

12. LEARNINGS FROM MELBOURNE

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This is a report of the visit to Melbourne made by the authors, primarily to attend the OECD Learning Cities and Regions Conference, but which also included meetings with people in the Victorian State Government, those involved with ethnic and multi cultural issues, and a visit to the regional headquarters of ICLEI (International Cities for Local Environmental Initiatives) the major international local government organisation fostering local government involvement in sustainable development.

THE OECD LEARNING CITIES AND REGIONS CONFERENCE

In a globalised economy which is characterised by increasing competition amongst cities and regions, devolved governments have a key role in developing distinct and tailored policies to create the right local environment to exploit niche opportunities that will drive their growth (OECD, 2001 Devolution and Globalisation. Implications for local decision makers).

The first pleasant surprise of the conference was that the OECD was very much preaching public policy intervention and public policy involvement, not arguing that the aim of Government should be to go as close as possible to doing itself out of a job and should measure its effectiveness by how small its share of the economy is. That neo-liberal approach is completely banished. The report quoted above in discussing regional and city roles notes that the *“the predatory poaching by one region of another region’s industrial firms may result in reductions in wealth”* and *“a ‘race to the bottom’ in tax and regulatory environments could leave cities and regions unable to provide social conditions that people demand”*. That is, cities should not try to compete with each other by offering tax incentives and championing low tax environments because in the medium term that is doomed failure and will leave everybody worse off. Successful cities are not the ones with minimalist tax bases; rather they are the ones, which are able to attract and retain skilled mobile workers and entrepreneurs because of the overall quality of life that they offer to them and their families.

New Zealand has by far and away the most unequal distribution of income in the OECD and this is a matter of concern because it seriously threatens social inclusion. According to the OECD figures the lowest 20% income group in New Zealand has 2.7% of the income and the highest 20% has 46.9%. The comparative figures for Australia are 5.9% and 41.3%, the for UK 5.2% and 43%, for the US 5.2% and 46.4%, for Ireland 6.7% and 42.9%, Denmark 9.6 and 34 5% and Japan 10.6% and 35.7%. Our economic development strategy needs to take this position into account and include ways of redressing the balance.

“Cities are the great engines of economic growth. With their aggregation of people, services, businesses, educational institutions and supporting infrastructure, cities are the focal point for economic development and activity.” (Allan Consulting Group, 2002 - Recapitalising Australia’s Cities. A strategy in the National Interest, Melbourne). As the major city in the Canterbury region Christchurch needs to take a leadership role and this involves both recognising that the prosperity of the region relies on the city getting it right and that in its policy development Christchurch needs to be cognisant of the needs of the region. The interdependence is strong and must be recognised.

“Knowledge is the only meaningful resource today. The traditional factors of production - land, labour and capital - have not disappeared, but they have become secondary, they can be obtained and obtained easily, providing there is knowledge. (Drucker, 1993, Post Capitalist Society)”. This point was emphasised by one of the OECD’s keynote speakers at the conference Professor Charles Edquist, from the University of Linköping, Sweden. However, he did point out as do the OECD Learning Region Principals that knowledge does not in itself contribute to economic growth, rather it is the use of knowledge to produce goods and services that counts. Innovation is the process that incorporates knowledge into economic activity and knowledge is a necessary but not sufficient component for innovation. Edquist went on to strongly emphasise that it is product innovation that is particularly important to economic development - that is innovation that leads to improved goods and services. He also noted that for long periods of time over most countries it has been shown that production growth comes 25% from more capital, 25% from better education and 50% from innovation. That is, 75% of production growth involves the introduction of knowledge and learning into the processes of production.

The low skill/high skill dilemma. There are two paths for taking advantage of innovation. One is to concentrate on particular elite areas and develop high skills and the associated high wages in these while allowing other industry sectors to compete through low wages. The results of that are wide income disparity and an ever-increasing gap between skilled and unskilled. The real policy challenge is to follow the other path, which is to seek to develop high skill levels across wide areas of the economy and achieve the associated high wage levels. To achieve this requires high-value added across industry sectors that are exposed to global competition which in turn depends upon high levels of skill and research development and innovation. This is associated with high levels of investment in education and training. Ashton and Green (Education, Training and the Global Economy, 1996) identified five requirements to avoid the low skills gap:

- Government commitment to achieving and investing in a high skills economy and in education.
- A significant number of employers who demand high skills and support workers to provide skills in the workplace.
- An adequate regulatory system to control quality and quantity of work based training.
- Significant incentives to gain qualifications and continue learning.
- A sufficiently developed education system to allow training on and off the job.

Both as a city and a country we need to do all we can to ensure that we meet these requirements.

