and that's big, this is really big picture stuff, then New Zealand's going to go down the gurgler as the working population gets older and older and the number of workers reduces because the proportion of the population has gone past 70 years or whatever its going to be by then. Then we've got a crisis.

Baker proposed that a failure to utilise skills adequately in the workplace is an important factor impeding productivity improvements:

We have a long history of underinvestment in our human capital and not a particularly good track record of the effectiveness of our businesses in turning human resources, human capital, into productivity.

Dawson and Farr expressed similar concerns to Baker with regard to the failure to adequately utilise skills in the workplace. They advocated a complementary mix of skill development and utilisation in order to maximise the effect that skills can have on productivity. Farr argues that "...the only way out of that is greatly increasing not only the skills of workers, but the way those skills are deployed at work. Similarly, Dawson asserted that labour productivity growth does not need to be significantly higher to reach Australia, but the tertiary system needs to deliver the right skills and employers need to effectively use them in conjunction with capital investment:

...it would take labour productivity growth of 3.5% per annum to catch up with Australia... We can achieve... labour productivity growth of around 2 percent, 2.5 percent, depending on the economic conditions... if we could get the tertiary education system operating properly... vocational skills being developed properly... employers then using those skills in their workplace and then investing in better plant equipment, we could achieve those levels of productivity.

### **The Role of the Government and Key Organisations**

This section presents the findings that relate to how effective the interviewees consider the voluntary and industry-led basis of industry training to be and what role the government and non-governmental organisations should play within the system. The interviewees' perspectives of where the responsibility for funding lies are also presented.

The voluntary foundation of the Industry Training Act was highlighted by both the TEC Policy Manager and Murdoch as an important feature. The TEC Policy Manager argued that in contrast to a coercive system which “removes all sort of tests of value from the equation”, the voluntary foundation is “a very high test, or a robust test, of do people value this?” Murdoch asserted that the voluntary basis, coupled with the industry-led structure, is an important aspect:

I also think the other significant feature of it is that it's voluntary. So if business doesn't see a value in participating in it, then it doesn't happen.

David Earle of the Ministry of Education, the TEC Policy Manager, and Baker all agreed with Murdoch's assertion that the industry-led basis of industry training is critical. Earle described the system as “quite unique for the extent to which there is quite a lot of autonomy across employers to shape the training” and supported “the good practice where it is working really well for the kind of autonomously developed training.” Baker argued that “the fact that ITOs actually arrange training is a really important element of the system” and to indicate her support of the industry-led framework, Murdoch stated that “obviously given that it's owned by industry, led by industry, that's really critical. I think that's one of the most significant important features of it.” Murdoch justified the industry-led system by arguing that it results in relevant training as industry has the ability to influence training and ensure it is tied to its needs:

...we're obviously very supportive of industry training and have been for quite a long time in terms of it's one of the few spaces that is industry-led - ITOs are set up for industry, by industry. So in terms of actually responding to industry needs and demands, we're very supportive of that.

Baker argued that this structure is a strength as it ensures ongoing support from industry:

I think there is a combination of things that work relatively well in the system. One is the fact that we have industry ownership, that it's a bottom-up system so organisations, industries apply to the government to receive recognition, rather than government setting them up. I think that's really important because you get the buy-in from those industries that you might not get in another sort of structure.

In contrast, Farr and Eileen Brown of the CTU were critical of the industry-led structure of ITOs. Brown maintained an ITO should be "a representation of providers, of workers, and employers and government supports that", but the structures have not fulfilled this and "the basis of what forms a good ITO is not really evident, regrettably." Furthermore, Brown expressed concerns that while there is variation in the nature of ITO structures, some of the current structures do not support union activity in the sector:

I think the functioning of some of these ITO boards is dubious really, we have got with the Industry Training Act, two places, at least one or two places on those, but they're not very functional organisations many of them. They're quite employer dominated and it's quite hard for us to get any real traction in that, and that was hard in the last five years, it's not any easier at the moment. But there does need to be you know a shakeup in some of those industry training organisations.

Likewise, Farr argued, ITOs are controlled by the largest employers in New Zealand:

Well the general comment is that ITOs, by their nature, by the wording of the Act, are controlled not just by employers but by the largest employers in their industry because no other employers are able to send representatives to the Board of ITOs.

Farr maintained that the current industry-led system is too focussed on delivering what he perceives as a narrow view of training tied to technical skills that, in turn, neglects learner needs:

We spend a lot of time trying to ensure that given that we've got a demand education system, that learner demand is promoted,

that there are ways for learner demand to be heard for education programmes to be able to respond to that demand. Within industry training if that doesn't happen then all, the only voice that is heard is employer demand for specific training programmes, frequently narrow in their focus, frequently task specific and frequently not, as we would put it, with a focus on worker development, on workforce development... much of what is referred to as and promoted as successful industry training is very task driven, how to work this machine, how to do this, how to do that.

Farr advocated a stronger role for learners in industry training as a means of achieving more successful learning:

Our view is that learning will not happen successfully unless there is far more opportunities for workers themselves to say what they want to learn and to have access to that learning.

The TEC and Business NZ interviewees stressed the importance of achieving an appropriate balance of government involvement that incentivises but does not hinder or distort the operation of the system. The TEC Policy Manager highlighted that the role of firms is not primarily as a trainer, thus the Government has a valid role to play in encouraging training. However, they noted the importance of achieving a balance so the government's actions do not have a detrimental influence on business decisions:

...firms [are] not there to train, they're there to produce goods and services, they're not a learning institution and firms have a range of areas they can invest in, education and training is only one, marketing, logistics, public relations, everything, what you want is the government's involvement in one aspect of the input of the firm not to distort the decision making across everything else.

The TEC Policy Manager agreed that the government should establish a system that is "flexible enough to follow the business cycle." Murdoch also identified aspects of industry training in which she perceives the government has a valid role and influence:

...government has a role to make sure that [policy is] promoting responsiveness to business and industry skill demands as well as supporting employees to participate in opportunities.

Like the TEC Policy Manager though, Murdoch stressed that the government needs to achieve a balance between signals and regulation, using an example of qualifications development in order to illustrate her point:

...there could be some more flexibility in terms of what ITOs can purchase, particularly management and supervisory capability which normally sit higher on the framework. I mean there's always an issue around ongoing responsiveness and ensuring that ITOs are responsive in a timely way to the changing needs of business and industry. And obviously they have to navigate the central bureaucratic regulatory system. So in terms of if we needed to develop a new qualification well there's a whole process around that and things that governments do or don't do that get in the way of how quickly industry training organisation can develop a new programme and get it out into the market place... So that's a good example of signalling that yes we want increased responsiveness to industry needs but at the same time let's create regulatory barriers to actually executing that because obviously industry and businesses need skills higher than level four frequently.

Both Murdoch and Conway outlined their organisations and its affiliates' role in industry training and policy. Neither was prepared to accept that government action alone would be adequate in meeting their respective needs. Murdoch emphasised that business and industry have a number of points of influence in the system that should be used to their best advantage:

...business and industry has a real role too and so the points of influence for business and industry are obviously they can influence the decisions individuals make in terms of the choices to go into an apprenticeship, to undertake a particular qualification whatever... Business and industry can also influence qualification development and programme development... the broader governance and regulatory settings in some respects... [and] can also influence the policy development process.

Murdoch noted that Business NZ's role within this is to encourage the business and industry they represent to maximise their influence and take a leading role within policy despite it not being their primary function: "it's not all about government doing stuff; business and industry also have to step up as well." As a leading representative of the CTU, it was unsurprising that Conway focussed on the responsibilities that unions should take within the policy framework. He argued that unions needs to take a broad view, to recognise industry needs as well their own and to work with other players, such as ITOs, in order to develop strong industries:

What I'd like to see in the union movement is just a far deeper, broader network of activists in this area... it's absolutely vitally important that you have an industry strategy that's part of this,



an economic growth model, how it's going to work for your sector and that and you look in skills in that context.

With regard to funding, Earle discussed how the government must establish a policy environment that encourages high quality skill development in alignment with the government's priority areas and does not create "perverse incentives" that influence decision-making. Murdoch outlined that Business NZ perceives the government's role in funding as "incentivising opportunities for people to participate... employers, industry and employees, and there's also a particular role it has around addressing equity issues". The TEC Policy Manager discussed how the Government attempts to balance the responsibility for funding:

The primary difference between someone in the workplace setting and institutional setting is quite different. It's a far safer bet to invest in industry training because they've already got a job, so the opportunity cost is far lower. But that said, the government tries very much to leverage off firms to actually train because there's no incentive to train because it doesn't add any value to the business they just won't do it, so we get a sort of a balancing act.

The Policy Manager argued that it is a balancing act for the government to ensure that there is a fair responsibility for funding on the part of the government, industry, and employees/learners. The Policy Manager indicated that employees/learners engaged in industry training should be prepared to contribute to the cost of their education and training because of the benefits they receive:

From a pure public policy perspective you'd like to think that people are willing to pay towards, make a co-payment, to recognise the value of it... If you attend a polytechnic you roughly pay about 26% of the cost of your tuition. It's roughly about the same contribution on the industry training side, but these people have got jobs and the employer also benefits from this training, so on the face of it, it does seem to be a little bit out of whack.

Conway advocated a "sustainable model... that doesn't get attacked every time there's a change of government." To achieve this, Conway recognises that employees/learners may need to shoulder some of the cost, especially as the demands for high quality education and training rise:

Well, I think for workers, we have to raise the demands about investment in lifelong... I think some workers are prepared to pay a bit for this... That's not a model we would encourage, but I don't think we should say never in a million years would we consider something where the worker pays.

On the other hand, Conway also argued that employers “have to be prepared to invest more.” Murdoch raised the current cash contribution that industry makes to industry training and views this as an indication of its support:

[It is] important that industry does also contribute financially to industry training, in terms of the work they do with the ITOs as well as the in-kind contributions, that’s a real test of support as well.

### **Skill Shortages and the Purpose of Training**

This section presents those findings that relate to the nature of skill shortages, barriers to addressing the shortages and how the tertiary system, workplace organisation, and immigration can contribute to the solution.

Dawson indicated that there are conflicting messages going to the Ministry of Education about the nature of skill shortages and how they could be addressed:

...we try to engage through the Ministry of Education on the big broad brush of where a quantum of investment should be going and because there is some disagreement between us and the Treasury around the relative importance of investing in degree programmes, industry training or vocational qualifications.

Dawson outlined how the Department of Labour’s analysis has led them to argue that an emphasis on skill development for its own sake is unproductive:

...our analysis would say to us that there will be a shortfall in people who are qualified with vocational qualifications, both at sub-degree and degree levels. Whereas the Treasury’s analysis...[is] just a different type of analysis, it’s based on a view that higher education is necessarily of more benefit to an economy therefore more higher education is better and they’d say we should be doing more. But we would say at the moment if some industries don’t develop we could even have an undersupply of people with no skills, because there are still jobs in the economy that require people with no skills and there are a lot of people who have got some formal skills who are doing those no-skilled jobs. So when we think about the kind of skill levels that are going to be required for jobs, we would say actually there’s a lot of wastage because we’ve got people with qualifications doing jobs that don’t really require qualifications.

