

'We Might Call Them Once'

**Mediating Supply and Demand in Regional Labour
Markets?**

Working Paper No. 2
Labour Market Dynamics Research Programme

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1. Introduction

Labour Market Dynamics Programme

This working paper reports on a major component of the second phase of the Labour Market Dynamics and Economic Participation research programme. The *Labour Market Dynamics (LMD) 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, Waitakere 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 1980s 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 remains 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 was 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 (see Shirley, et al 1997, 2000a & 2000b).

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 (see, for instance, Dewe et al 2000).

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 this phase of the project was to assess the capacity of institutions to respond to, and mediate, on the one hand the particular demands within a given regional labour market, and on the other 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 both education and training institutions and government and other economic development agencies play in mediating labour supply and demand, and in promoting (or impeding) economic participation within regional labour markets. This working paper reports the results of the survey and workshops conducted in each of the three regional labour markets over the end of 2000 and beginning of 2001.

It should be made clear from the outset that this research has raised more questions than it answers. It could be argued that most social research does this: as we look closely at any social phenomenon we are able to see complexities, tensions and contradictions where they had never seemed to appear before. However, in analysing the results of the survey, and reflecting upon the discussions that took place in the regional workshops as part of the reporting-back process, we have had to revisit the process of theorising that informed the survey, and even challenge the foundational assumptions which formed the basis of the research question in the first place. Given that this has been our response to the research, we intend that the reporting of the results should mirror the same process. After a brief discussion of the theoretical framework and reasoning which originally informed the research, this paper will present and discuss the results of the survey and finally, revisit the theory and refine the assumptions about the mediating role of those labour market institutions. Perhaps, after all, it is not so much a question of assessing the capacity of such institutions to mediate labour supply and demand as questioning when, and under what circumstances, they play that mediating role.

2. Theoretical Framework

In moving from the first to the second phase of the *LMD* programme, there was a shift in focus from processes at the micro level of the labour market – individuals and households – to the institutional level; to the roles played by various labour market institutions and the mechanisms by which they mediate labour supply and demand. We found that as the focus on decisions made by individuals in households needed to be broadened to take account of institutional processes, so too did the theoretical foundation from which we were operating. 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 intuitively appealing in its simplicity and on the other both comprehensive and sophisticated – 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 wellbeing from those activities (DoL 1999b: 4).

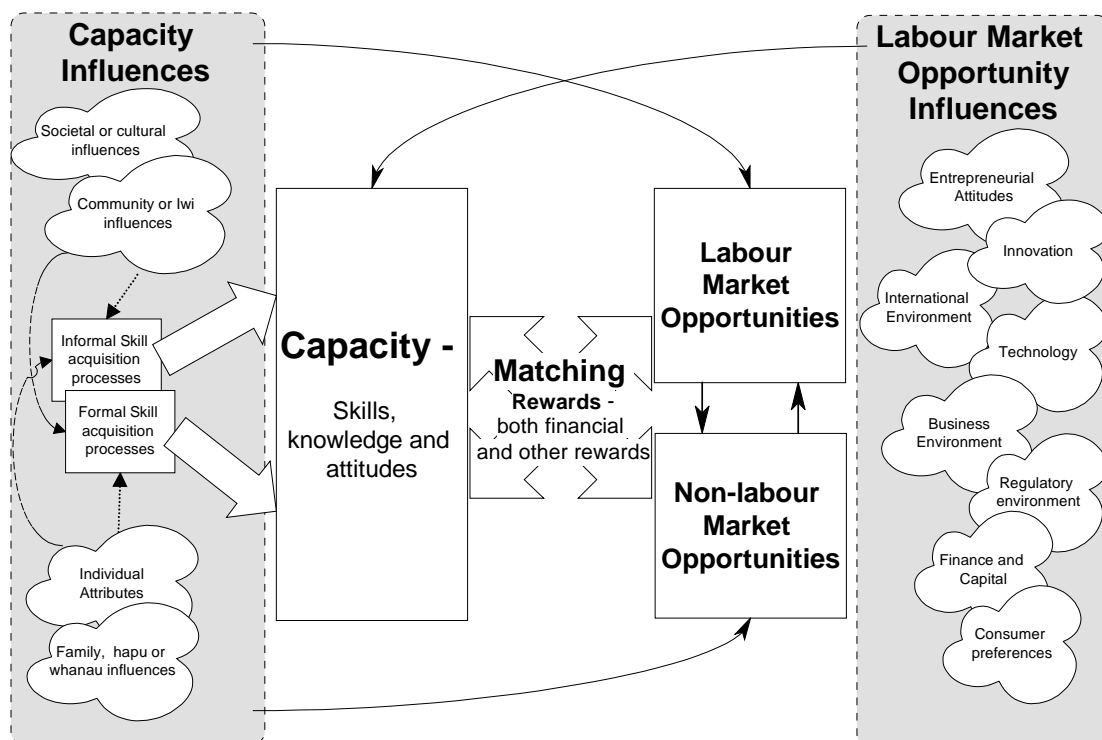
The Human Capability Framework (HCF) has as its focus an analysis of the development and deployment of human resources for the advancement of human wellbeing. As such, successful labour market outcomes – however those might be defined – are not viewed as ends in themselves, but rather as means to a more 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 2.1).

“‘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.

Like 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’ deliberations 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 our research, is the role played by various institutions in mediating between labour market supply and demand, specifically education and training 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).

Figure 2.1: Elements of the Human Capability Framework



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

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 immediate 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 ways 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 be translated, albeit rather crudely, in this way:

- People increase their knowledge-base and skill-levels and their human capital rises as a result.
- People with higher levels of human capital are more employable than those with lower levels.
- 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.

Information Flows

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 in the first place. 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

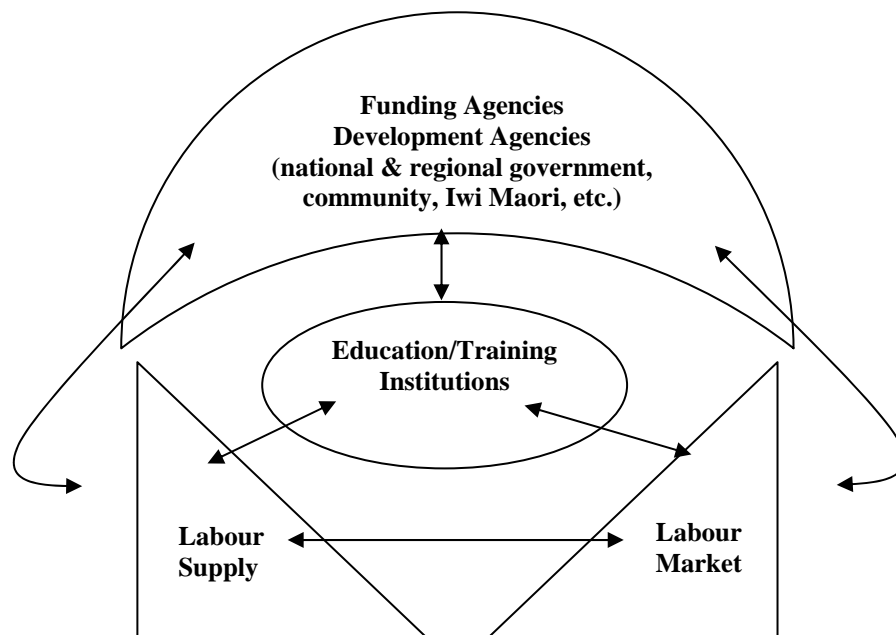
flows, which is of particular importance in the Matching phase of the Framework, and is central to our survey of regional labour market dynamics.

