



CITY & GUILDS
CENTRE FOR SKILLS
DEVELOPMENT

AUSTRALIAN GOVERNMENT CONSULTATION

REVIEW OF AUSTRALIAN HIGHER EDUCATION

RESPONSE BY THE CITY & GUILDS CENTRE FOR SKILLS DEVELOPMENT

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This submission is made by the City & Guilds Centre for Skills Development (CSD). CSD is an independent research and development body which aims to improve the policy and practice of work related education and training internationally. Its services are aimed at policy makers, researchers, practitioners and employers. CSD commissions, manages and publishes research, gathers and disseminates good practice, and funds and delivers projects and consultancy with a skills development focus.

SUMMARY OF KEY RECOMMENDATIONS

- Employers should be given a driving role in skills provision, especially at the state level, facilitated by Industry Skills Councils.
- Industry Skills Councils should also be involved in helping to identify course provision at higher education institutions.
- The Government should invest in the development of predictive techniques that will enable researchers to develop better information about the future skills needs of the economy.
- Consideration should be given to the provision of financial incentives to create local partnerships between employers, training providers, unions and community groups which can identify local skills needs and help develop them.
- Employer demand for higher level skills needs to be encouraged. This could be achieved by opening up communication levels, financial incentives or targeted use of levies, and statutory employer involvement in qualification development.
- Educational programs need to be culturally relevant for indigenous populations and communities need to be empowered to mould such programs themselves.
- The participation of socially excluded groups in skills development programs can be encouraged through training programs which have good linkages to work, build on learners' existing abilities, have secure and adequate funding, and good personal and social support.

I. MEETING LABOUR MARKET AND INDUSTRY NEEDS

What are the appropriate mechanisms at the national and local level for ensuring higher education meets national and local needs for high level skills? What is the role of state and territory governments in this area? (Question 3)

The key to ensuring that the educational system meets skills needs is in **giving employers a driving role in skills provision**. Employers are better able to engage with the system when they have a clear understanding of how and at what point they can best do so. International comparisons show that when employers are in the driving seat of training provision, the system is more responsive to economic need and more likely to produce excellent training that leads to good jobs. The Netherlands and the USA offer instructive examples in this context¹.

The CSD believes that the most effective level at which to engage employers is the state level. At this level, economic activity is of a large enough scale to interest larger employers in strategic inputs and allow co-ordination with national policy objectives, without being so large that small to medium sized enterprises are drowned out and their particular interests and needs overlooked. In the Australian context, it is likely that state level structures will be in a position to facilitate effective employer engagement. **Sector-based bodies that have played an important role in determining skills provision in the vocational education and training sector are well placed to serve this function for higher education provision**. The growing need for high level skills in the Australian economy argues for an employer role in determining provision across the whole of the educational system.

The Discussion Paper observes both that lines of distinction between higher education and vocational education and training have become increasingly blurred in recent years (discussed in more detail below), and that there is mixed evidence on the question of which sector will be best placed to fill skills shortages in the coming years. Evidence also shows that high level skills – in whichever sector – will be increasingly in demand in the labour market². Exactly which skills, and in exactly what proportions, is much harder to predict and liable to change in unpredictable ways. In these circumstances, the priority should be to ensure that the educational system is able to respond quickly to actual or predicted changes in economic need and employer demand. As the skills sets provided by the two sectors become increasingly intertwined, it is important that the system is able to take a holistic approach and that changes in each sector complement each other as well as reflecting economic imperatives. A longer term strategy requires **investment in the development of predictive techniques that will enable researchers to develop better information about the future skills needs of the economy**.

Like the UK, Australia faces particular skills shortages in Science, Technology, Engineering and Mathematics (STEM). The CSD believes that the focus of a STEM strategy should be on achieving as broad a penetration as possible, to foster a general culture in which STEM subjects are seen as an attractive option. Even students naturally inclined towards STEM subjects may not realise the full range of career options open to them, and need support in choosing rewarding careers that make good use of their STEM qualifications. It is not sufficient to assume that students who choose STEM subjects at school will go on to develop and use those skills most needed by the economy: **continued support and guidance is needed to encourage as many such students as possible to carry on to achieve higher level STEM qualifications and to build careers in occupations that make proper use of them**.

How adequate are the mechanisms for aligning supply and demand of graduates? How do pricing and labour market signals impact on student choices? (Question 4)

Research shows that in recent years the supply of suitably skilled persons – whether from universities or the TAFE system – has not kept pace with demand in Australia. This obscures some of the complexities of the labour market for graduates in Australia, however, as there are areas of oversupply alongside the more widely publicised shortages. In 2005, for instance, 21% of university graduates in Australia were unemployed or held jobs that did not require graduate level skills. In addition, in 2006 over half of the people holding managerial, professional or associate professional positions in Australia did not hold a degree.³ This last figure in particular draws attention to the huge potential for filling future skills gaps by making better use of the potential of the existing workforce.

