

RESPONSE 42

Feedback on Skilling Australia for the future

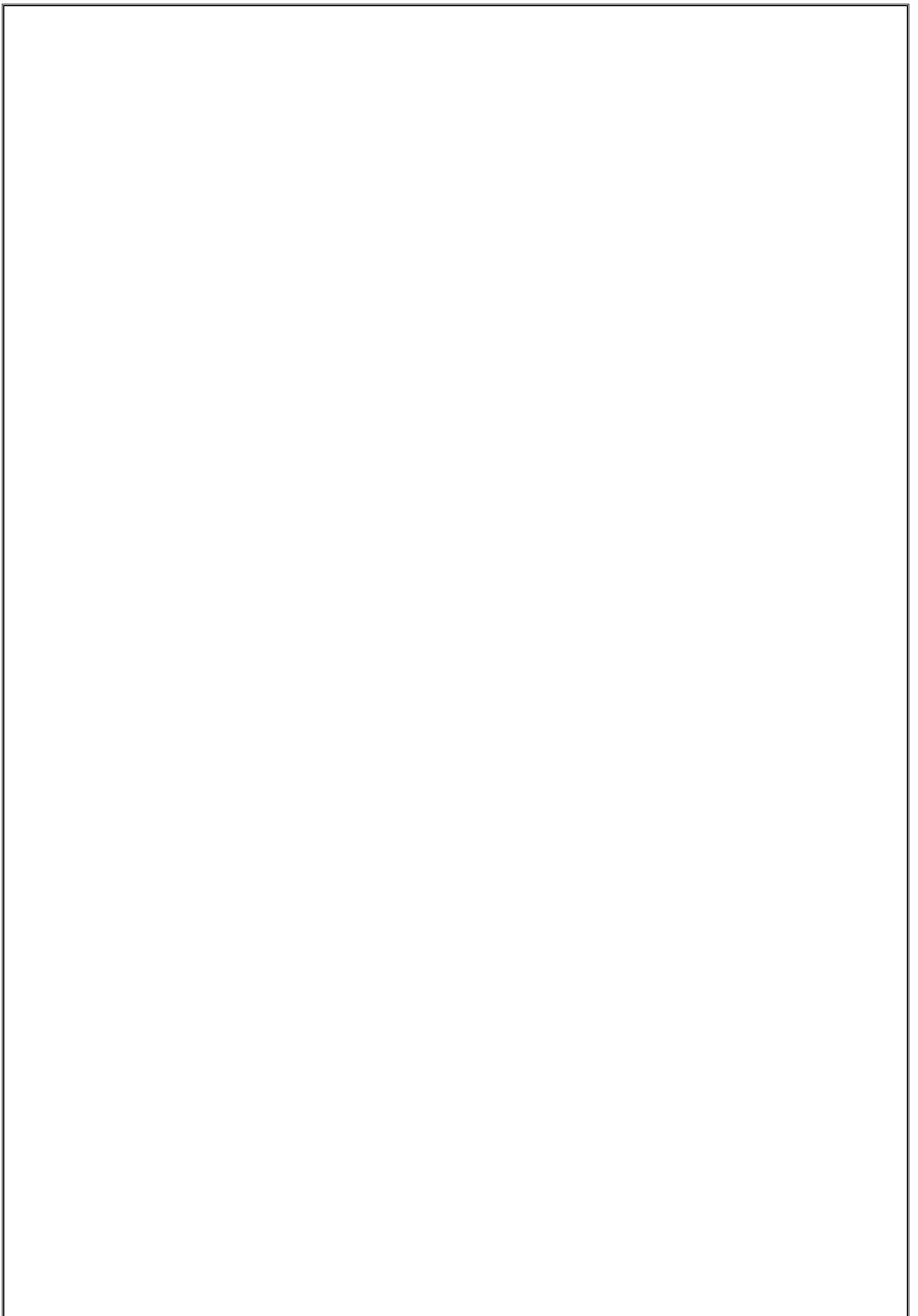
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AUSTRALIAN
INDUSTRY
GROUP

***Skilling Australia for the Future
Discussion Paper
Feedback***

April 2008



Introduction

The Australian Industry Group is pleased to have this opportunity to provide feedback on the *Skilling Australia for the Future Discussion Paper 2008*. Our feedback addresses the broader issues around the additional 450,000 training places and also aspects of the proposed architecture and implementation.