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. 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 2.2, education and training institutions provide opportunities for people to build their capacity through programmes designed to meet particular skill needs in the labour market; employers in that market have 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 has been in the news more recently – 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 *LMD* research programme has been 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 in mediating labour supply and demand 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 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 Waitakere.

Figure 2.2: Information Flows Across Labour Market



3. Methodology

The Labour Market Regions: Hawkes Bay, Waitakere, South Waikato

The choice of the three regions involved in this survey – Hawkes Bay, Waitakere and South Waikato – has remained constant over the life of the *LMD* programme. To say the three areas are diverse is an obvious understatement. While both Hawkes Bay and South Waikato (centred in Tokoroa) are reasonably distinct geographical areas, West Auckland (corresponding to the area administered by Waitakere City) is better understood as a sub-region of Auckland (Shirley, et al 2000b: 1-3). Hawkes Bay is certainly the most clearly-defined labour market of the three areas. It is more problematic to conceptualise Waitakere as a single labour market, as so many people who live in West Auckland obtain their employment and post-secondary education and training elsewhere in the region, while conversely many who are employed in West Auckland may live elsewhere. The same may be said of South Waikato, particularly since the restructuring of the forestry industry in the mid-80s, where residents may take advantage of employment or educational opportunities in the direction either of Hamilton or Rotorua (Shirley, et al 2000a: 10-13). Another clear distinction in the three areas is in population: Tokoroa and its surrounding area have a population of about 30,000, while the populations of both Hawkes Bay and West Auckland are more than four times that size.

As a result of these differences amongst the three regions, a comparative study of the institutional processes affecting the flows of information across each of the labour markets offers the possibility of exploring important differences and similarities at work in each of them.

Due to the size of each of the labour markets as well as the various constraints upon our resources (time primary amongst them), the *LMD* team decided that the most efficient form the structured survey could take was that of a mail survey. This survey instrument would allow us to reach the largest possible number of people in each region while maintaining reasonable control over time and administrative commitments. The preliminary results of each regional survey would be reported back to interested participants via a workshop, where we could not only present the results, but also encourage feedback on any issues the survey raised, and thus add texture and refinement to conclusions we might draw from the survey itself.

Information Flows

Much of the reasoning that informs this survey 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.

In the process of operationalising the central concepts in the research, such as ‘information flows’, we decided to ask each of the three constituent groups (Employers, Providers and Agencies) about the sorts of communication lines they maintained with those in the other groups. For instance, we asked Employers about their communication with Providers and Agencies; we asked Providers about their communication with Employers and Agencies; and we asked Agencies about their communication with Employers, Providers and other Agencies. We did not want to know simply *whether* various players communicated with each other, but we wished to learn about the nature and quality of that communication. In order to create a picture of how information flows across a regional labour market we needed to learn if communication lines were maintained through structured, formal means, or were more informal and haphazard – or some combination of the two. We also wanted each respondent to give their perceptions of how the other players with whom they communicated responded to that communication. For example, did employers think that various providers in their region offered courses that suited their own labour demand and supply needs? From these sorts of questions we intended to get a fuller picture of the sorts of communication lines maintained by those in each of the constituent groups, and from there ascertain the nature and strength of the information flows across each regional labour market.

Accessing Participants

Developing the questions and formatting the survey instrument were challenging in themselves. However we found that gaining access to some of the prospective participants was even more difficult. Finding education and training providers was most straightforward: the NZQA website contains the names and contact details of all NZQA-registered providers. From that website we downloaded the details for every provider located within each region.¹ In addition, the Skill New Zealand offices in each of the regions willingly supplied us with lists of providers holding current Skill New Zealand contracts. Each Private Training Establishment (PTE) received a copy of the survey, while for the larger educational institutions (Polytechs and Universities) we sent a copy of the survey to the head of every faculty.

As with the providers, finding agencies posed few difficulties. We made contact with the local authorities (City Councils or District Councils) and their economic development offices, and the regional offices of Skill New Zealand, the Department of Work and Income (DWI), and Te Puni Kokiri, discovering in the process the fact that the South Waikato district actually straddles two administrative regions, and is administered by the DWI office in Hamilton, while the contacts for Skill New Zealand are located in Rotorua. We were largely reliant on the referrals from those contacts to find other local agencies, such as Community Employment Group workers, Maori agencies, community organisations and so forth.

In fact, it was accessing employers which was the most elusive and complex component of the sampling process. In Hawkes Bay – the region in which we began – we were indebted to Karen Cooper, CEO of Vision 20/20, which is the equivalent of the ‘Enterprise’ initiatives in other regions. Dr Cooper was understandably reluctant to

¹ In addition, for Waitakere and South Waikato we included major institutions outside the region but nonetheless nearby – Massey’s Albany campus, UNITEC, AUT for Waitakere, and Waikato Polytech, the University of Waikato, and Waiariki Polytech for South Waikato.

release to us the organisation's database of members, but she did agree to send the surveys to their members on our behalf. This became the model we followed in the other two regions, with thanks to the co-operation of Nici Wicks at Enterprise Waitakere, and Alan Shields from the South Waikato District Council. While we took steps independently to identify and survey selected employers in each region, the great majority of the employers contacted were referred by those willing intermediaries.

Upon reflection, this method of accessing employers may have contributed to the very low response rates which the survey produced, and which are discussed in a later section. While the decision to establish the relationship with the intermediaries was both unavoidable and positive, there may have been more effective methods of managing the recruitment of potential respondents. For instance, because those particular recipients of the questionnaires were anonymous to us, we were not able to employ the normal method of pre-identifying each questionnaire for the purposes of sending reminders to late responses. There were means available to counter these sorts of difficulties, but as the challenges were unfamiliar to us, they were not managed as well as they might have been otherwise. On the other hand, given the feedback we received during the workshops from others who survey employers, such extra measures in themselves would not necessarily ensure a higher response rate.

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, training, 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, DWI and the Ministry of Economic Development we began to move into the regions themselves.

An ethical issue quickly encountered by the research team concerned the obligations and opportunities posed by our Treaty relationship with tangata whenua. We wanted to ensure that, as far as possible, a degree of partnership was established (see for example, Spoonley, et al 1993), 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 was to enter into dialogue with various Maori organisations in each region, focusing on two points. The first was to lay emphasis on the fact that this research has not been *on* Maori. We were to explore institutional processes in which Maori individuals and agencies have an interest and play an important role. However, this research has been 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 was to pursue a partnership relationship with tangata whenua in each of the regions under study by offering runanga, iwi and other Maori organisations the opportunity to participate meaningfully in a piece of research from which they might benefit. This opportunity was to be manifest most clearly in the reporting-back phase of the research, where we would offer a 'preview presentation' of the workshop (described more fully below), present the issues and explore with them the implications of the research for Maori, and consult with

them as to how their concerns might be effectively presented for the general workshops which would follow.

