

At Your Service Aotearoa

A **well qualified** workforce in your community



MAKING SENSE OF
THE NUMBERS

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The service sector: a well-qualified workforce

Every day, from the cities to the remotest regions, service sector workers are expected to meet the needs of hundreds of thousands of New Zealanders and scores of overseas visitors. Anyone who is dining out, shopping, touring, holidaying, in medical or residential care, expecting a clean workplace, working out, theatre-going, or undergoing personal grooming – and a myriad of other everyday activities - relies on these workers. Service sector employees are an expanding and largely unseen army of workers whose labours are often repetitive, demanding and modestly paid. Yet without them our health and safety, and sense of national wellbeing, would be profoundly compromised.

Moreover, the service sector is a large and important part of our economy, fostering significant wealth and job opportunities. The sector accounts for 29% of New Zealand employment. The sector's national workforce of 590,440 full-time equivalents (FTEs) roughly equates with the combined population of Wellington and Christchurch cities. In the year to March 2016 the service sector contributed \$47.8 billion to GDP, approximately 22% of the country's total production of goods and services. Further, labour cost measures indicate the quality (productivity) of labour improved by over 11% over the seven years to 2016 – further evidence of the sector's robust contribution to the nation's economic efforts.

Yet for all this, the service sector and its workforce is rarely seen as a critical cog in the nation's economic effort. Regrettably this perception is perpetuated by analysis (and media stories), which portray the sector as plain-vanilla with unskilled workers, and so offering few career prospects.

Clearly this is far from the truth. The service sector is flourishing, with the tourism and aged care sectors leading the charge. One-third of service sector roles are already classified as medium-high to highly skilled, and the demand for trained workers is rising rapidly. Worryingly, the sector is estimated to need more than 200,000 extra workers by 2020 as people leave and new jobs are created. There is a need to upskill the existing workforce, and for school leavers to see the service sector as an appealing career option.

As noted, the service sector is a key contributor to the wellbeing of New Zealanders. Our focus in this report is predominantly on economic wellbeing. However, there are many intangible benefits that our communities gain from the service sector. These benefits are difficult to measure as one cannot quantify the importance of feeling well-cared for, enjoying a good meal, or feeling fit and well. This is why our report focuses on numbers to tell a story, and we use case studies to illustrate why people work in the service sector and the importance of training to the sector.

Growth in the service sector in New Zealand is largely driven by the ongoing purchase of goods and services we use in daily life, our focus on our health and wellbeing, and our growing and ageing population. It is also driven by a surge in the number of people who are visiting New Zealand, which has propelled tourism to the top of the export-earner ladder.

Looking ahead, the demand for the products and services provided by the service sector is expected to grow. To maintain the level of service we currently enjoy, and in some areas expand this, it is important to plan for this growth. One way of doing this is through a well-qualified workforce.

The body that commissioned this report, At Your Service Aotearoa, is a collaboration between four service sector industry training organisations: ServiceIQ, Careerforce, Skills Active and HITO. The purpose of this collaboration is to optimise the link between the supply of people ready and available to work, and the demand for a well-qualified workforce in the service sector. If more people are aware of the opportunities that are available, and are able to make that connection, then our communities and their wellbeing will benefit.

Industry training organisations (ITOs) are set up by industry, and work with employers to coordinate training on behalf of those industries. Industry training is systematic work-based training that leads to national qualifications. Trainees and apprentices complete unit standards and ultimately receive qualifications at a variety of levels.

However, skill levels are not just about the qualifications obtained by an individual. Skills also relate to experience, and the range and complexity of the tasks an individual does at work. But the ITOs' core roles of developing qualifications, arranging training towards agreed skill standards and providing leadership within their industries on matters relating to skills and training are critical to upskilling the New Zealand workforce for the benefit of the wider economy.

In New Zealand today, some service industry employers are becoming increasingly concerned about skills shortages. The skills gaps are frustrating efforts to fully satisfy users' needs and to raise productivity. Compounding the situation is the service sectors appeal to young, mobile and transient workers, which makes enrolling in and completing industry training a "stretch target" for some.

Against that background the At Your Service Aotearoa ITOs are seeking concerted and nationally focused action over service workers' training needs, so that clear development pathways are available.

THE VALUE OF THE SERVICE SECTOR

Every day, New Zealanders access and use products and services provided by the service sector.

<p>Important employer</p>  <p>29% of NZ employment in 2016</p>	<p>Generated \$47.8bn in GDP in 2016</p>  <p>22% of total GDP generated</p>	<p>Strong demand</p> <p>200,000 extra workers needed by 2020</p> 
<p>Relative contribution to the economy</p>		
<p>Well trained workforce</p> <p>helps maintain global brand and international reputation</p> 	<p>Strong Growth</p>  <p>Skills Qualifications Productivity</p>	<p>Key contributor to wellbeing</p> <ul style="list-style-type: none">  Careerforce 16,460  ServelQ 20,285  HITO 1,560  Skills Active 6,305 <p>Trainees and apprentices in 2015</p>
<p>Volunteers critical to the sector</p> 	<p>On-job training</p>  <p>RIGHT PEOPLE RIGHT SKILLS RIGHT TIME</p>	<p>Relative contribution to skills</p>



A WELL QUALIFIED WORKFORCE IN YOUR COMMUNITY (WELLBEING, ENTERTAINMENT, LIFESTYLE AND LEISURE)



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1 The contribution the service sector makes to the economy

The service sector is important to the New Zealand economy for two key reasons. Firstly, it contributes to economic growth through the generation of jobs, income and export earnings. Secondly, it contributes to a better standard of living through improving the health and wellbeing of New Zealanders.

The importance of the service sector to the New Zealand economy is also growing. This growth can be measured through changes in employment, annual growth in GDP, or productivity improvements. It can also be measured through an increase in qualifications, skills and customer experience. These later points are important as the service sector is outcomes and wellbeing focused.

In this discussion we begin with the numbers – setting the scene with a big picture look at the size of the service sector in terms of economic variables. We then turn to discuss training and the importance of industry training to ensure the service sector has the appropriate pipeline of trained staff. Throughout these discussions case studies are presented that focus on why people work in the service sector, the rewards they have gained from undertaking this work, and why they would recommend industry training.

1.1 Employment in the service sector

In the year ending March 2016, approximately 590,440 Full-Time Equivalents (FTEs) were employed across 114,600 businesses in the service sector in New Zealand.¹ Approximately one in three New Zealanders work in the service sector (29%), and one in five (21%) of all businesses in New Zealand are in the service sector. Together, these businesses generated an estimated \$47.8 billion in Gross Domestic Product (GDP). This implies that productivity in the service sector was approximately \$81,032 in 2016.

Table 1.1 Relative contribution of the service sector to the New Zealand economy, 2016

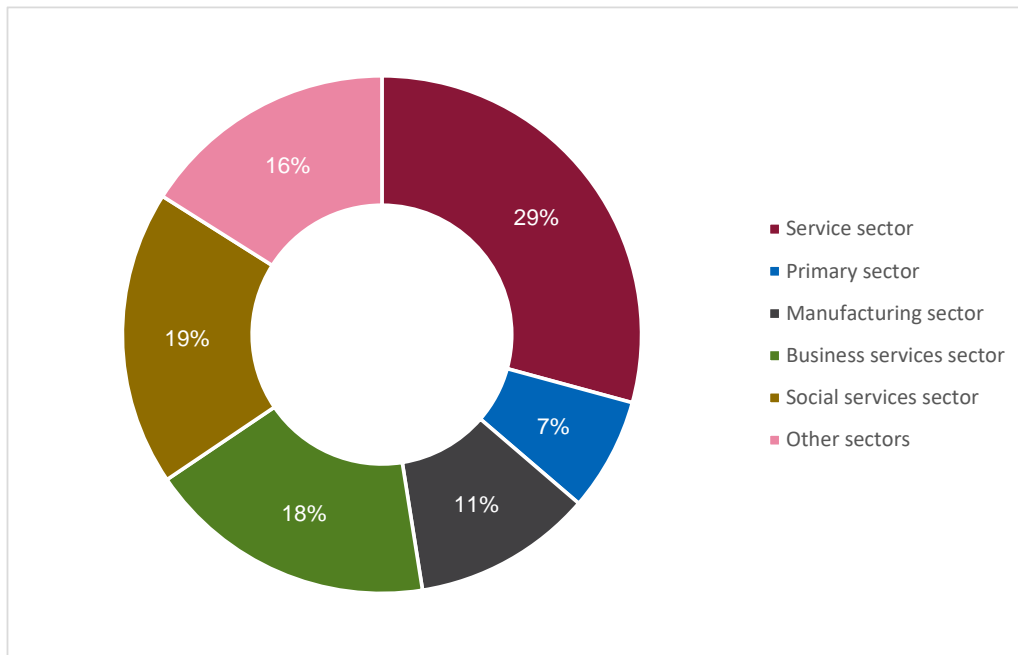
Service Sector	Total 2016	% of New Zealand
Employment (FTEs)	590,443	29.2%
GDP (\$mn)	47,845	21.9%
Business units	114,603	20.8%

source: BERL regional database, Statistics NZ

Service sector businesses on average employ 5.2 Full-Time Equivalents (FTEs) per business, this indicates these businesses are slightly larger than the average New Zealand business.

¹ Full-Time Equivalent is a measure of employment. One Full-Time Equivalent is a person who works 30 hours or more per week.

Figure 1-1 Employment by sectors of the New Zealand economy, FTEs, 2016

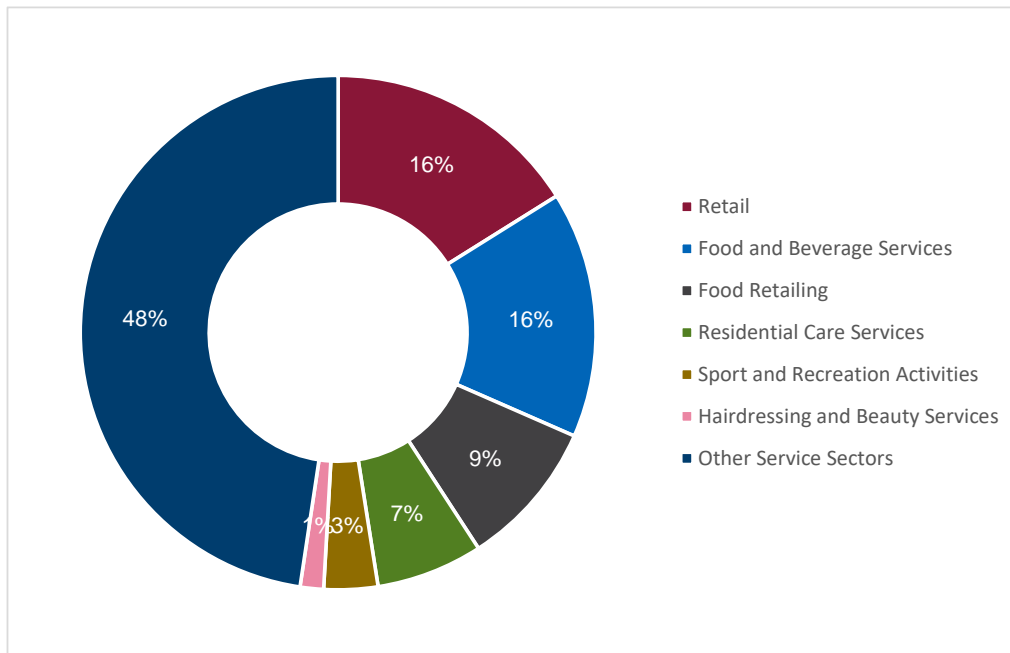


The largest area of employment within the service sector is retail trade. The retail trade sector can be broken down into the various types of store retailing. Statistics New Zealand gathers data and information on the retail trade sector, including how many people are employed in each of the sectors and how much we spend in each type of retail store. In the year to March 2016, approximately 95,000 FTEs were employed in the retail trade sector, excluding food retailing. Food retailing includes stores such as supermarkets, butchers and liquor stores.

Food and beverage services ² is the second largest area of employment within the service sector, with a further 16% of the workforce. In 2016, an estimated 91,500 FTEs were employed providing food and beverage services.

² Food and beverage services includes cafes, restaurants, takeaway food services, catering services, pubs, taverns, bars, and clubs like the RSA.

