

Not relevant



6 Cabinet Notes for Discussion

Not relevant



603 REVIEW OF SKILLS AND WORKFORCE DEVELOPMENT IN SOUTH AUSTRALIA (Paul Caica) - **NOTED**

TO: THE PREMIER FOR CABINET TO NOTE

RE: REVIEW OF SKILLS AND WORKFORCE DEVELOPMENT IN SOUTH AUSTRALIA

1. PROPOSAL

It is proposed that Cabinet note that:

- 1.1 The *Review of Skills and Workforce Development in South Australia* was endorsed by ExComm at their meeting on 24 June 2008.
- 1.2 The Review will be released to the public.
- 1.3 A copy of the Review and a covering letter will be forwarded to the Hon Julia Gillard, Deputy Prime Minister, and Mr Phil Bullock, Chair of Skills Australia.

2. BACKGROUND

- 2.1 The Economic Development Board (EDB) has reviewed the capacity and capability of South Australia's workforce to respond to anticipated economic opportunities flowing from the range of major projects and associated activity, by commissioning Dr Michael Keating AC, to undertake a *Review of Skills and Workforce Development in South Australia*. A copy of the Review is included at Attachment 1.
- 2.2 The Department of Further Education, Employment, Science and Technology (DFEEST) and the Department of Trade and Economic Development (DTED) provided resource support for the Review.

3. DISCUSSION

- 3.1 At its meeting on 24 June 2008, ExComm approved all the recommendations of the Review.
- 3.2 ExComm has requested regular updates on the implementation of the recommendations.
- 3.3 The key recommendations of the Review are at Attachment 2.
- 3.4 The Review will be placed on the DFEEST, DTED and Training and Skills Commission websites and a ministerial release is being considered.
- 3.5 The Hon Julia Gillard, Deputy Prime Minister, and Mr Phil Bullock, Chair of Skills Australia, will receive a copy of the Review, with a covering letter attached, highlighting our State's advanced level of workforce planning and the robust structures that are in place to ensure industry participation in developing and implementing our State's training strategy.

4. RECOMMENDATION

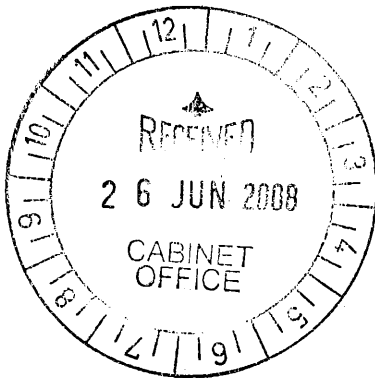
That Cabinet note that:

- 4.1 The *Review of Skills and Workforce Development in South Australia* was endorsed by ExComm at their meeting on 24 June 2008.
- 4.2 The Review will be released to the public.
- 4.3 A copy of the Review and a covering letter will be forwarded to the Hon Julia Gillard, Deputy Prime Minister, and Mr Phil Bullock, Chair of Skills Australia.



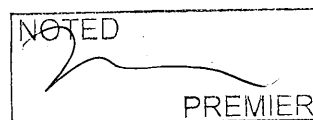
PAUL CAICA
MINISTER FOR EMPLOYMENT, TRAINING AND FURTHER EDUCATION

26 June 2008



In Cabinet

30 JUN 2008



Review of Skills and Workforce Development in South Australia

The Challenge for the Next Decade

FINAL REPORT

Economic Development Board

June 2008

Dr Michael Keating, AC
Review Leader and member of the EDB

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Foreword

In conducting this Review I would like to acknowledge the assistance and support of a number of people. First, I have received valuable advice from the Advisory Committee to this Review¹. Second, I have been strongly supported by the Minister, the Hon. Paul Caica, who has ensured that I received any assistance that I needed. In this context I would also like to thank Mr. Brian Cunningham and Mr. Raymond Garrand, the Chief Executives of DFEEST and DTED respectively for their support in resourcing the Review, and their own personal contributions in providing advice.

Third, I would especially like to thank the members of the Review team. Wendy Riemens and Lise Windsor have worked full time on the Review for the last four months and made an enormous contribution. Others who have made major contributions are Peter Sandeman (formerly DTED), Mick O'Neill (DTED), Rebecca Murrie (DTED), Margaret Thornton (DFEEST), Lou Hutchinson (DFEEST) and Ann Doolette (DFEEST). This Review would not have been possible without their efforts, commitment and knowledge. I would also like to take this opportunity to record how well the two departments have collaborated in developing the implementation responses that are central to this Report. In my view this collaboration has been much better than the norm, and it augurs well for the future.