General comments

Ai Group is strongly of the view that Australia's vocational education and training system must be industry led and that it is through this leadership that it will be possible to much more effectively respond to the training needs of Australian organisations; to increase workforce participation and to support ongoing learning for the existing workforce. We cannot stress too highly the need for industry to be at the centre of the training system – a focus which has been lacking in recent years.

It is acknowledged that the new government has introduced a number of initiatives which have strengthened the role of industry including the establishment of Skills Australia and the strengthening of the Industry Skills Councils. This is a promising beginning but it must be reinforced across the training system and through all of the various levels of intersection.

AiGroup Research:

AiGroup has a considerable body of research which is directly relevant to the broad issues under consideration in this discussion paper. We particularly draw your attention to:

- *Australia's Skills Gap Costly, Wasteful and Widespread*, a report on the nature and depth of skills shortages in manufacturing, September 2004.
- *World Class Skills for World Class Industries*, a report on the perspectives of employers on skilling in Australia which analyses the current state of skilling, develops an understanding of future skilling needs and provides a set of strategic policies to positively impact on skilling, May 2006.

- *Skilling the Existing Workforce, Background Research Report*, April 2007, part of the broader Ai Group Skilling the Existing Workforce project due for completion at the end of June 2008.
- *Skilling for Innovation* a report which assesses the extent to which skills shortages are impacting on Australian businesses, as well as the strategies firms are using to increase the skills of current employees, April 2008.

Throughout our feedback we will make references to these reports which can be accessed through our website www.aigroup.asn.au

Concerns

Ensuring take up of the additional places

In recent years Ai Group has been concerned about skills shortages and has devoted considerable resources to researching the extent of shortages and to working with all stakeholders to address the problem. The additional 450,000 training places are a welcome response to these concerns but the skills shortages will not be resolved by simply providing more funding for training.

An immediate priority must be the roll out of a comprehensive communication strategy as this initiative is not yet well known or understood by industry. Ai Group is well placed to play a pivotal role in raising industry awareness of the opportunities and benefits to be derived from this initiative through our extensive communication program. The communication effort must be supported by readily available independent, expert advice; in many cases companies will need access to advice on how the initiative will work and how the additional training will assist their business. Our network of Education and Training Advisors are highly regarded by industry and are able to provide this advice. But all of our experience in working with companies, particularly SMEs and companies which have not recently been involved in training, indicates that considerable upfront work needs to be undertaken before training decisions are made and this can be very time consuming. Urgent consideration should be given to expanding the Education and Training Advisor network to increase the capacity of the advisory arrangements.

For the medium term, given that the most effective training is that which aligns with the business plans of the organization, consideration should be given to how

companies that haven't engaged in structured business planning can access assistance to develop business plans and the workforce skills development plans which flow from them. With the best will in the world this will be beyond the ISCs; extra support is needed.

The other side of the skilling equation is the commitment of individuals. We know that while many people are willing to undertake training, very many are not. As a general principle people are most willing to take up training where they can see the link between the training and work - for many this will not be immediately apparent and will require a committed effort on the part of companies and RTOs.

The capabilities of the Industry Skills Councils

Ai Group supports the strengthened role of Industry Skills Councils and recognises that they will play a pivotal role in the success of this initiative. With so much responsibility for success reliant on the capabilities of the newly strengthened ISCs our concern is to ensure they are properly and fully supported to meet the demands being placed upon them.

ISCs must be included as an integral part of this initiative - involved in implementation policy formulation and refinement; able to readily access, monitor and validate progressive outcomes; and included as central in those aspects of the program which directly affect their work.

With an appropriate monitoring system in place, if it becomes clear that one or more ISCs is struggling the department must have in place an approach to provide early assistance.