Our hopes for this sort of partnership with tangata whenua in each of the regions were not to be fulfilled, however. Despite visiting the major Maori organisations in each region, and receiving from them what we felt were positive initial responses to our proposal, we did not succeed in soliciting a survey response from any of the major Maori institutional actors. Certainly a number of the survey participants were Maori, including several training providers who specialised in tikanga and te reo Maori; however, none of those participants took part in the survey as representatives of the major Maori institutional players in any of the regions.

One result of our consultation with various Maori organisations was one very helpful piece of advice from one organisation's representative with many years of experience in dealing with research. She suggested that a written, self-administered questionnaire would be less likely to generate as many useable responses from Maori participants as would a telephone survey. She advised us to offer the option to Maori providers or agencies to take part using their choice of how they responded. Indeed, most of those representatives of Maori organisations who chose to take part did so via telephone surveys. This measure did not pose any serious methodological problems, beyond requiring the addition of several explanatory notes, and slightly different instructions to some of the questions. The survey questions remained exactly the same as those contained in the self-administered questionnaires.

4. The Survey

Questionnaire

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

- ⇒ how they got their information about the regional labour market;
- ⇒ with whom they communicated about labour demand and supply issues within the regional labour market;
- ⇒ 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. 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 three labour market groups: employers, education and training providers, or agencies. We then directed participants to complete only the section of the questionnaire which 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 40 pages long.

We designed the survey instrument to be easy to read and follow, using clear fonts and inserting graphics to add interest. The questions utilised a combination of open and closed response formats, as well as diagrammatic scales (excerpts of the questionnaire are shown in Figures 4.1 – 4.3). We anticipated that it would take respondents 15 to 20 minutes to complete the survey, and the feedback we received from workshop participants suggested that, for most, this was about right.

Figure 4.1: Example of 'Lines of Communication' Question

η *The next few questions ask about your dealings with regional education and training providers. These may be public, private or industry providers of education and training programmes.*

Does your organisation have any forms of communication with **education/training providers** which allow you to communicate information about your labour demand and supply issues?

Yes No

Please tell us about those communication lines.

η *For this question, list a provider and then tick the box which indicates whether the communication with that provider occurs on a structured (on-purpose) basis, or on a more casual basis, or both.*

[For example: on-purpose communication might be regular meetings with a liaison officer; casual communication might be informal contact via social networks.]

<i>On Purpose</i>	<i>Casual</i>
<input type="checkbox"/>	<input type="checkbox"/>
<i>education/training provider 1</i>	<i>education/training provider 1</i>
<input type="checkbox"/>	<input type="checkbox"/>
<i>education/training provider 2</i>	<i>education/training provider 2</i>

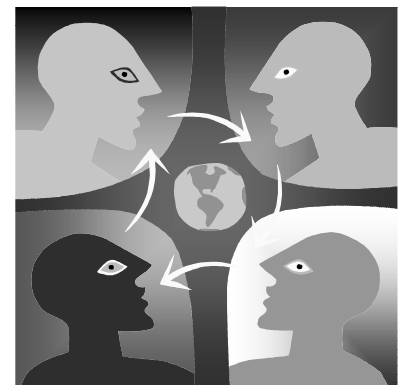


Figure 4.2: Example of 'Lines of Communication' Follow-up Question

Now we'd like to know a little more about the nature of the forms of communication you have with **several of the providers** listed in the previous question.

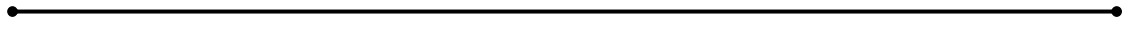
η Referring to the first four providers you listed in the previous question, please briefly describe the nature of your communication with these providers in the spaces below. For example, "Regular monthly meetings with liaison committee," or "We talk over coffee after Lion's Club meetings," etc.

Provider 1 _____

Figure 4.3: Example of 'Diagrammatic Scale' Question

η For the 'scale' questions that follow, please mark the scale line at the point that best describes your view.

To what extent does regional labour market demand influence your organisation's courses and programmes?


No Influence	Some Influence	Maximum Influence
		

Workshop

The penultimate phase of the research was 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 was a series of workshops for participants and stakeholders conducted in each of the regions surveyed. This mechanism followed the process developed by Professor Ian Shirley in an earlier related component of the *LMD* research programme.

At the regional workshops to follow the *LMD* survey, the research team would present the survey results framed around a series of reflection/discussion questions for the participants to address, all dealing with different aspects of our major interest, the flow of information across the three different constituent groups (or institutions) within each regional labour market (see Figures 4.4, 4.5). The intention was 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 information flows. We 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, as well as presenting to the research team added insight, detail and texture to the initial data.

Figure 4.4: Sample Workshop Discussion Questions (from Waitakere workshop)



- ⇒ *Do* small businesses communicate with other labour market institutions? If not, then why not?
- ⇒ Does it matter? Why or why not?
- ⇒ Is there a way to involve small businesses & micro enterprises in labour market information flows? Would this be beneficial?
- ⇒ What are the implications for the Waitakere labour market if small businesses are outside the information flows?

Figure 4.5: Major Workshop Discussion Questions (from Waitakere workshop)



Nailing it Down

How can communication lines between Waitakere Industry Employers, Providers and Development Agencies, be strengthened?

Taking the major issues you have identified in the "Notes" and "Nutting it Out" sections, how can the flows of information across the Waitakere Labour Market be improved?

Examples to get you started:

- ⇒ What different strategies are required to ensure that small employers (0-10 FTEs) are part of the Regional Labour Market Information Flow?
- ⇒ How can Employers in various industries ensure that their labour market needs are being heard and understood by Education & Training Providers?
- ⇒ How do Employers find out about what help is available from Agencies, and how can the relationships between the Agencies and other Labour Market players be improved?

5. Results / Discussion


The predominant, and most disappointing, feature of the survey was the very low response rate, particularly from employers. Responses, however, were consistent, at around 10 percent in each of the three regions (see Table 5.1). As a result, we were unable to gain more than an impressionistic view of information flows across the three labour markets. However even some of these impressions are worth noting – particularly where the survey results were reinforced by the participants in discussions during the follow-up workshops held in each of the regions. These discussions were invaluable for adding to our understanding of the processes at work in each of the labour markets, and much of what we were told during the workshops has been incorporated in our findings.

Table 5.1: Employers' Survey Response Rates

	Surveys Sent	Responded	Response Rate
Hawkes Bay	353	31	9%
Waitakere	220	23	10%
South Waikato	95	9	9%

In fact, the low response rates was the topic of the first question we asked participants at each of the regional workshops (Figure 5.1). Most of the feedback from the participants indicated that such a low response rate from employers was to be expected. Representatives from employer advocacy groups in both Hawkes Bay and Waitakere (Enterprise South Waikato was disbanded several years ago, and no formal equivalent organisation has replaced it) reflected on how difficult it was to attract employers' interest, particularly when dealing with issues that did not have immediate ramifications for their businesses' bottom lines. One employers' advocate added that their organisation was in the process of surveying their subscription-paying members about several current issues, and they were hopeful of hitting their target response rate of two percent, an expectation which was supported by other participants as well. Our response rate was seen as very healthy by comparison.

