



“An Australian perspective on skills”

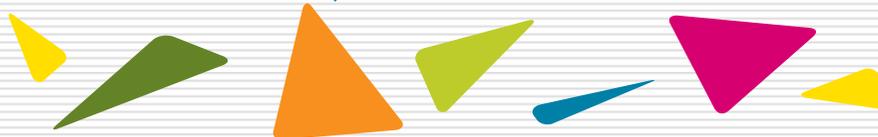
UK Commission for Employment and Skills

Skills, Jobs, Growth Convention

8th and 9th February 2010

Robin Shreeve

CEO, Skills Australia



Overview

- ▶ Australia's economy
- ▶ Response to the GFC
- ▶ Skills Australia
- ▶ Workforce Development
- ▶ Reform of the tertiary sector
- ▶ VET Roadmap

Strong state of the Australian Economy

- ▶ “wonder from down under” - 19 years of sustained economic growth and budget surplus
- ▶ Monetary policy worked due to room to move on interest rates
- ▶ A healthy banking sector – Each of Australia’s AA rated ‘big four’ banks remain among the world's highest-rated institutions²
- ▶ Rapid and significant fiscal response – over \$90billion
- ▶ Employment ‘stickiness’ following a skills shortage

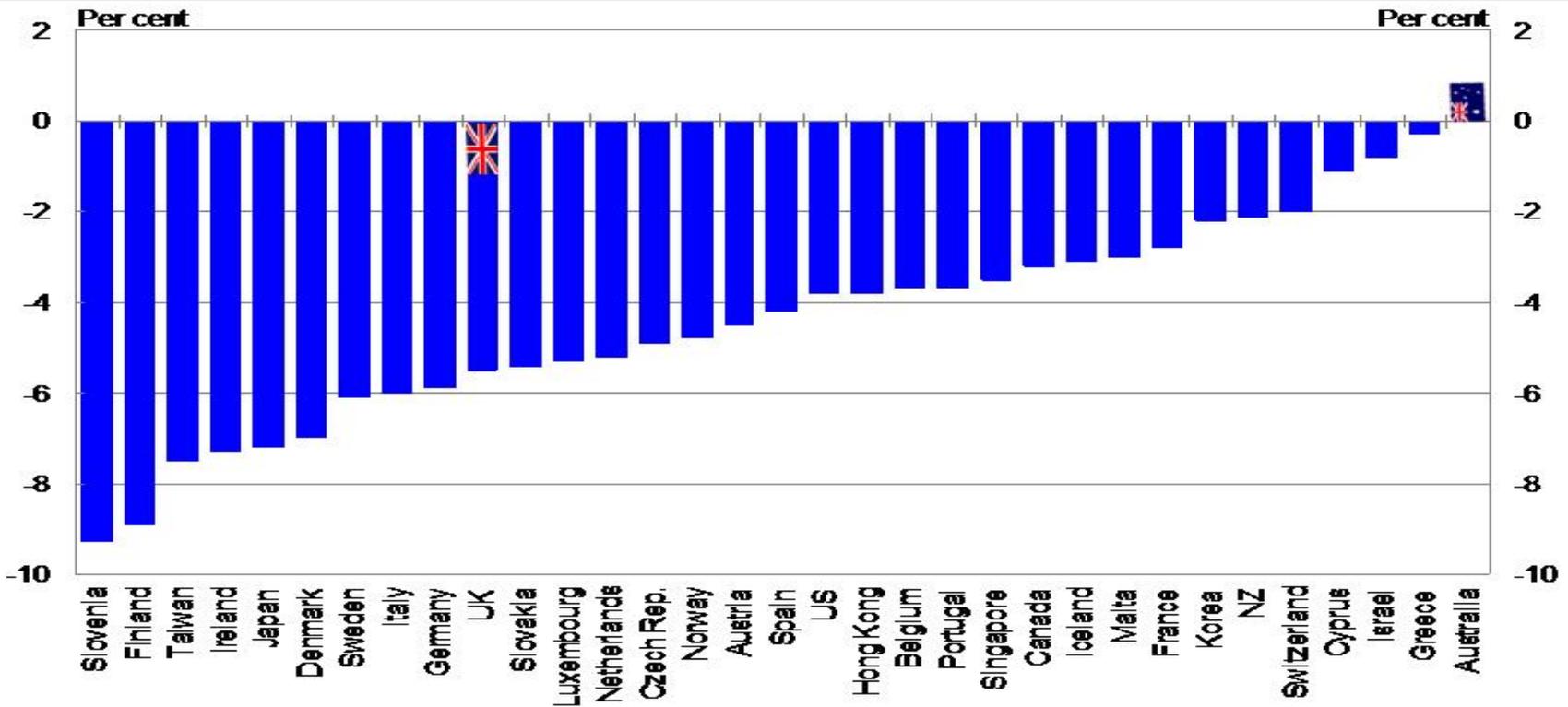
Source:

1 <http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/113.htm&pageID=003&min=wms&Year=&DocType>

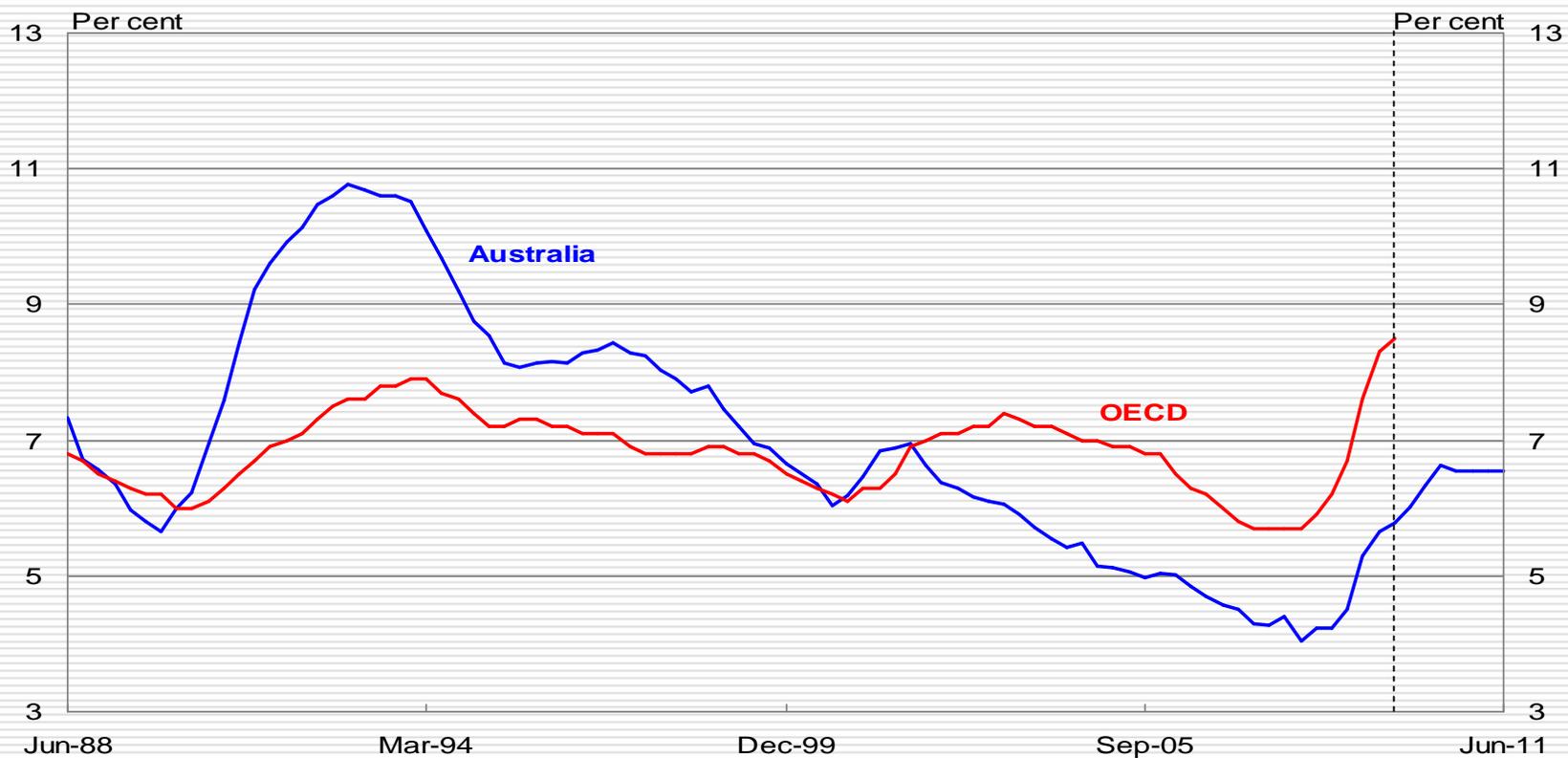
2 <http://www.businessday.com.au/business/big-four-weathering-hard-times-20100113-m6zy.html>