Figure 1-2 Areas of employment within the service sector, FTEs, 2016



Overall, these numbers indicate that the service sector is broad and includes industries such as retail, hospitality, tourism, sport and recreation, personal services such as hair and beauty, and health services such as aged care. It is also far reaching because the sector is customer focused, and the services provided underpin our quality of life. The service sector is therefore a large, growing and important part of our economy.

However, it is also worth noting here that these employment figures - and the associated business numbers and GDP - are an underestimate. This is because people employed in the service sector can work full-time or part-time, as well as seasonally, casually or as volunteers. This means the proportion of New Zealanders working in the service sector at any one time may be well above one in three, and the contribution of the sector to our national economy may be well above \$47.8 billion.³ However, despite this shortcoming, it is important to have a “ballpark” estimate of the number of people employed in the service sector, and what areas of the sector they may be employed in.

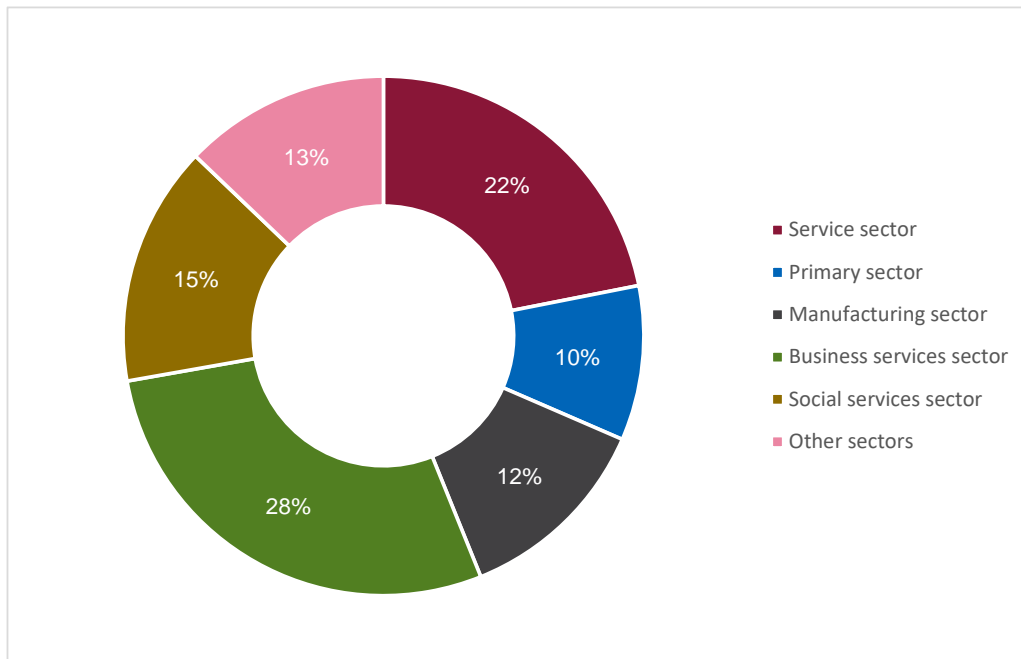
1.2 Gross Domestic Product (GDP) generated by the service sector

Growth in the service sector in New Zealand is largely driven by the ongoing purchase of goods and services we use in our daily life, our focus on our health and wellbeing, and our growing and ageing population. It is also driven by an increase in the number of people who are visiting New Zealand.

The size of the contribution that the service sector makes to the New Zealand economy and our Gross Domestic Product (GDP) is important. In 2016 the service sector contributed an estimated \$47.8 billion in GDP to the New Zealand economy. This represents 22% of the total GDP generated that year.

³ Official data on employment is provided by Statistics New Zealand, either through the Census of Population and Dwellings which is held every five years or through the annual Business Demography statistics. Both the Census and the business statistics provided in the Business Demography survey are a snapshot of information. They rely on people filling in forms and providing information either on their employment, or on their business and the number of people they employ.

Figure 1-3 GDP by sectors of the New Zealand economy, \$millions, 2016



The size of this contribution is also growing, and is likely to continue to grow as the service sector expands. For example, between 2006 and 2016, the GDP generated by the sector grew by 1.9% per annum, with the largest contributor to this growth being retail trade. Between 2006 and 2016, the GDP generated by retail trade grew by \$1.6 billion, to sit at \$6.8 billion in 2016.

Table 1.2 Relative contribution of the service sector to the New Zealand economy, 2006-2016

Service Sector	2006	2015	2016	Change 2015 - 2016		%pa change 2006 - 2016
				Number	%	
Employment (FTEs)	560,266	584,067	590,443	6,376	1.1	0.5
GDP (\$mn)	39,714	46,742	47,845	1,103	2.4	1.9
Business units	103,785	112,728	114,603	1,875	1.7	1.0

source: BERL regional database, Statistics NZ

This is important, because if the amount of GDP that is generated in the economy increases compared to the previous quarter (three months) or on an annual basis (every 12 months) then essentially the economy is growing. Economic growth - as illustrated by GDP - generally results in more jobs, higher incomes and a better standard of living. This means that the service sector makes a large contribution to the economy through GDP and employment, and provides the products and services that impact on our broader wellbeing.

Over the last 10 years, GDP generated by the service sector has grown faster than the average for the New Zealand economy. Employment in turn has grown slightly slower. This implies that greater productivity gains have occurred in these sectors compared to the rest of the economy, and when we examine the numbers we find this to be true.

Productivity has grown by 1.4% per annum over the last 10 years in the service sector compared to 0.6% per annum productivity growth across the rest of the economy. This means that while the sector has lower productivity than other sectors in our economy overall, this productivity has grown faster than other sectors in the economy over the last 10 years.

Table 1.3 Contribution to the economy of all industries in New Zealand

New Zealand	2006	2015	2016	Change 2015 - 2016		%pa change 2006 - 2016
				Number	%	
Employment (FTEs)	1,794,183	1,976,617	2,019,473	42,856	2.2	1.2
GDP (\$mn)	182,317	213,135	218,573	5,438	2.6	1.8
Business units	492,849	541,872	549,804	7,932	1.5	1.1

source: BERL regional database, Statistics NZ

1.3 Productivity and growth

Labour quality is a means of measuring productivity growth, and attributing this growth to a change in skills and/or education level. Labour quality and changes or growth in labour quality is an area of interest internationally and in New Zealand. These studies show that improvements in the quality of labour occur due to education and training, and this has a positive impact on the growth rate of GDP.⁴ In New Zealand, the Treasury uses a growth accounting framework to analyse economic policy and performance, and to present data and information on labour quality and labour utilisation.

To determine an approximate measure of the productivity (labour quality) improvement achieved by industry training we use two index measures of the labour cost of workers. These index measures are from Statistics New Zealand. One is an unadjusted index for quality so its growth is influenced by the quality improvements that workers apply from skills, developed through training and experience. The other is adjusted, which means Statistics New Zealand has removed an amount attributable to the quality improvement.

By comparing the two index measures for the service sector, we derive an approximate measure of the value of these skills in providing a quality improvement to the service sector and the New Zealand economy.

Figure 1-4 Adjusted versus unadjusted LCI, 2009-2016

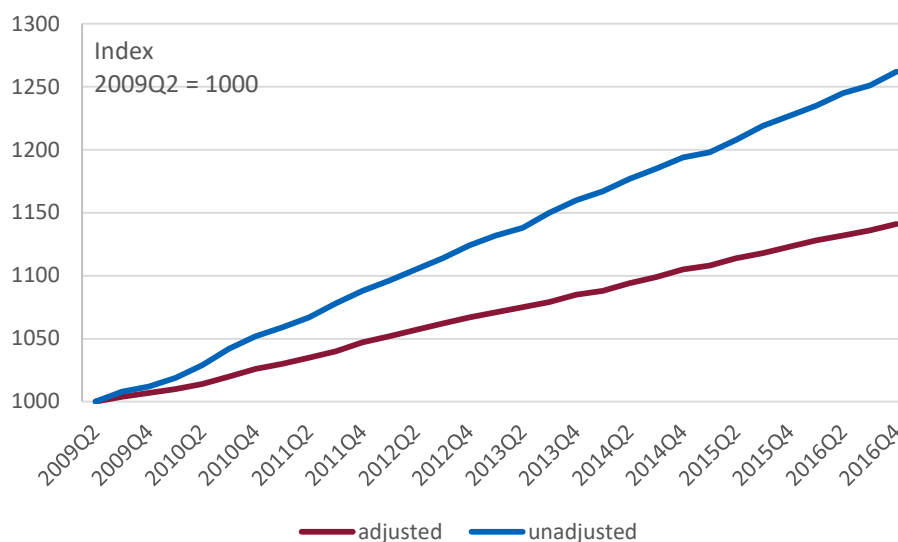


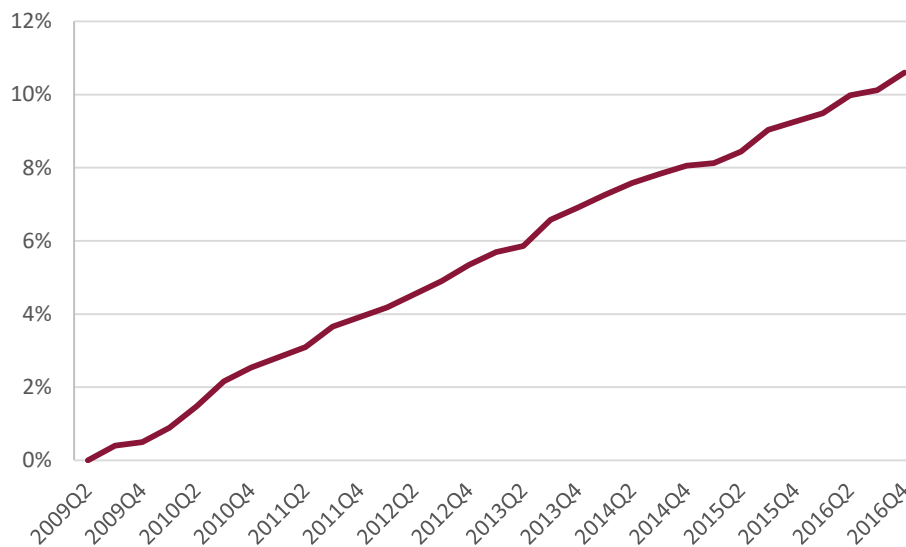
Figure 1-4 displays the adjusted and unadjusted Labour Cost Index for the service sector. Both series grow, which indicates that labour costs are growing. However, the unadjusted series diverges upwards from the adjusted series over time.

⁴ For example: Jajri, I., & Ismail, R. (2010). Impact of labour quality on labour productivity and economic growth. African Journal of Business Management, 4(4), 486; Sweetman, A. (2002). Working Smarter: Education and Productivity. The Review of Economic Performance & Social Progress; Chevalier, A., Harmon, C., Walker, I., & Zhu, Y. (2004). Does Education Raise Productivity, Or Just Reflect It. The Economic Journal. 114 (November). F499-F517.

This indicates that the increase in labour costs attributable to labour quality (productivity) are increasing over time. Both series start at a base of 1,000 in 2009. The adjusted series grows to 1,129 while the unadjusted grows to 1,224. The difference (95) is an estimate of the quality adjustment – or the “quality gap”. This is the productivity improvement.

Further, in Figure 1-5 we display this gap as a percentage of the adjusted series. This series grows to reach 11% in 2016. This measure tells us that (labour) quality improvements of around 11% were achieved over the 2009 to 2016 period.

Figure 1-5 "Quality gap" as a percentage of the adjusted series, 2009-2016



What these figures illustrate is that productivity (labour quality) is increasing in the service sector, and some of this improvement can be attributed to the training and qualifications that the ITOs represented by At Your Service Aotearoa are providing.

1.3.1 Technical note

In order to develop the two index series, Statistics New Zealand conducts quarterly surveys of employers and queries the wages and salaries of their employees. It then applies weights to the wages and salary data to reflect the relative importance of the job in that particular sector. In order to adjust for the quality of labour increasing over time Statistics New Zealand asks respondents to give reasons for any shift in wages and salary data. Surveyed job descriptions usually specify the duties, qualifications required, years of service, and number of hours worked.

The unadjusted series is calculated in a similar way but makes no adjustment for labour quality improvements. Hence, we can compare an adjusted series to an unadjusted series to get at least a sense of improvement in labour quality over time in a robust way.

