

Queen Margaret's College

The Business of Education

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THE BUSINESS OF EDUCATION

There has probably never been a more appropriate time for New Zealanders at large to undertake a critical review of where education is at and identify what its objectives and priorities must be for the future.

I commend Queen Margaret's for initiating this forum for a debate which is now urgent if we are to ensure that New Zealand has a future, and a satisfying one, for all its citizens. I especially commend the participation tonight of the education industry's customers - the students.

My comments and views tonight largely reflect the perspectives which the New Zealand Business Roundtable has developed over recent years on the direction of education in this country.

Before tackling the subject, I should first explain briefly what the Business Roundtable is and why it tries to encourage and participate in public debate on a range of issues.

The Business Roundtable is an organisation of some 40 Chief Executives of major New Zealand business firms. The sole purpose of the organisation is to contribute to the development of sound public policies which reflect New Zealand's overall interests. It enlists the help of a wide range of highly qualified and experienced consultants of international standing to develop its policy perspectives and to initiate debate on them.

Contrary to the theory promoted mostly by the popular press, a few threatened politicians and some minority pressure groups who find the facts unpalatable, our policy proposals are not the fiendish work of some group of rich, power-crazed, selfish 'business barons' with a hidden agenda. But we make no apology for exposing the facts or the reality of any situation as they are essential for effective debate.

We accept that we have no monopoly on good ideas or the right solutions. We are happy to be a catalyst for debate and to compete with others for good ideas. Our organisation's only motive in all this is a better New Zealand, one in which all New Zealanders will enjoy higher prosperity and other valued goals.

I have deliberately entitled this address 'The Business of Education' because that is what education is about, however much that term might be an anathema to some in the profession. But first I will set out some key facts about our economic situation because many people still don't seem to grasp the dimensions of the harsh reality facing us all.

The Lausanne Business School IMEDE, in conjunction with the World Economic Forum, assessed New Zealand's performance in the 1990 World Competitiveness Report. Over the range of indicators we ranked 17th amongst the 22 OECD countries surveyed.

Some of the individual results are sobering.

- * We had the lowest rate of real GDP growth and real per capita growth over the 1982-88 period.
- * We scored bottom for growth in employee productivity over the same period; output per employee is barely half that of the top ranked countries.
- * Our labour force is rated as one of the least willing to accept new technology.
- * We have almost identically low scores (17 out of 23) for managerial drive, responsibility and initiative, and for worker motivation (18 out of 23).
- * We have relatively low rankings for product design and on time delivery of products.
- * Finally, this study found that the performance of the compulsory education system in meeting the needs of a competitive economy deserved a low mark.

It was clear more than 20 years ago that post-war economic policies had to be abandoned. Farming for the British consumer was good while it lasted but it didn't. At the same time the New Zealand consumer got a rotten deal as protection and over-regulation ensured the prices of goods remained high, while quality was often mediocre or worse.

Despite closer economic relations with Australia (CER), land transport and other deregulation, and the structural reforms of the last government, we have not adapted anywhere near fast enough. It is true there have been dramatic improvements in productivity on the waterfront, in manufacturing and in the service and public sectors. However, the two main areas where we have failed are in controlling public expenditure and labour market reform. This is basically why interest rates have been so high and why companies have not employed more of those available for work.

The situation would have got much worse if the new government had not taken steps to reduce the deficit between its own income and expenditure. Last December we were looking at a deficit in the 1993/94 year of around \$5 billion (i.e. more than \$1,500 per New Zealander) and with revised predictions being made almost daily that could well have been a 'best case' scenario unless drastic action was taken. To its credit the government has already taken some very difficult decisions. Lower interest rates have followed and more benefits will flow from the successful implementation of the Employment Contracts Bill and other initiatives.

Notwithstanding the urgent attention the new government has given to some areas of public expenditure, there is still much to do in respect of both the quantity and quality of this expenditure - which at the end of the day can only be paid for by the community itself in the form of taxes and other government levies.

The last six years have revealed major weaknesses in the business sector. Many companies failed to handle the new environment with the skill it required. Hundreds

of manufacturers disappeared because they couldn't deal with the competition from overseas.

Where was the well educated and flexible Kiwi when we needed her, and him?

The evidence suggests that for decades we have deluded ourselves about skills and attributes we didn't have, certainly not in the quantity required. We wallowed in mediocrity while pretending that we were in the top stream. While we have always had innovative entrepreneurs, so many of us were really timid unenterprising creatures hiding behind protective devices such as import licensing, public sector job security or trade unions. We had a cosy but suffocating environment which stifled initiative and created enormous pressures to conform.

Conforming was profitable in a regimented economy, but none of this can work any more. The country's rural sector is struggling to survive, let alone subsidise anyone else. We have joined the international economy - we had to and there is no going back.

The real challenge which we cannot avoid is the internationalisation of business and the use of increasingly sophisticated technologies and methods of operation. Exporters have to match or better the competition in terms of price, quality and service. There is no other choice. If we try to protect some industry we impose costs on others and thereby undermine them. This is a real change which affects all countries in the same way. It basically explains why the centrally planned countries found they could not survive on their earlier course.

Given our relatively prosperous past, we don't want to compete on the basis of low wages with the developing countries. Yet without real change we will continue to head in this direction. As the Porter team argues, the traditional agricultural products will not produce the returns needed to support, let alone improve, our current living standards, although they will remain very important.