Finally, it has to be stressed that I alone am responsible for this Review Report. Indeed, after sometimes vigorous discussion our Review Team may not always have achieved complete unanimity, so any criticisms should be directed to me.

Michael Keating, AC
Review Leader and member of the EDB

¹ The members of the Advisory Committee have been The Hon Paul Caica MP (Chair), Monsignor David Cappo AO, Paul Dowd, Adrian Marron, Tom Phillips and Adrian Smith.

List of Acronyms

ABS	Australian Bureau of Statistics
ACCI	Australian Chamber of Commerce and Industry
Ai Group	Australian Industry Group
AISR	Australian Institute for Social Research
AQF	Australian Qualifications Framework
AQTF	Australian Quality Training Framework
ASCED	Australian Standard Classification of Education
ASCO	Australian Standard Classification of Occupations
AVETMIS Standard	Australian Vocational Education and Training Management Information System Standard
BCA	Business Council of Australia
BEC	Business Enterprise Centre
CDC	Career Development Centre
CEDA	Committee for the Economic Development of Australia
CEET	Centre for the Economics of Education and Training (Monash University)
CGE	Computable General Equilibrium
COAG	Council of Australian Governments
CoPS	Centre of Policy Studies (Monash University)
DDA	Demand-Driven Approach
DECS	Department of Education and Children's Services
DEEWR	Department of Education, Employment and Workplace Relations
DFC	Department of Families and Communities
DFEEST	Department of Further Education, Employment, Science and Technology
DIAC	Department of Immigration and Citizenship
DPC	Department of Premier and Cabinet
DTC	Defence Teaming Centre
DTED	Department of Trade and Economic Development
DTF	Department of Treasury and Finance
EDB	Economic Development Board
ERP	Estimated Resident Population
ESFN	Employment and Skills Formation Network
ExComm	Executive Committee of Cabinet
GSP	Gross State Product
GTO	Group Training Organisation
HEC	Higher Education Council
ICT	Information and Communications Technology
IPART	Independent Pricing and Regulatory Tribunal (NSW)
ISB	Industry Skills Board
ISC	Industry Skills Council
IWAP	Industry Workforce Action Plan
KPI	Key Performance Indicator
LLN	Language, Literacy and Numeracy

MODL	Migration Occupations in Demand List
NBN	National Broadband Network
NCVER	National Centre for Vocational Education Research
NETSU	National Education and Training Statistics Unit
NILS	National Institute of Labour Studies
NISC	National Industry Skills Committee
NOM	Net Overseas Migration
NQC	National Quality Council
NSOC	National Senior Officials Committee
NTIS	National Training Information Service
PACE	Plan for Accelerating Exploration
PIRSA	Primary Industries and Resources SA
RDB	Regional Development Board
RESA	Resources and Energy Skills Alliance
RISE	Regional Industry Structure and Employment
RMO	Regional Migration Officer
RPL	Recognition of Prior Learning
RTO	Registered Training Organisation
SACE	South Australian Certificate of Education
SACES	South Australian Centre for Economic Studies
SASP	South Australia's Strategic Plan
SIB	Social Inclusion Board
SME	Small and Medium Sized Enterprise
STIC	Skills and Training Information Centre
TaSC	Training and Skills Commission
VET	Vocational Education and Training
WDD	Workforce Development Directorate
WDF	Workforce Development Fund
WDO	Workforce Development Officer
WDS	Workforce Development Strategy

Executive Summary

The Economic Outlook

The mining, defence and other major projects that are underway or in the pipeline mean that South Australia is on the cusp of a new growth path. Effectively South Australia has the opportunity to achieve a paradigm shift to a new higher rate of sustained economic and employment growth, stimulated initially by these new opportunities from mining and defence.

This report, commissioned by the Economic Development Board (EDB), suggests that annual economic growth could plausibly average 4 per cent from 2006-07 to 2015-16. The completion of the construction phase of Olympic Dam, because of its sheer size, will inevitably lead to some slow-down, but economic growth after 2015-16 could well continue at a healthy average annual rate of around 3½ per cent. This plausible scenario would involve average annual employment growth over the period from 2006-07 to 2015-16 of 2 per cent, and around 1½ per cent, or a tad more, thereafter.

