

A skills agenda for prosperity

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Government has set a prosperity target, to match Australia's GDP per capita by 2025. Achieving the target requires a huge improvement in economic performance. There is an emerging consensus that New Zealand needs to do more than expanding primary output and relying on commodity price increases. Efforts to increase the availability of capital for productive firms and to innovate more effectively are important steps in the right direction, but skills improvement should contribute too.

Labour productivity, the output per hour worked, is the most significant driver of a nation's GDP per capita. New Zealand performs relatively poorly on measures of labour productivity, ranking 22nd of 30 OECD countries, whereas Australia ranks 13th. Improving labour productivity can be achieved by improving, amongst other factors, contributions from innovation, capital and talent. Skills enable managers and workers to find ways to produce more valuable output per hour worked.

Growing New Zealand's prosperity depends on developing successful international businesses, and businesses will only be successful if they are competitive. Achieving competitiveness, by providing more valuable products and services or by having lower cost structures, requires world-class skills.

Complacent people who think that skills already learned will be sufficient for the future are likely to be unpleasantly surprised when they come up against competitors from other countries. Lifting skill levels requires people to have an appetite for learning. Within families, schools, businesses and countries, it is leadership and culture that establish the desire for learning.

New Zealand scores well on some skill measures such as high school reading and numeracy, and the proportion of the population with tertiary qualifications. However, there are also many areas of weakness and worthwhile opportunities for improvement.

New Zealand has a large pool of low-skilled people. The easiest strategy to addressing a low skilled population is to grow sectors that can employ those people. A more difficult but better strategy is to increase skill levels and expand higher value sectors. This high skills strategy requires more effort but it is better in two ways; it provides more income and more rewarding jobs for the people, and it lifts the average GDP per capita for the country.

The New Zealand Institute's work on economic opportunities has identified a range of skill development priorities that would support such a high-skills strategy and have valuable benefits.

The proposed skills agenda includes two kinds of opportunities. The first opportunity is to increase skills; for example:

- Improving educational outcomes for New Zealand's most disadvantaged people;
- Managing the school-to-work transition more effectively to reduce youth unemployment and provide workers who will better meet the needs of employers;
- Improving adult literacy, numeracy and financial skills;
- Training more people with valuable skills in short supply, such as scientists, engineers, operations and development managers, and entrepreneurs.

The second opportunity for New Zealand is to gain more value from skills already developed:

- Increasing engagement with the approximately one million New Zealanders living abroad; either encouraging them to bring their skills back to New Zealand or connecting with them to help New Zealand succeed internationally;
- Encouraging more academic researchers to conduct research that will improve outcomes for New Zealanders;
- Becoming far more strategic about immigration, targeting recruitment of people with the specific skills required here and getting them established, certified and employed quickly.

For all these agenda items there are worthwhile opportunities for improvement, along with evidence for links with prosperity, and data that shows other countries are achieving better outcomes than New Zealand.

For some of the agenda items there are programs being developed or in place. What is needed though is stronger performance management; clear assignment of accountability for outcomes, published targets, sufficient resource reallocation to reach the targets, monitoring, review, and reporting of progress. Competing countries such as Denmark, Singapore, and Australia are managing performance well.

The target to match Australia's GDP per capita by 2025 is ambitious. Skills improvement is only part of the solution but it is very important. Choosing the right improvement agenda and managing performance well will be important for success.