Therefore, Dawson argued a balance between investing in education and training for its own sake and education and training for the needs of the economy is vital:

We’ve then got a lot of concern around people with certificate four and above qualifications, and particularly a concern around

para-professional, like technician training... there doesn't seem to be enough of that going on and that should be being properly progressed out of the polytechs and industry training organisations. And then we would say that we probably will need more degree qualified people but we would think the balance needs to shift more to vocationally qualified people getting degrees rather than the number of humanities degree programmes. But we don't have to take the 'education is good and it's good to have humanists in the economy' line.

This argument parallels Murdoch's concerns about policy needing to balance the pursuit of skills linked to economic development and education for its own ends:

...education agencies and tertiary education organisations, they will focus on the priorities. Which is good... but that's not enough in terms of saying well that doesn't immediately translate into more relevant tertiary education to help support the economy or businesses to execute their business strategies.

Murdoch also argued that the government should provide guidance on "balancing the broader vision of education and skills for economic development with education for education's sake."

Farr expressed concern that a lot of training that occurs in the workplace is compliance driven, for example to meet health and safety standards, rather than being driven by the wider needs of the employee/learner:

A tremendous amount of industry training that happens in New Zealand is probably compliance driven as much as anything... when you explore it, you find that if it's a food processing place the training is to ensure that there isn't an outbreak of Listeria or a prosecution from the Department of Labour and heavy training on health and safety issues because that's always a fear of prosecution... what was the intended focus of this learning? Is it the career of the employee or the safety of the enterprise from prosecution and frequently it's the latter.

Consequently, Farr challenged the traditional notion of skill that drives this type of training:

...we're actually on about not just training, but about workforce development and the workplace culture that is able to support that learning. Supporting learning... it's the environment where it's safe to ask questions, to challenge, to think.

One of the key problems that industry training faces in addressing skill shortages, according to Farr, is that participation in industry training has a lot of barriers.

Most importantly, the learner needs employer buy-in and support as they move through the levels:

If you're learning at work you can't just jump to level three or level four... What actually has to happen with industry training and learning at work, you've got to start at level two and then move on the level three, taking the employer with you as you go. So to place all that emphasis on the higher level qualifications doesn't work in industry training.

Dawson outlined the Department of Labour's three-step method of addressing skill shortages, noting how the tertiary system, workplace organisation and immigration can make a contribution:

...you need to take an approach which is relevant to the particular situation... our approach is expressed as 'make, buy or fix'. So depending on the particular industry or how urgent the need is, we would say you might want to 'make' as in you might want to get people out of the vocational education system to be going into that emerging area so if you've got a bit of time you'd just use people coming out of tertiary. If it's really, really urgent then we'd talk about 'fix', which is in your own workplace how can you upskill people or reorganise your workplace so that you can get those skills out of your existing workplace. Or 'buy' is bringing people in from off shore. If you can't fix the people that you've got, if you don't have a tertiary education system that can deliver people in time, then your only solution is to bring someone in from off shore if you can get them.

On the whole, Dawson argued that each factor needs to be considered:

...we wouldn't say one is better than another, you need all of them, but we need people to understand how the different approaches work so that they can be making the system work better for them.

With regard to the reorganisation of workplaces as a method of addressing skills shortages, Farr cited an Australian approach, the Competitive Manufacturing Initiative (CMI). This strategy has had limited application in New Zealand workplaces, but Farr believes it has a lot of potential to address workplace issues:

One of the best things that happened in the skills area... is the Competitive Manufacturing Initiative... [It is] very much based on workforce development and employees having the knowledge and experience and initiative to themselves make interventions in the workplace to improve what's going on.

The most significant barrier Farr perceives to the CMI's success is management resistance:

It is failing because most of the management who pick it up have failed to allow their employees that level of participation.

With regard to immigration, Murdoch noted that it is an inevitable means of addressing skill shortages due to demographic issues:

...you look at our aging workforce and the scary demographics around that, clearly we're going to have to rely on immigration quite strongly, both for unskilled and skilled labour.

Murdoch noted that New Zealand is competing with other OECD countries, so issues in immigration policy need to be addressed in order to make New Zealand more attractive for skilled workers:

...unfortunately we'll be competing with Australia, Canada, the US, Japan and the range of OECD countries are all in a similar situation as us, so we need really strong competitive immigration policy settings... you need both, so you need a workforce development approach to immigration policy as well, and realising that yes immigration policy does contribute to New Zealand's economic development. And I think we've seen some steps in that direction which is actually quite useful.

Murdoch advocated an immigration strategy that complements skill development within the tertiary system:

...you need to ensure that immigration policy is set up, or aligned, or complements workforce development more generally through the tertiary system... you can grow your own skills to meet obvious gaps and you can provide opportunities for people in the workforce to upskill... and then you can buy them in as well, and I guess that's where the Immigration Strategy comes in there... making sure that can occur effectively and efficiently.

The policy options for retaining skilled workers were explored with Dawson. She argued that greater attention should be paid to raising incomes in New Zealand because, Dawson argues, a major reason for skilled workers immigrating to Australia is the opportunity to earn higher wages:

People just need to be paid more... we know from research that's been done is that the main reason people leave is because of the higher wages that they can attract off shore... which is why we lose most people to Australia, because it's really easy to migrate to Australia. So the policy response is to do whatever we can to raise income levels in New Zealand.

## **Industry Training's Relationship with the Tertiary Sector**

This section presents the interviewees' evaluation of how integrated the tertiary sector is. It also presents the interviewees' evaluation of whether the assimilation of industry training into a broad tertiary sector is a worthwhile goal.

Baker contended that a significant issue in industry training is that it is disconnected from the wider tertiary sector:

I think probably the biggest issue is the lack of clarity of the relationship between ITOs and the rest of the system. So you have an ITO governed by the Industry Training Act, when you have polytechnics, wananga, PTEs who are the other main vocational providers and I guess some parts of the university system as well, they're governed by the Education Act, and there's actually very little communication.

Murdoch also noted that the sector is disjointed:

...getting that clear pathway that connects the education system is really critical... The sector is very fragmented at times... making the pathways very difficult for people to follow.

A manifestation of this disjuncture is the inconsistencies in expectations and responsibilities within the tertiary sector that Baker regards as problematic:

... there are a set of responsibilities and requirements put on, or required of ITOs, including for example the development of national quals, or the development of strategic labour market information and strategic training plans, and then you go across to the Education Act and you go what are providers having to do in relation to that, well nothing. So there's disjunct between the two systems which creates friction, creates problems, it means that we actually don't have an integrated vocational education and training system in New Zealand.

ITOs are required to produce skills information yet there is currently no requirement for other TEOs to use that information. Baker considers this to be a significant omission in the policy that should be addressed:

There's a statement in [the TES], an expectation on all of the tertiary education system that they will make use of the information produced by ITOs around industry skills leadership, and again we'll be asking the government agencies how they expect that to be given effect.

Murdoch also critiqued the exclusion:

ITOs have been tasked with their industry skill leadership role. They've gone out and identified the skill needs in their particular industries, but there's no mechanism in place... for that information to be used by other, like a university or a polytechnic in terms of its thinking when it's developing its skills.

Baker claims that the dualism results in difficulties for learners to move between Tertiary Education Institutes and ITOs:

It is really difficult at the moment, if not almost impossible, for people to swap between the systems we have.

Baker describes this as “one of the critical problems that we have not sorted” and advocates that the system should be more flexible to learner needs by facilitating easier transfer between parts of the vocational education and training (VET) sector in response to economic cycles:

...the systems ought to balance each other out, depending on what the economic cycles [are] at... people ought to be able to move between, it should be one system.

Despite the recognition of the disconnection in tertiary education as presented above, Murdoch and the Dawson objected to the integration of industry training in to a homogeneous system that ignores the diversity in the types of education and training. Dawson proposed that a distinction between vocational and non-vocational education and training is the most sensible division of the tertiary sector:

...the distinction is not necessarily between higher education or university education and vocational education; it's between vocational education and non-vocational higher education. So your vocational education that's done in universities should be considered as part of your vocational system... And then you can look at articulation arrangements and you can look at how the different types of occupations that are needed in those industries that you're servicing are being supplied through the entire vocational training system, rather than the nonsensical kind of divide at the moment.

She recognised that this would require a fundamental shift in policy, but argued that it is more conducive to the needs of the workplace:

It's a completely different way of conceptualising the delivery of training, but it's much more orientated to how employers see their workforce.

Murdoch echoed a similar notion of thinking about the tertiary sector based on its purpose, rather than the provider.

...if you start thinking about the overarching policy framework for tertiary education and training you've got higher education which is you know university research, teaching and learning and then you've got vocation education and training... They all need to sit in a coherent way with recognised pathways across each of the areas which integrates back in to the schools sector.

Dawson justified a division based on the benefits that each type of education and training delivers by emphasising the economic rationale for the divide:

Because vocational education is different to tertiary education and it has a different purpose... there's a lot of higher education that's done that doesn't have a vocational focus and I think that having some separation between your spend on training and education which has a vocational focus from your other tertiary spend... it's just sensible to do that so you don't have arguments around trying to compare apples and oranges in terms of social benefits.

### **Summary of the Chapter**

This chapter has presented the interviewees' perceptions of the broad policy environment with regard to four key issues that influence the policy framework. In particular, the chapter has: ascertained the interviewees' evaluation of the relationship between skills, productivity and the economy; identified the interviewees' perspectives of the appropriate role of the government, employers' and employees'/learners'; reported how the interviewees' consider skill shortages might best be addressed; and finally, it has presented the interviewees' evaluation of the relationship between industry training and the wider tertiary sector. The following chapter shifts from exploring the broad issues addressed in this chapter, to the specific policies and priorities of the post-2008, National-led Government.



## **CHAPTER EIGHT:**

### **INTERVIEW FINDINGS REGARDING SPECIFIC POLICY PRACTICES**

#### **Introduction**

The purpose of this chapter is to present the interview findings that relate to the post-2008, National-led Government's industry training policy approach and practices. It presents the interviewees' perceptions with regard to five selected policy practices.

#### **Social Partnership**

This section presents those findings that relate to how paramount the interviewees' considered social partnership to be under Labour and their evaluation of whether National will continue the model. In addition, this section will identify what the interviewees' perceive as the most significant advantages and disadvantages of social partnership and their willingness to continue the model.

While David Earle, of the Ministry of Education, asserted that Labour "was very deliberate in running the social partnership model and having meetings with Ministers at a Ministerial level with those other organisations," there was disagreement from the non-governmental interviewees' as to how robust that commitment was. The ITF's Jeremy Baker argued that while Labour was inclined to social partnership it was not a priority, which is demonstrated by the time it took for the significant social partnership initiatives to be established:

I think the previous administration was quite committed to it, but it actually came to it quite late in the piece. I mean the Skill New Zealand Forum was set up about half way through the last government, the Skills Strategy didn't actually get underway until the last year.

The CTU's Peter Conway noted that "we never got to a fully, or even half developed model of social partnership under the Labour led government. We got some way down the line." Business NZ's Carrie Murdoch stated that she "thought they [Labour] were really committed to social partnership" however there were issues in the extent to which they engaged with the non-governmental key organisations. This issue is elaborated on below where the findings related to

the influence of political affiliations on the operation of social partnership are presented.