2 The projected growth in the service sector

The Ministry of Business Innovation and Employment (MBIE) produces short, medium and long-term employment forecasts using economic models. These forecasts are used to inform policy advice relating to immigration policy settings, and priority settings for tertiary education and industry training.⁵

The latest forecasts produced by MBIE indicate that employment in the service sector is expected to grow in the medium to long-term.⁶ On average, this growth will also be above the expected growth in employment nationally. For example, between 2020 and 2025 nationally employment is projected to grow by 1.6% per annum while in sectors such as retail trade and commercial accommodation employment is projected to grow by 1.9% per annum.

Employment growth in the service sector is expected to be driven by our growing and ageing population, household spending, and tourism growth. Over the medium-term net migration will also be higher than average. This means New Zealand is expected to remain an attractive place to live and work, and by default, to visit for a holiday. This will have a positive impact on the service sector and create a demand for service sector workers.

2.1 Spotlight on key sectors

2.1.1 Tourism

Tourism is currently New Zealand's largest export earner; but we operate in a competitive international marketplace and we need to continue to attract international visitors and be their destination of choice.

In 2016, 3,127,100 international visitors spent \$10,086 million in New Zealand, or an estimated \$3,230 per visitor. These visitors purchased accommodation and food and beverages. They undertook activities, rented vehicles and travelled throughout New Zealand by bus, plane, train or rental car. Some visitors purchased a holiday package, while others were independent travellers who picked their own activities, accommodation and the locations they visited.

Table 2.1 International tourist total spend, year ended 2016

Product	Spend (\$millions)	% of total
Accommodation services	1,479	15%
Cultural, recreation, and gambling services	495	5%
Food and beverage serving services	2,029	20%
Other passenger transport	1,546	15%
Other tourism products	875	9%
Retail sales - alcohol, food, and beverages	504	5%
Retail sales - fuel and other automotive products	853	8%
Retail sales - other	2,304	23%
Total	10,086	100%

Source: Statistics New Zealand, BERL calculations

⁵ MBIE. (2017). Medium to long-term employment forecasts: Looking ahead to 2017. Accessed at www.mbie.govt.nz.

⁶ Medium-term is defined by MBIE as 2015 to 2020, long-term is defined as 2020 to 2025.

Statistics New Zealand Domestic Travel Survey data can be used to quantify the average spend by domestic tourists. In short, this data tells us that New Zealanders when they go on holiday spent less on accommodation and food and more on activities (other tourism products), as shown in Table 2.2. As domestic travellers, we like to do and see things as well as stay with friends and family rather than just in commercial accommodation.

Table 2.2 Domestic tourist total spend, year ended 2015

Product	Spend (\$millions)	% of total
Accommodation services	1,176	8%
Cultural, recreation, and gambling services	731	5%
Food and beverage serving services	1,569	11%
Other passenger transport	2,128	15%
Other tourism products	1,927	14%
Retail sales - alcohol, food, and beverages	1,645	12%
Retail sales - fuel and other automotive products	1,468	10%
Retail sales - other	3,488	25%
Total	14,132	100%

Source: Statistics New Zealand, BERL calculations

The service sector provides goods and services to international visitors as well as New Zealanders on holiday. For international visitors our comparative advantages are our unspoilt natural environment, our great outdoors and our landscapes. These are the same reasons why New Zealanders go on holiday to key destinations. The service sector adds value to this by providing great customer service and memorable experiences.

The sector also helps New Zealand to maintain our international reputation and our global brand. This is particularly important as the number of international visitors reached just over 3 million in 2016, and this number is projected to continue to grow. The latest projections provided by MBIE indicate that international visitor numbers could reach 4.5 million by 2022.

As the number of international and domestic visitors is projected to grow - due to favourable exchange rates, New Zealand being considered a safe destination, growing consumer confidence and strong economic growth internally - the demand for tourism-related services is also projected to grow.

This is positive news; but it is creating some concern among industry players. These players are signalling the need to be prepared for this growth through the establishment of strategies. These strategies are focused on encouraging the dispersal of international visitors beyond the main tourist centres and ensuring the service sector has the appropriate mix of trained and skilled people.

MBIE, in their latest tourism research, has identified the need to disperse visitors across all regions of New Zealand. MBIE argues that this could be encouraged through promotion of the regions, and investment in promoting all regions as locations and destinations in their own rights. These promotions could potential focus on features of historical significance and/or natural resources. The reasoning behind this is that visitors often choose to visit a place based on the offerings of tourism operators in these locations.

To build and maintain our reputation as a great place to visit, New Zealand also needs to offer great customer service as well as great experiences. This is where training and ensuring an appropriate mix of skills, knowledge and qualifications is important. The Tourism Industry Association has recognised this in their People and Skills 2025 report. Further, the aim of this association is to ensure that "Tourism operators can meet their labour and skills needs to deliver high quality visitor experiences in a profitable way."

This is complemented by MBIE’s Tourism Strategy, which envisions that a skilled and committed workforce will be critical for the future success of the tourism industry along with career development pathways.

2.1.2 The unregulated (Kaiāwhina) health workforce

Health and disability support services are provided by two tiers of workers with different skill sets. When a person is ill (mentally or physically) they can seek help from a professional. However, treatment of illness is not limited to the immediate attention of these professionals and consumers often need ongoing support. The workforce that provides this ongoing support falls under the umbrella of Kaiāwhina.

The Kaiāwhina workforce is an important part of the service sector. Kaiāwhina is the over-arching term to describe non-regulated roles in the health and disability sector. The term does not replace the specific role titles, for example: healthcare assistant, orderly, mental health support worker. These workers improve the lives of their clients immensely by providing health and disability support services.

The New Zealand Treasury recognises the value of care and support services. In its 2014 Briefing to the Incoming Minister of Health, it says: “The role of the care and support workforce in the aged care and disability support sectors is important to the health sector’s capability to respond to the ageing population and the increasing prevalence of chronic disease. It is also important to the wider workforce because it allows other health workers such as nurses to concentrate on tasks that make better use of their training. A well-functioning, appropriately trained care and support workforce enables people with more complex health needs to be cared for in their homes for longer and facilitates earlier discharge from hospital, freeing up hospital beds with a positive impact on patient flows and efficiency.”

The demand for carers and support workers is expected to rise as the population ages and the trend for care to move out of hospitals and closer to people’s homes continues.⁷ New Zealand therefore faces similar challenges to the rest of the OECD, with potential shortages of skilled and unskilled staff in the health and disability sectors, and the need for a cohesive and integrated vocational education system that offers opportunities for school leavers and the existing workforce.⁸

Careerforce emphasised in their Briefing to the Incoming Minister of Tertiary Education, Skills and Employment that the predicted shortfall in health and disability support workers is a major issue facing both the sector and the wider community.⁹

⁷ Information accessible from the Ministry of Health website, www.moh.govt.nz.

⁸ Careerforce Briefing to the Incoming Minister for Tertiary Education, Skills and Employment. Information accessible from www.careerforce.org.nz

⁹ Dr Ganesh Nana. *A Profile of the Health and Disability Workforce*. Careerforce Workforce Development Conference 2014. Accessible from <http://www.careerforce.org.nz/wordpress/wp-content/uploads/Presentation-Dr-Ganesh-Nana.pdf> and associated video.

In this sector we work with people that have multiple disabilities and issues and we aim to improve the life of that person at that moment. This is because we are essentially helping our residents to make the most of every day.

“Many of our clients are coping with illness and dealing with loss, and this loss can be wide ranging - from the loss of loved ones, through to losing their home or independence. So our role is to give them back a sense of value and self-respect, and to show them that we value where they are at now in their lives. It is important to show respect to older people and to treat them as an adult – we do this through working alongside them rather than for them. We give them things they can do – such as brushing their hair or cleaning their teeth – and support them in this independence.

“Whether you are a school leaver or a career changer you need to be someone who has an understanding and respect for the elderly. You need to be tolerant and show empathy because you are providing people with care and that involves communication and listening skills, and the ability to work independently as well as part of a team. You also need to be trustworthy as you are working with vulnerable people”

Heather Harlow is the National Quality Advisor for a large retirement village operator. Her role involves supporting staff to work better and smarter. “We are constantly reviewing our workplace performance and practices, and we are interested in not only current best practice but what we can do to provide a better service to our clients, and work towards the vision and values of our business. We are therefore looking at how we can do this through education and training.

“Industry training gives people a better understanding of what their role is. And our staff see the relevance of training because it is directly relevant to their work, and it keeps them engaged and motivated to complete the training and qualification.

“We believe we are raising the bar in our industry through providing formal qualifications in care. We also believe it is making a difference for our staff and our clients. Through training and qualifications we are able to offer our staff a career pathway and illustrate in a straight-forward, simple manner what their role involves and what their potential trajectory is.

“People may not have had the opportunity to undertake qualifications in the past and we wanted to provide them with developmental opportunities. We wanted to invest in our staff and provide them with skills and knowledge relevant to their role, but we also wanted to show our staff that we valued them in other ways than just salary.

“Many of our staff have no previous qualifications so we have a notice board where we acknowledge the completion of qualifications, and what people are working towards, and we have a graduation ceremony when people complete their qualifications.

“I really like working with Careerforce. The people I have worked with are professional, proactive and very supportive. They take a real partnership approach and want industry training and the qualifications we are providing to work well. You can see this in the way they acknowledge our staff and their previous skills and experience, and then work with them to ensure that the qualifications add value to these skills and experiences.

“The best thing about working in aged care is the benefit you gain from interacting with people who are an older age. They give such a lot back of themselves, and you learn about them as people – their character and interests, and their background and history. Also when you work with older people they are very appreciative of what you do for them, and they show that through positive comments and smiles, and they also show gratitude.”

Heather Harlow, National Quality Advisor, Hurst Lifecare

2.1.3 Recreation and sport

Some 2.5 million adult New Zealanders take part in physical activity each week. Our most popular recreation activities are walking, swimming, cycling and jogging, while popular sports include golf, soccer, tennis, netball, cricket, rugby and touch rugby.

The benefits of physical activity, in terms of the prevention of health conditions such as heart disease and stroke, are well documented and it is widely recognised that physical activity can help people live longer, healthier lives. A number of government-funded initiatives support increasing physical activity for good health outcomes. For example, Sport NZ's Green Prescription is a primary health initiative that enables GPs and practice nurses to refer patients to support such as gyms and recreation centres to increase their physical activity. In the future, the number of these initiatives may increase due to growing health concerns around issues such as obesity and an ageing population.

In October 2015, the Government launched the Childhood Obesity Plan, which contains 22 initiatives involving the private and public sectors, communities, schools and families. At the core of this plan is a new childhood obesity health target and strategies to improve access to support for children and families, including help with activity and lifestyle changes.

In addition, the Ministry of Health's New Zealand Health Strategy, which was launched in 2016, encourages a cross-sector approach to health promotion, rehabilitation and disease and injury prevention. In this strategy there are increasing expectations of close cooperation between the health and sport and recreation sectors. This strategy is focused on young and old people, as increasing numbers of older people wish to remain physically active.

The benefits of physical activity in terms of social and cultural wellbeing is also widely recognised in New Zealand. For example, outdoor recreation organisations such as Hillary Outdoors and Outward Bound offer leadership development for people of all ages through outdoor experiences. For young people in particular, they focus on building cooperation, trust, self-belief, and good citizenship to others and the environment.

In addition to this local participation, significant numbers of international visitors travel to New Zealand each year to ski or undertake some form of outdoor activity. From June 2014 to July 2015, for example, 70 percent of international visitors reported they spent time during their visit walking or tramping. In addition, over one-third of these visitors reported taking part in other outdoor recreation activities during the same trip.

Outdoor recreation and adventure activities were the second most popular reason for visiting New Zealand in 2014/15. Looking ahead this popularity could grow, particularly if activities are tailored to meet the needs of growing international visitor markets such as FIT Chinese visitors (Free and Independent Travellers). A strong overlap therefore exists between outdoor recreation and international tourism in New Zealand.

"If you are going to work in the outdoor recreation industry you need to be committed to it. You have to put in a lot of effort to gain the appropriate skills and qualifications, but then you also have to work hard to get your foot on the ladder and get yourself set up in your career."

Kate Parr has worked in the outdoor recreation industry for 30 years. She originally trained as a teacher before retraining and moving into outdoor recreation and outdoor education. As a young woman she knew she wanted to be an outdoor recreation instructor but she was advised against it at the time.

"It's not easy as a school leaver to enter the industry, it is a lot of hard work. But when I was younger I did my Duke of Edinburgh Award through school and I went to an outdoor centre and learnt sailing and kayaking. These experiences made me want to be an outdoor instructor. I started at the bottom and worked my way up. Now I have my own company and we provide many people with their first step into an outdoor experience."