Figure 5.1: 'Response Rate' Discussion Box in Regional Workshop Handbooks



Why such a low response rate, particularly for employers?

- ⇒ Timing?
- ⇒ Survey design and information?
- ⇒ Employer size? ("Owners of small businesses are too busy working *in* their businesses to work *on* them.")

⇒ **Is this indicative of a larger issue in the regional Labour Market?**

Our discussions in the regional workshops suggest that while factors of timing and survey design – and on reflection we might add the management of the survey responses, and the

challenge of the research team not having direct access to the employers who were sent the questionnaires – may have contributed to the low response rate, in fact such a low response may indeed be indicative of a pattern of (non-)communication across each of the labour markets involved, a point which is discussed in more depth below.

Regional Variability

Despite the very substantial differences in the composition and utility of the three regional labour markets there were remarkable similarities in the survey responses. The same themes emerged in each of the regional surveys: the lack of structured, formal communication on the part of employers with providers or agencies; the often conflicting demands on providers in relation to meeting the needs and expectations of multiple markets; and participants’ dissatisfaction with, or disregard for, the work of the agencies. There were other, minor issues raised in the workshops which differed according to region but, as highlighted in the discussion below, these had more to do with administrative arrangements and individual personalities than with the substantive issues about the nature of information flows across the various labour market institutions.

Communication Lines

Employers were asked a number of questions about the nature of their relationships with both providers and agencies. First they were asked whether they communicated with agencies about their labour supply and demand issues. Then they were asked to identify up to seven different agencies and indicate – in two steps – more information about the nature of their communication with each of those agencies. Later in the survey they were asked to do the same with education and training providers. Their responses to the questions about the existence of communication lines, presented in Table 5.2, show that the majority of employer respondents in each of the regions did not maintain communication lines of any sort with either providers or agencies, although of the two they were more likely to maintain contact with providers.

Table 5.2: Proportion of Employer Respondents Who Maintain Communication Lines with any Agencies & Providers

		Agencies	Providers
Hawkes Bay	(N=31)	39%	42%
Waitakere	(N=23)	30%	30%
South Waikato	(N=9)	11%	44%

This lack of consistent, ‘on-purpose’ communication did not appear to be influenced by the size of employers’ businesses, as measured by the number of employees. The employers with more than 50 full-time equivalent employees² were nearly as likely to disregard communication with the other labour market institutions as those with fewer employees. This was a surprising result, given the sorts of reasons workshop participants

² The measure is used by Statistics New Zealand in their Business Activity Statistics publications: “Full-time Equivalent Persons Engaged (FTE) equal the sum of the full-time employees and working proprietors plus half the part-time employees and working proprietors” (*Business Activity Statistics* 1998: 40).

gave as to why employers in small enterprises were unlikely to take part in surveys or other activities which did not directly impact on their business operations. These centred on issues of workloads and time management: employers with fewer than 10 full-time equivalent employees were more likely to be working full-time on the 'shop floor' themselves, as well as spending extra time on the required administrative and managerial tasks of running the business. As one participant put it to us, "Owners of small businesses are often too busy working *in* their businesses to spend much time working *on* them". From this viewpoint larger businesses, particularly those large enough to employ specialist human resources staff, might be expected to participate in the sorts of networking activities with other labour market institutions which could contribute to good information flows across a regional labour market.

On the other hand, those very large businesses could also have sufficient resources to bypass other institutional players (i.e., providers and agencies) when they decide that it is more efficient to provide in-house training services than negotiate with PTEs for courses to develop specific required skills, for instance, or contract private recruiting agencies or rely on advertising rather than register vacancies with the Department of Work and Income. At least one major employer in one of the regional workshops indicated this was exactly what they did.

One regional variation emerged over this point, when at the South Waikato workshop several of the participants mentioned as a source of frustration the fact that Skill New Zealand and DWI use different administrative boundaries for their region. As a result some participants felt as though they regularly got 'bounced' from the Hamilton office of one agency to the Rotorua office of another, and were never quite certain where they were supposed to go for advice or assistance. One employer bemoaned the fact that their confusion over boundaries was further complicated because they had operations at several different sites across the region, and so to address any issue with these agencies, they had to deal with offices in *both* centres. In most circumstances, the participant noted, they decided it was easier to find advice or assistance from alternative sources. A similar attitude was encapsulated in the following quote by one employer in the workshop:

My feeling about these agencies is that we might call them once if we get an opening. If they can do something for us, then we might use them again next time. But if they can't send us the right people, with the right skills, the first time, forget it. They won't hear from us again (paraphrased).

This is not to say that there is no communication across the various labour markets. More than half of the providers in each region, for example, indicated that they maintain regular, formal communication with some businesses, including employer participation on Advisory Committees. However those businesses which did take part in education and training providers' Advisory Committees comprise only a fraction of the total number of businesses in each region, and providers in the workshops indicated that they were all eager to seek the involvement of the larger corporations – those enterprises in their regions which they considered to be 'key employers'. At the same time, several providers who took part in the workshops admitted that it was becoming increasingly difficult to recruit industry representatives to volunteer their time for Advisory Committees, and were considering the option of paying Advisory Committee members to encourage on-going communication and participation. For these reasons, it is highly unlikely that owners of small or micro-enterprises would maintain advisory-type relationships with education and training providers. Such a contention in no way denies the efforts of providers to

maintain communication with employers, and to pursue advisory relationships with key employers. The fact is that all providers may maintain good advisory relationships with some employers and still most employers in each region – especially those running small businesses – may remain disconnected from such communication.

Providers and the Problem of Multiple Markets

The clearest issue to emerge from the survey with regard to education and training providers had to do with the tension involved in serving the needs of different markets. Specifically, providers are confronted with the demands of the labour market, in terms of particular sets of skills required by regional employers, which they must weigh against the demands of students – and *prospective* students – for particular types of courses. When those two sets of demands coincide, providers are readily able to service both markets. However those demands can sometimes be quite different, causing considerable tension for providers.

One example of this tension which was explained to us occurred when the forestry industry in Hawkes Bay encountered a serious shortage of skilled workers. The shortage was the subject of great public discussion, and a number of the local agencies, as well as local and regional government, were involved in addressing the problem. At about the same time, the Eastern Institute of Technology, easily the highest-profile post-secondary education provider in the region, dropped the Forestry courses from its offerings. Despite the obvious and immediate labour market demand for skilled graduates from such courses, EIT's reasoning was irrefutable: the courses were not viable because students were not enrolling in them.

This illustration highlights the difficulty inherent in the position occupied by providers. They are commonly perceived – and *expected* – to be responsive to industry demands and the needs of the labour market. On the other hand, the competitive nature of the education and training sector requires providers to be primarily responsive to the demands of their *other* market, the students. Providers are most successful at serving both markets when they find themselves at the fortuitous convergence of the two: when students are eager to take part in (and pay for) courses that will equip them with skills which are currently in high demand in the labour market.