The Senior Official of the Ministry of Education observed that National has followed a typical pattern of government behaviour; that is, that when newly elected, a government will address its own policy priorities first before turning to existing models:

...any new government that comes in has always got a list of things that it wants to get underway quite quickly and at one level it's not going to spend a lot of time... consulting people, it's already got, it's done those sorts of things in opposition and it comes in and it goes ahead and does them. Possibly at some later stage, it might think now what are we going to do next? And then it might go start talking to key parties and that's a pattern that we often see across time.

In line with his colleague's argument, Earle added that while the principles of social partnership are still relevant under National, its specific forms and processes have not continued:

...to my knowledge that's not running as an official process any longer, but there's still a lot of advice and interest taken from those organisations in the development of policy and Ministers are certainly aware of their views and want to keep them on board with developments.

More specifically, Earle stated that National views the social partners to be "more as market leaders than policy collaborators." The Department of Labour's Monique Dawson further affirmed Earle's view, as she argued that National was initially dubious about the value of social partnership arrangements, especially the Skills Forum, as it is not their usual way of working:

...it wasn't necessarily a normal way of operating, because it doesn't really happen much around government I think, not with a National government anyway.

Murdoch and Don Farr, of the CTU, observed that National has acknowledged social partnership, although each noted that the extent to which National are committed to the framework has significantly lessened from their predecessors. Farr observed that "generally the principle of social partnership in this area has significantly diminished with the change of government and that's not an advantage" while Murdoch identified National's explicit commitment to social partnership but questioned its understanding of the concept:

...if you look at their manifesto commitment they acknowledge the importance of social partnership, but I don't know if they actually understand social partnership.

According to Baker and Conway, the government has acknowledged the importance of the non-governmental key organisations. Baker described National's commitment to social partnership as "perhaps more than you might expect" because of their re-establishment of the Skills Forum. He discussed how the government has recognised the importance of non-governmental key organisations:

...it is at least an acknowledgement that not everything can be achieved through government action alone and that if you want, particularly if you're talking about things that happen in the workplace, you need the workplace partners, slightly more focussed term than social partners because it focuses on the workplace and what's going on in the workplace. So they do listen to both Business New Zealand, the CTU and to other organisations like ourselves who, we have both trade unions and business people on our boards, so we fit in between somewhere.

Conway pointed out that the government has recognised the importance of the CTU's perspective to a certain extent:

I think with the new government it's more of a recognition that unions have a legitimate constituency and a role and voice, for instance at the job summit a year ago, and I think at that level we've got some recognition.

However, Dawson, Farr and Conway also emphasised that the forms of engagement have been weakened in their discussion of how social partnership has manifested in policy, especially through the re-established Skills Forum. Dawson noted that while some existing initiatives were maintained the model was not expanded into new initiatives:

...we're trying to get more work done on coordinated action around skills development, they were not, not in a position where they said stop doing what you're doing, because they could see that the stuff that we were doing was the kind of stuff which they'd already given bipartisan support to because they had supported the Skills Strategy when the Labour government was around, and it was innocuous and it was largely important and there was no reason to stop it, but they didn't go so far last year as saying gee whiz this stuff is so important we want to reenergise it and get up and running and doing some of our own stuff.

Conway regards National's adaptation of social partnership as "much more of a passive process where they still meet with us there's still some work that we do together" but highlighted how conflicting interests have created barriers to a strong partnership:

...of course we're campaigning against them on ACC, on a whole lot of issues... and that's not a good environment to have a partnership approach.

With regard to National's Skills Forum, Conway described it as an abridged version of the original, but acknowledged that at least it did still exist:

...what they did was they look at the Skills Strategy and they said we think the framework for meetings is too elaborate... But in the end, they said we still think there should be a Skills Forum.

However, Conway regards the connection that National has forged with the CTU through contact with Ministers as "thin networks rather than thick networks." Likewise, Farr acknowledged that the CTU's view as a social partner is heard by the government through meetings, however he perceives the degree of engagement through the Skills Forum as significantly weaker than what it has previously been:

...meeting every three months, for half an hour, it is a valuable governance structure and it's able to act as an early warning system on big picture stuff, but it's certainly not the working party arrangements that we had under the previous government.

Rather than a genuine commitment to social partnership from National's Ministers, Dawson identified Business NZ and CTU's endorsement as the primary reason for the re-establishment of the Skills Forum:

Towards the end of last year there was an acknowledgement that it would be a good idea to have a forum - that was I think mainly because the social partners lobbied for there to be a re-establishment of the forum.

She further added that the continuation of the Skills Forum is dependent on Ministerial backing and at the time of the interview Steven Joyce had only recently been appointed Minister of Tertiary Education and his support was not apparent:

...then we tried to get another meeting organised for this year and it's been unsuccessful for that to be organised. And that's a bit about the fact that Minister Joyce is now the Minister of

Tertiary Education so we have a new Minister to persuade as to the value of this way of working.

The Senior Official of the Ministry of Education, Murdoch, and Conway all made observations on the influence that ideology and political affiliations have on social partnership. The Senior Official highlighted that there will be differences between National and Labour because of their perspectives on the role of the key organisations:

...one of the differences between say a centre right party and a centre left party, which you are seeing to a certain extent, is that a government such as the new government is probably going to be prepared to leave a little more decision making to what we might call the market. Possibly than trying to have a centralised approach... And I think we've seen those tendencies in the year and a bit since this government was elected.

Dawson, Murdoch, and Conway commented on the effect of political affiliations and relationships on the function of social partnership. Dawson observed that each social partner has its political relationships and has at different times played the connection to their advantage. She added that sometimes the connections will be utilised for the benefit of the other, but as an advocacy organisation it is not unexpected that they will prioritise their own interests:

...you just can't be naive about tripartism, it doesn't override your party affiliations or the interests of your membership... What it does provide is some agreed common ground and some ability to work constructively on some stuff.

Similarly, Murdoch noted "like many political things, people have their own agenda and so listening to the views of the different stakeholders and doing something with that information is a bit different." Dawson, Murdoch and Conway specifically reflected on the implications of political affiliations on the operation of social partnership under Labour compared to National. Murdoch argued that it meant that under Labour, Business NZ was not given priority: "I guess from our perspective and experience perhaps they didn't listen as hard as they could have." In comparison, Conway noted that under the current National-led government Business NZ has "much better access than us." Dawson argued that in practice both National and Labour have their own interests so different social partners are going to have greater or lesser involvement depending on the government:

[The] CTU played the Labour party connections under the previous government... And that's happening now, only the other way around. So Business New Zealand's got a good relationship, and that's democracy and pluralism.

Each interviewee provided a different perspective on the advantages of social partnership. Dawson observed that it encourages the development of effective and productive working relationships between diverse interest groups and government organisations:

I think that really helped in bringing the CTU and Business New Zealand together, it created some safe space for them to be able to work constructively on some stuff. And I think it is a large part of why we have such a strong relationship between Business New Zealand and the CTU today.

Dawson also argued that an advantage of social partnership is that the social partners can be more critical than public servants: "it can also be really useful to have non-governmental agencies engaged in the work because they can say things that you can't say as a public servant." According to Baker, social partnership is a beneficial approach because it is inclusive and encourages more than just government action, as the inclusion of social partners in policy encourages them to take ownership and responsibility:

...the advantage of a more inclusive approach to government policy development and implementation is that you get a wider range of views and hopefully you get more levers for intervention other than just government action.

Murdoch highlighted how social partnership helps to ensure consistency and minimise policy swings as governments change:

...the main advantage is you get that sort of continuity and consistency in the broad policy settings which I think is quite advantageous and you sort of minimise the, let's take skills for example, becoming the political football in terms of marked policy swings as you get changes of government.

Finally, Farr and the CTU's Eileen Brown agreed that an important feature is that social partnership ensures that the employee/learner perspective is paid attention to. For example, Farr views the Skills Forum as important because "it is a matter of ensuring that an employee voice is heard in terms of learning need." Brown added:

...there's always a balance of power in favour of the employers who have much more ability to ensure their view is heard... so

we have to have a structured place and a formal place on committees and on government working groups and that has lessened.

Baker noted that social partnership requires a compromise in priorities to meet all partners' interests and that can result in "the lowest common denominator policy development." He added that the multiple interests involved in consultation could be reflected in the resulting policy:

Another tendency is the problem of 'me-tooism', so you end up with every sector group that's involved or government agency that's involved... you end up with a lot of different things going on, rather than perhaps focussing on one or two critical issues.

Conway and Baker commented on the commitment required from all parties for social partnership to be successful. Baker asserted that "you need a Minister or a senior government official or a senior private sector partner who's really prepared to drive it, if that's not there then you can end up with just a lot of talk," which denotes that government support is critical. Conway indicated that social partnership only works with the genuine buy-in of credible social partners themselves who respect the other organisations involvement. For example, he stated that Business NZ did "believe however that we [CTU] were genuine social partners during the Labour period of government."

Murdoch compared the advantage of the consistency of social partnership with time it takes to develop a consensus:

...getting a consensus can be quite time consuming and problematic so I guess that's, it's both a strength and weakness in terms of getting that continuity and consistency across policy and then it also means you need to spend some time developing that consensus.

She concluded that "on balance the advantages outweigh the disadvantages of getting to an agreed point" thus supports the continuation of social partnership. Baker and Farr also indicated support for social partnership. Baker stated that the ITF "will continue to work with government and with other parts of industry and organised labour to try advance skills." Farr encouraged the CTU's active engagement with the government "the CTU position is we keep going, yes we do meet with Ministers, we do have good working relationships with senior officials from each government agency."

While acknowledging their support for social partnership, Murdoch and Baker also highlighted that it is not the only method of advancing their interests. Murdoch recognises that to maximise Business NZ's influence, they will use the means available to their best advantage: "...you've just got to work through the channels that are available to you or the opportunities as they present themselves." Similarly, the ITF engages in other non-formal means of policy debate, as it will not rely on government alone:

...we're encouraging direct dialogue between our sector and the government. We're encouraging intra-sectoral debate between ourselves and other parts of the education sector to identify solutions that we can just do within existing policy or existing strategy.

### **Tertiary Education Strategy 2010-15**

This section presents the interviewees' response to the *Tertiary Education Strategy 2010-15* (TES or Strategy) as a general reflection of the Government's vision and priorities. The interviewees' perceptions of particular issues within the Strategy are presented in later sections.

Dawson expressed support for the Ministry of Education who developed the Strategy. However, she drew attention to her concerns that while "the intent is good... it is at a very high level" and that the Strategy's vision is not necessarily connected to the needs of the workplace:

...a lot of concerns about whether a very broad brushed strategy at a very high level can actually deliver the real changes or reforms that are needed to make the system work properly... we're a little bit sceptical about whether or not there really is going to be sufficient understanding of workforce development in the people who are designing implementation.

Murdoch raised a similar concern, noting that the priorities do not match the high-level vision:

...it's got a high level of vision which obviously we're very supportive of and it's pretty hard to disagree because it makes sense in terms of world leading education system that equips New Zealanders with knowledge and skills to be successful... I guess the one problem we do have is that the priorities don't really reflect the high level vision for tertiary education.