Kate's company predominantly works with primary school aged children - in Years three to seven. However, her company also does outdoor recreation activities with secondary school students and adults, and they undertake specific activities with corporate or cultural groups. "Working in the outdoors provides you with a really good sense of satisfaction. You are always getting new experiences and you work with great people."

Kate is a workplace assessor and she currently employs six people who are undertaking their apprenticeships through Skills Active. She also has three other staff members who are considering undertaking an apprenticeship. Some of these staff members are completing qualifications as part of gaining recognition for prior learning and existing skill sets. "There are a lot of skill sets that are required in our industry, and looking ahead the outdoor recreation industry in New Zealand is becoming more focused on qualifications and the importance of qualifications to illustrate competency and ability to undertake and instruct in an activity."

For Kate, industry training suits her business as it fits with her workplace training and induction programme. Industry training provides Kate with a structure and framework that her staff members can use, and the qualifications are industry recognised. "Industry training also provides our business with the ability to invest in people. People get involved in industry training because they have worked in the industry and they want new qualifications; they want to upskill and undertake professional development; or they undertake industry training as they want recognition of prior experience and skills."

Kate Parr, Employer and Skills Active Workplace Assessor

2.1.4 Hairdressing and beauty services

Our hair and beauty sector is well recognised overseas in the fashion, photography and film industries. This is because New Zealand produces internationally recognised stylists and colourists. These world-renowned stylists and colourists are the result of a hairdressing industry that embraces and actively promotes industry training.

Industry research indicates that the majority of salons (66%) are small; employing up to five people.¹⁰ However, the potential customer base of these salons is broad and growing. Employment prospects within the hairdressing and beauty industries are relatively good as demand for the services remains stable, even in times of economic recession.

Once fully qualified and experienced, there are opportunities for hairdressers to work in a variety of industries including film, TV, magazines or fashion and in varying locations such as cruise ships and resorts.¹¹ These career opportunities allow for creative expression, the ability to work internationally, and the ability to establish a business.

Technology is impacting on the services consumers seek. They look online for the latest styles and colours and many expect a “full salon” experience when they visit their hairdresser not just a haircut or colour. Technology is also impacting on colour choices. Approximately 51% of New Zealand women colour their hair and improvements in colour product technology may be influencing client preferences.

¹⁰ THE LONG AND SHORT OF IT Hairdressing Industry Report A review by L’Oréal Professional Products of Hairdressing in New Zealand and future industry opportunities.

¹¹ Ibid.



“The day you think you know it all is the day you give up hairdressing!” Anne Millar laughs, “It’s an amazing industry.

“I always wanted to be a hairdresser and the passion is still there. I enjoy hairdressing, it’s creative but there is also a lot of science involved as you are dealing with chemicals. I think to be a hairdresser you have to have imagination and you have to have a flair for colour, but you’ve also got to want to work hard because hairdressing is not something that you can learn in just five minutes.

“When I trained to become a hairdresser I got a trade certificate, so I decided to redo my qualifications to better understand what my apprentices were going through and what HITO expected the apprentices to know and learn. So I also have a National Certificate in Hairdressing and it was exciting, it was exciting to redo my qualifications.

“HITO training is internationally recognised and the qualifications that you gain in New Zealand are world renown. But these qualifications are not easily achieved – it’s not a quick fix – you need to put in the hard yards before the world becomes your oyster. But the rewards are well worth the hard work, particularly because as an apprentice you get to earn while you learn rather than commence employment with a student loan or debt.

“I employ apprentices because it gives you a chance to train that person. They become a part of your team while they are training, and they begin to know and understand the culture at the salon and your clients. Each salon has a different culture, and I send my apprentices to other salons so they can see another side of the business and learn skills from other hairdressers.

“Our salon has one or two apprentices at any one time, but you can’t treat all of your apprentices the same as they have different ways of learning. As an employer I have learnt to modify my approach and be adaptable to the needs of my employees to help them succeed.

“I would recommend industry training because you watch your apprentices increase their skills and become qualified and you get as nervous and as excited as they are about undertaking their assessments and gaining the qualification. It is so satisfying watching them grow, particularly when you think about when they first started and the things they could and couldn’t do. It is satisfying to watch your staff flourish and grow, and you really do want them to succeed.

“As an employer I can see the change in my staff and I can measure that change, particularly in their confidence and competency levels. You have to let your apprentice know that they are doing well, but you also need to let them know if things are going wrong! It is important to nurture your staff, particularly your apprentices because they are often the first person your client meets when they walk through the door and they are often the first impression that is gained about your salon, particularly as the apprentice greets the client and takes them through to the basin to have their hair washed.”

Anne has trained a number of apprentices in her salon and her advice to anyone thinking about entering the industry is that you can’t be shy and be a hairdresser – you need to have confidence and you need to be well-presented. She also noted the importance of paying attention to your clients. “You need to make your client feel like they are the most important person in the room.”

Anne Millar, Employer and HITO Workplace Assessor

2.1.5 Wholesale trade

Wholesalers help New Zealand businesses source products to on-sell to customers. They do this with a high level of skill in marketing and product knowledge. The end result is that consumers get goods they want. Without such people the process of procuring for consumers would be much more arduous.

The Food and Agriculture Organisation of the United Nations noted the following economic benefits from wholesaling activity in the particular case of agricultural produce (of some importance in New Zealand) and these are generally applicable to wholesaling in general.¹²

- Greater stability of supply and sale of produce: wholesaling activities generally take place in large, centralised locations. These locations are known and easily accessible to operators, this reduces the number of intermediaries in the distribution pipeline. Thus reducing uncertainty concerning supplies and completion of sales transactions.
- Improved market information (especially on prices): because transactions in a wholesale market are centralised information regarding prices and quality is quickly widely disseminated. This improves the efficiency of the market and makes it easier for retailers to purchase high quality goods.
- Enhanced competition leading to improved efficiency in the exchange process and facilitating price discovery.
- Improved inspection, quality control, sorting and grading according to quality encourage the use of standard weights and measures and improved standards of hygiene in the sale of produce (especially of perishables).
- Increased volume of produce marketed and quality differentiation: the reduction in the number of intermediaries in the food marketing chain and consequent increase in the tonnage handled by individual traders or the scale of their operations tend to lower distribution costs (especially the cost of transporting produce) and also encourage efficient sorting and grading which facilitates trade in produce of different quality.
- These benefits accrue in the first instance to retailers dealing with wholesalers. The benefits are then passed on to consumers through the dynamic process of competition in goods markets.

2.2 Potential labour constraints and skill shortages

As at December 2016, the labour force participation rate in New Zealand was 70.5%. This means seven out of 10 people in our working age population are in work. This high participation rate is largely due to historical high net migration and older people staying in the workforce post-retirement age.

As discussed earlier, MBIE in their medium to long-term forecasts indicate that employment in New Zealand to 2025 will grow by 1.6% per annum.¹³ This means an additional 48,000 workers will be employment each year between now and 2025. During this period, the population will continue to grow and age, and people will enter and retire from the workforce. Labour force participation rates are projected to remain high, and employment in the service sector is projected to grow.

However, labour constraints will occur during this period due to an ageing population and an increase in employment opportunities, and with labour constraints come skill shortages.

¹² Tollens, E. (2000). Wholesale markets in African cities: diagnosis, role, advantages, and elements for further study and development. *FAO Agricultural Services Bulletin*, (143), 1-13.

¹³ MBIE. (2017). *Medium to long-term employment forecasts: Looking ahead to 2017*. Accessed at www.mbie.govt.nz

Issues of particular concern to the service sector are:

- Approximately 30,000 workers are expected to retire over this period.¹⁴ This figure is based on census data, including the age and occupation of people in the workforce and their expected behaviour post-65. This data indicates that the retirement rate will be 1.3% per annum to 2020. This means 1.3% of our workforce will leave work to retire.
- Unemployment as at December 2016 was 5.2%, but the proportion of people aged 15 to 24 not in education, employment or training was 13.6%. These young people are disengaged and not part of our workforce. The proportion of young people who are not in education, employment or training varies by region, and in some regions one in five young people are in this situation.

MBIE argues to meet the potential labour constraint and ensure long-term sustainable economic growth, productivity gains need to occur. As discussed in our previous section, productivity in the service sector has risen over the last 10 years at a higher rate than the national average. This means productivity gains are already occurring in the service sector, but more work is required.

As discussed in a later section, changing customer preferences and technology are impacting on the service sector. This means existing workers need to undertake regular training to maintain and grow their skill base, gain qualifications, and meet customer expectations.

The service sector is in a good position to work with government to further increase productivity and meet any potential shortfall in labour supply. The service sector has relationships with industry, employers and the secondary and tertiary education sectors and is willing and able to extend these relationships to ensure the service sector has a well-qualified workforce in the short, medium and long-term.

Service sector ITOs gather data and information on industry-specific trends and workforce development. This derives from industry stakeholders and official data sources and is used to develop and facilitate industry training. It is also disseminated to industry players and government stakeholders such as TEC and NZQA so they are aware of current data, trends and issues.

Further, the ability of the service sector to deliver skills, training and qualifications at a variety of levels to diverse learners, trainees and apprentices can be seen in the individual programmes that Careerforce, HITO, ServiceIQ, and Skills Active offer. The ability of the sector to collaborate is also illustrated through the establishment of At Your Service Aotearoa.

¹⁴ MBIE. (2017). Medium to long-term employment forecasts: Looking ahead to 2017. Accessed at www.mbie.govt.nz.

3 At Your Service Aotearoa

At Your Service Aotearoa is a collaboration between four industry training organisations that provide workplace training across the service sector. These ITOs are ServiceIQ, Skills Active, Careerforce, and the Hair and Beauty Industry Training Organisation (HITO).

- Service IQ is the ITO for the accommodation, aviation, cafes, bars, and restaurants, food services, museums quick service restaurants, retail, tourism, travel, and wholesale sectors.
- Skills Active Aotearoa is the ITO for the recreation, sport, fitness and snow sport sectors.
- Careerforce is the ITO for the health and wellbeing sectors, which includes the non-regulated workforce in health, mental health, aged support, disability, social and community services, and youth work. Careerforce is also the ITO for the cleaning and caretaking, and pest management sectors.
- HITO is the ITO for the hair and beauty sector.

Each of these ITOs have relationships with high profile employers, education providers throughout New Zealand, and workplace trainees, apprentices and assessors. A collaboration such as At Your Service Aotearoa allows the ITOs to showcase these relationships, and highlight the importance of the service sector and the training this sector engages in.

Employers train their staff on the job about how to complete tasks. This training can take place at the beginning of an employment contract as part of induction. It can also occur throughout the time that a person is employed by that company. This training can be informal or formal, and it can involve unit standards and national qualifications. ITOs work with employers to develop qualifications and training programmes that align learning with workplace activities and tasks.

The size of the service sector and its importance to the New Zealand economy is a key reason for ServiceIQ, Careerforce, Skills Active and HITO to collaborate. A second reason for this collaboration is the size of the workforce that these ITOs represent and the influence the ITOs have on training a confident and competent workforce.

3.1 The training that the workforce engages in

In 2015, approximately 41,100 trainees and 3,500 apprentices were engaged in industry training across the service sectors. This represents 29% of all industry training taking place in New Zealand at this time. The tables below illustrate the number of trainees and apprentices engaged under each of the four ITOs, per year from 2010 to 2015.¹⁵

Table 3.1 Trainee counts by year, 2010-2015

Organisation	2010	2011	2012	2013	2014	2015
Careerforce - ITO	17,080	12,620	12,070	12,885	13,765	16,245
Hairdressing & beauty - ITO	50	55	85	100	135	140
ServiceIQ - ITO	27,805	22,610	20,995	20,630	17,145	18,660
Skills Active - ITO	6,270	5,840	5,260	5,890	5,815	6,090
At Your Service Aotearoa ITOs - Total	51,205	41,125	38,410	39,505	36,860	41,135
ITO Total	159,290	115,935	107,345	107,575	105,695	110,535

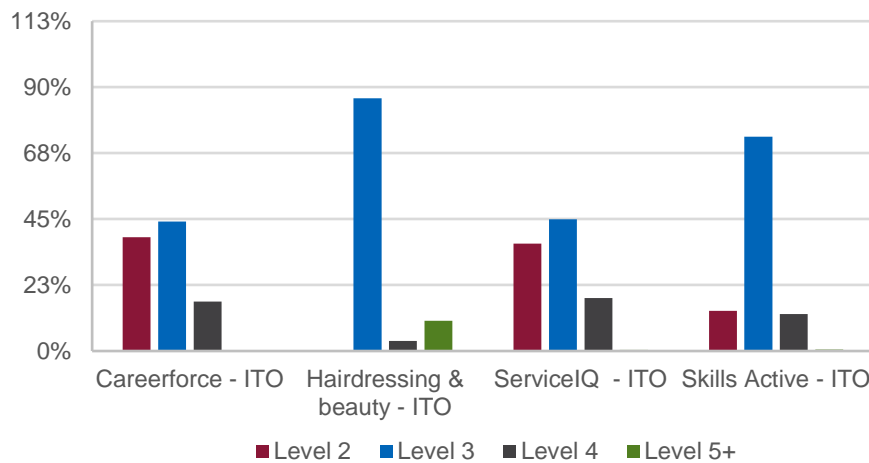
Source: Education counts

¹⁵ Between 2010 and 2015, the number of ITOs has declined and some ITOs have been amalgamated. This has impacted on the number of people engaged in industry training so caution should be exercised in the interpretation of these numbers.

