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# REGIONAL LABOUR MARKET DYNAMICS AND ECONOMIC PARTICIPATION: THE MEDIATION ROLE OF EDUCATION AND TRAINING INSTITUTIONS

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## Abstract

*Since the late 1970s in New Zealand, education and training have been essential elements as governments have grappled with maintaining and increasing the employability of the labour force. This paper reports on one phase of the Labour Market Dynamics and Economic Participation research programme which addresses the role that education and training institutions play in mediating labour supply and demand and promoting economic participation within various New Zealand regional labour markets. The paper refines and extends some of the key concepts of the Department of Labour's Human Capability Framework to explore the effectiveness of regional education and training institutions, and other intersecting regional and national organisations, in mediating regional labour market supply and demand.*

Keywords: *Education, training, regional labour markets*

This paper reports on a major component of the second and final phase of the Labour Market Dynamics and Economic Participation research programme. The 'Labour Market Programme', funded by the New Zealand Foundation for Research, Science and Technology (FoRST), is an interdisciplinary research project, that was initially designed to explain the dynamics of economic participation by exploring the interface between households and the labour market. In order to do that, ongoing research has been undertaken in the three regional labour markets of Hawkes Bay, West Auckland and Tokoroa.

More specifically, the research in its first phase, sought to explain how individuals made decisions about access to, and participation in the labour market, with particular emphasis on the life cycle of the household. An innovative 'work histories' methodology was used to gather the data for this initial phase of the project. The first component of the data gathering was a face to face survey. This comprised a life/work history schedule through which information was collected about various aspects of the participant's labour market and family history since 1980. In the case of employment transitions, such as the transition from paid to unpaid work, or part-time work to full time work, further detailed information was collected about the nature of the job, hours of work, salary, conditions and so forth. In addition the survey sought information on the way individuals entered and exited the labour market. The second major component of the data gathering was ethnographic in nature and was intended to illuminate and enrich the quantitative data already gathered. This component comprised follow up studies in the three regional labour markets of some 10% of the households already surveyed. The follow up studies involved the use of both interview techniques and a self-administered questionnaire.

Key findings of the first phase of the research indicated that, despite significant differences in the characteristics of the three regional labour markets, the effects of the era of restructuring in the 80s produced remarkably similar themes. For instance, in both the Tokoroa and Hawkes Bay labour markets, a sense of insecurity was prominent among respondents. However, the context that shaped those responses was markedly different. In Tokoroa, which re-

mains a largely one-industry town, the sense of insecurity stemmed from a contraction in the forestry industry which can only be described as traumatic. The Kinleath mill, which once employed over 4000 workers eventually employed fewer than 700. On the other hand, the Hawkes Bay labour market, characterised by far greater diversity, experienced the restructuring of the 1980s quite differently. As a result, respondents were faced with a more generalised, and therefore more diffuse sense of insecurity. Another theme which emerged in both these labour markets is the on-going effects of restructuring in areas that have been characterised by ethnic occupational segregation. The fact that Maori women and men have tended to be concentrated in the semi-skilled blue collar occupations that were so severely affected by the restructuring continues to produce negative downstream consequences.

In order to gauge the limitations as well as capacities of different regions to promote paid employment, the Labour Market programme also worked with the Maori Employment and Training Commission to generate regional profiles which were then used as a basis for identifying employment barriers and opportunities. Economic, industrial and demographic profiles were assembled for a number of regions and labour force projections to 2011 were undertaken. A further related series of surveys moved from the supply-side focus of previous work to investigate issues of labour demand. These surveys, entitled *Employment Policies and Business Requirements*, dealt with, among other things, the way employers handled issues of recruitment and training to meet the skill needs of their enterprises.

The focus of the current phase of the research shifted from the earlier focus on individuals in households and their labour market participation, to the effectiveness of regional institutions in promoting labour market participation. More specifically, the intention of the final phase of the project was to assess the capacity of institutions to respond to, and mediate, the labour supply decisions taken by individuals in households as they make transitions from one labour market status to another. A particular focus here was the role that education and training institutions play in mediating labour supply and demand and promoting (or impeding) economic participation within regional labour markets.

