

Skills Development in Australia: enhancing an industry led, competency based system through an emphasis on workforce development and demand-based funding

The fundamental approach to skill development in Australia is to have an “industry led” Vocational Education and Training (VET) system. This move began in the early 1990’s when the “curriculum process” for vocational training programs was changed from courses developed by training providers to credentials based on industry specified, occupational competencies.¹ More recently public funding for skills and workforce development is shifting from funding training providers to funding enterprises and individuals who then purchase training from registered providers. The intention is to move from a system that has been historically dominated by the “supply side” to one that meets the needs of the “demand side”. A policy development of this decade has been the recognition that skill development on its own is not enough. Attention needs to be paid to the utilisation of skills as part of an industry and national focus on workforce development. Australian governments are strongly focussed on the links between a more skilled and developed workforce and maintenance of strong economic growth and high levels of employment.

The National Agreement for Skills and Workforce Development—the Agreement between the Commonwealth, State and Territory governments in training and workforce development—commenced on 1 January 2009. The Agreement aims to ensure that all working age Australians have the opportunity to develop the skills and qualifications that will enable them to participate in, and contribute to, the modern labour market. Targets include halving the number of people without qualifications at Certificate 3 or higher by 2020 and doubling the number of people with Diploma level qualifications. There is also an emphasis on improving foundation skills in the working population.

The competency-based system of Vocational Education and Training (VET) involves learners gaining vocational skills and qualifications by being successfully assessed against industry-defined competency standards. These standards are developed and codified by eleven, sectoral Industry Skills Councils (ISCs). ISCs publish the competency standards and associated assessment and qualification specifications in documents known as “Training Packages”. The competencies and assessments in these Training Packages are delivered by Registered Training Organisations (RTOs). RTOs can be large public sector “polytechnic-type” colleges known generically in Australia as Institutes of Technical and Further Education (TAFE), or they can be smaller private colleges or specialist training departments located within enterprises. A good example of an enterprise-based RTO is that owned by the Australian airline Qantas which delivers nationally accredited training in engineering, safety, customer service and supervisory management to its own employees.

Guidelines for the system are delineated in the Australian Qualifications Framework (AQF) and the Australian Quality Training Framework (AQTF), the latter overseen by the peak National Skills Standards Committee (NSSC) that replaced, this year, the former National Quality Council (NQC). The system is beginning to be regulated nationally by the Australian Skills Quality Authority (ASQA) that is replacing State-based regulators in all but two states.

¹ Harris, R., Guthrie, H., Hobart, B. & Lundberg, D. (1995), *Competency-based training: Between a rock and a whirlpool*, Melbourne: Macmillan Education Australia.

At present there are around about 1.8 million publicly funded enrolments in the VET system.² Public funding is only available for the nationally accredited credentials largely contained in Training Packages. There are also privately funded enrolments in nationally accredited Training Package Courses as well as privately funded informal, unaccredited programs. Unfortunately statistics for privately funded VET provision are not consistently collected or published. It is estimated that the quantum of this training is at least as large as the publicly funded VET.

Around 20% of public funded VET students are apprentices who are participating in a regulated system of employment-based, initial training. The other 80% of publicly funded VET students are pre-employment learners who are not yet employed (at least full-time) or more mature existing workers “up-skilling” or “re-skilling” for new jobs and new responsibilities.³

Australia is currently enjoying a “resources boom” that has insulated it nationally against the worse effects of the Global Financial Crisis that has severely impacted upon Western Europe and North America. Glenn Stevens, the Governor of the Reserve Bank of Australia has called the impacts of this boom the “challenge of prosperity”. The industrialisation of China and India has created a massive demand for Australian coal, iron ore, gas and other natural resources. Not only has this growth created skills shortages in the resources sector but it has also resulted in a rapid appreciation of the Australian dollar and in Australia’s terms of trade that has negatively impacted on other industries such as manufacturing and tourism. Some industries and locations are thus suffering from a shortage of skilled workers whilst other industries and regions are dealing with the problems of unemployment and under employment. Overall, however, Australia’s unemployment rate hovers around about 5%.⁴

Australia faces a number of other challenges related to skills and workforce development. Productivity growth has fallen nationally since the major economic reforms of the mid 1990s. Australia, like many developed countries, has an ageing population. Workforce participation could be improved especially for groups such as women aged 25-34, men aged 25-65 and older Australians aged over 55.⁵ Australia’s youth unemployment remains high at 11.3% - more than twice the unemployment rate of the general population.⁶

Skills Australia is a peak statutory body established by the in-coming government in 2008 to provide advice on Australia’s future workforce development and skills needs. It consists of a Board of seven experts with backgrounds in industry, academia and labour market economics that is supported by a small secretariat of around 35 people. As a result of changes announced in the Commonwealth 2011 Budget it is currently “transitioning” into becoming the “National Workforce Development and Productivity Agency”. Thus in 2012 it will add to its advisory roles the administration and priority setting for a \$553 million National Workforce Development Fund designed to facilitate better workforce development planning; better skills utilisation and better skills development in Australian industries.

² NCVET (2011), *Australian vocational education and training statistics: students and courses 2010*, p. 8.

³ NCVET (2011), *Australian vocational education and training statistics: students and courses 2010*, p. 9.

⁴ ABS (2011), *6202.0 Labour Force, Australia, Oct 2011*,
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Oct%202011?OpenDocument>

⁵ Skills Australia (2010), *Australian Workforce Futures*, p. 3.