The number of people enrolled in and completing industry training varies annually. This is because of the ongoing nature of training; the progression of people into higher qualifications and/or the completion of apprenticeships; and economic conditions which determine if a firm will employ more staff and/or have the ability to train and assess staff. In addition, the service sector attracts young, mobile, transient and often seasonal workers. This makes enrolling in and completing industry training a “stretch target” for some.

Trainees predominantly undertake qualifications between Level 2 and Level 4; although, some trainees undertake qualifications at higher levels. This is illustrated in Figure 3-1 below, which shows a snapshot of the proportion of trainees enrolled by qualification level.

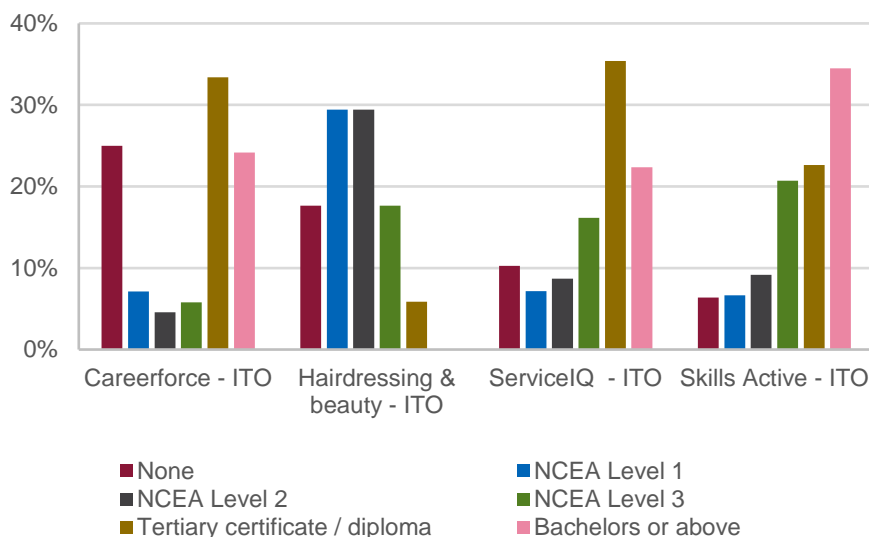
Figure 3-1 Distribution of trainees under each ITO by NZQF level, 2015



Source: Education counts, BERL calculations

In Figure 3-2 we note that Careerforce and Skills Active train a sizeable number of people with either no previous qualification or higher levels of previous qualification (NCEA level 3 to Bachelors or above).

Figure 3-2 Distribution of trainees under each ITO by previous qualification, 2015



Source: Education counts, BERL calculations

3.1.1 Apprenticeships

Apprentices predominantly undertake qualifications at Level 4. Sectors such as cookery and hairdressing have an established history of training through apprenticeships. This means that the number of people who enrol in and undertake an apprenticeship in these sectors is predominantly high. It also explains why ITOs such as HITO and ServiceIQ have a large number of people engaged in apprenticeships rather than trainees.

Table 3.2 Apprentice counts by year, 2010-2015

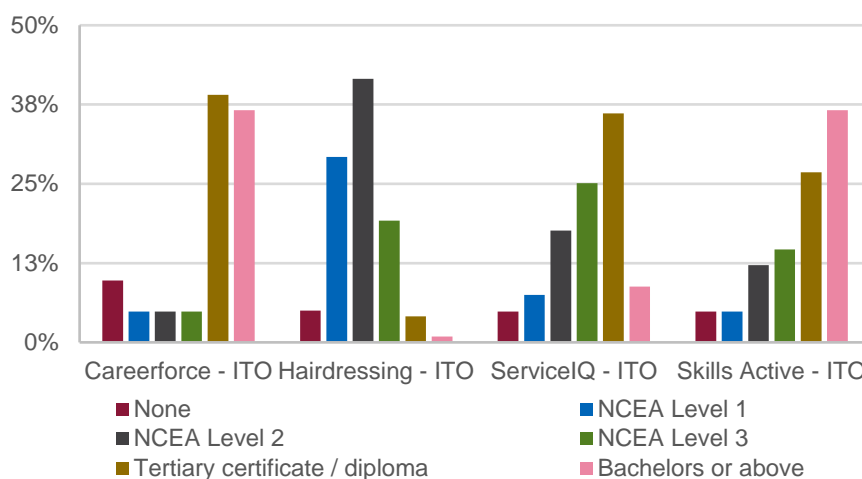
Organisation	2010	2011	2012	2013	2014	2015
Careerforce - ITO	1,030	410	275	245	240	215
Hairdressing & beauty - ITO	1,950	1,815	1,700	1,595	1,585	1,420
ServiceIQ - ITO	2,615	1,835	1,730	1,455	1,595	1,625
Skills Active - ITO	160	100	80	95	235	215
At Your Service Aotearoa ITOs - Total	5,755	4,160	3,785	3,390	3,655	3,475
ITO Total	45,375	37,805	36,315	37,600	42,005	42,365

Source: Education counts

It is worth noting here that the numbers tabulated are those published on the Education Counts website. We caution that this data does conflict with the data from individual organisations. In particular, we are aware that Careerforce had no apprentices prior to 2016 (and was neither funded for nor provided any support services).

We understand that the Education Counts data includes people termed “industry training apprenticeship equivalents”. These are trainees whose study programme meets or exceeds the Modern Apprenticeship criteria, which is a trainee participating in a programme consisting of at least 100 credits at Level 3 or 4. Given the launch in 2016 (including funding and support) of Careerforce apprenticeship options, we would expect the numbers for apprenticeships to climb substantially in this sector.

Figure 3-3 Distribution of apprentices under each ITO by previous qualification, 2015



Source: Education counts, BERL calculations

In 2015, between five and 10 percent of all apprentices had no previous qualification before enrolling with one of the four ITOs represented here. However, there is a large amount of variation in the skills and experience that people bring to their apprenticeship, and in the previous qualifications that they hold. It is therefore difficult to make generalisations about the type of people that enter apprenticeships in the service sector.

What we do know is:

- Approximately 37% of apprentices with Skills Active had a bachelor's degree or higher tertiary qualification before starting their apprenticeship.
- It is common for people undertaking apprenticeships with ServiceIQ and Skills Active to have a previous qualification that is a tertiary certificate or diploma.
- A quarter of all apprentices with ServiceIQ have NCEA Level 3 prior to beginning their apprenticeship while an estimated 18% have NCEA Level 2.
- Approximately 42% of HITO apprentices have NCEA Level 2 prior to beginning their apprenticeship, while approximately 19% have NCEA Level 3. A very small proportion of HITO apprentices hold a tertiary qualification prior to undertaking training with HITO.

3.2 Why engage in industry training?

Our case studies illustrate that people undertake industry training for a variety of reasons. The ability to earn while you learn, gain qualifications and relevant work-based experience, and have a successful career are key themes that emerge. The case studies also illustrate that industry training is not just something that you do once, or do at the beginning of your career. Formal training and the gaining of qualifications can be completed at various stages in a career, and can add to existing qualifications. Qualifications set people up with the right experience, skills and knowledge, this is why they can be undertaken at any point in a person's career. Industry training provides people with professional qualifications, solid work experience, and a portfolio of skills.

Employers value previous qualifications, knowledge and experience and they also value how industry training is focused on the person undertaking the training (learner-centred) and able to be incorporated into existing employer/employee programmes, and induction training. Industry training also adds value when it provides employers with validation that their training is nationally recognised through a qualification.

Employers therefore engage in industry training for a variety of reasons including: to increase productivity and efficiency; to improve health and safety practices and reduce accidents and near misses; to reduce waste, the need for replication of tasks and downtime; to improve margins; to recruit and retain staff and provide them with opportunities and career pathways; and to illustrate the difference in their product or service offering during procurement. Industry training can help businesses fill skills gaps and develop specialist knowledge.

In the social sector, employers also engage in industry training to formally recognise the prior experience, skills and knowledge of their employees through qualifications, and to assist their employees to gain self-confidence and competency in their role.

“The Apprenticeship in Diversional Therapy is a new qualification, and it definitely gives you an edge in terms of employment opportunities.” Mary-Claire Witterman is currently halfway through her apprenticeship in health and wellbeing, and found out about industry training through her employer.

“My work told me about the apprenticeship and then the coordinator provided me with the additional information. The training is student-centered, and there is a lot of self-reflection. I learn the theory and then I have to relate it to my own situation and what I am doing here in this workplace.” Mary-Claire currently works in a rest home with people who are predominantly over the age of 90. “Older people are very appreciative and I love working with people; I am a people-person.” Her apprenticeship in health and wellbeing is in the specialty area of diversional therapy, and for registration a qualification is a must.

“I used to work as a teacher-aide, so while my experiences are predominantly from the point of view of someone who has changed careers, I think this role would be equally great for a school leaver. The apprenticeship in health and wellbeing allows you to work in a variety of roles in social and community services, and in a variety of workplaces like within hospitals and community organisations. It definitely opens up a lot of avenues for you to explore.”

Mary-Claire learns on the job and is assessed through workplace observations. “These observations are undertaken by a work colleague who then sends this information, and the accompanying notes, to my assessor.” Mary-Claire acknowledges the role that her employer plays in her training and qualification, particularly the time commitments they make to undertake the assessments. However, she also acknowledges that the skills she has gained through the apprenticeship means that if she was an employer she would definitely be looking for this qualification in prospective candidates.

“There is a lot of self-reflection - analysing what you do and how you can make improvements in your practises. We also learn about how you can tap into the people that you work with and involve them. This includes tapping into and networking with people who are employed by other agencies.”

Mary believes that her apprenticeship to date has helped her develop a wide range of skills and provided her with practical information that she needs to do her job. The practical side includes information on privacy, legal requirements, and health and safety. The theory has helped her better understand cultural diversity and how she can improve her work practises.

“It is a really good mix of theory and practical, and provides you with tools and strategies. The practical aspect allows me to put in place what I’m learning in the theory, and I’ve learnt a lot since I’ve started my apprenticeship!”

Mary-Claire undertakes her theory learning in her own time on the weekends, which can be challenging. “It is a big commitment, but the rewards are high as you gain self-confidence in your role. I think the apprenticeship helps you better understand how and why you are doing tasks you are doing in your role and more importantly how you are undertaking these tasks. I would definitely recommend it – I love the work, it’s a lot of fun and its interesting!”

Mary-Claire Witterman, Apprentice in Health and Wellbeing

Mel Engelbrecht is an advocate of the fitness industry and industry training. "In the fitness industry you can focus on group fitness, personal training, health as well as nutrition. There is neither boredom nor stagnation. Our industry is ever evolving and so your personal growth can be exponential if you choose to undertake professional development and upskill yourself."

"People who are self-driven and self-directed, do well in this industry. However, it is one of those industries where the more you put into it, the more you will get out of it. I say this because people can get complacent - and in this industry you need to step up and continue to upskill yourself, to meet the needs of your clients. "

"Clients want Trainers who have got qualifications and experience. They want someone to support them in their fitness journey, and so you need to be able to relate to your client and work with them."

Mel currently employs two apprentices and is an assessor for Skills Active, which she sees as an amazing opportunity. Mel has also undertaken industry training herself, so these insights help her in her role as an assessor and an employer of apprentices. "I am originally from South Africa and I did all my qualifications and training there. I could have had these qualifications cross-credited but it was quicker and cheaper to retrain, so I did this through Skills Active."