Furthermore, Murdoch asserted that the priorities will not necessarily result in education and training that is more relevant for the economy and industry needs:

[The priorities do not] immediately translate into more relevant tertiary education to help support the economy or businesses to execute their business strategies. So there's sort of a gap in it all in terms of if you look at the Tertiary Education Commission there's sort of no guidance to it on how do we go about balancing, well achieving the priorities, but also balancing the broader vision of education and skills for economic development with education for education's sake.

Baker was supportive of the final TES, noting that the government had listened to the ITF's concerns when revising the Draft. He considers it a good representation of the government's desire to develop a relevant VET system:

I think the final Tertiary Education Strategy was actually quite improved on the draft, we were quite happy with that. There was quite a bit more focus on some of the issues that we raised.

The TEC Policy Manager contended that the TES is similar to its predecessors:

The actual priority groups and the nature of achievement at a very high level are actually quite similar. So there's been a degree of continuity.

This view was shared by Murdoch who stated that "I don't know if it's a significant change" and Baker who noted that the priority groups have not shifted significantly, for example the youth focus "was in the past Strategy".

At the time of the interviews, the Strategy had only recently been implemented, so Brown was reluctant to comment as she thought it was "a bit too early to say." When prompted about the potential for the TES to address the CTU's concerns, Farr did not think it would be able to do so as he did not "see anything in it that picks up any of the problems that had existed."

### **Impact of the Recession**

This section presents those findings that relate to the interviewees' perceptions of how the global, post-2008 recession has or may influence the government's policy and investment decisions.

The impact of the recession with regard to its influence on the development of the Tertiary Education Strategy 2010-15 in particular was also discussed. The TEC

Policy Manager noted that the Strategy was developed in recession but not necessarily for recession: “It’s certainly written and developed in the context of an economy in recession.” Brown affirmed this point when she stated “...one of the themes in this new Strategy reflects concerns about the current economic climate and the recession impacts and talk.”

More broadly, Earle highlighted that because of the recession, government funding is under pressure, and that will have long-term affects on its ability to finance initiatives:

...the government has taken the biggest hit in terms of its capital portfolio, its borrowing and loss of tax, so that even if the economy improves substantially the government’s financial situation is probably not going to improve for five to ten... it’s unlikely we’ll get much more in the way of additional funding for quite a long period of time, even if things are taking off well next year.

Earle noted that as the Government grapples with the realities of implementing policy during a recession, it is finding that some policies are not as viable as envisaged. The reduced scale of the Youth Guarantee illustrates this point: “the coffers were empty so it’s not as envisaged by manifesto, it’s not affordable yet, although I think the government’s working towards that, something on the scale that they want.”

Conway observed that in the current climate the Government is likely to have a “value for money top of mind consideration” which he believes will in practice result in pressure on “anything that’s not tied more rigorously to the market and to jobs”. Conway anticipates that:

There’ll be a high level of comfort with greater PTE [Private Training Establishment] involvement and I think they will be more inclined to listen to employers’ requirements of industry training being responsive to employer needs than perhaps worrying about some of the lifelong learning, and pastoral care sorts of things that might come through the union movement.

With regard to the recession’s impact on public finances, Baker argued that the government’s allocation of funding should reflect a greater consideration for the cost-effectiveness of each section of tertiary in relation to the expected outcomes:

We're certainly firmly focussed on cost-effectiveness; we're by far in a way the most cost effective part of the system... if you're making choices based on scarce resources then you need to keep those sorts of things in mind.

Brown identified that the CTU's position is that the government should invest more in skill development during recession, as opposed to the current approach of making cuts:

...unlike Australia, we've cut costs in education and training and there's a need and a case for investing, not for cutting, so that's a position that we've had, that cutting... is a short term solution with a long term cost.

Conway urges the government to address the groups most severely impacted by the recession: "I've said to them that a good place to start is... the sharp edges in terms of the recession."

### **Pathways to Industry Training**

This section presents those findings that relate to the interviewees' perceptions of pathways between secondary and VET, especially into work and industry training.

Earle states that there has been a "fairly clear message from the government around the focus on the younger group." Earle reasons that this focus is a reaction to economic constraints and an increased demand due to a spike in the young population. He argued that youth are a cost-effective investment because of the time they are expected to remain active in the labour market: youth will "set the paces for the workforce for the next 40 to 60 years or so."

Earle, the Senior Official of the Ministry of Education and the ITF's Jeremy Baker discussed ways in which the priority has manifested in policy. At the strategic level of the TES, youth were identified as one of seven priority groups. Baker notes that this is not a new policy; it is a continuation of the previous TES. Furthermore, he argued that it is important not to place too much emphasis on the particular priority:

....so I think the government did listen when we said look there's a risk here of actually putting too much emphasis on this one priority and that you actually have a whole raft of things you want out of the tertiary education system, it's not just a one trick pony, and I think that it's pretty clear that they listened to that.

With regard to the operational level, specific initiatives that address school to work and tertiary education transitions have been developed. For example, the Senior Official of the Ministry of Education confirmed that the Trades Academies are a “deliberate attempt to improve the cross over between what happens in schools and what happens in post-school slash tertiary.” The Senior Official added that a similar programme, the Manukau Institute of Technology Tertiary High School is already in operation:

It has already enrolled its first batch of students. Those students are also enrolled in schools... for all intents and purposes, they're receiving the vast bulk of their tuition as if they were tertiary students on the side of the tertiary institution, while still being school students.

Baker discussed the role of ITOs in encouraging youth transitions to VET. According to Baker, while ITOs do function in the secondary sector, their ability to do so is limited by the current policy:

ITO's do a lot of work in the senior secondary school area, but they have no statutory authority to do that, they're doing it because they think it's a good thing to do but it's not actually recognised in the Industry Training Act that's a big sort of gaping hole, because they've got no funding to do it.

Baker considers this problematic because government funding is tightening and “there's a risk that some of that may not always be available.” Therefore, Baker stressed, if the government wanted the ITOs work with secondary to continue they will need to address this issue:

...if Government wants ITOs to play an architectural role, in terms of knitting together what happens from senior secondary to tertiary and into work, then they need to give the mandate and they need to provide the authority or the ability to actually use resources to do that. It doesn't necessarily require more money but it does probably require some greater clarity that you can use some of the money that's available at the moment to do that sort of thing.

Earle discussed the implications of the youth focus for funding and providers, most significantly he noted that providers might have to reprioritise their programmes:

...we want [providers] to focus on meeting the demands of school leavers and look very carefully at the whole range of their provision and whether there are programmes they are

offering... which are less relevant, more aimed perhaps to older students.

While there have been some developments in school to tertiary transitions as the findings presented above demonstrate, Murdoch and Baker voiced concerns about more fundamental issues in school to vocational pathways. Murdoch established that one of Business NZ's interests is school to work pathways:

...one of the things that we would try to do here is try and look at the secondary school system, particularly the upper-secondary school system, and the pathways through post-secondary into the workforce.

She noted that the pathways from school to VET lack coherence:

...the pathway from school to university is well trodden and it is less fragmented, but if you look at the vocational education and training pathways that's a lot more difficult to navigate.

Baker made a similar observation regarding the clarity of school to university pathways compared with school to vocational pathways:

...senior secondary pathway from school to university is relatively clear with NCEA having a clear University entrance requirement, but beyond that it's all sort of unclear, so that's a big area of problems.

In part, Murdoch attributes the weak relationship between school and vocational education to misperceptions of VET:

...you look at the vocational education and training in the secondary school system and often it's still perceived to be the second chance, or second chance learning for kids that aren't academically orientated, when in fact that's actually not the case.

In a similar vein, Baker claimed that senior secondary does not provide the same familiarity with VET options that are necessary:

...we don't have a very coherent model or framework for those other people which integrates workplace learning with classroom based learning.

Murdoch argued that "getting that clear pathway that connects the education system is really critical". In order to overcome these issues, Baker recommends the following be developed:

...a coherent strategy for vocational education and training, identifying clearly what the roles of the various parties are and

allowing students, learners and workers to relatively effectively transition from one part to the other depending on what they need.

### **Performance Measures**

This section presents the interviewees' perceptions of different measures of performance that have been utilised in policy, including inputs, outputs and outcomes.

The TEC Policy Manager identified three dimensions of performance, "an input aspect, an output and an outcome," and discussed how each relates to ITOs. The input performance that the TEC evaluates ITOs on is the "signing of training agreements between employer and employee." An output performance, the Policy Manager noted, is multi-faceted and identified the following dimensions:

...the course completion rate, it has the qualification completion rate, there's sort of measures of technical efficiency of how well an ITO does its statutory roles - setting standards and arranging training. The setting standards role's equally important because the job is to design qualifications which are relevant to industry, as tested by a training agreement.

With regard to how to test output performance, the Manager stated "there's been no definitive decisions on what they will be." However, the interviewee identified that it is likely to refer to "the attrition rate, people dropping out, the degree you can put completed course along with the time it takes to complete a qualification." It was noted that "there's issues there, it's not an absolute measure", as the learner cannot always control these factors. Finally, outcome performance refers to issues such as:

The rates of return people get from doing the qualification as a measure of value, the portability of industry qualifications between employers is very important, that's probably something we'll have to look at over time.

It was noted that outcome tests "are probably just as important for ITOs, but the TES doesn't signal that." The interviewee concluded that it is "sort of a series if you look at input tests, output tests and over time outcomes test, you get a better measure of value of what's being attracted."

Earle provided the rationale for the outputs, particularly completion rates, focus that is embedded in the Tertiary Education Strategy 2010-15. He argued that the Ministry has highlighted completion rates as a significant concern because it ties in to the value of qualifications:

...in terms of the priority areas for the Ministry... our concern would be towards; can we build it more into something that is geared towards getting the employees qualified up to the level which is nationally recognised.

There was some resistance to the outputs focus from the TEC, ITF, Business NZ and NZCTU interviewees. The TEC Policy Manager was critical of the singular focus on outputs as it is “hard to get a good understanding of ITO performance without looking at... inputs, outputs and outcomes and what’s being achieved.” Instead, they proposed that a multi-faceted equation of inputs, outputs, and outcomes would be an effective and “robust system”:

The weight that you give to each is important, what measures you use. One alone doesn’t do the trick, you have to look at it in an aggregate sense.

Baker, Farr and Murdoch also expressed concerns about the singular focus on outputs. Baker views the outputs focus of the TES a key shift in priorities which will have significant implications for ITOs:

I guess the drive, the shift to focussing on outputs is pretty critical, and ITOs will focus both on, and will continue to focus both on credit attainment and qualifications attainment. Those are critical.

That said, Baker noted that ITOs will adapt to the new focus as they have had to previously. When focus was inputs they increased trainees exponentially, now ITOs will shift to focussing on completions:

[ITOs will] respond to incentives because they’re actually quite good at that... now the goal posts have shifted, the focus is no longer on growing participation, it’s on growing completions. At the moment ITOs achieve roughly the same completion rate as other level one to four organisations that are involved in education and training, but... we know that ITOs are putting in place a whole lot of processes to significantly lift their average completion rates.