Our economic and social salvation depends on producing more sophisticated goods and services that will find ready markets overseas. We have instances of companies that are succeeding in this area. We need thousands more.

This is where the education system comes into the picture.

I would like to comment on why the Business Roundtable has chosen to devote resources to studying the education system. We have published two reports - Professor Richard Blandy from Australia looked at tertiary education in 1988 and more recently Stuart Sexton, director of the Education Unit of the London-based Institute of Economic Affairs, reported on the Tomorrow's Schools reforms. We shall be taking a continuing interest in the development of education policy.

In commenting on the Sexton report, the primary teachers' union president Carol Parker had this to say:

"The report makes public the Roundtable's real agenda for education - having wrecked the New Zealand economy and destroyed most of the private sector,

big business is now looking around for new investment areas and has targeted the public sector, including education, to 'privatise and plunder.' "

This statement says a lot more about the minds of some people active in teacher unions than it does about the views of the Business Roundtable. It demonstrates the difficulty of having a rational debate about the fundamentals of education - let alone the detail. It also shows how determined the providers are to remain in control of the whole process. Finally, it reveals an anti-business bias which is unhealthy.

What the Business Roundtable seeks is an education system that is efficient and meets the country's economic and social goals. We want to see the system producing well rounded, better qualified and highly motivated future members of the workforce. The skills we are looking for include literacy and numeracy; a knowledge of history, foreign languages, economics and science; the ability to communicate; and flexibility to work and lead in a team environment.

Ten days ago Professor Elley of Canterbury University was quoted as saying that children's reading levels in classes from Standard 2 to Form 4 were on a par with those of 1968. You may find this very reassuring. I don't. Would you be impressed if I were to tell you that my business's products were no worse than those produced 22 years ago?

While the data on comparative performance at specific ages is less than adequate, it is clear that the secondary system is not producing students with a high enough level of educational attainment. The Planning Council's publication 'Tomorrow's Skills' produced two months ago set the facts out very clearly.

The rate of participation in the education system at age 18 is 36 percent, which gives New Zealand a ranking of 16th out of the 18 OECD countries surveyed. Only the United Kingdom and Turkey are below us. As the Planning Council concluded:

"The results of these low participation rates over time mean that currently 46 percent of New Zealand's workforce has no formal school qualification, and 60 percent has no tertiary qualification. We conclude that our current workforce is ill equipped for the challenges of the new economy".

Our participation rates in the 20 to 24 age groups in full time or part time education showed we are well below par amongst OECD countries with an overall ranking of 10th out of 13.

The data show that there is a positive correlation between GDP per head and participation rates in education. Of the 19 countries surveyed for participation rates of 17 year olds, only Ireland and Greece had higher participation rates and lower GDP per head than New Zealand.

All this strongly suggests our education system is doing rather poorly, although I would not lay the responsibility solely on the schools. For much of the post-war period there was a ready market for unskilled workers who were relatively well paid. When the job market failed to absorb these people the state stepped in with an assortment of artificially-created work schemes, and there was of course the dole.

This approach, combined with a rigid labour market, created an environment where young unskilled people were given inadequate incentive to obtain the necessary education or work qualifications, and where they were not allowed to price themselves into the job market. The recent removal of the dole for those under the age of 18 and other changes in welfare benefits are altering the marketplace in a fundamental way. I have no doubt that in due course the net result will be different attitudes in the home, much better educated young people and, quite quickly, more of the unemployed pursuing and finding productive work.

In his report, Stuart Sexton argued that responsibility for the education of children lies first with parents not the state - just as parents are obligated to feed, clothe and house their children. He acknowledges that many parents will choose to delegate the educational role to other parties. However, he also argues that parents, as agents for their children, should have the major say in how education is to be provided.

There should be close parent - school links. Active involvement in the school's policy making process reinforces the value of good education to the whole family and gives parents the opportunity to have an influence on the nature of the service. It is important that, as is the case in private schools, the boards of trustees in the state sector are able to operate with minimal interference from officials in the Ministry of Education and other central agencies.

Parental involvement is also bound to lead to greater diversity. This is good. Maori children are under-achieving in the present system and many believe that their best interests would be better served by different approaches. A system that is flexible and that allows for more parental choice will be better able to cater for the needs of different communities and individuals.

The key questions are who should fund and who should provide education services.

In the primary and secondary areas we believe it is appropriate that the state be the principal funder. However, this does not mean to say it has to be the major provider. The private sector has a role to play in giving real choice to the consumer. As the principal funder the state should set standards and be neutral as between state and private schools.

In the tertiary sector we believe that as the main benefits fall on individuals, it is appropriate they pay a significant share of the cost of their education. If student contributions were combined with loans and government loan guarantees for students, there should be a role for private universities and existing state institutions could be corporatised.

To summarise, the winners in tomorrow's world will be those countries which invest wisely in their human capital. It is not just a question of money. We need an education system that is both efficient and effective. I see it as imperative that the education industry accepts that it exists for a market - not just for itself. The market, that is the customers, are students and parents choosing on their behalf. With the right to choose they will demand value for money - an essential performance

requirement for educationalists along with all other producers/ providers of goods and services.