The other critical influence on South Australia's economic prospects is the projected ageing of the population. Unless participation can be increased, labour force growth will consequently slow, in which case the underlying growth of output and employment would also have been expected to slow.

The ageing of the population, coupled with projected strong growth in employment demand, provides both the opportunity and the necessity to increase the rate of labour force participation. To meet the projected employment demand, participation will need to increase from its present rate of 62.9 per cent to 65.7 per cent by 2017-18. This increase in employment participation will necessarily have to come from those people who are presently not employed. Many of these people are on the margin of the labour force, often receiving some form of social security assistance. Thus this improvement in labour force participation should both facilitate and require a substantial improvement in social inclusion.

Risks and Strategy

The challenge will be to realise these favourable prospects. They cannot be taken for granted. Indeed, at this early stage it would be imprudent to base fiscal policy on the above growth projections. To turn these growth prospects into a reality it will, as always, be essential to maintain a positive business climate and to ensure the adequate provision of infrastructure. But the reason why the EDB commissioned this *Review of Skills and Workforce Development* was because of its concern that skill shortages might well prove the critical stumbling block to realising South Australia's otherwise favourable prospects.

The Review covers the key issues of:

- Assessing the size and dimensions of the skills that will be needed in the future
- Engagement with industry, particularly through workforce planning and development
- Engagement with individuals, including youth, existing workers, those on the margin of the workforce and migrants, and
- Engagement with the Commonwealth Government, especially relating to the impact of industry restructuring and the opportunities being presented by its new programs to increase the number of training places.

Overall the Review found that a number of improvements are presently being put in place that should achieve the objectives for future skills development. In particular, there have been two recent developments that are most important. First, the *Skills Strategy for South Australia's Future*, which was agreed by the State Government earlier this year and recently announced by the Minister, addresses many of the issues originally identified by the EDB and now investigated by this Review. When it is fully implemented, this *Skills Strategy* should meet many of the EDB's previous concerns, especially regarding the institutional architecture for coordination with industry. Second, the Commonwealth is negotiating with the jurisdictions to substantially increase the number of training places, both for job seekers and to allow for up-skilling existing employees.

The implementation of both these reform packages will, however, be critical, and this report makes a number of recommendations regarding implementation of the *Skills Strategy* and the new Commonwealth *Productivity Places Program*. The Review therefore considers that the EDB should continue to maintain a close watch on skills development in South Australia and the follow up to its Review Report.

The conclusions regarding the other findings and recommendations in this report are summarised below.

The Demand and Supply of Skills

The Review finds that an estimated 133,000 additional workers will be required between now and 2017-18 due to the new opportunities stimulated by major projects. In addition, another 206,000 workers will be required to replace people leaving the labour force (due to retirement and other factors). This results in total job openings over the decade of 339,000. This compares with a current labour force (employed plus unemployed) of 815,000. Just under one third of all job openings in the next decade will be at the professional/managerial level, with one quarter at the intermediate level. Just over 14 per cent of job openings will be at the trades/advanced level.

These new job openings are not the same as training demand, as they can be filled by migration and people – particularly women – returning to work who already have skills. There is also a need to consider the training requirements of the existing workforce. The Review projects demand for formal accredited education and training of 507,000 places over the decade, to provide training at the VET and higher education levels, for new entrants (including disadvantaged job seekers) and to up-skill the existing workforce.

Based on current trends there is likely to be supply of 331,000 qualification completions at the VET and higher education level over the decade through the publicly funded education and training system. When the additional training places from the new Commonwealth *Productivity Places Program* are factored in, this results in projected supply of 462,900 *publicly funded* VET and higher education places over the decade.

Focusing just on the VET sector (excluding qualifications at Bachelor degree or higher), the Review projects *demand* for formal VET training of 359,900 over the next decade (comprising 165,300 new entrant places and 194,600 existing worker places). Total *supply* of publicly funded VET training is expected to be 341,800, suggesting a shortage of 18,100, which given the margins of forecasting error is negligible. Hence, the Review finds that the projected level of supply of VET places over the next decade is in the 'ball park' of what is required.

