



SKILLS, EDUCATION AND TRAINING

April 2019



EXECUTIVE SUMMARY

- *Education and training plays a critical role in the economy and the broader community both in addressing workforce skill needs and improving social inclusion. The transformation of our economy is leading to skill mismatches and shortages due to the new tasks and jobs that are being created. Better skills alignment requires more regular skills forecasting to identify specific skills in demand.*
- *Critical shortages exist for Australia's STEM workforce. Ai Group calls for measures to grow and strengthen our STEM-qualified workforce through a national STEM skills strategy led by government and industry. Ai Group is helping to address this gap through its Industry 4.0 Higher Apprenticeships Program, which provides a key platform for the delivery of workforce skills through an employment-based learning program.*
- *The constant reskilling and upskilling needs of industry means that businesses require more support for workforce planning. To assist this, industry requires access to programs that are flexible in length and mode in both the higher education and VET sectors.*
- *With literacy and numeracy levels a constraint on business effectiveness, Ai Group urges the funding, development and promotion of a national workforce language, literacy and numeracy strategy and program, developed in partnership with industry. The program must incorporate the development of digital literacy skills.*
- *Australia's youth unemployment rate is concerningly high. Increased investment is needed in transition programs that equip individual young people with the right skills to enable them to enjoy greater opportunities and to more fully participate in the workforce and the community.*
- *Australian industry needs its apprenticeship system to grow. A number of measures are needed for it to sufficiently meet industry's needs, including a national body to oversee the system.*
- *Ai Group has released a paper, Realising Potential: Solving Australia's Tertiary Education Challenge, which calls for a more coherent and connected higher education and vocational education policy and funding framework*

THE SKILLS, EDUCATION AND TRAINING LANDSCAPE

Education and training play critical roles in the economy and in the broader community. If Australians are to have access to challenging, high-paid jobs in high-productivity industries and to have greater social and economic opportunities, our education and training outcomes need to lift and be more closely aligned with the rapidly changing opportunities in the labour market.

Automation is disrupting the skills that education and training systems strive to supply. It is leading to reallocations of employment between tasks, sectors and regions. It is shifting labour demand towards higher level, more cognitive skills for which many workers are not adequately trained, and it is contributing to the hollowing out of middle skill jobs. The new workplace requires enterprise and entrepreneurial capabilities - higher level skills in communication, leadership, problem solving and design thinking that can be coupled with technical capability to build a broader set of skills for application in different environments, including global environments.

These pressures are reflected in significant skills shortages, particularly for professionals, technician and trades workers with STEM capabilities. At the same time, almost all employers are currently impacted in some way by low levels of literacy and numeracy – a concern when foundational skills now include digital literacy as well as sound literacy and numeracy.

Dynamic workplaces mean that continuing education and training needs to be available to existing workers as required, in shorter bursts, for quick adaptation to new skill demands throughout their working lives. Workers more capable of undertaking productive and engaged roles are better able to contribute to innovation in the workplace, while displaced workers represent both a clear personal loss as well as social and economic costs to Australia.

Youth unemployment is a concern for Australia pointing to the need to equip individuals with the right skills that enable them to fully participate in the workforce and to experience a richer range of opportunities.

The emerging needs are challenging our higher education and VET sectors. The VET system is suffering from a long-term decline in funding. Work-based learning models are suited to rapidly changing work environments and yet a number of sustained issues are dogging Australia's apprenticeship system. Higher apprenticeship models are required to deliver the higher skill levels increasingly needed by industry and a wider range of opportunities for young people in particular. Higher education, as the important developer of advanced critical enquiry, requires stable policy settings, balanced performance-based funding measures, closer connections with industry and flexible credentials. The raft of issues dogging the two sectors and impacting their effectiveness can be addressed through a more coherent and connected tertiary sector.

Outlined below are the key areas in which action must occur.

Strategy to meet emerging skill needs

Ongoing skills alignment between education and training providers and industry needs more regular skills forecasting to collect better information. The development of sets of competencies that can be mobilised to perform tasks related to a job, rather than qualifications, would assist with skills assessment and anticipation, and help workers to identify specific skills in demand.