However, our concentration on institutional mechanisms produced its own set of complications to be resolved. We found that the focus on decisions made by individuals in households needed to be broadened as a result of our beginning to problematise the role of institutions in mediating labour supply and demand. At about the same time we discovered in the Department of Labour's Briefing Papers to incoming Ministers a way to approach these issues which was on the one hand both complex and sophisticated and on the other disarmingly simple – the Human Capability Framework.

## Human Capability Framework

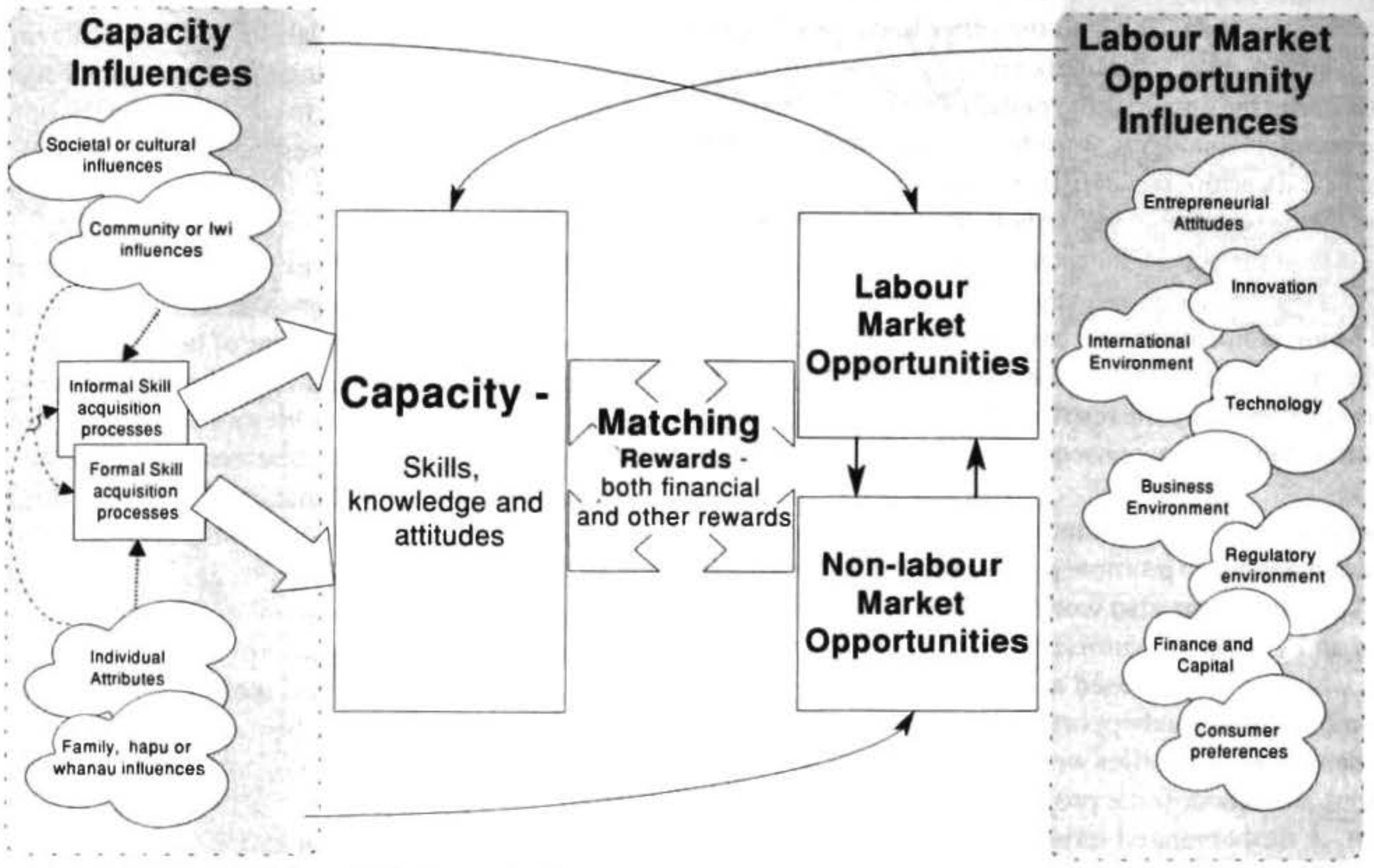
The Human Capability Framework provides an integrated view of key economic and social objectives, and of understanding the role of the labour market in achieving them. It is a way of understanding the interactions between the capacity that people have to do things, and the opportunities they have to derive well-being from those activities (DoL 1999b: 4).