The problem in Australia is therefore less one of a shortage of graduates, and more a lack of graduates in specific areas that are experiencing skills shortages. This is reflected in the CSD's own research, which found that Australian employers are more worried about shortages in specific technical areas than in general or "soft" skills⁴. **The challenge, therefore, is not to expand total student numbers but to develop a better system for matching courses and jobs**. Such a system also needs to be flexible enough to deal with the fact that growth in some sectors (e.g. education) will have a great impact on the need for graduates, while growth in others (e.g.

¹ Raddon & Sung, *The Role of Employers in Sectoral Skills Development*, University of Leicester 2006

² Richardson and Teese, *A Well Skilled Future*, NCVET 2008

³ Andrew Norton, *Mismatch: Australia's Graduates and the Job Market*, Centre for Independent Studies, March 2007

⁴ City & Guilds Centre for Skills Development, *Skills Development: Attitudes and Perceptions*, March 2008

retail) will have a much smaller effect, and to cope with cyclical economic changes that affect sectors such as construction. It has been argued that Australia's system of setting student numbers in universities adds to the inherent risks of over- and under-supply of graduate workers, since government ministries are ill-placed to respond quickly to labour market trends⁵. In this regard, **Australian higher education can learn from the vocational education and training sector, where employers are able to influence supply of training courses through Industry Skills Councils.** This is designed to help allocate student places for strategic and economically sound reasons.

In general, the principles behind the sector-based demand driven approaches taken in many countries to vocational education in recent years can and should be applied to higher education. The key features of a system which successfully incorporates sector-based employer views were outlined by David Ashton, based on the international comparisons of sector-based systems carried out by Sung et al (2006)⁶. Such a system should:

- **Enable employers to play the key role in identifying skill requirements and designing the competencies required.** An approach in which competencies are employer-driven is the best way to ensure that other involved parties work to the sector's agenda.
- **Secure the consent of employees.** Unions, professional organisations or employee representatives should be involved alongside employers in determination of skill needs.
- **Use government funding of sector bodies to ensure they take into account longer-term government objectives.** While bodies must respond to employer demands, they have to keep sight of wider objectives such as long term economic transitions or responding to social equity issues. In Canada, sector councils were originally intended to become independent of government funding after three years, partly to ensure real buy-in from employers and to reduce perceptions of the councils as an extension of government. In practice, however, this objective to achieve self-sufficiency distracted councils from their main mandate, and some level of ongoing government support and involvement was seen to be necessary for building effective partnerships with business and education.⁷
- **Ensure at least some of the funds for public training provision are directed through employer-led sector bodies.** Ashton identifies the most effective sector bodies as those in New Zealand and the Netherlands, where employers are both in a leading role and in control of substantial funding. He contrasts this with Australia, where councils with no control over funding "act as the voice of employers, but whether that voice is heard or not is beyond their control".
- **Acknowledge and manage the tensions between central and regional government structures.** Australia and Canada have experienced problems with communication and conflict between state councils (which respond to local concerns) and federal councils (which respond to the political priorities of the federal government). In Victoria this issue is being approached through the investigation of a state framework, sitting under a national meta-framework.

Ashton recommends a number of steps governments can take to create effective sector bodies systems:

- **Ensure that the component parts of the system are aligned to the same objectives and that employers are driving it.** Ashton contrasts the system in the Netherlands, where the employer-led *kenniscentra* are an integral part of the vocational education and training system, with that in the UK, where they are more peripheral.
- **Be selective about the use of sector bodies.** Singapore, for example, has chosen to focus its attention on those sectors that are oriented to international markets.
- **Ensure that sector bodies continue to represent real divisions in the economy.** Important sector-based differences in skill demand should be articulated in the education system.
- **Ensure clarity in the functions of sector bodies.** Sector bodies can help develop a strategic business model for their sector, or focus solely on training issues. There are successful examples of both, but a clearly defined role will help sector bodies to be more effective.
- **Ensure complementarity of research and labour market information between the centre and individual sectors.** French experience suggests that a central body providing national, international and cross-sector research and labour market information frees up sector bodies to carry out more focused research.