Action needs to be underpinned by closer partnerships between industry and the education and training sector. Rapidly changing work environments and skills are best served by learning that is connected to and closely reflects workplace skill needs, such as work-based and work integrated learning models. Increasingly, where learning experiences are not in the workplace they must be designed to reflect actual workplaces; to be engaging and social, and to be anchored by outcomes and assessments.

Developing Australia's Science, Technology, Engineering and Maths (STEM) capabilities

A major focus needs to be given to growing the STEM workforce, especially in areas of the economy where there are critical skills shortages. While longer-term solutions to the STEM skills shortfall properly concentrate on the school sector, there is much to be done to reduce short-term pressure on current shortages. Support for existing workers to retrain in STEM areas will also assist to meet the relatively short-term needs of the economy.

There is a need for an overarching national STEM skills strategy. A federal government can take a leadership role in the development of this strategy in conjunction with industry. A multi-pronged approach is needed to address school, university, VET and industry involvement. Sufficient resourcing is required to develop a co-ordinated and systemic response to the issue.

Strategies are also required to meet the needs of small and medium-sized enterprises, given their prominence in the economy. Government can support these companies via networks or clusters and engagement with group training companies. Support for sectoral and supply-chain companies working with larger companies also warrants consideration.

Initiatives to enhance the VET sector's role in filling STEM skills gaps, and promotion of apprenticeships and traineeships delivered through the VET sector, together with business and industry, such as Ai Group's Industry 4.0 Higher Apprenticeships Program should be prioritised for funding by government, including eligibility for Commonwealth Employer Incentives.

Investment in continuous learning for existing workers

With technological change affecting nearly all industries, different skills and new practices need to be adopted by existing employees throughout their working lives. Linking lifelong learning to workforce productivity is now essential. Without efforts by government, education and training sectors, and industry to normalise cultures of continuous learning in the workplace the Australian economy will not prosper to the extent that is necessary for our future.

The digital economy requires a cultural change in the way work is done and managed. Businesses will need to assess their own capabilities and train when necessary using education and training partners, supervisors, managers and leaders. This will develop employees more capable of taking control of their roles, needing less supervision and better able to contribute to innovation in the workplace. However, support is needed for industry to develop workforce plans around their digital strategies, assess existing workers' capabilities and train wherever necessary.

Industry needs investment in the higher education and VET sectors to have the capacity to provide more flexible education and training in a range of environments. Traditional programs need to sit alongside smaller units of learning outcomes. The acquisition of new skills by existing workers and the refreshing of existing skills needs to be available virtually and physically and through access to short-form training

Developing Australia's workplace literacy and numeracy capabilities

Ai Group's Workforce Development Skills 2018 survey reveals that low levels of workplace literacy and numeracy are a major concern to employers. The most recent survey indicates that 99 per cent of employers reported that low levels of literacy and numeracy have an impact on their business.

Ai Group conducted a return on investment assessment for employers participating in a literacy and numeracy support program with very positive results, which provides a firm business case for employer investment in workforce literacy and numeracy; however, there needs to be programs within which they can invest. A new co-contribution program specifically for workplaces should be implemented. Ai Group urges the funding, development, and promotion of a national workforce language, literacy and numeracy (LLN) strategy and program in connection with industry. It should incorporate the development of digital literacy skills to ensure employees and employers are adequately equipped to deal with developments in the digital economy.

Addressing Youth Unemployment

Australia's youth unemployment rate is more than double the overall unemployment rate, with high underemployment rates for the 15-24 year age cohort, as well as a high rate for those classified as not in employment, education or training. Lack of experience and work readiness are commonly cited as barriers to employment for young people. It is essential to equip individuals with the right skills to enable them to more fully participate in the workforce, and to understand the importance of being engaged in learning and alternative pathways to employment and further education.

Managing the transition from school to a life beyond can be a difficult path for many young people to navigate without the right support and guidance. Sixty-eight per cent of young people state that school does not prepare them for the real world. It is important to equip those at risk of disengaging with the necessary skills to survive and thrive in the new economy. Ai Group believes increased investment is needed in programs that prepare students for work and the

post compulsory years. These programs must help young people deal with health and wellbeing challenges faced when moving out of the school environment. These transition programs must be designed to include workplace experiences at their centre.