Some of the rewards that she has witnessed her staff gain from industry training include greater self-confidence and initiative. Some of her apprentices have gone on to own their own gym, undertake high performance coaching, or be managers in other gyms or recreation facilities.

"You don't necessarily need to be good at sports or an athlete to work in this industry, but you do need to be a person who wants to help others." Mel really gets an energy and vibrancy from working with her clients and for people who are thinking about entering the fitness industry she suggests the following attributes: you need to be caring, you have to have empathy, and you need to be observant. This last point, "well, you really need to listen to what your client needs as well as watch them. You observe where they need assistance and additional help, and you provide that by meeting their needs.

"The training through Skills Active is practical, hands-on and it's in your workplace, so you also get the support network of your own workplace and a mentor. This is really valuable when you are studying, and I don't think many people who are considering qualifications and training realise you get this experience through industry training.

"The rewards of industry training are huge from an employer's point of view, and it is great working with your staff through their practical training. It really helps to build up the culture in your workplace – and you get to teach and train your staff in a way that helps them to excel in the fitness industry.

"As an employer I think it is a good return on investment; I put all my employees through Skills Active industry training because I want them to have a practical certification and I can't imagine doing it any other way."

Mel Engelbrecht, Employer and Skills Active Workplace Assessor

“Hairdressing is a feel good industry. In your first year you learn the basics like how to shampoo people’s hair, do treatments, and finger waves. In your second year you move into cuts and colors, and by your third year you start to move into the more technical aspects of hairdressing like more technical cuts and colors, permanent straightening and chemical applications.”

Amelia London has spent seven years in the hairdressing industry and is enthusiastic about the opportunities that are still ahead of her. These include being a judge at competitions, attending fashion week in New Zealand and overseas, and attending trade expos.

There are 10 people employed at the salon where Amelia works including four apprentices at any one time. This means three staff members are assessors who work with the apprentices. “You can be a workplace assessor and get involved in industry training - either in your workplace or through HITO involvement such as sitting on their board. I’m not an assessor yet but I do sit on the HITO board because I really want to give back to the industry and help other apprentices because there are so many good things about hairdressing.

“If you are thinking about entering the industry I would recommend going to a salon and doing an apprenticeship because you get paid to learn and you get real exposure to what it is like to be in a salon. This exposure is important because it is hard to explain to people what it is like working in a team environment like a salon and the rush of dealing with clients.

“You get paid to learn, and there are so many rewards along the way when you are training. Like you get to go to expos and work with other people in other industries like fashion designers and make-up artists. You get to meet industry stars and do workshops with them. Like I did a workshop recently with Wella and it was amazing. You learn about new products, styles and the latest trends. You are always learning as a hairdresser because you need to keep up to date with trends and products.

“Every day is differently; when I first started out I worked for two days a week at a salon to get some experience. I would recommend that because it gave me a chance to see if hairdressing was what I wanted to do before I started my apprenticeship.

“You have to show that you are keen to prospective employers, so have a CV ready, be well presented and be approachable. You also have to enjoy working with people. It is not easy work, so you really need to have a good attitude and a passion for what you are doing. But this is a career that you can enter at any age, and I would totally recommend it to other people because it’s an awesome industry.”

Amelia London, Hairdresser and HITO board member

“Working in hospitality is a great environment for people who like to make other people smile”, explains Laura Phillips. “If you like working with people and enjoy interacting with clients, then working in catering and providing food and beverage services provides you with a career where you can make another person’s day with good food.”

Laura works for a company that provides contracted food services in a wide variety of settings – hospitals, sports stadiums, airport lounges, staff cafeterias etc. “It is a global company, and here in New Zealand we employ about 5,000 people. About 2,800 of these people are permanent employees, while the rest are casual staff. My role involves recruiting and employing people, and taking them on the L&D (learning and development) journey.”

“Working in hospitality, particularly catering, is not glamorous! You have to have a passion for food or a passion for working with people; but it’s preferable if you have a passion for both. If you are passionate about what you are doing and you pursue that passion then there are a lot of career opportunities available to you.

“But you need to keep educating yourself, and you need to keep up with changing trends and markets. To be at the top of your game it is not just about staying on top of trends it is about leading these trends. It is important that you keep up with changes in the food industry but also be willing to change with these trends.

“In catering it is not just about why and how you do your job, but it is about running a business. So it is important that you understand how to run a business and have business skills. This will help you think about motivating your staff, leading a team, and dealing with any issues or problems that arise. It also helps you to see or seek opportunities.

“Our company employs people in entry level roles through to management, and we try to recruit internally as much as we can. This is why it is important to have learning and development plans, and for our company to be able to link our frontline training with nationally recognised qualifications. We encourage our staff to undertake qualifications like the National Certificate in Hospitality Level 2 and apprenticeships in food service, food and beverage, and cookery.

“In the future we would like to include graduate programmes and internships to encourage more people into the industry. It is important that people get exposure to the industry and the wide variety of careers that are available; this will help people to better understand the value of the career paths we offer. We are only at the beginning of our journey – the long-term goal of our company is to offer everyone a qualification.

“There are people who see this work as a stepping stone, but there are also people who are passionate about what they are doing.” Laura explains that with the large number of sites that Compass has, there are opportunities to move into unit manager and large site unit manager roles. For these staff members, acquiring business skills is the next step in their career progression. “These are generally people who have done level 3 and level 4 qualifications; we see value in qualifications and industry training because these staff members often go on to become successful unit managers.”

Laura Phillips, Employer and ServiceIQ Workplace Assessor

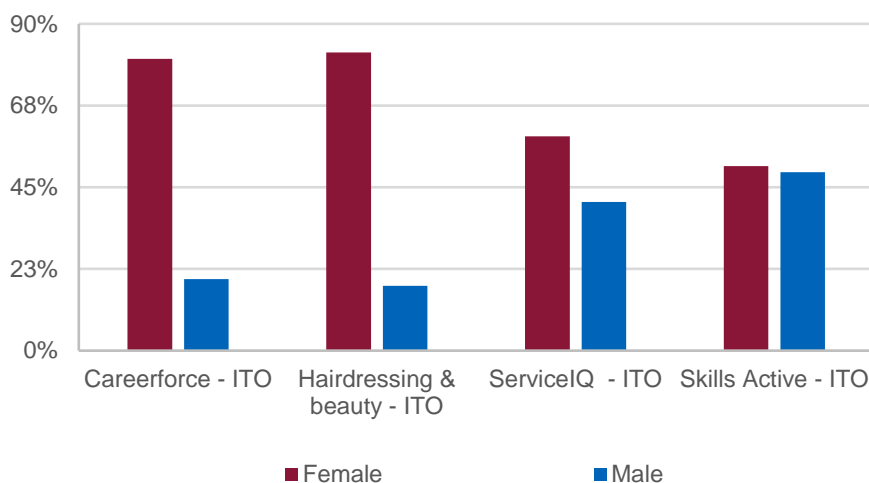
3.3 Demographic information on trainees and apprentices

Demographics such as age, sex and ethnicity provide an interesting snapshot of the current and future workforce. Demographics on the population under the age of 15 can provide insights into the pipeline of future employees and if there will be sufficient people in the working age population to meet the demand for labour. This can be supplemented with information on temporary and permanent migration, and fertility and mortality data.

In the case of trainees and apprentices this type of demographic information can provide an insight into questions such as, if the workforce reflects the general population that it is providing products and services to; is the workforce ageing; or is the training pipeline sufficient to meet any projected demand.

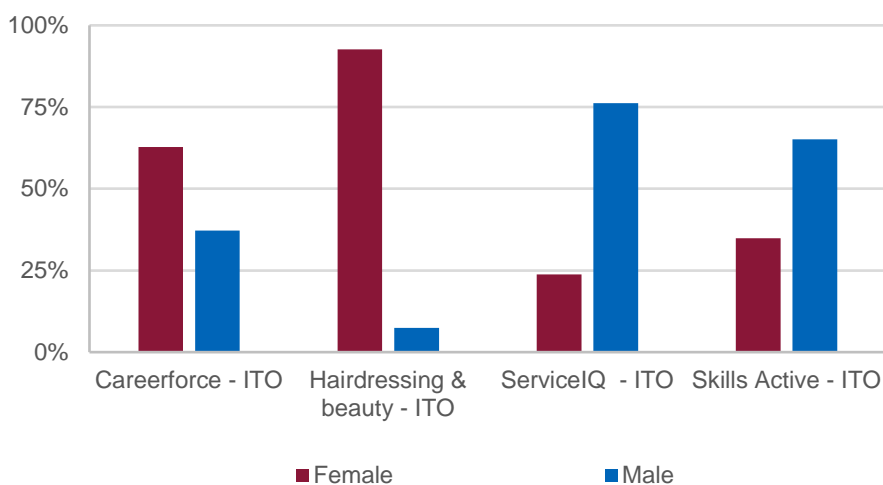
There are large demographic differences between trainees and apprentices across the service sector. For example, the majority of trainees in Careerforce and HITO are female while the majority of apprentices undertaking training with ServicelQ and Skills Active are male. Interestingly, Skills Active has equal numbers of male and female trainees

Figure 3-4 Distribution of trainees under each ITO by sex, 2015



Source: Education counts, BERL calculations

Figure 3-5 Distribution of apprentices under each ITO by sex, 2015



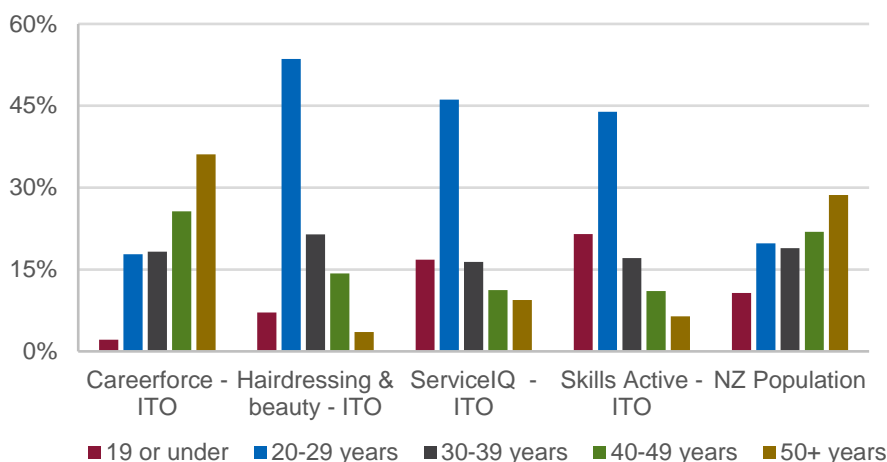
Source: Education counts, BERL calculations

3.3.1 Age

In the figures below, the age distribution of trainees and apprentices across each of the service sector ITOs is presented. In these figures a comparison is also made with the age distribution of the New Zealand population aged between 16 and 65. This comparison illustrates that all of the ITOs, with the exception of Careerforce, train a disproportionate number of 20 to 29 year olds compared to the general population.

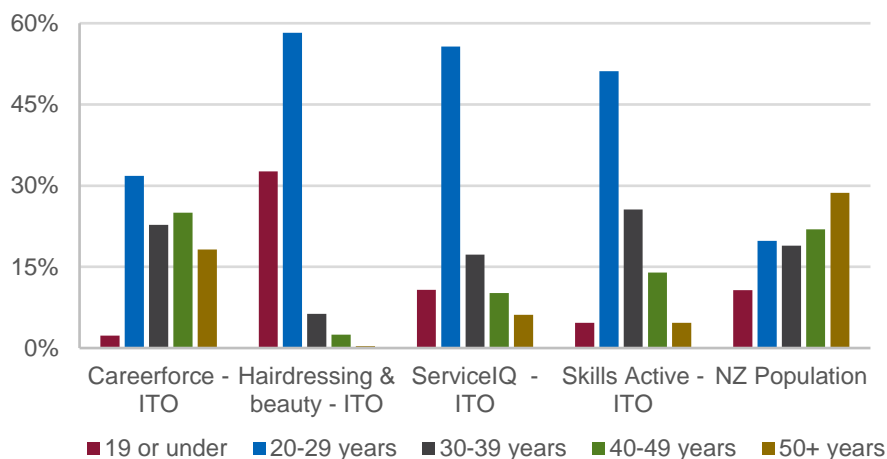
Demographic data on apprentices and trainees also indicates the opportunities that ITOs such as Careerforce are providing older women in the workforce to gain qualifications. In the sectors that Careerforce provides training, approximately 77% of the sector are female and over half of this workforce is over the age of 45.