It was clear that Baker preferred a policy framework that emphasised outcomes rather than outputs:

...we would prefer it have more of a focus on outcomes than outputs. It very heavily focuses on qualifications completions as a measure success. We think that is a valid measure of success, but, it's not the only one. There are other measures of intermediate success like credit attainment, which are particularly important for our trainees... also actual measures of outcomes such as improved retention in industry, wage growth, and actual productivity gains.

The focus on outputs is considered problematic by Farr. He attributed low completion rates to a lack of employer support. He argued that employers often discontinue their support for the training once the employee has the necessary skills as it is not in their interest to invest further:

...frequently employers who have signed the training agreement do not believe that it's in their interest to train the employee beyond the skills required for their current job. And as soon as that package of skills is reached, suddenly the work programme ends.

Murdoch's argument against outputs contrasted strongly with Farr's as she argued that employers should not be coerced into continuing support for training by such a heavy focus on outputs:

...yes we do need to raise completion rates but obviously skills that are valued in the labour market or by employers... aren't necessarily found all nicely packaged up in qualifications. They can be in a course, they might be in a qualification, but they can come in many different forms and I guess with the increased focus on qualification completion or course completion is that it could potentially be a bit pointless or self-defeating because we'll have more people completing more low relevant qualifications or courses.

Murdoch indicated that an outputs focus is not a measure of value that Business NZ agrees with because it does not translate to relevant qualifications that meet labour market and employer needs. She did however note that Business NZ was "pleased to see a shift from inputs to outputs, but the next point is outcomes."

## **Summary of the Chapter**

This chapter has presented the interviewees' perceptions of selected policies and practices of the post-2008, National-led Government. In particular, it has presented the interviewees' evaluation of the new Government's commitment to social partnership, the Tertiary Education Strategy 2010-15, the impact of the recession, the strength of pathways between secondary and vocational education



and training, especially into work and industry training, and current and preferred performance measures.

## **CHAPTER NINE: DISCUSSION**

### **Introduction**

This chapter draws all the threads of the thesis together, including the historical context, contemporary policy analysis and interview findings, in order to highlight and discuss some of the study's most significant findings.

The specific purpose of the chapter is twofold. First, it is to identify significant issues in the 2008-2010 industry training policy framework. Second, in light of the findings and arguments presented in this and the previous three chapters, the discussion below provides a final evaluation of the nature and overall effectiveness of the National-led Government's industry training policy framework.

The discussion is presented in two connected parts. The first provides a final evaluation of the extent to which the National-led Government represents an ideological based policy shift. In addition, the first part explores how an evolving view of skills and changing commitment to HCT both drive interest in industry training policy and shapes the nature of changes. The second and most significant part of the chapter serves two purposes. First it highlights both central recurring and new issues within industry training. Second it critically analyses the potential for National's policy approach and practices to address those issues.

### **PART ONE: IDEOLOGY AND THE IMPORTANCE OF SKILLS**

As identified in the introduction chapter, there are two premises at the core of this thesis. The first is based on Mullins (1972) argument that ideology gives impetus for change as well as influences what that change will be. Within the policy context, this implies that ideology is a significant driver of reform and shapes the nature of the resultant policy. The second premise is that industry training has been a priority in policy debates due to the resurgence of HCT and more recently due to an increasingly complex view of skills and the contribution they can make to economic and social goals. The remainder of this section will demonstrate the continuing importance of these premises into the 2008 to 2010 policy environment.

## **Ideology as a Policy Driver**

This thesis argues that there has been a distinct ideological and policy shift in industry training since the election of the National-led Government in November 2008. Prime Minister, John Key, attempted to present himself and his government as pragmatically oriented rather than ideologically driven. However, this thesis argues that despite Key's claims, the National-led Government has adopted a particular ideological position in industry training. More specifically, the thesis argues that the overall trend has been towards the development of a policy prescription for industry training that is more consistent with neo-liberalism than the Third Way. The policy analysis in Chapter Six illustrated this shift, while the interview findings to different extents, confirmed the conclusions in that chapter. Therefore, this thesis argues that the Government's policy approach and practices represents a significant shift from the previous government and a resumption of an industry training policy direction similar to what was advanced in New Zealand during the late 1980s and pursued in the 1990s.

The first formative conclusion of this thesis is that the post-2008 National-led Government's policy approach and practices are unlikely to address significant issues in the industry training policy framework, as explored in part two of this chapter. Rather, this thesis argues, the government's policy and practices are more likely to revive issues that formed the basis of critiques of 1990s industry training policy (see Chapter Four, especially critiques section), perpetuate enduring issues, and hinder the ability for policy to address new issues. The following part of this chapter will explore this argument in further detail.

## **The Evolving View of Skills**

Chapter One identified that the interest in industry training was initially stimulated by the resurgence of HCT, although that has shifted as an increasingly complex view of the contribution skills can make to economic and social goals has come to dominate policy debates. This argument has been affirmed throughout Chapter Four and Five. This thesis argues that a multi-faceted view of skill and its importance in labour productivity and economic performance is an area of consensus in the perspectives of key organisations. However, a significant finding of the policy analysis (Chapter Six) and interviews (Chapter Seven) is that the National-led Government has shifted its focus away from industry training

and, within that, supply-side policy. The purpose of this section is to highlight the extent of the shift. The significance of the shift in relation to the implications it may have for the sector is discussed further in the following part.

Chapter Four demonstrated that HCT permeated New Zealand policy debates during the 1980s and 1990s as interest in industry training was driven by a perception that the existing system was inadequate to meet skill supply and therefore the challenge of linking education to economic performance. The 1990 National Government in particular enacted a policy platform that reflected the neo-liberal iteration of HCT. This was evident with regard to the public/private division of funding, as industry was expected to provide funding for ITOs with some subsidies provided by government based on enrolments. In addition, the era reflects the HCT argument that industry training was intended to meet the skill needs of employers, industry, and the economy. Thus, industry training was closely tied to economic imperatives.

The HCT argument concerning skills influence on labour productivity was continued by the Labour-led Government as outlined in Chapter Five. However, the chapter also highlighted that the justification for skills development was widened from a largely economic imperative in order to include social outcomes. Furthermore, skills were increasingly viewed as a complex and multi-faceted issue. In particular, this thesis holds that the HCT argument that skill levels correlate to improved labour productivity was extended as the quality and utilisation of skills emerged as significant factors in labour productivity. This is strongly reflected in the Labour-led Government's policy shift that attempted to match skill supply with skill demand. The requirement for ITOs to provide skills leadership is a clear exemplar of this, as are the aims of the WPWG and Skills Forum. Industry training therefore expanded from a simple focus on development (facilitating training) to utilisation (ITO skill leadership and through the ITF's role in complementary initiatives).

The interview findings noted that in the post-2008 environment there is a consensus between key organisations in industry training in that skills are an integral part of labour productivity and economic growth. Therefore, this thesis argues that New Zealand's declining labour productivity growth rates over the

past two decades, as highlighted by the interviews and literature, is at least in part an indication of unresolved issues in the skills policy framework. However, the interview findings also exhibited the evolving understanding of skills and their relationship to productivity as a multi-faceted issue. In particular, Dawson, Murdoch, Baker, Conway and Farr highlighted the importance of skills in productivity, when considered as a complex issue. Dawson for example emphasised that ‘skill’ spans a range of policy areas including skill development through the education sector, skill utilisation in the workplace, and immigration as a means of addressing particular pressures that the other two aspects are unable to address. Thus, there are a number of policy areas in which issues may exist that facilitate or hinder improvements in labour productivity. Although this thesis, particularly the interview findings has touched on all three aspects, it primarily centres on the argument that industry training policy in particular, when it is considered as a complex issue, has the potential to make a significant contribution to labour productivity. Therefore, the industry training policy approach and practices of the National-led Government are important to investigate as they have the potential to facilitate or hinder improvements in labour productivity.

This thesis has found that skills have remained a focal issue in the broad policy approach and practices of the National-led Government. For example, education and skills are one of six policy drivers under the Government’s Economic Growth Agenda. However, the thesis also argues that the government has shifted the priority of where skill development is important. The previous two decades had a significant focus on skill development of the existing workforce through industry training, as exemplified through the initial development of the *Industry Training Strategy*, and continued into the 2000s through the TES. In contrast, the present government has shifted its focus to the skill development of the future workforce. In other words, it has adopted a limited focus on skills that prioritises youth achievement. In addition, this thesis argues that the approach has ignored the importance of demand-side industry training policy, as evidenced by the significant reduction of funding for the ITO skills leadership role.

Therefore, the second formative argument of this thesis is that the government’s policy approach and practice may be ineffective at maximising industry training’s contribution to labour productivity. This is because the National-led

Government's approach contradicts widely accepted views about skill and represents a resumption of previous approaches that have obviously failed to enhance the relationship between skills and labour productivity given New Zealand's slowing labour productivity growth.

## **PART TWO: CENTRAL INDUSTRY TRAINING POLICY ISSUES**

The remainder of this chapter is divided into five 'clusters' of issues. These clusters reflect the broad areas in which significant issues in industry training policy approach and practices have been ascertained from the literature and interview findings. The five clusters are:

- Regulatory role of the government;
- Funding framework;
- Role of the non-governmental key organisations;
- Industry training relationships relationship with the tertiary education sector; and
- Industry training's relationship with the compulsory sector.

Each of these clusters is further divided into sub-categories that: identify the most pertinent issues in the sector; draws upon Chapter Six in order to briefly identify the National-led Government's policy approach and practices; highlights the key findings from the interviews and literature that substantiate the argument; explores the potential and realised implications of the National-led Government's approach and practices; and evaluate the overall effectiveness of that approach to address the issue.

### **Regulatory Role of the Government**

This thesis argues that the National-led Government has significantly limited its regulatory role in industry training policy. Based on the outcomes of the policy approaches and practices of previous governments', as well as the interview findings, this thesis argues that the National-led Government's approach may either fail to address the significant enduring issues in industry training or potentially further exacerbate them.

This thesis has demonstrated that throughout the policy reforms undertaken in industry training over the past two decades, the regulatory role of the government has been a pivotal issue subject to ideological policy shifts. Therefore, this thesis

accepts that it is unlikely a consensus could be forged in this respect. However, it is important to note the interviewees areas of approval and/or disapproval with regard to the position the National-led Government has adopted and the implications of that particular position.

Based on the policy analysis in Chapter Six especially, this thesis argues that the government has retracted its regulatory role in the sector by not developing a coherent strategy for industry training specifically. Chapter Four and Five traced the historical development of the role of the government in industry training between the mid-1980s and 2008. These chapters highlighted that each government during this period developed a clear strategy for the industry training sector. That strategy was then used as a catalyst for significant changes to the industry training and relevant tertiary education policy framework (although the extent of changes operationalised by the Fourth Labour Government was limited). It is with regard to the ensuing or ongoing role of the government where the outcomes of reform diverged. In particular, the ITA devolved responsibility for training to industry whereas the Labour-led Government's TES cemented a steering role for the government in the industry training sector.