The survey responses which revealed misunderstanding or conflict over differing expectations and goals further illustrate this issue. 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 suspicion of current training practices and concepts as well as a general indifference on the part of many employers to the need for employee training and upskilling. Providers in the workshops – as well as in the open comments sections of the survey – stressed a number of times that few employers seemed to consider the unit standards approach of the NZQA, or acknowledge the importance of such standards for their workers. That position was confirmed in the workshop where an

employers' representative acknowledged a reluctance on the part of many small employers to upskill their workers:

I'll train them in my own systems, and in the things they need to do the job I'm paying them to do. If I send them out for extra training, I incur costs, both with the expense of the training and the loss of that worker for that time. And then they've got this new training and they expect higher wages – and they're more valuable to other employers, so after I've paid to upskill them, they'll go off and find a better job. Where does that leave me? [Paraphrased]

Some providers indicated that they encountered further difficulties over conflicting goals and demands when dealing with agencies which contract employment programmes. Several education/training providers, for example, 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.

One of the complications we were aware of was that the diversity of the tertiary education/training sector, and the range of markets it caters to, may be hidden by analysing all the players under the one rubric, Providers. This was a danger we were sensitive to, and so in a number of the questions in which we asked employers and agencies about their relationships to providers, we specified the type of provider we were asking about. For example, in a question to employers about how responsive providers were to their labour needs, we gave respondents the opportunity to specify two 'Tertiary Institutions' (e.g. Polytech, University), two Industry Training Organisations (ITOs), two PTEs, and two Other Providers. For each provider they specified, employers were then asked to rank the provider's responsiveness from "Respond Very Poorly" to "Respond Very Well".

We scaled the employers' responses for each type of provider, then tallied the scores. Each score was then calculated as a proportion of the maximum possible score – that is, the responsiveness score of each type of provider, as indicated by employers, was compared to their possible score if each employer answering the question had said that provider was 'Very Responsive'. Table 5.3 shows that not only were different types of providers judged differently according to employers' perceptions of their labour market responsiveness, but that there is substantial regional variation as well. In Hawkes Bay, the ITOs and PTEs were judged to be barely more responsive to labour market needs than were the tertiary institutions, though none scored particularly well. In South Waikato, on the other hand, the employers who answered this set of questions perceived the tertiary institutions and ITOs as being more responsive than the PTEs, though not as responsive as the specialist training providers indicated by the two respondents who chose 'Other'. Waitakere employers who answered this set of questions showed a clear preference for the ITOs over tertiary institutions, and no Waitakere employers mentioned either PTEs or other training providers.

The other percentages presented in Table 5.3 reflect employer responses in a more absolute sense, by taking account of those employers who responded to the survey, but did not answer the questions about provider responsiveness. For the purposes of comparisons in this table, we assumed that those non-responsive employers did not actually deal with any providers, reasoning that they would have indicated so if they did. We then adjusted the scale to compare each provider's responsiveness score as indicated

by those employers who responded, to the possible score they would have received if every employer who participated in the survey had said that provider was ‘Very Responsive’.

Since the unweighted scores can offer a distorted impression of the overall perception of some providers’ responsiveness, using the absolute scale may help to give a more realistic picture of the responses. For instance, in the case of the South Waikato respondents, the ‘Other Trainers’ received the very high overall score of 95%, given that a 100% score would indicate that all respondents judged those providers to be ‘Very Responsive’. However, because only two employers actually mentioned ‘Other Providers’ at all, their score of 95% can hardly be compared with those of the other South Waikato providers, some of which had attracted far more (if somewhat less enthusiastic) responses. By comparing those scores with the potential score ‘Other Trainers’ would have received if all employer participants in the South Waikato survey had responded to the question, and had judged ‘Other Trainers’ to be ‘Most Responsive’, the weighted score can more easily be compared with the other results. Even after the scores are weighted, the ‘Other Trainers’ still receive the strongest score of the South Waikato providers, at 21%.

Table 5.3: Employers' Perceptions of How Responsive Providers Are to Their Labour Needs (100% = ‘Most Responsive’ – Figures in Italics are Weighted Scores)

	Hawkes Bay (N=31)	South Waikato (N=9)	Waitakere (N=23)	Total Combined Regions (N=63)
Tertiary Institutions	57% <i>(26%)</i>	70% <i>(16%)</i>	47% <i>(6%)</i>	57% from 19 Respondents <i>(17%)</i>
ITOs	58% <i>(11%)</i>	70% <i>(16%)</i>	73% <i>(9%)</i>	63% from 11 Respondents <i>(11%)</i>
PTEs	58% <i>(6%)</i>	40% <i>(4%)</i>	---	68% from 4 Respondents <i>(4%)</i>
Other Trainers	---	95% <i>(21%)</i>	---	95% from 2 Respondents <i>(0.3%)</i>

Part of the discussion in each regional workshop was taken up addressing this issue of conflicting demands on providers. In those discussions, it became readily apparent that not only did different types of providers occupy different levels or layers within the education/training sector, but that providers in different layers had different types of communication networks, and faced different sets of demands and expectations, from those occupying other layers. For instance, those PTEs whose primary source of funding came from contracts with Skill New Zealand faced far greater expectations of labour-market responsiveness – and greater sanctions for not fulfilling those expectations – than

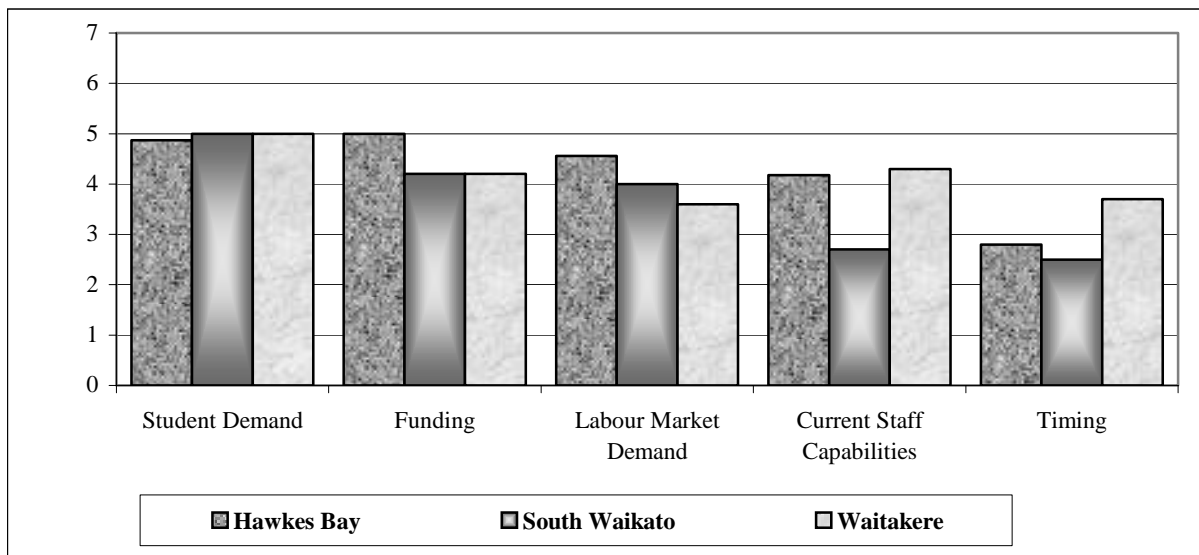
did the universities, whose funding typically lay well outside Skill New Zealand’s brief. As a result, the PTEs represented in the workshops were able to speak in considerable detail about their relationships with specific local employers, and about the demands of certain key industries in their regions. They also highlighted the need and expectation to train their students, not only in specified job-related skills, but also in ‘life skills’, building up good attitudes, work habits, presentation and communication skills that would help students to get – and keep – a job. The challenge, as one training provider put it, is that