The Human Capability Framework (HCF) has as its focus an analysis of the development and deployment of human resources for the advancement of human wellbeing. As such, successful labour market outcomes – however those might be defined - are not viewed as ends in themselves, but rather as means to a more general end of enhancing wellbeing. Having said that, the HCF does assume that successful labour market outcomes, as means of generating personal and societal wealth, are vital to the advancement of wellbeing. This is an important, if fine, distinction however, as it helps to explain why the HCF adopts such a broad analytical view within each of the three elements in the model; these being Capacity, Opportunities and Matching (see Figure 1).

'Capacity' refers to what people are able to do (DoL 1999a: 20). Within the labour market, the issue is not just what individuals are able to do, utilising their skills, but it is also about the networks they are involved in, and the knowledge and attributes they possess that can be mobilised to exploit labour market opportunities. 'Opportunity' refers to the options available to people to get financial or personal reward from using their capacity (DoL 1999a: 24). To again focus on the labour market, it is through employment that opportunities are fulfilled.

As with the capacity and opportunity elements, matching is conceptualised as a distinct process – or rather, set of processes – involved in linking people's capacities with labour market opportunities. As with the previous elements, making such a distinction allows us to take into consideration the broadest possible range of factors that influence the supply of labour to meet the demands of the labour market, for the purposes of isolating those factors and analysing their utility in the process. This is not to say that matching can be perceived in discrete terms: individuals' thoughts about using or building their own capacity are imbued with considerations about how that capacity is to be linked to opportunities. Likewise, corporate enterprises may make strategic decisions about the extent and location of future growth based on perceptions of the regional availability of necessary skills. Each of the three elements of the framework are deeply infused with aspects of the other two, and as the matching phase occupies the intermediary position between capacity and opportunity it more fully permeates them both. Of particular interest, given the current focus of the *Labour Market Dynamics and Economic Participation* research programme, is the role played by various institutions in mediating between labour market supply and demand, specifically education and training

**Figure 1. Elements of the Human Capability Framework**




Source: Department of Labour (1999) *Human Capability: A Framework for Analysis, p.19.*

institutions and government, community and iwi agencies involved in local economic development. In particular, we are interested in the ways that such mediation impacts on capacity-building deliberations by those in the labour market (capacity) and on the ways in which various labour market players clarify and communicate their current and future skill needs (opportunities).

As mentioned earlier, the conceptual key to the Human Capability approach is the breadth allowed in developing the range of influences over both the development of individual capacities (abilities, skills) and the creation of opportunities to utilise those skills. By taking an enlarged view of those influences which help to develop both individual capacity and labour market opportunities, as well as the processes involved in connecting the two, the model encourages an examination of the broadest possible range of challenges to labour market participation and possible solutions, even when those solutions cut across different but interrelated – yet often perceived to be disparate – policy spheres.

Such a vantage responds to a principal critique of human capital theory, the approach commonly used by policy makers and analysts, and recommended by the OECD to be the framework in which to examine issues to do with employment and employability (OECD 1997). One concern about the human capital approach is its assumption of individuals as rational maximisers of individual utility: that is, that people make decisions about maximising their own opportunities and develop their potential to maximise future opportunities based upon rational considerations of self-interest and unlimited choice. The HCF allows for a more holistic – and realistic – view of individuals as being embedded in a variety of social relations that affect their choices and aspirations in a way that human capital simply does not.

The Human Capability Framework also allows closer examination of the effectiveness of education and training, a dynamic which – in the human capital frame of reference – can easily be assumed to be unproblematic. Those assumptions may translate in this way:

1. People increase their knowledge-base and skill-levels and their human capital rises as a result.

2. People with higher levels of human capital are more employable than those with lower levels

3. Therefore, raising the level of people's human capital makes them more employable.

By conceptualising the process of Matching as an overt feature, the Framework allows us to move from the assumption that education and training increase capacity towards beginning to question what types, and *under what conditions* education and training meaningfully increase people's capacity, leading to a match of that capacity to opportunities in the labour market (Rubinson and Browne,

cited in Dupuis, de Bruin and Firkin, 2000: 58). In effect the approach acknowledges that capacity finds fulfilment in labour market opportunities only through effective matching of the two.