Figure 3-6 Distribution of trainees under each ITO, by age, 2015



Source: Education counts, BERL calculations

Figure 3-7 Distribution of apprentices under each ITO, by age, 2015



Source: Education counts, BERL calculations

3.3.2 Ethnicity

In the figures below, we summarise the information available on the ethnic distribution of trainees and apprentices under each of the service sector ITOs.

The trainees and apprentices enrolled with Careerforce and ServiceIQ are more ethnically diverse than the total New Zealand workforce. This means there are more trainees and apprentices, and in turn more members of their workforce, who identify as Māori, Pasifika or Asian.

Previous research completed by Careerforce and ServiceIQ indicates that a large proportion of their workforce is born overseas compared to the New Zealand workforce. And a higher proportion of this workforce has been in New Zealand for less than five years. This information is gathered through the Census; however, it provides a snapshot of the diversity of the workforce in the service sector and the breadth of engagement of the ITOs represented by At Your Service Aotearoa.

Figure 3-8 Distribution of trainees under each ITO, by ethnicity, 2015

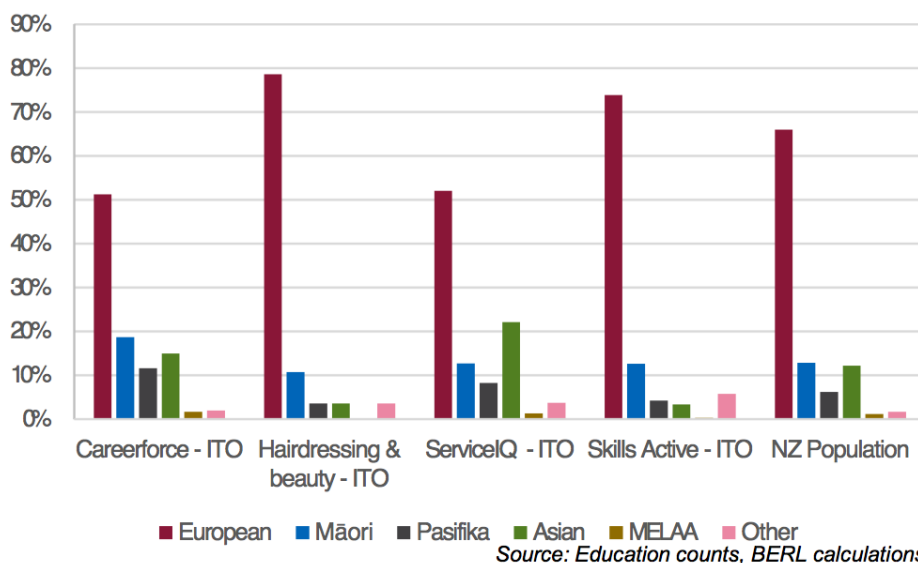


Figure 3-9 Distribution of trainees under each ITO, detailed ethnicity data, 2015

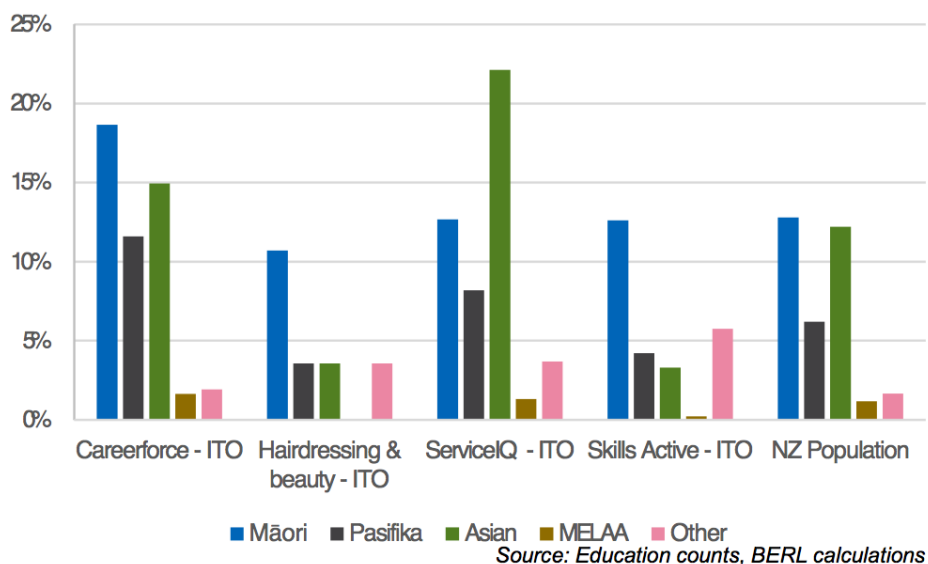


Figure 3-10 Distribution of apprentices under each ITO, by ethnicity, 2015

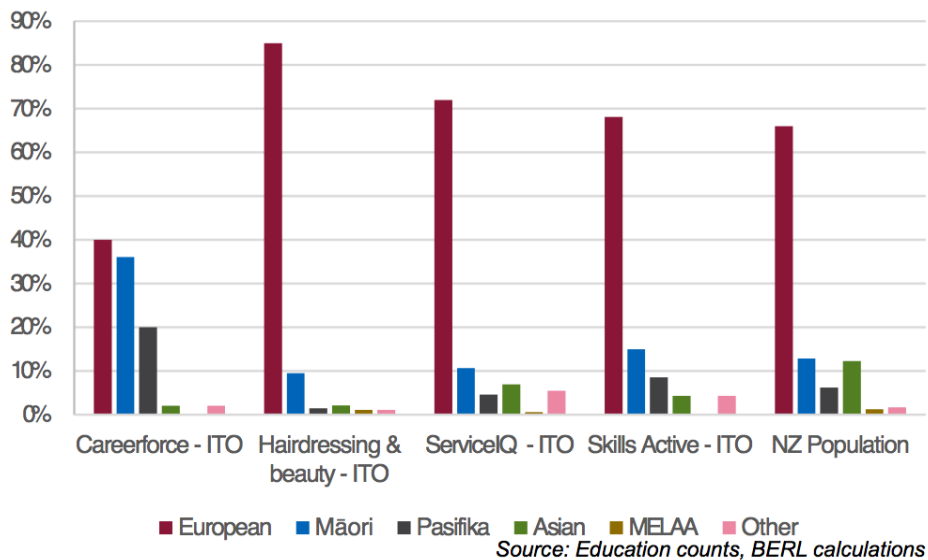
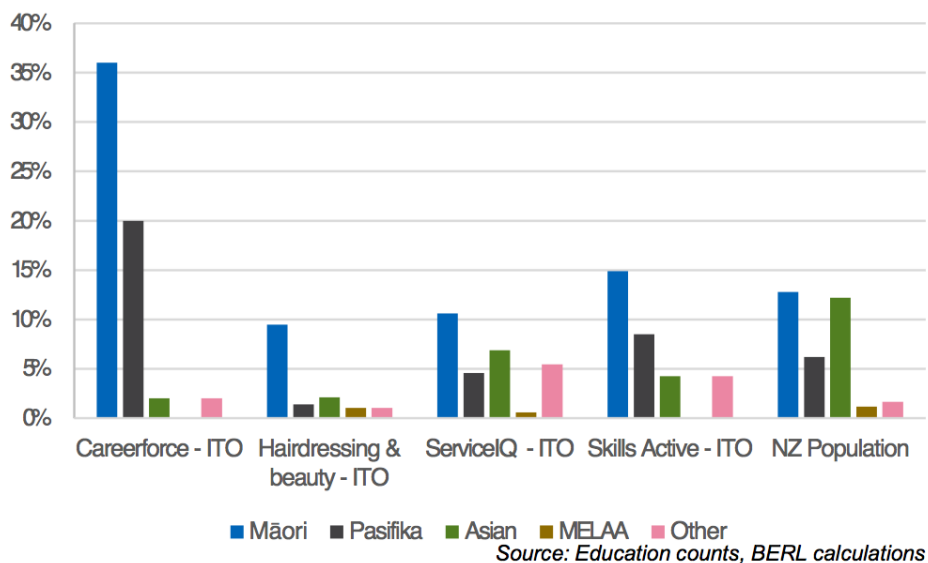


Figure 3-11 Distribution of apprentices under each ITO, detailed ethnicity data, 2015



Overall, this demographic information on trainees and apprentices indicates that the service sector ITOs have strategies, industry training programmes and workforce development plans in place that assist young people to transition into employment from school; provide career opportunities for career changers; and provide pathways for recent migrants to enter employment. These strategies, programmes and plans are specific to the requirements of each part of the service sector; however, they are flexible enough in that they recognise the common themes and issues across the sector.

At Your Service Aotearoa is a collaboration that aims to optimise the link between the supply of people ready and available to work, and the demand for a well-qualified workforce in the service sector. At Your Service Aotearoa believes that if more people are aware of the opportunities that are available in the service sector, and are able to make that connection, then our communities and their wellbeing will benefit.

4 The support the service sector needs

At Your Service Aotearoa is ensuring the right people have the right skills to meet the needs of employers, the service sector, and the economy. As discussed in the previous section, the service sector ITOs work with industry, employers and employees to train the workforce. This training, and the associated assessments, occur in the workplace. People who are trainees and apprentices complete unit standards and ultimately receive nationally recognised qualifications at a variety of levels.

Employers need support to get people into the service sector and into training. Industry training can help businesses fill skills gaps and develop specialist knowledge. It is a great way to develop fresh ideas, knowledge and talent in a business. Employers know that staff become more productive faster, make fewer mistakes and have better health and safety knowledge if they receive training. Moreover, trained and qualified staff can help businesses build and sustain dynamic and competitive workplaces.

At Your Service Aotearoa has various levers that they use to provide new entrants to the industry with training, to upskill the existing workforce, and to progress people into higher paid roles or new positions within their company or sector. These levers are part of current government policy, particularly focused on young people and the transition to work. On the job training is proven value for money from a government and industry perspective. For example, it generally costs a business less than 20 cents a day over the course of the programme to sign someone up to an apprenticeship.

Looking ahead more support will be required to upskill the existing workforce in the service sector and encourage more career changers to enter this sector. This is because of the growing demand for skilled labour in the service sector, and the potential labour constraints and associated skill shortage that may be looming on the horizon.

4.1 How the service sector currently works with government

4.1.1 Better Public Services targets and collaboration

Better Public Services and the associated targets are focused on government agencies working together with communities to deliver better public services. Ten specific results have been identified across five results areas. These include:

- Result 1: Reducing long-term welfare dependence
- Result 2-4: Supporting vulnerable children
- Result 5-6: Boosting skills and employment
- Result 7-8: Reducing crime
- Result 9-10: Improving interaction with government.

The results of relevance to the service sector are Result 5-6: Boosting skills and employment.

- Result 5: Increase the proportion of 18 year olds with NCEA Level 2 or equivalent qualification.
- Result 6: Increase the proportion of 25 to 34 year olds with advanced trade qualifications, diplomas and degrees (at Level 4 or above).

In regards to Result 5, the Government's target is that 85% of all 18 year olds will have achieved NCEA Level 2 or an equivalent qualification in 2017. A Level 2 qualification, it is argued, gives people opportunities in terms of further education, employment, health outcomes, and a better quality of life. For Result 6, the Government's target is that 60% of 25 to 34 year olds will have a qualification at Level 4 or above in 2017.

This target is focused on increasing the skill levels in the workforce to support economic growth, productivity and innovation.

4.1.2 The Business Growth Agenda and Building Skilled and Safe Workplaces

The Building Skilled and Safe Workplaces chapter of the Business Growth Agenda contains 55 current and 12 new initiatives to “build sustainable careers and grow productivity in New Zealand”. These initiatives include a series of government-industry engagements to develop labour market solutions in targeted industries and regions. These initiatives aim to improve employers’ access to “reliable, appropriately skilled staff at the right time and place, while giving priority to domestic job seekers”.¹⁶

Industry training and apprenticeships are part of the Building Skilled and Safe Workplaces stream of the Business Growth Agenda. This is because the Skilled and Safe Workplaces stream aims to “improve the safety of the workforce and build sustained economic growth through a skilled and responsive labour market.”¹⁷

SWEP was established in 2016 as part of the Building Skilled and Safe Workplaces chapter of the Business Growth Agenda. MBIE is the host agency of SWEP but the programme itself is designed to improve employers’ access to skilled local workers. The programme works with employers in particular sectors and regions where there are skills shortages and brings more young people and those on benefits into not just a job but a long-term career.¹⁸ SWEP projects are focused on construction, tourism and hospitality, dairy farming, horticulture/viticulture, road freight transport, aged care, and the Auckland International Airport redevelopment (Ara). The service sector ITOs, particularly ServiceIQ and Careerforce, are actively involved in the SWEP projects.