Joint funding of the places

Skilling the Australian workforce is a shared responsibility and all parties must do their part. We are aware of some discussion around varying the proposed 50/40/10 formula. We strongly reject moves away from this proposal, specifically those which reduce or defer the contribution of the States and Territories. It simply is not acceptable for some States and Territories to attempt to abrogate this responsibility by choosing not to allocate the requisite funds.

The other component is the 10 percent from industry. Our view is that on average companies are already contributing well beyond the 10 percent allocation and we would welcome the opportunity to have formal discussions around what constitutes the elements of that contribution.

Phase 2: Existing worker places

Ai Group's report *World Class Skills for World Class Industries* found Australian firms clearly recognized the importance of their skill base to their future success. 85 percent of companies identified 'building the skill base' as the strategy for remaining competitive. This is a clear reference to the importance of upskilling and reskilling existing workers and we are pleased to see this well recognised in the allocation of 60 percent of the Productivity Places.

Ai Group's concern is with the definition of existing worker which includes someone who could work for as little as one hour per week. While we acknowledge that this is a widely used definition and may well have been chosen to be consistent with other measures used by the government a problem arises if these places are taken up by people only marginally attached to the workforce which is well outside the need industry has identified. These needs include workers who have a long association in an industry but who would benefit from undertaking formal training or retraining and for people with trade qualifications who need to upskill or reskill.

Our recommendation is that this definition should be reconsidered. If this is not possible given the tight timeframe, statistics should be collected on the extent of employment of recipients of the places to avoid the possible crowding out of existing workers with a closer attachment to the workforce who may be somewhat slower to take up these training opportunities.

Addressing Literacy Issues

The ABS recently estimated that 46 percent of adults – or seven million Australians - had poor or very poor literacy skills across a range of measures. This means they did not attain the skill levels regarded by most experts as a suitable minimum for coping with the increasing and complex demands of modern life and work. Early school leavers are especially likely to have lower levels of literacy and numeracy. The proposed upskilling will not be fully effective unless the extensive literacy needs of the labour force are accommodated through the program together with the

other supports which will be necessary to bring what are usually very reluctant learners back to learning.

Capability of Registered Training Organisations

The training of existing workers requires a different mindset from the traditional approach still seen in many TAFEs and some other RTOs. Firstly, there are the issues around helping the business to translate its needs into a training solution. Many RTOs find this difficult because they do not have sufficient industry knowledge to be able to understand the technical issues they're being asked to address. Secondly, most though certainly not all, enterprises will strongly prefer that the training is delivered in the workplace. In some jurisdictions this poses real problems for the public providers which cannot be solved by open competition because these providers are the only real providers of many highly technical areas. Thirdly, many RTOs are already working at capacity and are not able to expand to meet even current demand because they can't source suitably skilled trainers and/or they don't have the facilities and equipment necessary.

Ability of SMEs to access these places

Small companies have always faced particular difficulties in accessing training: small numbers mean they can't fill classes and so are uneconomic for large providers; it is difficult for small companies to release people for training as there is no-one to replace them and in manufacturing this can have a direct impact on production; small companies often need people to work across many job roles and their needs don't readily align with the training required by large firms.

These aren't new issues but with SMEs collectively being a very large segment of employers they can't be overlooked. According to Ai Group's latest survey SMEs need to employ larger percentages of new employees per company to overcome skills shortages than large firms.

Places, qualifications and skill sets

The discussion paper states that 450,000 new training places will be provided and information has been supplied about the qualification levels. This implies that only whole qualifications are to be funded. In our view this introduces an inappropriate

level of rigidity into the program which may impact on roll out. While we strongly support the need for an initial vocational qualification, for existing workers with years of experience the ideal - for both the individual and the enterprise - may well be a bundle of skills, or skill set, rather than a whole qualification. We would be very concerned if this were not to be an option of the program.

Progress reports and evaluation strategies

It is important to industry that the evaluation strategy for this initiative is clear from the beginning and that the data on progress is progressively made available. Industry sectors will want to monitor what training is being undertaken where so that in areas of perceived shortfall where individual enterprises are not engaged in this initiative remedial action can be taken.

Issues for discussion

How should Skills Australia interact with industry groups to ensure that it has access to the most appropriate and up to date data?