The shift away from an active role of the government in the post-2008 industry training policy environment was foreshadowed in the 2008 election policy of the National Party. A noticeable omission in both National's employment relations and education policies was a clear policy platform for industry training specifically, although the education policy touched on it tangentially with regard to youth skill development policies. This thesis acknowledges that the National-led Government has published a TES; however, Chapter Six's outline of the 2010-15 TES indicates that the Strategy contains little detail for industry training. This is substantiated by Dawson and Murdoch's observations that the TES is a high-level and broad-brushed document that is not adequately connected to the needs of the workplace and economy. Farr added that the TES is unlikely to be sufficient to address the significant issues within industry training.

Therefore, it is evident that with regard to establishing its regulatory role in the sector, the policy approach and practices of the National-led Government stand in stark contrast to its predecessors. Although, with regard to the on-going role of

the government in the sector, the lack of a plan has enabled the government to resume 1990s neo-liberal policy practices that encourage greater autonomy of ITOs and industry. In some respects, this is an appropriate approach as industry training is unique from the rest of the tertiary sector in that it is designed to be industry-led. The interview findings, especially Baker, Earle, and Murdoch, argued that this is a positive feature of the system. Essentially, the reduced role of the government is an important factor as it provides industry with a greater ability to influence the sector to meet its needs. However, a number of potential issues stem from this approach. For example, Murdoch asserted that unless industry sees the value in training, it will not happen. This may be advantageous in situations when there is an established training culture for example. In contrast, it may be disadvantageous in industries where there have historically been no qualifications, no strong ITO presence, or there is employer resistance to training. In addition, it also holds the potential to be disadvantageous in the sense that training may be narrowly focussed or short-sighted in response to particular pressures at the time. For example, Farr highlighted that a consequence of focussing on industry need is that industry training is often task-specific or provided in order to meet particular legislative (usually health and safety) requirements.

Therefore, this thesis argues, in accordance with selected interviewees, that the government should strike an appropriate balance between market signals and regulation. For example, there was a degree of consensus between the TEC Policy Manager and Business NZ interviewees' who stressed the importance of achieving an appropriate balance of government involvement that incentivises but does not hinder or distort the operation of the system. CTU interviewee, Brown, argued that the government should adopt a supportive role for ITOs. As noted earlier in this section though, there is unlikely to be a firm agreement surrounding the exact nature of that balance given the influence of ideology.

In sum, the third conclusion of this thesis, with regard to the regulatory role of the government, is that the current government's approach will be ineffective at addressing issues in the sector, as the balance is skewed too heavily in favour of a permissive rather than facilitative role. It is important to note though, that the government's approach to regulation has created a vacuum that funding policy has filled in terms of providing direction to key organisations in the industry training



sector. The following section will therefore examine how the industry training funding framework specifically has been utilised in order to provide direction for the sector and the implications of such an approach.

### **Funding Framework**

As identified in the previous section, this thesis holds that the funding framework for industry training has had to provide guidance for the sector in the absence of any substantial strategic policy. Briefly, this thesis argues that such the absence of an industry training-specific strategy is problematic as it creates uncertainty in the sector as it is at the whim of funding policy that is of a short-term nature. The following section will explore the National-led Government's approach to funding and examine significant implications of that.

Like the regulatory role of the government, the extent of government funding and the basis on which the government makes its investment decisions has been a pivotal issue subject to ideological policy shifts throughout the policy reforms undertaken in industry training since the mid-1980s. In particular, the decisions have reflected, to different extents, an acceptance or otherwise of the view put forward in the neo-liberal iteration of HCT that education is a private good that should be privately funded. In relation to industry training, HCT would advocate that the benefits primarily accrue to industry, given that its primary purpose is to meet the skill needs of industry, therefore industry should take on a greater portion of the cost.

Chapters Four, Five, and Six have demonstrated that funding policy has been subject to regular change between the establishment of ITOs in 1992 and mid-2010. This thesis poses three cumulative arguments concerning this broad issue:

- The National-led Government's funding policy is reflective of the recession and an ideological shift away from public investment in industry training;
- Narrowly focused funding priorities may be counterproductive; and
- Ideologically motivated funding priorities may be problematic.

### ***The Influence of the Recession and Ideology***

This thesis has demonstrated that the recession has been cited in policy documents as a means of justifying the retrenchment of public investment in industry training under the National-led Government (see Chapter Six, especially Budget and TES sections). While the recession is a new issue that will undeniably have had some influence on funding, this thesis argues that the government's funding policy is also an ideologically motivated shift away from public investment in industry training.

Chapter Six proposed that the recession might have had a distortive effect on the government's funding intentions for industry training. The chapter noted that the recession was identified as a primary influence on the government's investment decisions, for example in the two Budgets and the TES 2010-15 (Ministry of Education, 2010b; TEC, 2009; TEC, 2010b). The interview findings, to various degrees, confirmed that the recession has significantly influenced the government's ability to invest in industry training. Earle, for example, highlighted that the government is under pressure because of the recession, thus it has re-focussed and, in some situations, reduced the intended scale of selected policy programmes. In a further example, Conway argued that based on the economic climate, the Government would be concerned with efficiency and effectiveness in its funding decisions in order to avoid perceived wastage.

This thesis couples the findings of the policy analysis in Chapter Six with the TEC Policy Manager's observation that the TES was developed in recession and not necessarily for recession (Chapter Eight), in order to argue that the current funding policy shift, to a certain extent, would have been inevitable under the current government regardless of the recession.

Chapter Six demonstrated that the National-led Government's funding approach complements a broader policy and ideological shift that is consistent with neo-liberal principles that would support a lessened role of the government in investing in the sector. More specifically, this thesis argues that the funding policy shift reflects the view put forward in the neo-liberal iteration of HCT. This is because the change has significantly limited public investment in the ITOs skill leadership role in its two Budgets, yet the reduction has not been matched with a

removal of the legislative requirement for ITOs to perform the leadership role. Consequently, this implies that industry will need to make a greater contribution. This thesis also argues that this funding policy change is where the government has most perceptibly shifted away from a complex view of the relationship between skills and productivity as it has withdrawn its support for a policy practice that attempted to better align skills supply with demand.

This thesis proposes that the manner in which the government has shifted funding responsibility for skills leadership to industry, that is, through reducing funding but not the statutory requirement, is problematic for two reasons. This is a significant issue because the shift is based on an assumption that ITOs are immediately capable of filling the funding void, and that may not be viable.

In addition, this thesis argues that the reduction of the skills leadership funding represents a shift away from strategic skill development in favour of the neo-liberal primacy of market signals. This thesis recognises that relying on market signals to a greater extent in industry training may, to a limited extent, be a useful way of matching skill supply with demand. However, this thesis argues that a greater reliance on market signals represents a return to the approach of the 1990s that was criticised for haphazard and irregular skill development that did not meet the needs of learners, industry or the wider economy (for example: Cochrane, Law & Piercy, 2007; Doyle, 1999; New Zealand Labour Party, 1999a). Thus, such a shift is likely to revive those issues.

### ***Funding Priorities***

This thesis argues that the National-led Government's re-prioritisation of skills development funding away from industry training specifically, and towards youth skill development has the potential to be counterproductive. In this respect, the Government's approach contradicts the international trend towards increased investment in vocational education in order to address high unemployment and to assist in economic recovery by developing skills necessary for unleashing labour productivity and, consequently, economic growth (Karkkainen, 2010, Swan & Gillard, 2010). Furthermore, the interview with Brown also confirmed that the National-led Government is contradicting advice from the industry training sector, particularly the CTU whose position, according to Brown, is to invest more in

education and training during an economic downturn. Essentially, this thesis holds that the National-led Government's narrow focus in its investment, coupled with cuts to aspects of industry training, reflects a focus on short-term savings at the expense of effective skill development and utilisation. In turn, this thesis therefore argues that the Government's funding policy approach is unlikely to be effective at enhancing the relationship between skills and productivity; rather, it is more likely to perpetuate a negative cycle of skill development and therefore compound New Zealand's poor labour productivity performance.

### ***The Influence of Ideology on Funding Priorities***

This thesis holds that the government's priorities in funding industry training hold the potential to either facilitate or hinder a strong sector. For the CTU's Conway, a consensus and consistency in funding is vital. Earle, Murdoch and the TEC Policy Manager stressed the need for the government to establish a balance in its funding policy in incentivising industry, employers and employees to participate in industry training. However, similar to the role of the government, the extent to which a consensus can be forged in terms of the priorities and subsequent level of funding provided by the government is unclear given that the position stems from an ideological foundation. Therefore these findings open up debate about the basis of the government's priorities and the potential implications of its policy approach and practices in the area of funding.

This thesis has confirmed Kelsey's (2002) analysis that the government's development of priorities for the sector without a set of guiding educational principles had the potential to transform the TES into a vehicle for achieving ideological goals. To illustrate Kelsey's (2002) claim, Chapter Five of this thesis argued that the Labour-led Government utilised the TES in order to set the broad direction of the sector that coupled economic imperatives with social priorities. This approach is consistent with that Government's Third Way ideology. In contrast, Chapter Six argued that, the National-led Government has emphasised economic outcomes of education and training to a much greater extent than its predecessor. Such an approach, this thesis argues, is more consistent with neo-liberal principles.

This thesis has highlighted two specific priorities of the National-led Government that are of particular importance for the industry training sector. The first pervasive priority of the Government's overall policy approach and practices is youth. The significance of this priority is complex and so is discussed further in the section concerning industry training's relationship with the compulsory sector. The second priority, as articulated in the TES, is to improve the performance of ITOs. The following discussion specifically focuses on how the Government's priorities have shifted with regard to how it intends to evaluate ITOs educational performance (see Chapter Eight for an outline of the three components of performance: inputs, outputs or outcomes).

It is important to note that performance measures are an evolving area of policy for the government. As at mid-2010, details on how performance linked funding will be implemented for ITOs had not been determined. Therefore, the following section relates to the general policy direction while the discussion concerning the possible advantages and disadvantages of each dimension is based on a priori reasoning.

From the interview findings, it was clear that an area of unanimous agreement between non-governmental organisations concerned the appropriate means of evaluating ITO performance. In particular, the interview findings highlighted the inadequacy of a singular input or outputs focus that has been the trend of past policy frameworks, as traced in Chapter Four and Five. Specifically, Chapter Four identified that ITOs were initially funded on a per trainee (input) measure. Labour-led Governments of 1999-2008, increasingly introduced a number of regulatory instruments to greater control funding, thus some moves were made towards an output and outcomes focus (Chapter Five). The post-2008 National-led Government has, through the 2010-15 TES, shifted its emphasis towards an outputs basis. In particular, the TES focuses on the use of qualification completion rates as a measurement of performance and suggests that funding will be reduced for qualifications with low completion rates. The TEC Policy Manager noted that outcome tests are also an important aspect of ITO performance, and whilst the TES signals some first steps towards an outcomes model, as it prioritises education and training that is directly related to the needs of industry and learners, it has not strongly adopted this stance.

