

Productivity: making skills count

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Covering

- Overview of NZ's productivity challenge
- Focusing on “black-box” of workplace
- Linkages between skill supply and usage in workplace
- Suggestions for shifting and lifting our game



Productivity challenge – again!

- Why productivity is important
- Poor productivity performance - OECD
- Labour utilisation high: labour productivity low
- Low capital to labour ratio
- Productivity gains within firms accounts for 50-80% of LP growth in most of OECD



Conventional response

- Historically NZ Govts' stress macro-econ mngmt and regulation of commercial enviro.
- Translates into investments in skills, technology, infrastructure, R&D, market development etc.
- Still some opportunity here but limited scope to improve firm environment



Little impact on performance

- All these helpful inputs have not delivered the productivity gains or higher levels of innovation predicted by theory
- All of which suggests that the real problem may reside within firms themselves.....



So what is the problem within firms? Some suggestions:

- Low levels of technology investment
- Product, service, market choice – cost minimisation
- Love of life-style over the hard yards of expanding beyond small domestic market
- What we actually **do** inside firms



Productivity in the workplace

- Productivity emanates from the workplace where inputs are combined, utilised and managed in more or less effective ways
- The “missing link” in Economic Transformation landscape
- Some belated and limited recognition via WPWG Report and work of PRG



In relation to skills....

- A given that lifting skills is key policy plank
- Govt thru ITO's etc has made real progress in lifting investment in skills and quals.
- May be true to say supply of skills (not availability) is now less of an issue
- Yet where is evidence of improved aggregate productivity?



Two major reasons for this

- i. Uneven demand and take-up:
 - Pragmatic employer response to need
 - Absence of skill acquisition as social good
 - NZ firm structure – polarizing labour market

- ii. Skills not yet utilised to maximum effect in workplace

An opportunity for ITO's to extend reach(?)



There are now two agenda items

- Seek to stimulate demand for skills through upgrading product and market strategies (to minimise dead-end jobs)
- Working out how to make full and effective use of more highly qualified workforce.



Implications

This highlights the need to:

- Design policy and practical interventions to affect what happens inside the “black-box” of firm
- Find new ways of joining up design and delivery of business and skill supports
- Evolve tailor-made solutions for sector and firms



Focus on:

- How labour management practices, workforce skills, business strategies, work processes and technology can be successfully combined



Not only HPWS but also...

- As noted not all high value add – but aim to lift all boats – “good business”

AND

- Work has a human face – “good work”



What is needed?

- Build knowledge and capability foundations over time (10-15 years?)
- Create specialised Workplace Development
- Develop better linkages between external inputs and internal firm levers
- Significant role for ITO's
- Unify Govt policy on workplace
- Build research base for how it is in NZ



Last word

- Not easy but rewards are high
- Potential source of competitive advantage
- Currently lack know-how, resources and mandate
- Glimmers of light!
- Ideas whose time has come.