The DOL Briefing to Incoming Ministers defines Matching as all the processes involved in connecting people's abilities to opportunities that utilise them. These processes include rewards for skills, safety nets, rules around contraction, dispute resolution systems, and information that helps people make informed choices (DOL 1999b: 32). We suggest that this last feature is an essential pivot-point in the matching process: flows of information affect not only the choices that people make regarding current and future labour market opportunities and the skill sets which may be required to exploit those opportunities, but they also impact on what choices people may have available to them. That is, with regard to education and training, information concerning labour market growth and the current and projected strategic demand for labour supply within regional markets must flow from those markets to the institutions providing courses to build those skills. The institutions, in turn, must be able to effectively translate that information into action – developing, providing and promoting education and training programmes which equip people to take advantage of opportunities as they become available. Although other factors may certainly promote or impede positive labour market outcomes, it is the quality of information, and the effectiveness of the information flows, which is of primary importance in the Matching phase of the Framework, and it is to the flow of information that we wish to direct our attention.

A critical point to reinforce is that Matching involves a range of processes within and across all the elements of the Capability Framework: Matching doesn't 'just happen' – if indeed it happens at all - but rather it can be promoted, managed, constrained or abandoned according to (among other things) the effectiveness of the mechanisms at the interface between labour supply and the labour market. And that effectiveness is defined in the first instance on the quality of the information flow available. In fact, the effective exchange of information across and between all the elements involved in the labour market is essential for matching to be most successful. In the ideal type model presented in Figure 2, education and training institutions provide opportunities for people to build their capacity through programmes designed to meet particular skill needs in the labour market, which has communicated to the education/training sector the need for certain types of skill-sets. Various funding agencies (such as the Department of Work and Income or the Ministry of Education), also in communication with the labour market, agree to fund particular programmes on the basis that they teach people specific skills that will help them gain employment. Those people, who may (or may not) be aware of the opportunities in the labour market and recognise the need to gain new skills – and some of whom may meet various eligibility criteria for government-funded training programmes – contract with the education and training institutions to build their capacity. On completion of the period of education or training and armed with their new skills, those people attempt to enter the labour market and test the quality of the information they have gained (in terms of their skills on the one hand, and on the other in terms of their understandings of the need for those skills in the labour market and the appropriateness of their training). The funding agencies, by collating the numbers of people in various training programmes who have entered paid employment, also are able to test the appropriateness of those programmes and adjust their negotiations with providers accordingly. Of course, this assumes that the agencies are asking questions about the connections between the trainees' employment (in terms of skills utilised) and the skills gained in the training programmes. Such assumptions are problematic.

As a result, the conceptual boundary between the capacity-building and matching phases is made somewhat more porous, as we read education and training activities not only as capacity-building activities, but also as part of a process of matching individuals' capabilities to labour market demands. This cross-elemental position is most evident in the work of matching agencies such as Skill New Zealand, which contracts education/training providers to train job-seekers in a given set of skills, but which requires in those contracts certain labour market outcomes. In addition to their own research into local labour market demand, Skill New Zealand makes an explicit assumption that the providers themselves have effective links into those markets, and have the ability to place at least some of their graduates into jobs in the industries for which they have been trained. Such assumptions are not held only by government agencies: employers expect providers to be responsive to labour market demand, and to take specific action to introduce or modify courses when particular industry-specific skill sets are found to be in short supply, whether the industries affected are forestry or – as we have heard in the last few days – nuclear medicine. Such instances highlight the essential link between labour market opportunities and the matching, not only of individually-held capacity, but also of the capacity-building activities aimed to meet those opportunities.

Of particular interest in this phase of the *Labour Market Dynamics* research programme is the ability of 'matching' institutions to respond to, and mediate, capacity-building decisions taken by individuals as well as current and future labour market opportunities defined by industry employers as skill needs. The flow of information is vital in this process, and it is this – the information flows across regional labour markets – which is the focus of the research. Institutions tie into information flows in any number of ways, but their effectiveness is in large part determined by the strength and reliability of the communication lines they maintain with other labour market institutions. Whether those communications are formal, structured, purposeful and institutional, or rather more informal, casual and premised on personal and social relationships, or some combination of these, communication lines are vital to the flow

**Figure 2. Information Flows Across Labour Market**


of information across regional labour markets. By tracking the flow of information, via an examination of the location and context of communication lines amongst the various institutional players, we intend to generate a map to represent the flow of information across each of the three labour markets under investigation – Hawkes Bay, South Waikato, and West Auckland.