International Comparison of GDP growth (year to June 2009)



Unemployment rate



Source: ABS Catalogue Number 6202.0, Thomson Reuters and Treasury



Australia's industry and workforce



The **services sector is Australia's biggest employer**, employing more than 9 million persons at the end of 2008–09 financial year (around 86 per cent of the Australian workforce)



The **services industries** accounted for 64 per cent of GDP

The biggest employer within the services sector is **healthcare & social assistance** (13.2 per cent of total employment)



The **mining industry** accounted for 1.5% of total employment in Australia in 2009; however Mining accounted for 8% of GDP in 2008-09, and is now equal with construction as the third largest industry.



The largest contributions to production in 2008–09 came from **property & business services (11.6 per cent), finance & insurance (7.4 per cent) and construction (7.2 per cent).**

27% of Australians are employed part time compared with OECD average of 16%

Source:

Services Sector Fact Sheet, Dept of Innovation,

<http://www.innovation.gov.au/Section/AboutDIISR/FactSheets/Pages/ServicesSectorFactSheet.aspx>, ABS (2009) Australian Social Trends, Dec 2009, ABS Cat No. 4102.0 and ABS (2007) Australian Social Trends, Int, ABS Cat No. 4102.0



Australia's fiscal response to the GFC

▶ The Nation Building – Economic Stimulus Plan

- ▶ **Economic Security Strategy – \$10.4 billion (October 2008)** - cash payments low income and families, boosted First Home Owners grant and further investment through the Nation Building Funds
- ▶ **Funding under Nation Building \$4.7billion (December 2008)**
- investment in road, rail and the higher education sector
- ▶ **Nation Building and Jobs Plan - \$41.5 billion (February 2009)**
- further stimulus including free ceiling insulation, upgrades to schools, cash bonus payments for individuals, business tax breaks
- ▶ **May Budget: Nation Building Infrastructure Measures - \$22.5 billion** – additional investment in road, rail and port infrastructure, the National Broadband Network, clean energy technologies health, tertiary education and research sectors
- ▶ The Australian Government also brought forward \$110 million of funding for the **Trade Training Centres in Schools Program**, from 2010-11 to 2009-10
- ▶ A further \$2.6 billion and \$511 million went to families and students to assist with the cost of education in the 2009 academic year through the Back to School Bonus and the Training and Learning Bonus



Australia's employment and training response

Keep Australia Working - the Australian Government's national strategy to protect jobs, support business and future prosperity - targeted and delivered at the local level

- ▶ Productivity Places Program (\$75 million) –10,000 additional places for retrenched workers and 18,900 New Enterprise Incentive Scheme (NEIS)
- ▶ Apprentice Kickstart (\$80 million time limited) – a bonus for employers of Australian Apprentices in skills shortage trades

In the first month of *Kickstart* (December 2009) 4,434 training contracts were signed. This figure is 50 per cent higher than commencements in December 2008 (during the global recession) and 36 per cent higher than commencements in December 2007 (prior to the global recession)².

- ▶ Funding to *Increase Pre-Apprenticeship Training Opportunities* (\$100 million over 2 years)
- ▶ Jobs Fund targeted specifically at green jobs and financial information seminars and job expos (\$4.1 million in 2009-10)

Source:

1. <http://www.keeppaustraliaworking.gov.au/pages/default.aspx>



Skills Australia: focus on the future

Skills Australia will provide the Government with recommendations on current and future skills needs (and) inform Australia's workforce development needs.

Deputy Prime Minister and Education Minister, Julia Gillard



Skills Australia Act 2008

No. 10, 2008

An Act to establish Skills Australia, and for related purposes

[Assented to 20 March 2008]

The Parliament of Australia enacts:

Part 1—Preliminary

1 Short title

This Act may be cited as the Skills Australia Act 2008.

Expert Board



- ◆ industry
- ◆ academia
- ◆ education and training
- ◆ economics



Australia's Workforce Future

Powering the
workplace:

Realising Australia's
skills potential

What does the
future hold?