⁵ Andrew Norton, *Mismatch: Australia's Graduates and the Job Market*, Centre for Independent Studies, March 2007

⁶ Ashton, *Lessons From Abroad: Developing Sector Based Approaches to Skills*, SSDA Catalyst, 2006

⁷ Watt and Gagnon (2005), *The Skills Factor in Productivity and Competitiveness: Canada's Sector Councils are Playing a Role*. The Conference Board of Canada

- **Ensure effective performance monitoring.** Governments should ensure quality control, while minimising the bureaucratic burden placed on sector bodies.

The Australian Government may wish to explore how these principles can be applied to the higher education sector to allow it to respond better to economic imperatives. It should also consider improving the separation of sectors by remit.

Are there particular examples of good practice where you can demonstrate either rapid response to skill shortages or successful initiatives to improve generic skills? (Question 5)

A number of states in the USA run 'rapid response' centres, aimed at both employers and employees, which deal with elements such as labour market information, on-the-job or classroom training in key skill areas, entrepreneurial training and referral to basic and remedial education. Some of these centres also deploy staff to offices which are closing down, to identify how staff skills might be used elsewhere, or to refer them into training programs where appropriate.

Partnerships between employers, unions, training providers and community groups have proved successful in raising both generic and technical skills levels. The Wisconsin Regional Training Partnership, for example, is dedicated to 'qualified workers for quality jobs', and provides programs – the specification of which is led by employers – in incumbent workers' training, modernisation and recruitment. Local skills needs are identified and then met by the partnership. The High Job Growth Training Initiative is a US scheme focusing on job training in 12 specific industrial sectors. The scheme is partnership-based and employer-led, with public funding limited to seeding specific initiatives. Initiatives are therefore only continued and replicated if industry finds them to be of sufficient value in terms of improving the supply of skilled labour.

In terms of replicability for Australia, the Government could consider **providing financial incentives to create such partnerships** (such incentives do not have to be expensive and evidence from the States suggests that they pay for themselves many times over in terms of preventing unemployment and helping hard-to-reach groups).

What is the relevance and applicability of the findings and approaches proposed in the United Kingdom paper, Higher Education at Work, for increasing the skills levels in the workforce to Australia? (Question 7)

The UK and Australia face similar skills issues arising from economic and demographic changes and ongoing mismatches between the demand and supply of skills. The Centre for Skills Development believes the approaches outlined in the UK paper Higher Education at Work are largely sensible, and that many of its principles are applicable to the Australian context. There are, however, a number of areas which we believe could be improved and to which Australian policy makers might give further thought:

1. Careers and learning guidance. Under current proposals, the UK will implement an adult careers service separate to the Connexions service provided for young people aged 14-19. The CSD believes that a single, all-age careers and learning guidance service, as recently recommended by the UK's National Skills Forum, would better ensure continuity of advice and make for a more accessible system for both individuals and employers. An unnecessary requirement to transfer to a new system at age 19 risks (a) individuals slipping through the gaps, (b) confusion among employers regarding the organisation(s) with which they should engage, and (c) a lack of coherence in information, advice and guidance provision. A single careers and learning guidance service with a decentralised regional structure would ensure standardisation, improve quality and ease transitions from one stage of life to another. A single service for both adults and young people would also enable parents to understand the value of careers and learning guidance and better relate to their children's experiences of it. As parental views are one of the biggest factors affecting young people's decisions regarding training options and careers, this would lead to greater consistency in the advice young people receive. According to CSD's international survey (see footnote 4), the esteem attached to vocational education and training in Australia is falling rapidly. Better careers and learning guidance could help to address this.

2. Stimulating employer demand. Employers may not always see the need for high level skills as they do not focus on the needs of the economy as a whole. Training provision works best when linked to a firm's priorities and business plan and integrated with overall

management practices and firm culture.⁸ Research indicates three key methods of stimulating employer engagement with the skills system and thereby driving up demand:

Opening up communication channels. If communication channels are to be effective, all stakeholders must develop an understanding of instances of good practice, different models and levels of engagement, whether they are on a local, regional or national scale, and be able to weigh up the potential opportunities and limitations associated with each model. Most important of all, stakeholders must understand what employers want and need. In its research, the National Skills Forum has demonstrated how UK employers are requesting shorter, bite size qualifications that allow employees time to work and study. Social partners, for example trade unions and industry representatives, can play their part by engaging in training, extolling its benefits and using it as a tool for collective bargaining. Partnerships between employers and practitioners must be encouraged so that mutually beneficial relationships develop and foster good working environments. Organisations such as CURVE are valuable in providing research across all stakeholders, as they have good contacts with employers and government.

Financial incentives and levies. Government policies in other countries have gone some way to encouraging employer investment in training through financial mechanisms. For instance in the Netherlands, employers receive a 15% tax rebate for taking on trainees. Similar tax rebates are given to employers taking on apprentices in France but they are also subject to a training levy that helps fund initial work-related training.