4.1.3 The Business Growth Agenda and supporting labour market participation

A further stated goal of the Business Growth Agenda is to “lift New Zealand’s long-run productivity while maintaining our high rate of labour market participation.” The service sector ITOs also play a crucial role in maintaining a high rate of labour market participation by ensuring career paths are made known to school pupils, and reducing the incidence of school leavers who are not in employment, education or training (NEET).

The ITOs represented by At Your Service Aotearoa develop and distribute marketing collateral specifically for school leavers. This includes online material, apps for smart phones, brochures, and career guidance information. The latter is also targeted at employers, and careers and transition advisors in secondary schools. These ITOs participate in careers expos and conferences as well as networking events and forums as part of supporting and encouraging professional career pathways.

Further, the importance of this engagement and support of youth labour market participation is shown in the various strategic documents, industry training programmes and projects, and online and printed resources that the ITOs produce focused on young people. For example:

- Careerforce is currently developing a programme that will be delivered directly to students in secondary schools. This programme highlights career pathways and opportunities for young people in Careerforce’s range of sectors. Careerforce also has a variety of ways for young people to access its learning and qualifications, specifically to address those who may experience numeracy and literacy issues. This includes workplace observation and one-on-one learning.

¹⁶ For further information see the MBIE Briefing to the Incoming Minister. <http://www.mbie.govt.nz/publications-research/publications/mbie-corporate/bim-skills-and-employment-2106.pdf>.

¹⁷ MBIE. Skilled and Safe Workplaces. Accessed at <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/2012/skilled-and-safe-workplaces>

¹⁸ Ibid.

- ServiceIQ has a very strong schools programme and has a Schools Team to advise schools and school students about gaining knowledge and qualifications that can help students get a job and begin a career. Trades academies have also been established in secondary schools that are focused on hospitality.
- Approximately 80% of HITO apprentices are under the age of 25 years old. Salons are willing to employ apprentices who are school leavers and HITO reports a growing confidence from salons in taking on apprentices.
- Currently, Skills Active has information on over 70 job roles. This information includes pay rates, skill sets, training options, number of jobs available, and characteristics of the role. This job role information is available online or as “role cards” accessible from careers and transition advisors in secondary schools.

4.1.4 Vocational pathways

Vocational Pathways are designed to help students have a better understanding of the workplace and the qualifications and skills required by industry. The service sector ITOs are engaged in vocational pathways as the six Vocational Pathways include the services industries, social and community services, and the creative industries.

Vocational Pathways enable young people to: find out about the standards, skills and competencies that are valued by employers in particular sectors; find out about the job or career options that are available in each sector; identify current and future programmes of study that support their career pathway; undertake a relevant and coherent study programme that will enable them to achieve NCEA Levels 1, 2, and 3; and demonstrate a vocational profile to tertiary providers and employers.

The career opportunities and career pathways available in the service sector need to be promoted. School programmes such as Vocational Pathways is one way of doing this. However, further awareness raising campaigns are required. This is because the service sector is growing and the number of job opportunities are increasing. School leavers need to be made aware of the opportunities that are available to them.

4.2 The value of skills and qualifications

The skills acquired through industry training improve the employability of workers. People in the service sector can undertake role-specific training on the job as well as receive training to gain generic skills and soft skills. Generic skills are essential and also transferable to other industries.

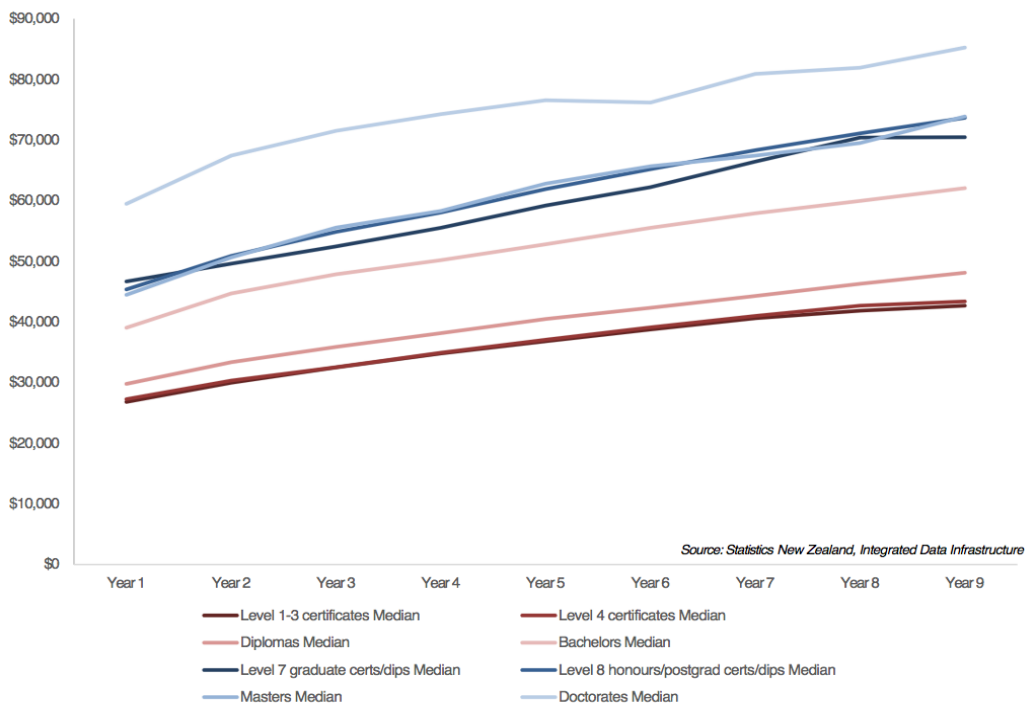
Typical generic skills include: literacy, language, and numeracy, technology use, and customer service skills. Soft skills can include being able to work as part of a team and learning how to self-manage. Transferrable soft skills are important to the economy as they increase human capital. Human capital is also important because it helps people to increase their efficiency and productivity, thereby doing their job better, and an increase in human capital can lead to an increase in our standard of living.

These types of skills are important as they help an organisation to build and maintain a workplace culture and/or achieve strategic plans and investment objectives. Many employers within the service sector employ people based on their soft skills and their ability to learn industry specific skills and knowledge.

The skills acquired through industry training are “just in time” and meet workplace changes related to new regulations, requirements and legislation. For example, under the Health and Safety at Work Act (2015) the service sector faces increased compliance workloads and more time spent identifying hazards and documenting safe processes. The Act also requires workers to undertake industry-specific health and safety training, recognised by qualifications as benchmarks for competency. A registration system is also required by employers to manage the currency of employee skills.

The skills acquired through industry training can lead to an increase in personal and household income. Various studies completed internationally and in New Zealand show that, in general, earnings increase as qualification levels increase. These incremental values are shown in Figure 4-1.¹⁹

Figure 4-1 Earnings for different levels of education



Qualifications are valuable from the point of view of the individual that put in the hard work, their employer and work colleagues, the industry they work in, and the New Zealand economy. Qualifications indicate to customers and clients that this individual has the appropriate skills and knowledge to complete this task, provide this service or make this product.

In the case of the service sector, a qualification gained through industry training also represents many hours of observing, learning, practising, supervision, and assessment. This workplace training is therefore student-centred, practical and theoretical. It ensures the right people have the right skills to meet the needs of employers, the service sector, and our economy.

4.2.1 Value of skills that apply new technologies

Information and communications technology (ICT) has become a key driver of productivity growth in the service sector. Today a number of new technologies, particularly the Internet of Things (IoT), are transforming consumer services and adding new value for consumers.

The IoT is delivering value through smart devices such as cellphones and watches with customer recognition apps made “intelligent” because they are internet-connected and have access to real time information about consumers and their preferences. This transformation is occurring across all kinds of services delivered to consumers.

¹⁹ Williams, J., SriRamaratnam. R, Zhao, X. (2014) *Forecasting labour force participation rates by age, gender and highest qualification level*. Paper presented to the New Zealand Association of Economists’ Conference.

Service sector jobs in the future are likely to be shaped and influenced by the IoT and other technologies. This is where training on the job through industry training becomes important. Incremental changes to existing education and training programmes may not be enough if these technology changes occur as fast as some commentators predict. Industry training has the ability to step in and provide appropriate practical training at the right time.

People may require greater skills to operate and use technology, but they will also need to be innovative and entrepreneurial to create new ways of working, using technology, and creating the next big trend. Examples of this can already be seen in the health IT sector; ecommerce and commercial accommodation booking systems; and wearable devices in the fitness and exercise sectors.

Responding to the IoT and other technologies will also involve adaption costs for both firms and employees. Employees with higher skills and more experience are more likely to adapt easily and with less cost. Similarly, firms with higher-skilled and multi-skilled employees can adapt with less cost. The implications are that higher and multi-skilled employees can create more value for their customers from IoT transformations. This will ultimately lead to an increase in customer service and experiences, and an increase in the customer base.

Ultimately, changing technology and innovation will continue to have a major impact on the service sector. Technological advances have given businesses better access to their customers, reduced the number of people required to complete manual tasks such as stocktake, and enabled the sector to better meet the needs of a range of customers. However, rapidly evolving technology also demands staff who have the skills and ability to use this technology and the adaptability to respond to changes.

4.2.2 Value of skills that meet customer preferences

The needs, wants and preferences of service sector customers are changing.²⁰ The service sector relies on customers for its livelihood. However, who these customers are and what they expect is changing. Customers are increasingly diverse, reflecting both our changing population and an increase in tourists from non-traditional markets, particularly Asia. Customers are demanding better service, better prices, increased use of technology, and personalised products and services. There is increased competition in much of the sector, with the growth in online shopping, a wider range of tourist destinations and lower costs in other parts of the world, and easy access to information about a range of products and services.

Customers are becoming better informed, with the ability to find out a great deal of information before they make decisions about which destination to visit, where to eat, or what product to buy. This readily accessible knowledge, while not always completely accurate, has empowered customers. Customers expect that businesses will respond to their needs and requests, and are likely to change to a different business if they feel their needs are not being met.

Sustainability has become a hot topic. When making purchasing decisions, many savvy consumers consider how businesses care for the environment and their sustainability practices. This has an impact on customer decision making across the service sector, from choosing airlines based on carbon footprints, to picking tourism operators that promote New Zealand's conservation efforts, and selecting restaurants that showcase local, seasonal and organic produce. The sector is well placed to respond to this increased level of interest in environmental sustainability and can further capitalise on this trend by embedding sustainability in businesses across the sector.

Knowledge-intensive services activities (KISAs) are activities where workers improve the value of the service to consumers. KISAs are prevalent in tourism, healthcare, and other services industries.²¹

²⁰ ServiceIQ. (2015). *Workforce Development Plan 2015*.

²¹ OECD. (2006). *Innovation and knowledge-intensive services activities*. Accessed at <http://www.oecd.org/sti/inno/36274476.pdf>

One important KISA is the capacity of skilled service sector workers to interact with customers, clients and user communities. This is crucial for firms to learn about customer needs and to provide them specialised services that are valuable because they solve customer problems. Further close interaction with customers is a strategic asset; it can provide a power base that can help to secure the future competitiveness of the organisation.

Examples of this can be found in the hair and beauty industries. Here, client loyalty is established and built on through understanding client requirements; delivering excellent customer service and experiences; and providing advice on the latest products, styles or colours. This advice is then transferred into a value proposition as the hairdresser has the skills and capability to provide the selected style or colour.

4.3 What's next?

Currently, the service sector uses skilled migrant labour and people on short-term visas such as student visas and working holidays to fill gaps. However, New Zealand continues to have issues with young people transitioning from secondary school to work or further education - with many falling between the cracks - and the mismatching of skilled labour with the demand for that labour.

At Your Service Aotearoa has the ability to work with government to decrease this gap and increase the labour force participation rate of young New Zealanders. At Your Service Aotearoa has existing relationships with industry, employers and employees. They have the ability and expertise to train people - now they need the support to make that training happen. To ensure the right people have the right skills to meet the needs of employers, the service sector and our economy.

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