No-one will actually *take* a course called, “Life Skills”. Either they don’t think they need it, or if they really do need it, they’re unlikely to be aware of the fact they need it. So we end up tacking ‘Life Skills’ teaching onto every course we offer. Our difficulty is, if Skill New Zealand says they want a programme that’s only 12 weeks, then how much of that 12 weeks can we spend on teaching aspects of ‘Life Skills’ that they students don’t think they need? [Paraphrased]

Of course, such evaluations of employers’ responsiveness as presented above would be more critical if all providers were committed to responding primarily to the demands of industry – as the two ‘Other Trainers’ in the South Waikato sample clearly are, according to those employers who noted them, and as the Industry Training Organisations are intended to be. However, most providers acknowledged that student demand – and more importantly, funding – influenced their decision-making about the courses they offered more than did labour market demand (Figure 5.2). To answer the questions about the influence of these various factors providers were presented with a seven-point Likert-type scale ranging from “Not at all Important” to “Very Important”. Presented in Figure 5.2 are the average responses for the providers in each region.

However, as before it must be remembered that providers occupying different positions in the sector are likely to have different imperatives which bear upon their decision-making. In addition, the degree of flexibility which various institutions have may also differ according to their size and position within the sector: PTEs, for example, may be able to develop new courses very rapidly in response to requests from Skill New Zealand, while several workshop participants from polytechs and universities acknowledged that, because of their institutional processes, they may take up to eighteen months to develop a new course.

Figure 5.2: Average Measures of the Importance of Factors Influencing Providers' Course Decisions (1=Not at all Important; 7=Very Important)



Respondents were not without constructive ideas about how to overcome some of the barriers they encountered in maintaining good communication with providers. One employer suggested that the local Polytech alter 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 such meetings 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 succeeding in spite of the government’s best efforts to make our job almost impossible.” This respondent did not indicate interest in attending the follow-up workshop.

Negative Perceptions of Agencies

Before discussing some of the issues raised in the survey about government and other economic development agencies it must be acknowledged that, as with providers, the label ‘agency’ covers a very wide range of institutions and functions. While on one level of analysis – the ‘macro’ view – the various agencies all occupy the same space on our labour market schematic, and all generally fulfil an advising/enabling/funding role, in practice the various agencies surveyed were different enough from each other in their functions, and in their relationships with other labour market players, to be incommensurate. When commenting on their relationships with agencies, most participants identified the specific agencies concerned; the sorts of interactions they had with the local Council’s economic advisor, for instance, were quite different from those experienced with representatives of Skill New Zealand, or DWI.

Given the caveat above, between one-third and one-half the survey participants in each region indicated there were barriers to good communication lines with agencies. This figure may be misleading, however: not all the respondents who did not indicate barriers with agencies did not say there were *not* barriers either – many did not answer the question at all. Several others, when making comments in the relevant section, wrote that they did not encounter barriers with agencies because they chose to have nothing to do with them. In general, most respondents used the space in the questionnaire available for comments to write about various agencies; and most of their comments were negative, although a number of employers in each region mentioned that they simply did not know which agencies were ‘out there’, and what they could do (Appendix 1). These comments were repeated and supported in each of the follow-up workshops.

Not all the comments about agencies were complaints, however. At least some of the employers and training providers amongst the respondents acknowledged that some of the difficulties they encountered relating to agencies resulted from the different goals that each of the groups is pursuing within the labour market. Commented one employer: “Industry and 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.”

Summary

Given the consistent disappointing survey response rates, particularly amongst employers in the sample, any conclusions we might draw must be carefully qualified, and may be best considered as indications of what *might* be occurring across each of the regional labour markets surveyed. Although the feedback we received from the workshops certainly helps to add detail and texture to the survey results, the fact remains that the workshop participants were drawn from those individuals who had already responded to the survey. In effect, they were surveyed twice. In that regard, the workshops did not – nor were they intended to – help us gain new insights or perspectives which differed dramatically from those expressed in the survey responses.

Our primary research results can be summarised in this way:

- ⇒ Despite commonsense notions of the importance of reliable, structured communication across a regional labour market, employers in the survey appeared to be actually rather detached from the other labour market institutions involved in the study. The majority maintained no communication lines at all with education and training providers or with government or other economic development agencies. However the reasons for this lack of consistent communication may vary for a number of factors, including the size of business.
- ⇒ Few employers in the survey perceived that education and training providers were responsive to their labour requirements, though indications from the questions about the maintenance of communication lines, as well as feedback from the workshop participants, suggests that this may reflect the level of resistance, suspicion or disregard that many employers feel towards the training industry or for the need to upskill their workforce within the NZQA framework.
- ⇒ There is tension created by the competing demands of multiple markets for which education and training providers cater. While providers are widely assumed to be responsive to the demands of the labour market (of ‘industry’), most providers must prioritise the pursuit of students, and of funding, over meeting the needs of skill demands in the labour market. While providers at different layers of the education/training sector may negotiate different sets of demands and imperatives, such tensions clearly minimise when the student demand and labour market demand converge.
- ⇒ Agencies face a substantial barrier in the widespread negative attitudes held by employers and providers about agencies’ objectives and practices. Surprisingly, a number of smaller businesses may not actually be aware of what agencies are ‘out there’, and what services the various agencies offer.

6. Theory Refinements: *Do Institutions Mediate Labour Supply and Demand?*

Given the surprising lack of formal, structured communication evident amongst the survey participants in each of the regional labour markets studied, and the not insignificant barriers faced by providers and agencies in meeting the needs of the labour market, the question remains, to what extent do those institutions mediate labour supply and demand in a given regional labour market? To what extent does good information actually flow across the various institutions in a regional labour market from the labour demand side of the equation, how effectively do the institutions respond to that information flow, and how can those in the labour supply side of the equation – when they have gained employment opportunities after first gaining particular skills and/or qualifications via the education/training sector – be said to have had those opportunities *mediated for them by the institutions?*

In neoclassical economic theories the flow of information is often assumed to be instantaneous: every actor (or ‘consumer’) in a market knows information as soon as *any* actor knows it. Such theories rely on both a perfect structure for the sharing of information and perfect co-operation amongst the actors to do so (Frenzen and Nakamoto 1993: 361). In his ‘strength of weak ties’ thesis, Mark Granovetter problematised the structure of information flows by delineating within a network of actors those cliques bound together in strong relations (ties) and the relations between cliques, characterised by weak ties. Granovetter pointed out that information held by members of a given clique in the network would never extend beyond that clique without the weak ties which connected it to members of other cliques. Granovetter imaginatively applied this argument to his study of job-seekers, noting that many employers recognise that workers referred to them via their own social networks tend to be more reliable than others:

One problem that plagues programs to train and/or place the unemployed is the high turnover of those placed. Employers, aware of this, often consider it not to their advantage to hire such individuals. Attempts to explain job turnover of the clients of poverty programs on the basis of wage rates and standard demographic variables have been less successful than might have been expected. . . . It may be that route of entry to a job can explain a good deal of this problem. . . . [T]hose who had found their job through contacts were considerably less likely to have recently considered quitting than those who had entered by other means (Granovetter 1995: 135).