Having said that, the Review considers its demand estimates conservative and believes there could well be significant additional demand for refresher training over and above the projections presented in Chapter 2. For example, if it is assumed that workers in non-professional/managerial jobs will need refresher training or up-skilling twice in a career spanning forty years, this suggests annual demand for VET training for existing workers averaging 90,000. This compares with the estimate of just under 20,000 presented in Chapter 2. Any outstanding demand, reflecting this difference, will need to be met through privately financed or informal training. This may well be a realistic possibility, but it needs further investigation.

At the higher education level, there remains a modest projected shortfall of 26,000 qualifications over the decade. This projected shortfall is an important issue which in the time available this Review has not been able to adequately pursue. It should be followed up by the Training and Skills Commission (TaSC) in conjunction with the Higher Education Council.

The *Productivity Places Program* has the potential to significantly increase the number of VET places in South Australia over the next decade. The program will not only contribute towards achieving the qualifications target identified by the Review, it will also be critical in providing places for workers (and potential workers) who need to refresh their skills but who do not need a full qualification.

If the 'qualifications target' is achieved, this would see the proportion of the workforce with non-school qualifications increase from 56 per cent in 2007-08 to 72 per cent in 2017-18. On present estimates it would also appear that there will be a sufficient number of Productivity Places to meet South Australia's demand for trade and higher vocational skills, and to achieve a significant increase in employment participation. However, it is not presently anticipated that all disadvantaged people who want to work will receive sufficient training to be absorbed back into employment in the next decade.

Engagement with Industry

It is industry that employs people, uses their skills, and frequently helps people to further develop their skills. At the same time Government is properly held responsible for the overall state of the South Australian economy and in particular for the availability of a skilled labour force. Government and industry therefore need to work together to ensure that South Australia is not prevented by skill shortages from realising the prospects that are at hand.

At present engagement between government and industry is occurring; for many reasons and at many levels. For example, Industry Skills Boards (ISBs) and VET providers are engaging with enterprises and industry associations around skills and are beginning to consider broader workforce development needs. What has been missing is:

- a formal and unifying reason for undertaking the engagement with industry around its skills and workforce needs that all parties understand and are guided by
- leadership that has the authority to drive the strategy for skills and workforce development

- possibly insufficient resourcing for ISBs, although this is not necessarily an issue for government as those industries that are best able to articulate and advance their skills needs also tend to attract resourcing contributions and commitment from their members.

The first two of these gaps in the institutional architecture should be remedied by the implementation of the new arrangements for TaSC. First, it is expected that TaSC will engage with the various stakeholders prescribed in the *Training and Skills Development Act* to formulate policy directions and priorities. The effectiveness of TaSC's stakeholder engagement in this way will be dependent on the proposed formal arrangements for incorporating the views of industry representatives (including ISBs) and providing feedback. In addition, TaSC will need to engage with peak industry bodies and with the EDB. To this end the EDB will be represented on TaSC, and the Review recommends that the Minister and/or TaSC should regularly brief the EDB on the outlook for skills and workforce development.

Second, the 5 Year Skills and Workforce Development Plan to be prepared by TaSC will be the basis for a Strategic Purchasing Plan for vocational education and training. This should improve the commitment to and utilisation of workforce planning and provide the mechanism for consolidating and articulating the information that is available from a variety of sources. At present, although DFEEST has developed a significant capacity for top-down workforce planning, this planning has been inadequately informed and used by industry stakeholders, and so far has not been used to inform VET resource allocation. This gap in workforce planning arrangements has also been a root cause of the difficulties being experienced in coordinating government engagement with industry to achieve the necessary balance between the demand and supply of skills.

Under the new arrangements TaSC will be responsible for closing this gap, and it will be important for the EDB to monitor progress.

To assist TaSC and DFEEST expedite their agendas, in the following chapters of this Review Report a number of recommendations are proposed that should assist in the development of workforce planning and the future allocation of resources. First, TaSC will need to review the report's overview of the demand and supply for skills summarised above. That overview is intended to be useful at a broad macro level, but more detail for broad occupational groups is needed, which can only be supplied by working closely with industry. Furthermore, because of the uncertainties in workforce planning this interaction needs to be continuous.

Second, it will be particularly important to expedite the industry workforce action plans (IWAPs). These IWAPs need to identify and articulate industry demands, the issues relating to meeting these demands, and the responses to be taken by government, industry, training providers and other stakeholders. The formulation of these IWAPs is thus a practical way of also bringing together industry and key government expertise. At present IWAPs are being developed for six key sectors, but for the most part, progress to date has been disappointing.