Anecdotally, at least, there is some evidence that the high skilled workforce high wage path spills over into higher wages for service and support sector employees. For example, there was an article in the Australian while we were there that stated that the going rate for baby sitting in the plush suburbs of Sydney was \$22.50 per hour, while the comparable rate in Adelaide was \$8.50 per hour. Also the going rate for teenage café workers in Sydney is \$16.50 per hour (all rates in Australian dollars).

At least on 1998/99 data New Zealand does well in terms of the levels of educational attainment by international standards. We have 73.6% of the population with upper secondary education (compare the OECD mean 62%, Australia 57.4%, UK 61.7%, USA 86.9%) and the percentage of our 25 to 65 year olds with tertiary qualifications is 27% comparable with Australia a little higher than the UK (24.8%) but well behind the USA with 35.8%. We also had in 1999 the highest net entry rates into tertiary education at 70.8% significantly higher than Australia at 44.9%, the USA at 44.9% and the OECD mean at 44.6%. We also are up there with the rest of the OECD in the number of 25 - 65 year olds participating in continuing education and training (38% compared to the OECD mean of 31%). So overall in terms of an educated workforce, while not having grounds for complacency, we do well.

This educational achievement is not translating as well as it might into a high skills economy and we need to investigate why. Areas that might be worthy of study include:

- Improved workforce planning. It often takes several years to train or retrain people for new high skilled positions. The lack of availability of suitably skilled individuals may be the difference between an innovation (with its spin-off in employment to available skilled worker) being undertaken or not.
- Related to the above, we need to greatly improve the dialogue between firms and education and training establishments (particularly post compulsory). This should result in a much improved match between skilled labour supply and demand. For example, we produce fewer technical graduates, particularly in the high tech areas and fewer apprentices than other OECD countries.
- Likewise, we need to improve the dialogue between firms and research and development establishments. Somewhere there is a gap in the process of turning knowledge into economic activity. This gap does not appear to be because of a lack of entrepreneurs. A study of entrepreneurial activity (Reynolds et al 2001 - Global Entrepreneurship Monitor, 2000 Report) ranked New Zealand second behind Mexico and immediately above Australia in the total levels of entrepreneurial activity. This was away ahead of Ireland, Finland, Germany and the USA. However, there does appear to be barriers restricting translation of new knowledge into new goods and services.

- We could put more effort into helping young people manage their individual pathways. The Victorian Government provides A\$16.5M annually (roughly equivalent to Christchurch spending \$1.65m annually) to assist young people to:
 - Develop skills to manage their pathways throughout their working lives.
 - Develop their knowledge, understanding and experience of opportunities in education, training and employment.
 - Move through the transition phase from compulsory schooling to further education training and employment.

We do very poorly in gross expenditure on research and development, coming in bottom of the OECD list with 1.1% of our GDP invested in research and development compared to the OECD average of 2.2%. Within this non-business expenditure on research and development (public expenditure) is a little above the OECD average at about 0.8% of GDP whereas our business investment in research and development is very low and under 0.3% of GDP compared to the OECD average of 1.4%. The causes of this low investment and the best ways of addressing it are worth urgent study because it seems almost certain that this lack of investment in research and development is holding us back.

Related to the above, the OECD notes the following factors as being conducive to firms investing in innovation:

- Firms' strategic capacity can be supported through targeted programmes (to what extent are we doing this in New Zealand? in Christchurch?)
- The establishment of rich information environments.
- Facilitation of knowledge flow by building on existing networks and clusters.
- Initiatives to increase the mobility of human resources.

Fostering these additions to promote firms' innovations together with addressing the research and development deficit discussed above are two high priorities for public policy.

"City and regional governments and development agencies wield important policy tools, for example, for entrepreneurship promotion, human capital development and regeneration" (OECD 2001, op. cit.) The challenge is to use those tools to "build competitive city economies to respond to the increasing economic openness and rapid economic restructuring associated with globalisation" while at the same time addressing "the problems of poverty and social exclusion". Since governments are no longer willing to make large scale investments in regions in order to stimulate economic growth, meeting these challenges requires creating the right conditions within a city for endogenous growth (growth from within). The effective policy responses will be city and region specific and will be those that will create the environments for and remove the barriers to endogenous economic development. While we can learn from others, we cannot copy from them and need to develop our own unique approaches. The key is to ensure that the "common" infrastructure (in the widest sense of the term) is in place and developed in a way that keeps ahead of demand. Infrastructure includes not only the physical infrastructure, although that is critically important, but also the "soft" infrastructure that ensures that the education, training, public research, social and environment needs of the city are met.