While Granovetter’s analysis highlights the complex nature of information flows across networks from a structural, or macro level, others such as Bonacich (1990), have focused on another set of factors which help to define and shape the nature of information flows across a given network (in our case regional labour markets) located at the micro level, involving the motivations and assessments of the individual actors concerned. Bonacich refined the notion of ‘social dilemmas’ (the conflict between individual and collective interests) to explain individuals’ decision-making processes when sharing information across a network. Referring to them as ‘communication dilemmas’, Bonacich posits that they appear

when members of a network have incentives not to share, but to accumulate more knowledge than other network members even though such behaviour delays the achievement of network goals (Bonacich 1990: 458).

Frenzen and Nakamoto (1993) extend Bonacich's work by arguing that such dilemmas can occur even when the actors in a network have no pre-defined common goals – an implicit assumption in Bonacich's experiments. Using the term 'moral hazard' to summarise the process by which individuals assess the relative value and cost of co-operation in maintaining strong ties (as opposed to acting for purely rational self interest) with each opportunity presented to them, Frenzen and Nakamoto argue that a more thorough analysis of information flows must take account of the conjunction of the macro-level and micro-level processes: that is, of the interaction between individual perceptions and assessments of the value of any given piece of information (and the moral hazards attached to it) on one hand, and on the other the social context (or social ties) of the information flows. This interaction should 'moderate the flow of information across ties, and, ultimately, through markets embedded in social networks' (ibid., 365).

The *Regional LMD* survey and follow-up workshop discussions have highlighted the macro/micro processes that Frenzen and Nakamoto describe. At a macro level, it makes absolute sense that the various institutional players in a regional labour market should maintain strong communication lines which produce and preserve the flow of information across that labour market. From an overall perspective the project of establishing industry cluster groups – networks of related businesses within a given industry created for the purposes of networking, mutual support and co-operative ventures to take advantage of new opportunities in global markets – which organisations like Vision 20/20 in Hawkes Bay are working to establish make perfect sense, and should be hugely successful. However, all the players in the labour market do *not* maintain strong communication lines, and do not participate in structured, market-wide information flows. Although the industry cluster idea has gained some traction in Hawkes Bay, Vision 20/20 continues to work to convince industry players it is a good idea. Why?

Some of the answer may lie in the structure of regional labour markets, and the ways in which they are conceptualised. Instead of viewing each labour market strictly in terms of its institutional players (Employers, Providers and Agencies) and the processes which link them, it may be more helpful to add layers of depth to the picture. That is, the way very large businesses pursue and maintain relationships with other institutional players may be fundamentally different from the way medium-sized or very small businesses address those same relationships. While a very large business in Hawkes Bay or Tokoroa or Waitakere City may have the same labour needs, in terms of skill sets, as a small business in the same region, the ways in which both businesses set about meeting those needs – and the options they have available to them – may be vastly different. Given their different positions in the market, their access to information will vary: their willingness to share information will also be limited, but this is often inversely related to questions about their access, as suggested by participation rates in the survey. Larger employers may perceive a greater commitment to regional development, or may have staff whose job entails participating in useful forums where such issues are discussed, while (as mentioned earlier) the owners of very small enterprises may simply not have the time, even should they be consulted.

Perhaps some of the difficulty with the question of whether – or to what extent – the institutions are able to mediate labour supply and demand lay in the fact that individual education and training providers also occupy different layers in the model, and therefore the demands and expectations on them will vary according to the markets they serve.

Those at different layers in the sector – quite apart from the differences in the courses they teach or the particular industries they serve – will be parts of different information flows. Representatives from the universities and large polytechnic institutions may have very strong links with policy makers at the national level yet may remain unaffected by the specific labour needs of a local employer. On the other hand, a minor PTE may have strong links into a local industry, knows of those local skill needs and may be able to design courses to meet them, but may have neither the time nor expertise to make a submission regarding the TEAC proposals.

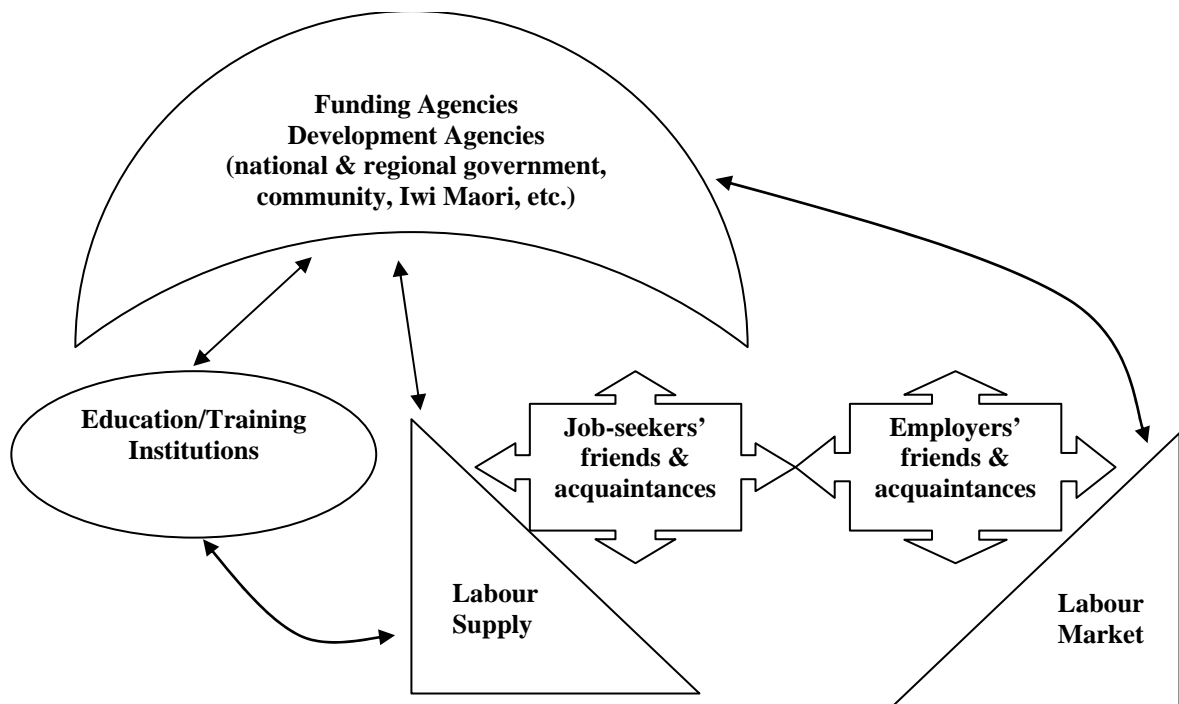
The *LMD* research, by soliciting the views and experiences of individual players, has given us the opportunity to move away from a purely macro or institutional perspective. In fact, it has required such a change of views, and in doing so has challenged even the foundational assumptions which form part of the basis of the research programme. This phase of the research programme began with a question about the ability of labour market institutions to mediate labour supply and demand. By the time we reached the workshop stage, however, we were asking, *Do* institutions mediate labour supply and demand?