Third, industry engagement is a two-way process. In addition to receiving advice government may also want to influence industry so that it takes responsibility for actions that will address its workforce requirements. In particular, the IWAPs and the new *Building Business Capability in Workforce Development Program* can be used to encourage firms to better integrate their workforce action plans with their business plans. Industry's demands for skills are not just a matter of increasing their supply; it is also important to address how these skills are used. Accordingly workforce development is a deliberate strategy that aims to improve the links between workforce and business development to support productivity growth while simultaneously creating attractive jobs. This integration will consider how work is organised, and can lead to job redesign that improves career paths and the retention of skilled workers. In effect, this strategy for workforce development is intended to achieve a focus on both productivity and participation. This approach to workforce development should then maximise industry's chances of obtaining and retaining skilled workers and of individuals being able to realise their capabilities and access sustainable jobs.

The Workforce Development Fund (WDF) is also a practical way of bringing together industry and key government expertise to develop strategies to address sectoral workforce issues. The fund enables the ISBs to implement initiatives aimed at addressing the workforce challenges facing their respective sectors. In the time available this Review has not been able to adequately evaluate this strategy for promoting workforce development. However, there seems little doubt that a number of projects with very good outcomes have been financed. What is less clear is the value of this approach in the longer run. Accordingly the Review recommends that there be a more far reaching evaluation of the projects financed from the WDF, with a focus on the management of the program and how the positive developments from pilot projects can be followed up and put on a more sustained footing.

TaSC must ensure that the learnings from these individual projects are distilled and applied more broadly.

Finding 1

The Review endorses the new institutional arrangements for workforce planning and resource allocation. The Review has also proposed a number of technical improvements to how information is used to improve the quality and usefulness of workforce plans. The EDB will need to closely monitor the future implementation of the institutional arrangements and the usefulness of the plans to industry stakeholders.

Engagement with Individuals

In South Australia, as elsewhere in Australia, there has been a severe structural mismatch in the labour market. On the one hand employers report that they cannot find workers with the skills that they need. On the other hand employment participation is presently significantly below what it could be, as male employment participation has fallen dramatically since the 1960s and both male and female age specific participation is well below the rates in other advanced countries. At the same time, as many as 140,000 South Australians are currently either unemployed or not in the labour force but wanting to work. Looking ahead the risk is that the projected growth of demand, combined with the ageing of the population will lead to not only a shortage of skilled labour, but to a more general shortage of all labour. This is because many of those 140,000 people presently lack even basic employability skills so they are not really part of the effective labour supply.

The other critical finding endorsed by the Review is that those people who are on the margin of employment invariably have left school early and have no post-school qualifications. While these people typically experience a number of disadvantages that act as barriers to their employment, they will need to improve their education and training qualifications, and particularly their employability skills, if they are to achieve sustained employment. What is necessary is a comprehensive approach that recognises that skills acquisition is a necessary condition to increase employment participation, but that skill formation needs to be integrated into a wider context through the provision of other supporting measures.

DFEEST finances a suite of employment programs, collectively known as *South Australia Works*. Through the *South Australia Works in the Regions* program, grants are provided to regional networks to develop initiatives at the local level which meet the needs of local employers and job seekers. Other initiatives within *South Australia Works* include employment programs for indigenous job seekers, youth and mature age workers, and labour market adjustment measures for retrenched workers.

Again, in the time available it has not been possible to adequately assess the effectiveness of these programs. It is clear however that a number of projects with very good employment outcomes have been funded. The Review acknowledges the recent work undertaken for DFEEST by the South

Australian Centre for Economic Studies (SACES) to identify the critical success factors for employment programs, including a number of the recent projects funded through the regional program. It is critical that these success factors be applied, as policy principles, more broadly to the suite of programs funded by DFEEST. The Review also recommends that there be a more extensive evaluation of the programs funded under *South Australia Works*, again to ensure that the positive developments from pilot projects are followed-up and put on a more sustained footing.