Meeting
Australia's skill
needs



Workforce Futures

Papers to promote
discussion

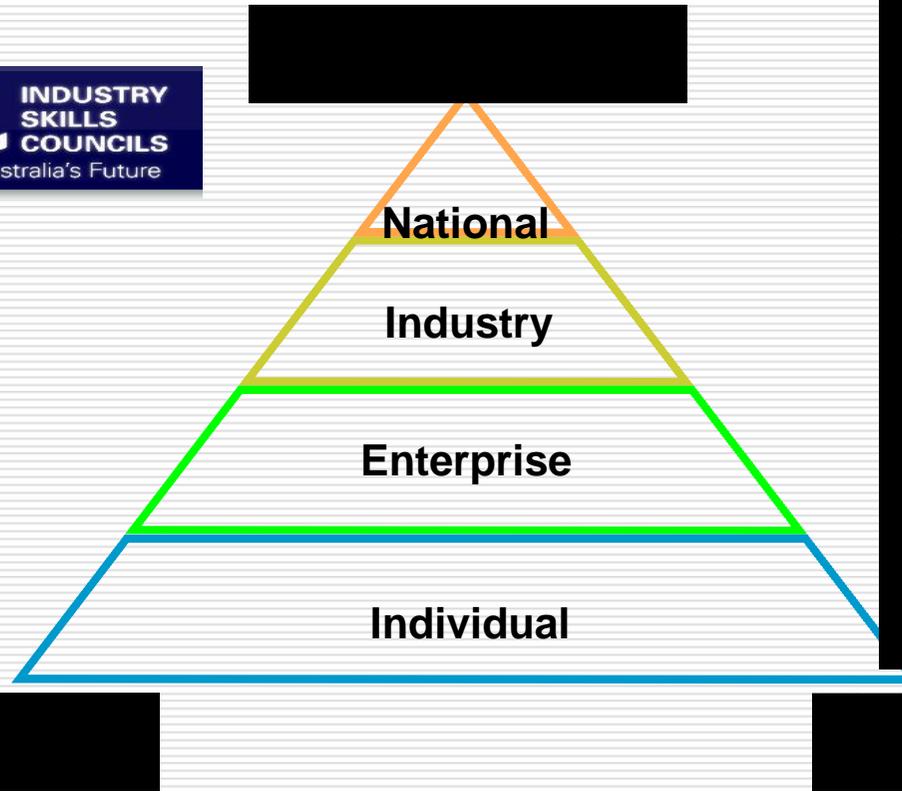
Towards an Australian
Workforce Development
Strategy

- ◆ Examine and plan for the demand for skills in the future
- ◆ Better coordination across education, government and industry sectors
- ◆ Improve the value from skills investment; and the relationship between skills and productivity



Workforce development must address multiple dimensions

Workforce Futures
Towards an Australian Workforce Development Strategy



participate effectively in the workforce

develop and apply skills in a workplace context

learning translates into positive outcomes

Process for development of the National Workforce Development Strategy

Workforce and education trends

Analysis historic data

Planning for an uncertain future

3 Scenarios (Shell Group)

Modelling and projections

Access Economics

Workforce Futures - Overview and background papers

Consultation with industry, providers, states/territories and peak bodies

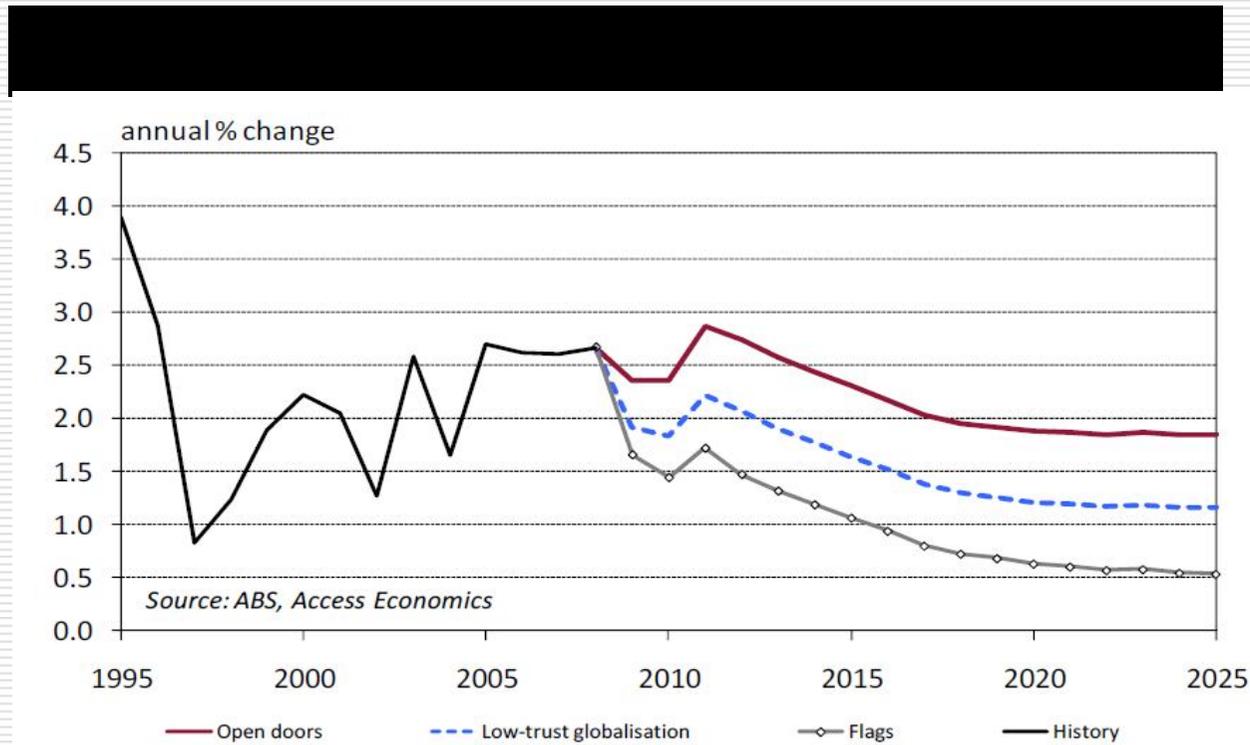
**Where are we headed?
Where do we want to be?
How do we get there?**