This thesis argues that the government's current focus on outputs raises the potential for both positive and negative consequences, depending on how the performance measure might be implemented. On the one hand, this thesis argues that there is merit in the Government's shift towards outputs, particularly completion rates, as it encourages industry to continue training in order to develop a qualified workforce and provides workers with complete qualifications rather than segments. This obligation provides some assurance for learners that they will receive continued buy-in from their employer. However, Murdoch suggested that a problem with that is that training packages and qualifications do not always neatly match employer needs. This is important as it may result in the employer opting for lower quality training options that will meet their basic needs, but not significantly extend the quantity or quality of skills necessary to enhance labour productivity further. In addition, an outputs focus has the potential to be misleading for future funding if they were used to justify a retrospective funding model. Essentially, low-completion rates may be symptomatic of external issues that are beyond the control of the ITO, employer or employee/learner. For example, as Farr noted, the completion of a qualification is dependant on continued employer buy-in that is in turn dependant on issues such as the employer's perceived need for a whole qualification rather than particular aspects, or its economic ability to continue to provide training or employee release from work, for example. Therefore, a funding model based on past completion, or incompleteness, rates may mean that external factors beyond the ITOs direct control may negatively influence its ability to access funding for future activities.

The interview findings indicate that, between the non-governmental organisations, outcomes are a preferred measure of ITO performance. The TEC Policy Manager identified that outcomes are a dimension of performance that may be looked at over time. As with the previous section, this thesis argues that the National-led Government's anticipated focus on outcomes raises the potential for both positive and negative consequences. Overall, what constitutes a valid outcome would have a significant bearing on its effectiveness as a performance measure and also act as an indication of the ideological foundation underpinning the choice. This thesis notes that an outcome-based performance measure, such as employer satisfaction for example, is appropriate for industry training as its primary purpose

is to meet the skill needs of industry. However, if the outcome is tied to industry-demand at the expense of learner needs, this highlights ideological tensions. Most significantly, this thesis argues, that it may be problematic as training that is not tied rigorously to labour market outcomes is potentially at risk. More specifically, this thesis proposes that an unintended consequence of a focus on employer demand encourages a simplification of the purpose of training to the development to technical abilities. This may come at the expense of skills related to social development or workplace cohesion for example.

### **Role of the Non-governmental Key Organisations**

One of the key findings of this study is that the post-2008 National-led Government does not appear to be committed to formal partnership arrangements in industry training policy development. This finding was apparent in both policy evaluation (see Chapter Six) and the perspectives of key organisations (see Chapters Seven and Eight). Overall, this thesis argues that the lessened formal role of key organisations is not a positive shift because it contradicts advice from the sector, has the potential to reduce the quality of policymaking, and has not been replaced by a strong model of engagement.

This thesis has demonstrated that at different times over the past two decades, the extent to which the non-governmental key organisations have been formally included in policymaking has varied. During the 1990s, the industry training system was industry-led; this was coupled with the ECA that did not recognise unions. In contrast, during the 1999-2008 Labour-led Government, the roles of Business NZ, the CTU, and the ITF were levelled through the development of formal social partnership initiatives concerning industry training. Although, the interview findings contested the extent of Labour's commitment to formal partnership, it is important to highlight that the contention was not in relation to whether it existed, rather it centred on the extent to which social partnership was developed and the level of engagement with each individual organisation (Chapter Eight).

With regard to the post-2008 National-led Government's policy approach and practice in relation to partnership, this thesis argues that there has been a gradual shift in practice as well as discourse away from formal partnership arrangements,

especially the Skills Forum. For example, an important finding in Chapter Eight was that Murdoch, Conway and Farr, and Baker, as representatives of the key organisations involved in partnership initiatives, were in agreement that the government has acknowledged the importance of their respective organisations, yet the extent to which they have been formally engaged has significantly weakened from the approach of the Labour-led Government.

The Senior Official of the Ministry of Education observed that National has followed a typical pattern of government behaviour as it has addressed its own priorities before turning to existing models and processes. However, Dawson, of the Department of Labour, observed that Business NZ and CTU's endorsement was the primary reason for the re-establishment of the Skills Forum, rather than a genuine commitment from the government. This strongly suggests that the Skills Forum will not be continued nor is it likely that new partnership initiatives will be developed.

This thesis argues that the Government's lessened commitment to formal partnership arrangements is a significant issue for three central reasons. First, the approach contradicts international advice and trends that promote partnership as an effective mechanism for enhancing economic growth (see Chapter Six). Second, all non-governmental organisations' supported the continuation of partnership as it was equated with robust policymaking. Although this can, to a certain extent, be viewed as a self-promoting measure, it is important to note that the findings present both the strengths and weaknesses of the model and, on balance, the Business NZ, CTU and ITF interviewees' argued that the advantages outweigh the minimal disadvantages. Essentially, this thesis argues that the Government's shift away from a functioning and effective model that has broad-spectrum support indicates that the decision-making process gives precedence to ideological principles rather than a pragmatic orientation, in contrast to what Key stressed his Government would adopt. Third, as highlighted by Dawson, an advantage of social partnership is that social partners can be more critical than public servants can. It is therefore problematic that the Government has shifted away from partnership as it reduces opportunities for constructive criticism.



The findings suggest that in place of partnership arrangements, the government will return to a market model. For example, Earle noted that the Government considers the role of Business NZ, CTU, and the ITF to be ‘market leaders’ rather than ‘social partners’. This thesis argues that an ‘engagement without obligation’ approach will not maximise the contribution that each organisation can make and has the potential to result in biased policymaking. This is because the strength of informal connections with the government varies between organisations. For example, the fluctuating influence of Business NZ and the CTU has been noted in both secondary literature and the interview findings of this research. Specifically as outlined in Chapter Four, the New Zealand Employers’ Federation (that was identified in Chapter Two as a predecessor to Business NZ) and the New Zealand Business Roundtable were influential over both the Fourth Labour Government and 1990s National Government’s policy development. The interviews with Brown, Dawson, and Murdoch noted that the extent of informal connections shifted in favour of the CTU under the Labour-led Government. Dawson noted a further shift has occurred under the National-led Government back in Business NZ’s favour.

In sum, this section holds that the National-led Government has demonstrated a policy shift away from formal partnership arrangements and towards a greater reliance on informal connections of the key organisations as ‘market leaders.’ This section proposes that such a shift is problematic as it results in unbalanced and less robust policymaking. In addition, this section argues that the shift affirms the National-led Government’s overall trend towards a resumption of an industry training policy approach and practice that is similar to the 1990s.

### **Industry Training’s Relationship with the Tertiary Education Sector**

A pervasive issue in this thesis has been the continuous attempt through policy changes to align industry training, and vocational training more generally, with the wider tertiary sector. The disjuncture between ITOs and the rest of the tertiary sector, such as Institutes of Technology and Polytechnics or PTEs is an important issue as it may encourage unproductive competition, tensions within the tertiary sector, and/or inefficient use of public funds due to unnecessary overlap in roles. This thesis argues that the policy approach and practices of the National-led

Government neglect this significant issue and that may, in turn, intensify the division.

The significance of the fragmentation in the tertiary sector has been present in policy debates since at least the 1980s as previous reforms have explicitly aimed to address the divisions in the education sector. For example, Chapter Four identified that a key purpose of the NQF was to align the industry training sector with the wider tertiary sector through a common qualifications system. In addition, Chapter Five noted that a key recommendation of the TEAC process was greater collaboration in the tertiary sector (see Chapter Four and Five for an overview of these and other policy initiatives that express similar themes). The interview findings presented in Chapter Eight, especially the perspectives of Dawson and Baker, highlighted that fragmentation between industry training and the wider education sector is a significant unresolved issue.

This thesis has demonstrated that unlike previous governments, the National-led Government has not explicitly addressed this issue. Rather, this thesis argues that the government's approach has the potential to perpetuate the perception of industry training as a less valid tertiary education option. Most notably, this thesis holds, the 2015-16 TES demonstrates this argument by painting industry training as a stepping-stone to the TES' primary focus of qualifications above level four on the NQF (Chapter Six).

An area of strong agreement between Dawson and Murdoch was with regard to the means of addressing this issue. Both of these interviewees' argued that the current policy divisions between the types of tertiary education organisations that provide education and training are nonsensical. Rather, these interviewees proposed a policy framework based on the types of tertiary education itself. That is, a distinction between vocational and non-vocational education and training. Dawson noted that this would require a fundamental policy shift. Given that an on-going awareness and attempt to resolve fragmentation in the system has, it remains an unresolved issue, this thesis suggests that a more radical solution such as what is proposed by Dawson may be necessary and would be a valuable area of future research.

## **Industry Training's Relationship with the Compulsory Education Sector**

An issue that has become particularly pressing in the post-2008 industry training policy environment has been the relationship between industry training and the compulsory sector, particularly with senior secondary schooling. This issue was highlighted by the National-led Government's shift in policy priorities towards youth skill development (Chapter Six) and in the interviews (Chapter Eight). This section will explore both the positive and negative aspects of a shift in priorities to youth skill development.

This thesis notes the view of Murdoch and Baker that there is a weak relationship between compulsory education, particularly senior secondary school, and work, and vocationally oriented education and training. These interviewees' perceive this as an outcome of a weak policy framework and perceptions of vocational education and training as a second chance option to non-vocational or more academic education. Chapter Six outlined that a pervasive policy priority of the National-led Government is skill development in youth and that such a focus has the potential to address this issue. However, this thesis argues that the implications of this policy priority are complex and will only have limited ability to address the wider issue of compulsory to work and work-based training pathways.

The Government's youth skills priority has been translated into policy practice through the development of a number of initiatives that encourage greater links between the secondary and tertiary system, particularly with vocational training. Most notably, the Government's Youth Guarantee has resulted in the establishment of Trades Academies and Tertiary High Schools, as discussed in Chapter Eight by the Senior Official of the Ministry of Education especially.

This thesis recognises that it is advantageous for industry training that ITOs have had some involvement in the establishment of Trades Academies in particular. In this respect, the policy change reflects an ongoing evolving role of ITOs. Chapters Four and Five identified that ITOs have retained their core role of standard setting, and facilitating and monitoring work-based training since their inception in 1992. Chapter Five noted that the Labour-led Government increased the role of ITOs to include industry skills leadership. The inclusion of ITOs in

Trades Academies therefore suggests that the National-led Government is providing the space for the role of ITOs to further change. This is an advantageous shift for industry generally, as the role means that ITOs are not only a vehicle for industry to influence work-based training, but are now a stronger means of influencing the compulsory education sector.

However, unlike the Labour-led Government's adaptation of the role of ITOs through statutory change, the National-led Government has not clearly articulated its intentions in an amendment to the *Industry Training Act*. While this is compatible with the neo-liberal principle of a restricted regulatory role of the government that the government has demonstrated a wider trend towards, this thesis argues that the manner in which ITOs role is changing is problematic. This is a concerning issue because it creates uncertainty in the sector and such an approach will only serve to perpetuate or worsen the issues outlined above. Thus, this thesis argues that the government has an appropriate role in managing school to work pathways effectively as clear pathways need to be deliberately forged rather than hoped for.

This thesis proposes that such a shift is a small step towards addressing poor perceptions of vocational training at the broad level. However, this thesis argues Trades Academies will have limited effect in addressing the more fundamental issue of fragmented pathways between compulsory and post-compulsory vocational training, especially industry training, as they are not part of mainstream options for vocational education and training at the compulsory level.