Improvements in the transition from school to work are another key concern, especially if we are to avoid repeating the experience of early generations who left school early and have since gained no further qualifications. The Review notes a number of reforms that have been or are being introduced, including programs such as *VET In Schools*, which now has more than 20,000 students in South Australia, the introduction of trade schools into secondary schools, and the introduction of the new South Australian Certificate of Education (*future SACE*) from 2009 that will provide a structure for students in Years 10, 11 and 12 to learn key skills and knowledge. This package of reforms is expected to improve school retention and to provide better pathways to post-school qualifications that should ensure more sustainable jobs in the future for those students who are not academically inclined. In addition, the Review recommends the introduction of a Certificate of Applied Learning as a vocational alternative to the subjects available within the framework of the *future SACE*.

Finding 2

The Review Report concludes that increased employment participation is critical to

- *social inclusion, the development of each individual's capability and removing income inequalities*
- *achieving the employment growth necessary to realise South Australia's economic potential over the next decade, and*
- *avoiding an increase in the age-dependency rate and thus avoiding the severe future fiscal problems that are presently expected.*

Engagement with Training

A key issue identified in the Review Report is to ensure that:

- additional training places for the targeted groups of trainees are taken up
- training courses are completed
- skills are acquired and
- there are successful job outcomes.

The groups of trainees who will need to be targeted include not only those disadvantaged people on the margins of the labour force, but also existing workers who want or need to refresh their skills or to be up-skilled. In

addition, there are migrants whose skills were obtained overseas and which are presently not being fully recognised or used.

Critical factors in determining overall success will be:

- The flexibility and responsiveness of the training system so that it is able to provide customised packages that meet the different needs of different groups of trainees and employers. The increase in competition and choice, along with greater devolution, are the two key elements in the Government's recent reform package for vocational education and training. Together they are expected to increase the flexibility and responsiveness of the training system. In addition, the reform package further addresses these issues with provision for:
 - increased e-learning
 - more work-based training, involving different pathways to suit the needs of individuals and their employers
 - provision for those employees who want to up-skill to acquire a skill set rather than complete a full qualification.
- The cooperation of employers and local communities, as training for job seekers works best when employers are involved in the design of the programs and the training is closely linked to achieving an employment outcome
- Funding needs to be adequate. Experience suggests that too often training programs are under-funded so that the skills gained are insufficient to sustain employment outcomes. Nor is there sufficient funding to support the other complementary services that disadvantaged people often need. The new Commonwealth sponsored *Productivity Places Program* seems to be a significant improvement in this respect, with funding providing for around 90 per cent of the places to achieve a Certificate III level qualification or higher. Nevertheless it will be important to ensure that the funding allows for the cost of case management services for the most disadvantaged trainees.
- Shorter training times to minimise the loss of earnings or time that can act as a disincentive for training, perhaps especially among employees who are seeking to upgrade their qualifications. Initiatives to shorten training times include:
 - increased provision of recognition of prior learning (RPL will comprise 20 per cent of learning achievement by 2012)
 - greater reliance on competency based assessment rather than time based assessment
 - provision of skill sets with certificates of attainment instead of full qualifications, primarily for those employees who are seeking to upgrade their qualifications.
- Provision of career information to assist trainees make better choices and generally improve the efficiency of the labour market by filling information gaps. The proposed network of 17 State-funded Career

Development Centres and the new Commonwealth Skills and Training Information Centres will play an important role in this. High quality careers and labour market information will also be made available through DFEEST's *Workforce Information Service* web portal.

- The capability of the VET workforce to engage with employers on broader workforce development issues will be critical to future success. VET providers will need to develop partnerships with industry and individual firms to foster the up-take of new approaches to workplace practices and to ensure flexible client focussed delivery. This will require a system wide entrepreneurial culture within the state's largest provider, TAFE SA.

Engagement with Migrants

In the particular case of migrants the Review further finds that South Australia will need to maintain its recent levels of net overseas migration if it is to realise the population growth that underpins the shift to a higher future path for economic growth. Achieving the necessary combination of migrant intake and employment outcomes will involve:

- Maintenance of South Australia's unique regional status
- Migrants being targeted who have the skills in demand, and South Australia being able to influence Commonwealth policy to achieve this outcome
- Making full use of the skills of migrants to maximise the value of their contribution to the workforce. Too often migrants' skills are under-recognised, and improved access for migrants to RPL and to career information is part of the State Government's recent *Skills Strategy*
- Using migration as a safety valve where there are critical skill shortages, but over-reliance by some employers on this safety valve will be self-defeating in the longer run
 - employers have a responsibility to train and it may be that individual employer's access to 457 migration applications should have regard to their training effort and future plans.