Australian Workforce Development Strategy



Possible futures: workforce growth to 2025

Access Economics modelling



Open Doors: 15.3 million

Low-trust globalisation: 13.7 million

Flags: 12.5 million

1. Access Economics Pty Ltd for Skills Australia, *Economic modelling of skills demand* (Oct 2009)

Modeling findings



- ▶ A shortfall in the supply of qualifications – most pronounced in 2015, reducing by 2025.
- ▶ Relatively weak demand for Certificate III and IV under each scenario and strong demand for graduates at bachelor level.
- ▶ Skilled migration will meet demand for qualifications except in highest growth scenario.

Supply and demand

Access Economics modelling

	THE THREE SCENARIOS					
	Open Doors		Low-trust Globalisation		Flags	
By 2015	Demand	770 000	Demand	646 000	Demand	540 000
	Supply	533 000	Supply	524 000	Supply	506 000
	BALANCE	-237 000	BALANCE	-122 000	BALANCE	- 34 000
By 2025	Demand	828 000	Demand	645 000	Demand	500 000
	Supply	659 000	Supply	620 000	Supply	556 000
	BALANCE	-169 000	BALANCE	-25 000	BALANCE	+56 000

1. Access Economics Pty Ltd for Skills Australia, *Economic modelling of skills demand* (Oct 2009)

'Matching' skills and jobs in fluid labour markets?

People may not seek or find careers in their field of learning

40% end up in jobs which match their VET study

Initial education or training becomes less relevant over time

45% workers change jobs every three years

Skills are more than qualifications

Importance of generic, cognitive and interpersonal skills in a service-based economy

How much skills planning is needed?

Interpreting likely social and economic trends and influences is essential for informed public investment. However labour markets are complex and dynamic



Skills Australia proposes that governments concentrate planning efforts where there is significant risk to the economy and to communities of certain skills not being available or potential exists for market failure because of under or over supply

" Rather than attempting to forecast, with all the attendant errors in over- or underestimating the true outcomes, it is preferable to have effective systems for rapidly identifying emerging trends and for responding to them" - Sue Richardson - Labour Market Economist