Reform of Australia's apprenticeship system

More than ever Australia needs a strong apprenticeship system and new employers must be encouraged to engage with the apprenticeship system if it is to grow. The introduction of the Skilling Australians Fund (SAF) has the potential to make a difference in the number of apprenticeship commencements despite Victoria and Queensland not participating to date. However, the potential of this initiative would be significantly enhanced through direct projects with industry, which would also increase the likelihood of national approaches. Ai Group believes the SAF should be funded entirely by governments, rather than the current arrangements where employers effectively pay for the fund through visa fees that are then hypothecated. Ai Group strongly urges the establishment of a national body to oversee the apprenticeship system, including the Skilling Australians Fund, and to oversee programs for which each state has powers to declare apprenticeships and determine funding levels.

Ai Group recommends a general review of the apprenticeship incentive scheme. We endorse the recent announcement of extending the Support for Adult Australian Apprentices Scheme to 21-24 year olds because it removes an anomaly that discriminated against people in that age bracket. However, other incentives have remained the same for many years while the cost of training has continued to rise.

A broader identification of priority occupations may improve commencement numbers for high-skill occupations. STEM skills can be developed through Diploma-level traineeships in technical occupations and management skills developed through para-professional occupations. An example is the Diploma of Applied Technologies, which underpins the Industry 4.0 Higher Apprenticeship Project piloted by Ai Group and focuses on high level digital skills for technicians.

The pilot has been successful, with intakes planned in a number of states in 2019. Building in an incentive for employers would help defray the higher cost of training and encourage early adopters to employ Higher Apprentices. This will in turn make the training viable for training providers in each state.

It is important that group training organisations (GTOs) are funded and included in incentive arrangements. Collectively, GTOs employ 25,000 apprentices across Australia, and many of their clients are small businesses. GTOs employ more apprentices from disadvantaged groups; they offer continuity of employment for apprentices placed with businesses on short-term contracts; they can rotate apprentices to learn broader skills and they regularly mentor their apprentices. These are all benefits for businesses that should be encouraged.

Towards a better connected tertiary education system

Ai Group has called for a more coherent and connected tertiary education sector and recently released a paper [Realising Potential: solving Australia's tertiary education challenge](#). The paper identifies a number of issues including the significant shift in recent years by young people into higher education rather than VET. Participation has been growing significantly in higher education since 2008, whereas the VET sector has been in decline since 2012.

Australia's VET system is critical to ensuring industry has the skilled workforce it needs to grow and to compete internationally. Industry requires a steady supply of VET graduates to the workforce. It is deeply concerning that funding for VET continues to be inadequate in both its level and composition. Overall VET funding is not sufficient to meet existing and future skills needs of the workforce and is too low both in absolute terms and relative to expenditure on the higher education and school sectors. Funding by state and territory governments has fallen in absolute terms since 2013 and relative to Commonwealth expenditure.

State and territory VET systems are differentially funded at varying levels; however, the shared funding arrangements are impacting on the effectiveness of the VET system. Different mixes of Commonwealth, state and territory funding, and different ways of funding each VET system can be overly complex for employers engaging with the system, particularly those operating nationally and in some instances the needs of industry, businesses and students have not been met.

Ai Group believes that genuine national funding of tertiary education, including VET, must be established. By addressing and clarifying the excessively complex and duplicative Commonwealth and State/Territory roles and responsibilities in the training system, a genuinely national training system would be possible.

There is a lack of overall policy direction and governance of the system. Consideration needs to be given to the formation of a central and independent coordinating agency to provide common approaches across the sectors and levels of government. For policy coherence, an independent co-ordinating agency is required to engage in consistent, continuous and longer-term strategy development led by a board comprising representatives from key industry and societal sectors to ensure the articulation of views needed for the effective development and monitoring of a national tertiary education strategy.

While more effective methods of governance require more than addressing funding levels, a more equitable funding strategy needs to be developed. The VET sector needs immediate attention in this area. In this context, demand-driven funding models need to be retained with improvements so they are more equitable.

There are also concerns about student loans schemes where inconsistencies in eligibility criteria between the two sectors exist. The different levels of public subsidy and access to student loans programs have made accessing higher education loans more attractive. The current situation concerning student loans is discriminatory and unacceptable. A way needs to be found to introduce a loans scheme with common characteristics across the sectors, initially for diploma level courses and above.



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