## Methodology

Much of the reasoning that informs this research appears at first glance to be simple common sense. *Of course* education and training institutions, and those agencies concerned with regional economic development, need good information about the needs of those labour markets. *Of course* the quality of strategic decision-making at a policy level depends upon accurate assessments of what is actually happening at local and regional levels. However when we began to talk with others about the research we quickly learned that while everyone can agree on the importance of good information, the process of determining methods employed by various players to both receive and communicate labour market information is far from clear.

One early task of the research team was to identify stakeholders and begin a process of dialogue with them, to draw upon their expertise and insights at both national and regional levels, as well as gain input about how we might ensure that a piece of research like this was actually able to produce useful information for all concerned. Given the nature of this research, and its potential implications for the development and implementation of social policy in the key areas of employment, education, income support and regional economic development, the research team decided that our first point of contact needed to be Wellington. Following consultation with agencies such as Treasury, WINZ and the Ministry of Economic Development we began to move into the regions themselves. There we almost immediately encountered an important ethical issue well known to social researchers in Aotearoa New Zealand: what obligations and opportunities were presented by our Treaty relationship with the tangata whenua?

In this issue we were guided by Professors Ian Shirley and Paul Spoonley, both of whom have extensive experience in research with and for Maori organisations (see for example Spoonley, et al 1993; and Maori Employment and Training Commission 2000). Given the history of academic research on Maori which has been used against Maori interests, the tangata whenua are justifiably cautious when Pakeha and tauiwi researchers approach them with research proposals. Our challenge was to demonstrate that the research team would give due diligence to the Treaty partnership despite the fact that our approach to the Maori organisations in each of the three regions would occur after the foundational decisions about the research framework, concepts and design had already been made.

Our response to this challenge has been to enter into dialogue, focusing on two points. The first is that we have been careful to lay emphasis on the fact that this research is not *on* Maori. We are exploring institutional processes in which Maori individuals and agencies have and interest play an important role. However this research is conceptually quite different from other types of social research which in the past have been used to formulate arguments

of some type of Maori cultural deficit as an explanation for negative social outcomes (Smith 1992). Our other response has been to pursue a partnership relationship with the tangata whenua of each of the regions under study by offering them the opportunity to participate meaningfully in a piece of research from which they may benefit. This opportunity will be manifest most clearly in the reporting-back phase of the research, where we have offered a 'preview presentation' of the workshop (described more fully below), presenting the issues and exploring with them the implications of the research for Maori, and consulting with them as to how their concerns might be effectively presented for the general workshop which would follow. This dialogue in on-going.

## The Survey

The major questions we wanted to ask centred around the inter-related concepts of information flows and communication lines. Specifically, we wanted to know from all participants

- how they got their information about the regional labour market;
- with whom they communicated within the regional labour market about labour demand and supply issues;
- the nature of their communication with those they viewed as significant contacts; and
  any perceived barriers to effective communication within the regional labour market.

We quickly encountered a technical difficulty in that we were surveying participants from three distinct constituencies: in each region we were asking questions of industry employers, of education and training institutions, and of government and community agencies. And while many of the basic questions were the same for each group (Does your organisation have any forms of communication with. . . ?), the detailed follow-up questions, and other subsequent questions, were different. How were we to direct participants to the appropriate questions without creating a questionnaire that was full of confusing instructions as to which questions to answer or skip?

Our solution was to have only one filter question, on the first page, asking respondents to place themselves into one of those three labour market groups. We then directed participants to complete only that section of the questionnaire that was tailored for that group. These different sections were printed on different-coloured paper so that they were easily distinguished. This method also had the benefit of making the questionnaire appear smaller, which was very helpful indeed, since the three sections combined made the survey instrument over forty pages long.

The penultimate phase of the research is a dual process of reporting back the survey results to participants and other interested parties in each region and allowing the research team to take a reflexive pause before producing the final research reports. The mechanism for this phase is a workshop to be conducted in Wellington and in each of the regions surveyed for participants and stakeholders. This mechanism was suggested to us by Professor Ian Shirley as one which worked well for the research conducted for the Maori Employment and Training Commission.