Image thanks to http://www.hudsonhomebuilders.com/images/blue_print_small.jpg



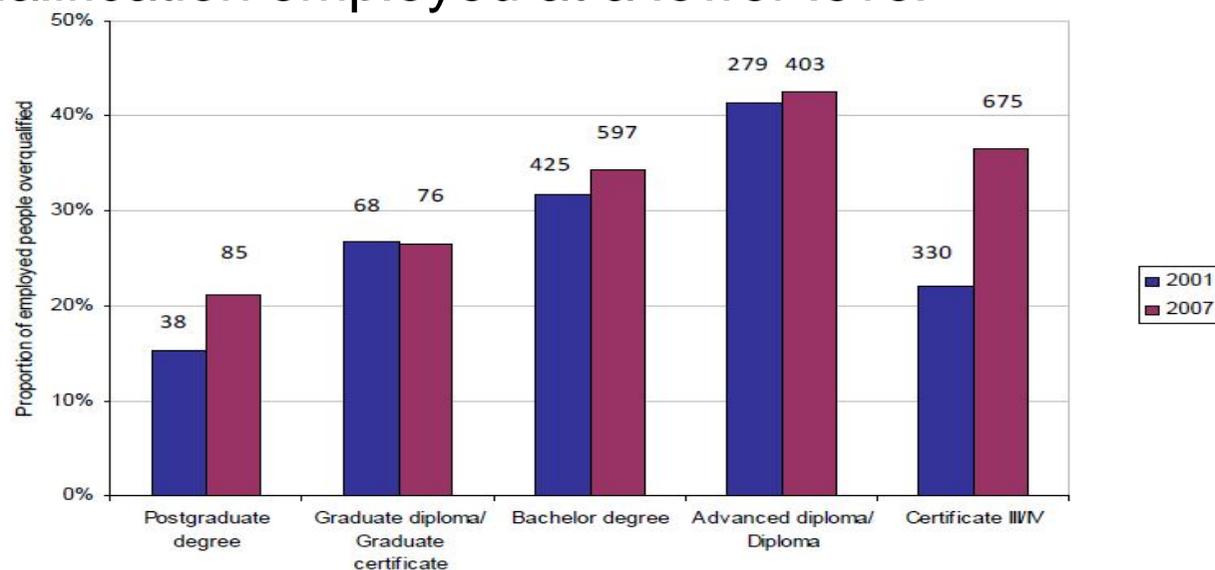
Planning for 'specialised' occupations

PROPOSED CRITERIA FOR SPECIALISED OCCUPATIONS

- ◆ **Long lead time** – those skills which are highly specialised and require extended learning and preparation time
 - ◆ 4 years or more for HE courses; 3 years or more to achieve VET qualification
- ◆ **High use** – those skills which are deployed for the uses intended (that is, there is a good occupational 'fit')
 - ◆ There is a more than 50% match between the training and the destination occupation
- ◆ **Significant disruption** – where the opportunity cost of the skills being in short supply is high (eg registered nurse or doctor)
- ◆ **High information** – where the quality of information about the occupation is adequate

Evidence of skill under-use

People (number in '000 and per cent) with a non-school qualification employed at a lower level ¹



Complexities:

- ◆ Graduates with qualifications exceeding job needs
- ◆ Employers find difficulty in recruiting

1. ABS, Survey of education and work 2001 and 2007, unpublished data using ASCO coding, Cat no.6227.0. The bars are percentages, with actual numbers of students in '000s also noted.

Draft National Workforce Development Strategy Priorities

Themes will centre around sustaining economic recovery by increasing and deepening skills and thus minimising future shortages.

- Concentrate planning and interventions on “specialised occupations” where risk of market failure is highest.
- Acknowledge the need to lift the workforce participation rate.
- Implement new strategies and targets for adult literacy and numeracy.
- Increase productivity and employee engagement by making better use of skills in the workplace
- Adequately resource the tertiary sector to ensure it has the capacity to deliver skills for the new economy.
- Lead a new partnership approach to workforce development at government, industry and enterprise level.



Reform of tertiary education to deliver future skills



Higher Education in Australia has an entitlement system driven by demand

Source:

1 *Foundations for the Future*: http://www.skillsaustralia.gov.au/Publications_and_Resources/



Bradley review – initiatives for HE

- ▶ Target - 40% of 25 to 34 year olds attain a bachelor level or above qualification by 2025
- ▶ \$491 million for a demand-driven entitlement system for domestic higher education students
- ▶ 20% of higher education enrolments at undergraduate level are people from low SES backgrounds by 2020
- ▶ \$394 million for the access and participation of under-represented groups of students
- ▶ Allow eligible providers to set their own entry standards, and determine which, and how many, students to enrol

VET Roadmap

Positioning the system to be able to support meeting the Workforce Development Strategy and COAG targets

Themes:

- Improving course, competency and apprenticeship completion rates
- VET servicing the changing workplace
- Transparency, accountability and information about individual providers
- VET in a more connected Tertiary Sector
- Integrating language, literacy and numeracy
- Funding and co-funding mechanisms
- Workforce development for the VET workforce
- Servicing the different needs of workplace and institutionally based VET learners
- Measuring provider performance in terms of learner “distance travelled” and “value added”
- VET providers’ role in the application of skills in the workplace



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