### **Summary of the Chapter**

This chapter has drawn on an integrated understanding of the key literature, policy analysis and interview findings in order to highlight and discuss the study's most significant findings. The first overarching argument of this chapter is that the National-led Government's industry training policy approach and practice is demonstrative of an ideological and policy shift. In particular, it demonstrates several important inconsistencies with the Third Way and more consistencies with neo-liberalism. In this respect, the policy approach and practices of the National-led Government are more closely aligned with the National Government of the 1990s, rather than the 1999-2008 Labour-led Government. The ideological and

policy shift has been demonstrated in the position that the National-led Government has adopted with regard to the regulatory role of the government, the funding policy framework, and the role of the key organisations. Given that the direction represents significant similarities with the neo-liberal era, this chapter has argued that such an approach is likely to revive issues that were raised during that era. The second overarching argument of this chapter is that the National-led Government has contradicted literature and the perspectives of key organisations with respect to its view of skills and the contribution they can make to economic and social goals. In particular, this chapter argues that the Government has demonstrated a shift away from a complex view of skills, most notably through the reduction of the skills leadership role of ITOs. In addition, the chapter demonstrated that the National-led Government has valued economic goals at the expense of social goals. Consequently, the chapter argued that industry training is a marginal priority of the National-led Government. In light of the above, this chapter has argued that the approach of the National-led Government is likely to be ineffective at addressing issues that have vexed industry training since its development in its contemporary form in the early 1990s. Nor, this chapter argues, will the approach be adequate to address potential new issues.

## **CHAPTER TEN: CONCLUSION**

### **Introduction**

The purpose of this chapter is to conclude the thesis. The chapter has been divided into four sections. The first provides a brief summary of what the thesis has achieved. The second section summarises the key arguments made in the thesis and the key evidence to support those. The third section proposes important areas for potential future investigation. The final section offers some concluding thoughts on the value of this investigation.

### **Achievements**

Overall, this thesis has provided a comprehensive analysis of the post-2008 National-led Government's industry training policy approach and practices with consideration for the theoretical, historical and applied context in which it is situated.

Since the mid-1980s, industry training policy in New Zealand has been subject to regular reform. There have been some areas of consistency and stability. Most notably, since their inception in 1992, ITOs have retained their core role of setting national standards and facilitating training. However, each era, and within that, each phase of reform has brought about significant changes to the view of skills that drives interest in industry training, the priority attached to industry training itself, the extent of the regulatory role of government, the funding framework, and the means of engaging non-governmental key organisations. This thesis has traced significant changes with regard to these issues and provided an evaluation of the extent to which the National-led Government represents an ideological and policy shift. In addition, the thesis has evaluated the potential for the National-led Government's industry training policy approach and practices to address enduring and new issues within the policy framework.

### **Summary of the Thesis and Central Arguments**

This thesis draws on Mullins (1972) argument, highlighted by Gerring (1997), in order to argue that ideology is a significant factor in giving motivation for policy reform, as well as shaping the nature of the resultant policy. Chapter Three provided the theoretical context to support this argument. In particular, it

highlighted Gerring's (1997) article that identified the core attributes of ideology and encouraged writers to develop an appropriate definition of ideology that recognises the context in which the concept is to be applied. This thesis drew on four important attributes of ideology in order to develop a definition that is suitable for the purposes of this thesis. The attributes are function, location, subject matter, and cognitive/affective structure (especially coherency, contrast and stability). This thesis therefore defined ideology as a cohesive set of political beliefs or values that are consistent across a period of time and give cause for, as well as shape, the political behaviour of policy formation and discourse.

This thesis argues that two examples of ideology, neo-liberalism and the Third Way, have dominated industry training policy making over the past twenty years. These ideologies were defined in Chapter Three. The core principles of these ideologies are the points of reference for evaluating the extent of ideological change under the National-led Government. The core principles of neo-liberalism include a limited role of the government; individual freedom of choice; and the primacy of market mechanisms. The four principles at the crux of the Third Way include: the legitimate role for the government in social and economic spheres; the value of partnership; realigning economic and social goals; and the notions of subsidiarity and solidarity.

Chapter Three also defined HCT because its resurgence in the 1980s stimulated, at least in part, an increased interest in industry training policy reform. HCT is an economic theory about education that, at its most basic, argues that a country's stock of human capital correlates to economic performance. In the 1980s, HCT was appropriated by neo-liberalism and that resulted in two new emphases in the theory. The first is that labour productivity improvements result from increased skill levels and this is what accounts for economic growth. The second is that the benefits of education accrue primarily to the individual rather than the collective, societal level. Therefore, the neo-liberal iteration of HCT argues the government has little or no valid role in investing in education and training. The chapter noted that the Third Way accepts the first proposition regarding skills and productivity; however it reviews the public/private division of benefits and therefore funding in order to argue that education and training is a means of achieving individual economic benefits as well as wider social benefits. Therefore, the Third Way

argues that the government should take some responsibility for investment in education and training.

Chapters Four and Five applied the theoretical framework developed in Chapter Three, in order to outline the process of industry training reform between 1984 and 2008.

Chapter Four argued that core neo-liberal principles gained traction in industry training policy debates in the 1980s before dominating the 1990s. In particular, the chapter noted that the fundamental reforms made by the National Government can be traced to a substantial and extensive basis of policy research and development by the Fourth Labour Government. The 1990 National-led Government consolidated and extended the neo-liberal policy trajectory. The central policy changes during this era included the enactment of the 1992 *Industry Training Act* that enshrined ITOs. The core function of ITOs is to develop national training standards and arrange work-based training; they do not provide training. Neo-liberal principles and HCT were manifest in industry training policy in a number of ways during this era. Most notably, once the framework for ITOs was established the government had a minimal role in the sector as ITOs are industry-led, reflect voluntarist aspects, and are largely funded by industry with some subsidies from government based on enrolments. The chapter concluded by highlighting the critiques presented during the 1990s and in retrospective discussions of the era with regard to the nature of the industry training system. Some critiques targeted the ideological basis of the system, for example Labour's overt attack on its voluntary and competitive nature, highlighting that such a system led to inadequate skill development. Other critiques took a more neutral stance and highlighted that the outcomes of the system have perpetuated issues surrounding equality of access for example (Doyle, 1999).

Chapter Five explored the industry training policy reforms of the 1999-2008 Labour-led Government. The chapter found that the era involved a multi-stage process of significant reform that targeted the wider tertiary sector as well as industry training in particular. With regard to the industry training reforms, the Government's intent was to refine the existing structure of ITOs, rather than start afresh. The key changes stemmed from amendments to the ITA in 2002 that,



most notably, resulted in the addition of a new role for ITOs: skill leadership. This policy shift is particularly important as it signalled that the Labour-led Government held a multi-faceted view of skills that adopts a broader view than HCT. Furthermore, during this era, the government assumed an increased regulatory role in industry training, most notably through the development of the TES. In addition, the government actively pursued partnership arrangements with the key organisations, such as through the Skill New Zealand Tripartite Forum, and workplace productivity initiatives.

Chapter Six identified that the post-2008 National-led Government attempted to distance itself from its ideological history by arguing that it is pragmatically oriented, rather than ideologically driven. The chapter argued that despite these claims, the National-led Government has nevertheless pursued a policy approach and practice in industry training that demonstrates significant inconsistencies when compared to the Labour-led Governments' Third Way policy practices. Furthermore, Chapter Six argued that the Governments' approach demonstrates important consistencies with neo-liberal principles, thus is more similar to the 1990s National Governments industry training policy approach and practices. Most importantly, the chapter argued that the National-led Government has enacted new initiatives aimed at youth achievement that are only tangentially related to industry training, while skills policy aimed specifically at the existing workforce, especially through industry training, has become a marginal priority. The chapter argued that this type of approach indicates the government's focus on the economic benefits of education and training, at the expense of wider social goals. The chapter also highlighted that the Government has retracted its support for initiatives that take a multi-faceted view of skills, most importantly by reducing funding for the skills leadership role of ITOs. Finally, the chapter argued that partnership initiatives (characteristic of the Third Way) such as the Skills Forum have received little tangible support.

The interview findings were presented in two chapters that were divided between broad policy issues (Chapter Seven) and selected policy approaches and practices of the National-led Government (Chapter Eight). These chapters highlighted the varying degrees of consensus between key organisations in industry training with

regard to central policy issues. The following highlights some of the interviews most significant findings:

- There is a broad consensus that a multi-faceted view of skills and their relationship to productivity is necessary;
- The industry-led nature of the system has the potential to be a positive feature of the system, although it needs to be complemented by government adopting an appropriate balance between signals and regulation in the sector;
- There is a strong agreement that social partnership arrangements result in robust policy making and the non-governmental organisations support its continuation;
- There is varying agreement about the effectiveness of the TES's focus on outputs as a performance measure. In contrast, there is wide agreement that a shift towards outcome-based performance measures would be appropriate; and
- Industry training is fragmented from both the tertiary and compulsory sector.

Chapter Nine drew the threads of the thesis together, including the historical context, contemporary policy analysis and interview findings, in order to identify the significant issues in the industry training policy environment as well as to evaluate the potential for the National-led Government's approach to address those issues. In doing so, the chapter provided a final evaluation of the extent to which the National-led Government's industry training approach and practices represent an ideological and policy shift.

Chapter Nine concluded that the National-led Government has demonstrated an ideological shift away from that of the Third Way Labour-led Government of 1999-2008 and towards an industry training policy approach and practice that more closely aligns with the neo-liberalist National Government of the 1990s. It identified that the Government's approach to regulation and funding of the sector most clearly demonstrate this shift.

In addition, Chapter Nine concluded that the National-led Government contrasts with key literature and the perspectives of key organisations with respect to its

view of skills and the contribution they can make to economic and social goals. The chapter argued that skills have remained a focal issue in the broad policy approach and practices of the National-led Government. However, the chapter highlighted that the government has adopted a limited focus on skill development in youth and ignored the importance of policy that addresses demand-side issues such as skill utilisation.

In light of the above, the chapter has argued that the approach of the National-led Government is likely to be ineffective at addressing enduring issues in industry training as well as new issues. This is for two reasons. First, the approach contradicts the international and domestic research presented in the literature review as well as the perspectives of the key organisations. Second, the policy direction essentially revives the policy approach and practice that dominated the 1990s and was criticised for its considerable failings.

### **Future Research**

As noted in Chapter Two, this study has been conducted at a fluid point in the policy framework as the National-led Government's policy approach and practices are still being developed and implemented. This has been affirmed in Chapter Six and Nine. This thesis argues that such a dynamic research topic has provided an interesting case study of ideological and policy change. However, it has meant that there are areas in which future research would be valuable as certain areas of the industry training policy framework become clearer. Most importantly, this thesis argues that the particular measure used to evaluate ITO performance would be a valuable area of research given the concerns raised by representatives of some key organisations in the sector about the effectiveness or otherwise of different measures.

### **Concluding Comments**

To conclude, this thesis has demonstrated the impact of ideology and an evolving view of skills and their contribution to economic and social goals in driving industry training policy reform. This thesis recognises that these two factors will continue to motivate industry training policy reform, now and into the future, and has provided some insights into that process.

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