At these workshops, to be delivered early in the new year, the research team will aim to present the survey results as a type of map of the information flows in each of the labour markets surveyed. This map will be a representation of the types and nature of information flows, and give an indication of respondents' differential access to information flows. The intention is to offer participants and other interested parties in each of the regional labour markets the opportunity to discuss the issues raised in an open forum: to acknowledge those parts of the labour markets in which there are open communication lines and satisfactory flows of information; and to address what participants have identified as significant barriers to good communication lines. It is intended that the workshops should provide a model forum in which all interested players have equal access to good information about what is happening in a given regional labour market.

## Preliminary Results

Although we have begun to receive responses from the Hawkes Bay phase of the research, it is too early to be able to offer more than an impressionistic view of information flows across that labour market. However even some of these initial impressions are worth noting – particularly where they illustrate misunderstanding or conflict over differing expectations and goals. For instance, when employers were asked about barriers to good communication lines with education and training providers, some commented that specific providers offered "outdated and irrelevant courses relative to industry needs," while others were concerned about the cost of training, both in terms of fees and also – in the case of on-going training - in terms of the loss in time of productive labour. On the other hand, education and training providers noted as barriers to good communication lines with employers a general indifference on the part of many employers to the need for employee training and upskilling, as well as a suspicion of current training practices and concepts. None of these issues appear to be insurmountable, but are indicative of fundamental barriers to the effective flow of good information across the labour market.

At least some of the employers and training providers amongst the early respondents acknowledged that some of the difficulties they encountered relating to the other constituent groups in the survey resulted from the different imperatives that each of the groups is pursuing within the labour market. Commented one employer:

> *Industry & agencies are coming from different perspectives: industry is looking for the most*

*skilled reliable labour available, and agencies (e.g. WINZ) are looking to place long-term unemployed as a priority.*

Several education/training providers expressed frustration that at times contractual requirements from the agencies ran counter to demands placed upon them by employers, occasionally by other government funding agencies, and by their other clients, the students themselves.

Respondents were not without constructive ideas about how to overcome some of the barriers they encountered. One employer suggested that the local Polytech altered their academic year so that students could be available for seasonal work. While one educator cautioned that they were careful not to call meetings of 'very busy employers' on their advisory committees unless they were of vital, immediate importance, a large employer suggested that a semi-annual workshop of all interested parties could be productive in addressing various regional labour market issues. A number of employers indicated a desire for more – and more regular – information and communication, although one small business opposed that move:

*would like to have less communication with both government and industry service providers. Our operations are unique and we know 'how to' better than theorists and idiot compliance policies. At this point we are suceeding [sic] in spite of the governments [sic] best efforts to make our job almost impossible.*

This respondent did not indicate interest in attending the follow-up workshop.

## Future Research

As happens with nearly any piece of research, the process of exploring issues pertinent to regional labour market dynamics has inspired a variety of diverse questions which could yield fruitful research. We have found the Human Capability Framework to be an invaluable conceptual tool, and one which is resilient enough to be extended and applied to any number of questions about labour, employment and work, such as the integration of community or cultural aspirations into the process of capacity-building, the development of labour market opportunities, and the matching of the two. Of course more work is needed on the concept of information flows across regional labour markets: while our research aims to provide a map of such information flows in three regional labour markets at a given point in time, there is much to be done in terms of how the players in those markets might improve the information flows and the lines of communication that facilitate them. For instance, are informal networks the most productive conduits for good information available, or could a model of more structured, institutional communication be developed within local labour markets?

Several early respondents (and more than a few stakeholders, in conversation) highlighted long-term employment as a unique and problematic issue for all the constituent groups involved in the research. Clearly some new solutions and approaches are needed in terms of the building of capacity and the development of new labour market opportunities for the long-term unemployed, and more effective measures deployed to match capacities to jobs.

Other, more peripheral questions presented themselves in our discussions with key players in the regions, and in early survey responses. One concerns the prevalence of small businesses in New Zealand, and the relevance of much international literature on labour market issues (such as in-employment training as a component of life-long learning, for example – see OECD Working Paper,1997) which carry assumptions about typical business sizes which may be vastly different from the New Zealand experience. Related to this issue is one that was explained to us by a stakeholder in our research in these terms: "Many small business owners are so busy working *in* their businesses that they neglect to work *on* them."

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