⁶ ABS (2011), *6202.0 Labour Force, Australia, Oct 2011*,
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Oct%202011?OpenDocument>

Two of Skills Australia's major projects have been the development and publication of, "Australian Workforce Futures – a National Workforce Development Strategy" (April 2010) and "Skills for Prosperity – a roadmap for Vocational Education and Training" (March 2011). The high growth scenario in Australian Workforce Futures (AWF) indicated that by 2015 Australia will require an additional 2.3 million workers with qualifications at certificate Level 3 or higher.⁷ Not all of this required growth would be from new jobs. The figure includes replacement workers for those retiring as well as the "skills deepening" and "skills broadening" required from existing workers currently without the appropriate level of qualifications. As a result Skills Australia advised the Government to increase tertiary education enrolments across the VET and Higher Education sectors by 3% per annum until 2025.⁸ Not all of this growth would be government funded – there would also need to be co-funding from enterprises as well as increased student contributions for higher level VET and HE programs. The principle being that those who benefit should contribute. To reduce barriers to entry programs for individuals could be financed through deferred payment, income contingent government loan schemes.

The research for AWF also suggested that Australia should aim to increase workforce participation for those aged 15 and older from 65% to 69% by 2025.⁹ This is a challenging target – as the "intergenerational report" from the Australian Treasury suggested that on current trends workforce participation would fall to between 63% and 64% over the same period.¹⁰ This target is a further incentive to improve the literacy and numeracy skills of sections of the Australian population whose current standards are lower than that required to participate effectively in a modern workforce.

If a participation rate of 69% were achieved by 2025, Skills Australia estimates that the fiscal and economic benefit to the national bottom line would exceed \$24 billion.¹¹

The question arises how best to target new and existing funding for skills and workforce development. Early in its existence Skills Australia ran some joint seminars with the Academy of Social Sciences in Australia (ASSA) that explored the potential and limitations of long term, labour market planning. The evidence indicated that planning should concentrate on those occupations where the risk of market failure was most acute. Skills Australia therefore developed the concept of "specialised occupations" which meet criteria such as *long lead time* in terms of training and a *strong fit* between undertaking training and eventually working in a particular occupation. Not surprisingly many, but not all, specialised occupations are licensed or regulated trades and professions such as plumber and dentist. It takes four years to train a plumber in Australia and five years to train a dentist. A shortfall today in either of these occupations would take at least four years to remediate domestically without resorting to skilled migration. Experience and research indicated that the market can be quite effective in managing the supply and demand of the majority of occupations that are not characterised as "specialised" such as managers, analysts, administrators, customer service professionals and manufacturing operatives. Workers in these occupational groups often shift between occupations and industries without needing to resort to further long periods of formal accredited training.

⁷ Access Economics (2009), *Economic modelling of skills demand*

⁸ Skills Australia (2010), *Australian Workforce Futures*, p. 2.

⁹ Skills Australia (2010), *Australian Workforce Futures*, p. 3.

¹⁰ Department of Treasury (2010), *Australia to 2050: future challenges*, Intergenerational Report

¹¹ Skills Australia (2010), *Australian Workforce Futures*, p. 65.

Given this limited faith in the effectiveness of highly specific centralised planning revealed at the ASSA forum it is therefore not surprising that Skills Australia believes in giving most purchasing power in the system to users – whether they be enterprises or individual learners. Skills Australia believes that individuals and enterprises know better than government officials, however good their economic modelling, the specific training they need. The Australian Government has already implemented an “entitlement” or “voucher” system for most publicly funded university places in Australia (the main exception being medically related programs). Several States have implemented a similar regime in the VET sector – a move Skills Australia endorses but with the proviso that the funder should be able to cap places in certain programs if the need arises through oversupply or funding issues. The Government is also implementing a “demand-based” national workforce development fund where enterprises can apply for part funding of accredited programs for their employees. The scale of contributions depends on the size of the enterprise. Only accredited training is fundable to ensure that the government is funding a benefit that is more than that which the enterprise might have fully funded itself. The enterprise might have only funded “unaccredited” training which is of less use to the individual employee in terms of transportability to their next job.

Enterprises are required to develop a “workforce development plan” before they can receive government funding. This is recognition that workforce development is more than just training. It is also about organisational and job design as well as strategies to increase skills utilisation, by amongst other strategies, improving management capabilities.

A demand-based or voucher system requires good information to support informed choice. Australia still has some way to go in this respect. Skills Australia is advocating that a demand-based system should be accompanied by greater published information about the performance of individual RTO providers. Data should include outcome and output measures such as course and module completions, customer satisfaction surveys and learner destination information. Though much of this information is currently collected it is not always available at the individual RTO provider level.

Transparency can help drive improved quality. Variability in the quality of nearly 5,000 RTO providers is an issue everyone in the system is recognising and the government is acting through reforms such as the establishment of the ASQA.

The Australian VET system has been undergoing continuous quality improvement for the past 20 years. An industry lead, competency-based approach is now well established. The system now needs to respond to “the challenge of prosperity” where the economy requires more skilled people than ever before. This demand will need to be met by higher levels of training and workforce participation. Many in the system believe that user choice is a better means of allocating resources than centralised planning but this demand-based approach requires better regulation and more publicly available data about provider outcomes. There is a growing recognition in Australia that training is a necessary but not a sufficient condition to improve workforce participation and productivity. Attention must also be focussed on skills utilisation that will require greater expertise in organisational and job design than we have seen so far.

Robin Shreeve
28 November