It should be further noted that many of the initiatives summarised above to improve access to training and their outcomes are very new. The Review therefore concludes that the EDB needs to keep informed as to the progress that is being made.

Engagement with the Commonwealth Government

The Review notes that the Commonwealth Government is an important player in the funding of training, especially in the provision of growth funds, and that through its funding the Commonwealth is having a major influence on the future direction of training policy and delivery structures. In particular, the Commonwealth's new *Productivity Places Program* is a very

important initiative that will play a vital role in helping South Australia to achieve its participation targets.

At the same time, the actual supply of vocational education and training services and their recognition is still largely a State responsibility and implementation of new initiatives also typically relies heavily on the States. It is therefore important that:

- State priorities and special circumstances are taken into account
 - the future institutional architecture needs to allow for interaction between the new national body, *Skills Australia* and the *Training and Skills Commission*, and between the national *Industry Skills Councils* and the State *Industry Skills Boards*
- The State Government has sufficient flexibility in the implementation of the Commonwealth programs, and particularly the new *Productivity Places Program*, so that the program can respond to local circumstances while still achieving national goals
- There is provision for feedback from the states that draws on their experience in the actual implementation of programs in any further policy development, especially modifications to the *Productivity Places Program* that will almost certainly be amended in the light of experience.

The Review believes that it has made an important contribution by acting as a catalyst and advising on these three requirements. The key issues regarding the future institutional architecture and the implementation of the *Productivity Places Program* are addressed in the last chapter of the Review Report. The Review also understands that the negotiations with the Commonwealth are currently proceeding satisfactorily.

Conclusion

South Australia has the potential to shift to a new higher growth path for output and employment. It will, however, be critical to ensure that skill and labour shortages do not detract from these exciting prospects.

The VET system needs to engage closely with enterprises and individuals. In a world of rapidly changing technologies the emphasis in future will need to be on not only the supply of skills, but also making sure that those skills are used to their full extent.

This Review has therefore strongly endorsed the central concepts of workforce development policy which will allow individuals to fully realise their personal capabilities through participation in the workforce. Future engagement with industry should accordingly aim to encourage firms to be more ambitious in planning, adopt best practices, and pursue high value-

added and innovative product and service strategies that require skilled staff to deliver.

Present projections suggest that the actions that are being taken are appropriate to achieve the necessary supply of skills, provided that they are pursued vigorously. In the light of the recent reforms announced by the Government and the other new initiatives, the Review has not considered it necessary to recommend major changes. Instead the Review has focussed on identifying issues that the new TaSC will need to pursue, and on the implementation of the new reforms. It is hoped that TaSC and DFEEEST will thereby be assisted to accelerate progress towards meeting South Australia's social and economic needs for skills in the future.

The timely and effective implementation of the reforms will be critical in ensuring that the potential opportunities are not squandered. The principal recommendation of this Review is that this implementation is so important that the EDB should seek the full support of the Government for the EDB to continue to monitor the progress that is being made towards achieving the necessary supply of skills in South Australia in the future.

Recommendation: The EDB should ask the Government to authorise that:

- the EDB will be regularly briefed by TaSC and the Minister for Employment, Training and Further Education regarding skills and workforce development, and that where it considers it necessary the EDB will then provide a further briefing to ExComm
- the briefing from the Minister should cover the 5 Year Skills and Workforce Development Plan and progress towards implementing the *Skills Strategy*, with an assessment of the performance of the VET system and TAFE in particular against a set of KPIs to be subsequently agreed, but which will be based around the KPIs proposed in this report.

It is proposed that the other recommendations in the remainder of this report should be made available to the Government, and specifically to the Minister for Employment, Training and Further Education for his consideration, and that the EDB should note them. Accordingly all these recommendations and proposed KPIs are listed below:

Chapter 2

Recommendation: It is recommended that TaSC brief the EDB on progress towards refining the quantitative scenarios modelled for the Review, and provide updates of the scenario projections on a six monthly basis.

Recommendation: It is recommended that TaSC brief the EDB and the Social Inclusion Board (SIB) on a six monthly basis regarding progress towards increasing participation in employment, with particular reference to marginalised job seekers.