Learning for Life Programme - Networks for Social Inclusion - presentation by Dr Rob Simons, National Manager, Strategic Research and Social Policy, The Smith Family.

This was one of the most inspirational presentations at the OECD Conference. The Smith Family was founded in 1922 with a programme focus on unlocking opportunities for disadvantaged Australians to participate more fully in society. The main focus was on lifelong learning.

Learning for life was established in responses to a welfare survey carried out in 1987. Results showed that disadvantaged families were more concerned with education opportunities for their children. As resources were declined from the federal government, a pilot project of providing modest, financially means-tested scholarships was introduced by the Smith Family. It was called EDU-CATE, and covered educational expenses of 60 students aged between 12 and 16 living in New South Wales.

The three major components of the programme are scholarships, support and mentoring. The programme objectives are to:

- participate in mainstream school activities
- information provision to parents to enhance education of children
- encourage students to complete appropriate course of study
- support in developing and confidence.

There is an education support worker who works within the community, the Smith Family premises, and within the schools proactively case managing support for the student. The education support worker works closely with the parents so all are clear on the role of the support worker. This also helps to ensure the parents' commitment to the programme.

Funding from individual donors sponsors an individual student. As at 30 June 2002, there were 19,364 recorded sponsorships and 15,965 sponsored students. Donors are matched to students and receive regular reports charting 'their' student's progress. The personal details of the student remain confidential.

Learning for life is committed to being evidence based and the Smith Family has clear indicators and benchmarks measuring the programme. External evaluation has shown a high rate of success with increased school retention, increased social esteem, and other positive impacts towards societal inclusion from the students.

Social Inclusion and the Building of Social Capital - Presentation by Susan Halliday, Chair, Victoria Institute of Teaching.

Susan raised her concern about a global economy becoming driven by over-active technology. Although acknowledging the necessity of innovation, she described society as becoming less personalised or "face-to-face" than ever.

Issues affecting youth are still prolific. Education remains exclusive, and the "I know best attitude" is still preached from the older generation. Susan was adamant that if social capital is to increase and strengthen, then attitudes towards youth must change.

Youth can and must be allowed to contribute in society. To encourage this social inclusion a programme needs to be driven by a neutral party external to the normal school environment. Leaders must be pro-active, honest, concept driven, market leaders, and if possible be indigenous leaders.

What has not occurred in Victoria yet, but is in the pipeline, is a young entrepreneur programme. Youth are becoming recognised as an ideal risk-taking market needed for the fostering of future entrepreneurs. It is positive to recognise that Christchurch has a number of programmes aimed at supporting and promoting youth entrepreneur programmes already.

The overwhelming impression gained from visits to the Victorian Multi-Cultural Commission, the Ethnic Community Councils of Victoria Incorporated, and the Inner Western Region Migrant Resource Centre is how much more seriously Victoria (and Australia in general) takes meeting the needs of ethnic minorities than New Zealand does. As recent newspaper items have highlighted with 5.7% of the Christchurch population being of Asian ethnicity and with a very significant transient population of Asian people coming to Christchurch for educational purposes, it is time that we recognised the importance of making appropriate provisions. Examples from Victoria included:

- The establishment of the office of the Multi-cultural Commissioner with a role to represent the specific concerns of the ethnic communities to Government and to improve community understanding of multi-cultural issues.
- Support for and fostering of the establishment of Ethnic Community Council of Victoria Incorporated, with a parallel Federal Ethnic Community Council of Australia. The Victorian Council has two FTEs paid staff support. This Council functions as the umbrella organisation for the ethnic specific groups and cultural associations in Victoria.

- Local Government and State Government support for migrant resource centres in areas with significant migrant minorities. The one we saw was at Maribyrnong City and it had strong support from the local authority. It provided a range of services to migrants, particularly new migrants, refugees and people coming under the family reunification programmes. Examples included: support over immigration formality requirements; learning English; and employment issues. The Federal Government provides people coming into Australia under refugee resettlement programmes and family reunification programmes with 520 hours of tuition in English as a Second Language.

Consideration should be given to preparing an immigration policy for Christchurch. This could cover such matters as: what immigrant numbers we would like to see come to Christchurch, what occupational and related skills we would like to see, where we would like to attract immigrants from, our approach to refugee resettlement, and what support services we would provide to new immigrants. Such a policy could provide the basis for a managed approach to migration into Christchurch and at the same time give us a basis on which to talk to Central Government about immigration issues.