Statutory and government assisted measures. Aside from financial incentives and levies, there are also a number of statutory measures around qualification development and delivery, making it fundamental to involve the relevant employers. In sectors where staff must have a licence to practise or comply with health and safety regulations, qualification development must be informed by employers in the industry. Kite marks that set businesses apart as leaders in their field, such as 'Investors in People', have also been proven to engage employers effectively and the emphasis given to training programs in such kite mark schemes has helped improve commitment levels. Finally, mechanisms that allow employers to judge the quality of prospective training, to feedback and to improve quality levels are important tools in engaging the employer and ensuring they understand the system.

3. Engaging with trades unions. The Centre for Skills Development believes that trades unions, professional bodies and other employee organisations have a valuable role to play in encouraging demand for skills training. Evidence shows that systems that involve such organisations alongside employers in the determination of skills needs achieve a broader degree of legitimacy among the workforce⁹ (Ashton, *Lessons from Abroad*, SSSA 2006). The UK's Trades Union Congress has argued that a sectoral approach to developing a demand-led system of skills development is likely to be more effective if the social partnership element is strengthened beyond requiring sector bodies to have at least one union board member¹⁰. In the UK, the union movement has demonstrated through the successes of Unionlearn and Union Learning Representatives that it is capable of driving up demand at the workplace level and that it understands the skills agenda. Giving unions more of a say over strategic matters relating to skills development will enable them better to reflect the interests of learners. Unions are also possibly more likely to take into account the longer-term interests of the development of the workforce than are employers, whose priorities may be affected by short-term profit imperatives.

2. OPPORTUNITIES TO PARTICIPATE IN HIGHER EDUCATION

Should there be a national approach to improving Indigenous and low SES participation and success in higher education? (*Question 8*)

Canada offers an excellent example of good practice with regard to indigenous learning through its holistic lifelong learning model, which incorporates both the traditional knowledge and values of indigenous communities with mainstream "Western" education. The approach has enabled indigenous communities to develop and administer educational programs formerly delivered by non-Aboriginal governments. They are developing culturally relevant curricula and community-based language and culture programs, and creating their own educational institutions. Any national approach to improving indigenous success in education should follow Canada's example of **making educational programs culturally relevant to indigenous populations and empowering indigenous communities to mould**

⁸ Goldenberg, M., (2006): *Employer investment in workplace learning in Canada*. Canadian Policy Research Networks paper for Canadian Council on Learning

⁹ Ashton, *Lessons From Abroad: Developing Sector Based Approaches to Skills*, SSSA Catalyst, 2006

¹⁰ TUC response to the Department for Innovation, Universities and Skills consultation *Raising Expectations*, 2008

and develop such programs themselves, in addition to other measures such as education and welfare provision.¹¹ Further, skills that are distinct to this part of the population should be recognised in order to preserve cultural heritage.

Through research into socially excluded groups, the Centre for Skills Development has developed with a number of recommendations for programs which increase the participation of such groups:

- **Good linkages to work:** Linking training programs directly to work is particularly important for groups which potentially face discrimination. Successful projects tend to focus on skills in demand, and either provide direct employment opportunities or significant support for learners entering the job market.
- **Strategic identification of skills:** Successful projects tend to identify good matches between skills needed by employers and learners' existing abilities by targeting areas in which the target group is in an especially good position to succeed, and playing to their strengths. The e-seva project¹², for example, capitalises on the target women's entrepreneurial spirit.
- **Access to funding:** Secure and adequate funding is necessary to overcome barriers to training in excluded groups.
- **Guidance and support:** Personal and social support are as important as financial support and availability of training for excluded groups. Mentoring is critical in teaching trainees the skills that they need to overcome barriers to training and finding work.

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¹¹ Canadian Council on Learning, <http://www.ccl-cca.ca/CCL/AboutCCL/KnowledgeCentres/AboriginalLearning/index.htm>

¹² The e-Seva project is a local government initiative established in 2002 in an isolated region of Andhra Pradesh. Under the scheme, local self-help groups of women are given access to interest-free government loans with which to set up an electronic service liaising between citizens and local government. The women are trained to use the computers and other electronic equipment like digital cameras to assist citizens to access government services remotely. Through the scheme, customers can, after a small online payment, apply for benefits, request official documents, pay taxes, and register grievances with local government. The centres have been financially successful, providing women with a much-needed source of income and a sense of self-respect. The project has also empowered local citizens politically; it has raised awareness of the government services available, improved the transparency and speed of delivery of services, and given citizens a forum in which they can make their voices heard.