The survey and workshops suggest that they do, but that the extent to which they do may depend on the position they occupy in the education/training sector, and the nature of their communication networks in the labour market. This is not a particularly new thought. The OECD published a report in 1998 about the value of lifelong learning which argued that training programmes tend to become less effective as they get larger, and that ‘in order to work, these programmes need to be well-targeted both to the characteristics of the participants and the requirements of the local labour market’ (OECD 1998: ¶32). A 1996 *Economist* article cites other examples of research indicating that some job schemes do work, but those that are most successful ‘tend to be small, expensive and with strong links to local employers’ (*Economist* 1996: 20). Clearly those trainers who retain strong ties with employers in the appropriate industries, who are able to refer their top students to employers who know their skills and trust their judgement, are going to be the most successful mediators of labour supply and demand. On the other hand, universities – the largest institutions in the sector – with well-established programmes of study, may have in them certain departments which maintain close links with industry, and which adjust their teaching according to feedback from those networks. However there are certainly other fields of university study for which there are no industry linkages, and whose material changes according to the intellectual, cultural or academic landscape rather than the needs of specific industries. Although such differences in the maintenance of communication links was suggested by one research participant as having to do with the difference between those programmes classified as ‘training’ and those deemed ‘education’, there may be finer distinctions than that. Certainly not all training providers are involved in the same information flows based solely on the fact that they provide training rather than education.

A different approach to the problem of the macro/micro perspectives might be to re-evaluate the centrality of the role played by the institutions. Figure 2.2 illustrated our initial approach to the interplay of the labour market institutions involved in the research. In that illustration, the education and training institutions were assumed to have *the* central role in mediating labour supply and demand, and on this basis we read those institutions into the Matching phase of the Human Capability Framework. From a macro perspective, this makes sense, for all the reasons explored in Section 2. However, from a micro level, the schematic may look quite different indeed. If we use Granovetter’s work

on how job-seekers get jobs, we might posit those institutions in quite a different point in the diagram. We might suggest that job-seekers who wish to upskill, or to gain a qualification, may choose to contract with a provider and gain new skills. Those job-seekers would then add those skills and/or qualifications to the package of skills and qualities they already possessed, and set about looking for job opportunities – through advertised vacancies, and more fruitfully, according to Granovetter, through their network of friends and acquaintances who could vouch for their skills, character and work habits to employers within *their* networks whom they knew were looking for workers. In a very broad sense, the education or training institutions may have helped those job-seekers find jobs, and might possibly be said therefore to have mediated labour supply and demand. However, it is more likely that a diagrammatic representation of the process would look more like Figure 6.1. If this were to more accurately represent the experience of most job-seekers – and our research cannot offer a conclusion on this question – then many of the assumptions made about the role of the ‘mediating institutions’ in the labour market, in employment, education and other social policies, would need to be addressed and challenged.

Figure 6.1: Information Flows Across a Labour Market (Job-seeker's Perspective)



7. Future Directions

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 become the basis for fruitful research. Some of the questions worth pursuing follow.

- ⇒ Further research is needed into the communication links and information-flow relationships of small and micro-enterprises, as well as their training needs and skill needs. A supporting issue 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.
- ⇒ An informative piece of research could entail a comprehensive survey on the effectiveness of job-training programmes contracted by Skill New Zealand, exploring the specific employment outcomes of graduates, and related those outcomes to the skills acquired in the courses they took.
- ⇒ Of course more work is needed on the concept of information flows across regional labour markets: while our research raised questions concerning 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? To more precisely map the information flows tapped into by education and training providers, one might conduct a network analysis – of the ‘Strength of Weak Ties’ variety (Granovetter 1982) – involving the key decision-makers in each of the institutions concerned.
- ⇒ 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.

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. This theoretical approach could be applied profitably to virtually any aspect of labour market dynamics and relationships.

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Appendix 1: Survey Participants' Comments on Working with Agencies

- We do not deal with govt/economic development agencies and this could be in part because we do not know what they can do for us. We tend to manage our own recruitment thru advertising in local newspapers, but they may have other avenues. The main barrier however, is that we now have very stringent recruiting processes and set a high standard for our . . . workers. I am not sure that this is recognised (or understood fully) and in the past when we have had people referred by govt. agencies they have been well off the mark and have not met the minimum requirements. There is also the feeling that if a person is really interested in working for us then they will respond to the advertisements and apply.
- Put agency people in the field. Talk to real people, not always by questionnaire.
- Perhaps more face to face visits from govt. and development agencies to ascertain industry needs. Very little contact with WINZ etc unless they want to send a prospective employee to us, and not very often at that. From time to time we ask for a specific type of person for a particular job, they send all and sundry without actually asking what skills and abilities we need. A solution to that could be a specific person liaising with us on an ongoing basis - preferably someone who understands our business.
- Local Govt provide Excellent support but action determined by funds. . . attempting to operate on extremely limited funding.
- We have frequent contact with the local authority (NCC) economist on labour market trends - this is also valuable.
- By making providers easier to access e.g. more staff to answer calls and less automation. That takes up too much time, so we don't bother in the first place - too many 'Robo-Phones'.
- I have found it pointless to try and get sense from central government agencies unless they are represented locally. There is not the understanding of rural/provincial labour markets. The direct link at a regional level with section group associations is the best unless you have a sound one on one relationship with a key provider/employer that can be trusted to be up to date on his/her industry. Govt and other agencies charge for info. Local industry groups are willing to assist at no charge.
- If I ran my business as I get received (by phone or otherwise) by WINZ I wouldn't have a business.
- You can never get through on the phone. When you do nobody is authorised to make a decision.
- Not understanding or taking the time to understand local issues.
- Lack of switchboard operators to connect you with the appropriate people
- Continuous staff turnover with new staff not aware of options.
- Not convinced they are knowledgeable/viable and can contribute to the commercial focus of our business.
- Have some of those agencies come and see us to tell us about their products/service.
- Knowing who those agencies are and what they all do would help.
- Remove the barriers to terminate poor staff recommended by a govt. agency.
- Central Government Agencies are Wellington-centric. Can't grapple with size and complexity of Auckland issues.
- Often funding limits and too little notice for planning.
- Bad phone communication with WINZ.
- We are not really aware they exist.
- Most government representatives don't have good enough skill levels/ business experience.
- Many have their agencies' 'barrow to push' rather than the real business interests.
- Who are they? How do you make contact? What assistance is available? They don't make themselves known to business.
- Too much paperwork, not enough money.
- DWI needs to look at the way they do business. It's not working!