Department of Industry, Innovation and Regional Development, Victoria

We met with staff from the Employment Programmes Division of the Department of Innovation, Industry and Regional Development. Its key programme areas include:

- The Community Jobs Programme entails \$55M spent over 3 years until June 2003 assisting 6,900 unemployed people, of which 60% go on to education/training/work. This programme is for new or additional community infrastructure work at award wages with accredited training and is based on community partnerships.
- Multicultural Employment Programmes are made up of the Skilled Migration Unit, which attracts additional migrants to boost the skills base of Victoria, the Business Migration Programme which attracts business migrants to establish small business and the Overseas Qualification Unit which assists the transition of overseas qualified job seekers into the Victorian Labour market.
- The Community Business Employment Programme is an employment assistance service for disadvantaged people contracted out by the Employment Programme Division to a diverse range of community and private organisations across Victoria. Services are targeted towards the 25-44 age group, retrenched workers and jobseekers outside contractual boundaries.
- Youth Employment Programme which is providing 2,600 traineeships and apprenticeships in the public sector and supports a private sector skills development programme which has 6,000 traineeships and apprenticeships concentrated in areas where there are or are predicted to be skill shortages.
- Youth Employment Link is an online information and call centre providing all latest career profiles, educational pathways and job opportunities online. Also provides information on job vacancies, courses, apprenticeships, traineeships, wages and conditions and career counselling organisations.

Meeting with the International Council for Local Environmental Initiatives (ICLEI)

ICLEI is an international environmental agency for local governments with a mission to "build and serve a worldwide movement of local governments to achieve tangible improvements in global environmental and sustainable development conditions through cumulative local actions". The Council joined ICLEI earlier this year. The Mayor met with the Chief Executive Officer and other staff of ICLEI at its Australian/New Zealand office in Melbourne.

One of the principle ways for Council to be involved in ICLEI is through one or more of their "campaigns" or programmes.

Cities for Climate Protection is one example of an ICLEI campaign, members of which account for approximately 8% of global greenhouse gas emissions and are working to cut local emissions and improve air quality. United States members of this campaign have already eliminated 9.4 million tonnes of equivalent carbon dioxide (eCO₂) emissions per year, saving more than \$70 million in reduced energy and fuel costs. The Australian Cities for Climate Protection campaign includes 144 local governments, representing 58% of the country's population and having collectively reduced eCO₂ emissions by 78,000 tonnes during 2000 and 2001 they anticipate a reduction of 184,500 tonnes in 2002.

ICLEI also recognises the importance of social issues in sustainability and has recently identified poverty and inequity, insecurity, and environmental degradation as three priority issues. ICLEI prepared a paper for the United Nations, on 8 February 2002, in which it sees "*addressing poverty and inequity, their increasing prevalence and the growing gap between rich and poor within countries and between the developed and developing worlds is integral to achieving sustainable development.*"

Other "campaigns" ICLEI are running and which could be of interest include:

- Water campaign
- Transport programme
- Green purchasing pilot project
- Triple Bottom Line programme

In addition ICLEI is interested in developing a small group of key city councils for an "accelerating cities" initiative. The aim is to support councils, like Christchurch, which have a history of being leaders and getting on and achieving things to move forward as model leaders for other cities to learn from and follow. Details of this programme are currently being developed.

Staff

- Recommendation:**
1. That the Council confirm its commitment to seeing Christchurch's economy develop in an inclusive way with positive social and economic outcomes across the community.
 2. That the Council endorse the development of a closer working relationship with ICLEI, especially partnership as an accelerating city and programmes such as climate change and transport.
 3. That the CDC be requested to:
 - (a) Discuss with other agencies the scope and feasibility of a possible immigration policy for Christchurch, and report back to the Strategy and Finance Committee.
 - (b) Investigate the options for remedying the low level of New Zealand business investment in research and development and advise the Council so that it might advocate to Government for the necessary changes.
 4. That the Canterbury Development Corporation in conjunction with the Mayors Taskforce for Jobs be requested to:
 - (a) Look further at the links between educational achievement and a high skills economy particularly in the light of the evidence that we have very good achievements in education and continuing education but these do not seem to be translating well into economic development and skilled employment growth.
 - (b) Investigate a pathways to jobs programme designed to help young people better plan their transition to work and their working lives.

- (c) Investigate the feasibility of a new public works scheme designed to provide opportunities for people to get work experience while undertaking work of community benefit that would not otherwise get done.
- (d) Investigate and advise the Council on what it might do to promote improved workforce planning.
- (e) Look at what needs to be done to ensure that intending immigrants are clear, before they arrive, as to the 'equivalency' of their qualifications and what, if any, retraining they will need to undertake before they are able to practice their specialist skills in New Zealand.

Chair's

Recommendation:

That the above recommendation be adopted.