In our view it is vital that the overall relationship between Skills Australia and industry is a strong one based on cooperation and a willingness to work together to address Australia's skill needs. A close working relationship will encourage industry groups to share the outcomes of their research and the feedback they receive from their constituents. In some cases it will be appropriate to involve Skills Australia representatives on steering committees of industry projects and it is anticipated that the reverse will often be the case where industry expertise would add a valuable dimension to a Skills Australia research project.

Skills Australia will need to start with a clear understanding of the skills information which is generated by industry groups. From this base it will need to develop guidance to industry on what sort of information it will find relevant to its work and also to what extent it will need to be briefed. Failure to do this could result in Skills Australia being swamped with information and having the enormous task of sifting through huge volumes of reports.

Using this industry group as example, Ai Group conducts regular CEO surveys which often canvas skilling issues. Skills Australia can be formally provided with

the data and analysis and, if there is the level of interest, at a Board or officer level can also be provided with face-to-face briefings on outcomes, conclusions and policy implications.

As an extension of the relationship with Skills Australia, industry could have a validation role regarding Skills Australia commissioned research.

What sources of data on skills shortages should Skills Australia access?

There are a number of sources of data on skills shortages which return a wide range of measurements. Skills Australia will need to start with a comprehensive picture of the data available and to complement this database with a solid understanding of the strengths and weaknesses of the data sets.

Ai Group has long been concerned about the skills shortages data which is derived from advertised vacancies because this is not an accurate reflection of how many industry sectors seek people to fill vacancies. Many companies have stopped advertising because the response rate has been so poor and they now rely on word of mouth referrals. Others have accepted that it is highly unlikely that they will be able to attract appropriately qualified people and so have completely re-vamped their recruitment processes and have established relationships with local schools and offered work placements as a means of attracting young people they can then train and promote internally.

This suggests that statistical data on skills shortages generated by organizations such as DEEWR, NCVER and the ABS will need to be supplemented by data provided by industry associations and data from other sources which work closely with industry such as the Industry Skills Councils and State industry training advisory bodies where they exist.

The issue for Skills Australia will be the extent to which it wishes to undertake the analysis of the available statistics – this may be a function it will wish to outsource.

In the immediate term the Industry Skills Councils could be asked to pull together information from the State advisory arrangements and combine this with the market intelligence at the national level to provide advice to Skills Australia, pending the broader project of validating the skills shortages data mentioned above.

Issues for discussion around the Industry Skills Councils

Ai Group is represented directly and through its members on a number of ISCs and these councils will be making detailed submissions on the issues raised in the discussion paper. Our broad position is that the workforce issues will be fully reflective where the ISC has an appropriately representative structure and uses an inclusive methodology.

The inter-relationship between the ISCs and the state bodies is complex because of the myriad of arrangements at the state level. It is obviously important that there is not a duplication of roles and this may have to start with a mapping of the state arrangements and the alignment to the national arrangements. The establishment of a commitment that the two levels will work together to provide a comprehensive picture for the industry sector they look after will be important. It will also be necessary to establish a mechanism for the resolution of inconsistencies/differing advice to avoid conflicting information being sent through to Skills Australia.

Ensuring training results in employment outcomes

Training will only result in employment outcomes - whether that's defined as securing employment or, for existing workers, fully utilising the skills gained through upskilling/reskilling - where industry is involved at a local level upfront. Early industry and enterprise commitment will ensure that the necessary elements of structured workplace learning are available which gives the job seeker undertaking the training the opportunity to apply their skills and the enterprises an opportunity to 'try before they buy'.

For the existing worker undertaking training this early enterprise engagement will result in the development of combinations of skills most in need by the company and of most benefit to the individual in their career. A good example of how this can work is the Macarthur Apprenticeship Recruitment Scheme (MARS) project. Another element here is the appropriateness of the match between the enterprise and the RTO. Enterprises are not always fully informed consumers of training and there would be strong merit in the development of a tool to help enterprises determine which of the RTOs offering the training they need is the right one for them. The ISCs would be well placed to develop such a tool and the criteria

developed for the Institute for Trade Skills Excellence's Star Rating Scheme would be a very useful starting point.