KPIs/Performance assessment:

- details of people being assisted and outcomes through:
 - *South Australia Works* programs
 - the new Commonwealth *Productivity Places Program*
- trends in the number of South Australians receiving benefits and allowances from the Australian Government.

Recommendation: Given the importance of the higher education sector to achieving South Australia's future growth prospects, it is recommended that TaSC undertake further work to identify priority issues for the sector, and that these be pursued through the Higher Education Council, Skills Australia and the Council of Australian Governments.

Chapter 3

Recommendation: DFEEST to ensure that detailed regional and industry workforce studies funded by Government can be incorporated into the 5 Year Skills and Workforce Development Plan to be developed by TaSC.

Recommendation: The Review recommends that TaSC takes a lead role in ensuring the more effective use of the workforce planning system in shaping public and private sector decision making. Priorities will be to:

- develop structured processes for stakeholder engagement regarding broad trends in the demand and supply of skills and the way skills will be used in the future, to feed into the 5 Year Skills and Workforce Development Plan
- ensure that the workforce planning system is used to inform the allocation of public contestable and non-contestable funding for workforce development (including the new Commonwealth places for training), through the Strategic Purchasing Plan
- make available high quality careers and labour market information in formats suitable for a range of stakeholders, to inform individual and collective decision making
- in liaison with DTED, embed planning for skilled migration within the broader workforce planning process.

Recommendation: To further improve South Australia's workforce planning system, a number of enhancements are recommended:

- the presentation of data for planning purposes should be at relatively high levels of aggregation. More detailed workforce planning should focus only on those specialist skills which are critical, which involve

specialised training and where there is good information from employers

- the methodology for estimating the demand for training and qualifications among job seekers and existing workers should be further refined, based on the methods used to develop the Review scenarios
- an agreed approach should be developed for incorporating 'external' qualitative and quantitative data and information into the planning process
- DFEEST and DTED should continue to develop a capacity to model the economic and employment impacts of major projects
- a capability should be established to track the accuracy of workforce plans and training needs, in order to better understand what can be expected from these projections and what are their principal drivers and sensitivities.

KPI/Performance assessment:

- the value of the workforce planning system will be determined by how effectively it is used and how well it is tracking against actual trends in the labour market. TaSC should brief the EDB on how the workforce planning system is being further developed and how it is being used to inform the allocation of resources.

Chapter 4

Recommendation: To ensure that the views of industry feed into policy directions and priorities for skills and workforce development, it is recommended that the EDB be represented on TaSC, and that TaSC provides regular briefings to the EDB on the outlook for skills and workforce development. In particular, it will be important that the EDB's views on priority industries are fed into the planning process.

Recommendation: It is recommended that the two key functions of the ISBs (and RESA and DTC), that are financed by the government, should be:

- sector specific workforce development planning and the provision of workforce development advice to drive the implementation of the 5 Year Skills and Workforce Development Plan developed by TaSC
- the development, brokerage and delivery of skills and workforce development strategies in collaboration with RTOs, in accordance with the 5 Year Skills and Workforce Development Plan.

Recommendation: Workforce development involves much more than providing training courses – it requires the VET system to work closely with individual firms, clusters of firms and other partners to broker broader workforce solutions that focus on the *use* of skills to improve productivity and participation. Accordingly the Review recommends that DFEEST takes a

leadership role in championing and facilitating this concept of workforce development in industry with training providers including TAFE SA.

Recommendation: To further encourage TAFE SA to develop workforce development partnerships with enterprises, it is recommended that the Chief Executive, DFEEST establish a target for revenues generated from the private sector by TAFE SA, and that the EDB be briefed on progress towards the target.

KPIs/Performance assessment:

- a target for revenue from private sector enterprises could take the form of an absolute financial target (e.g. \$2m per annum, growing at say 15 to 20 per cent per annum) or a percentage of total commercial revenues (e.g. 10 per cent)
- industry workforce action plans will be a critical input to the development of the 5 Year Skills and Workforce Development Plan. Target dates for completion should be established, with all IWAPs completed in 2008.

Chapter 5

Recommendation: New and existing employment programs should target skills in demand or the needs of employers, be developed in partnership with business, community and training providers, allow for training to be delivered flexibly and consider the needs of the individual as elaborated in the key principles in Chapter 5, pages 109-110.

Recommendation: Assistance to disadvantaged people, through publicly funded programs such as *South Australia Works* and *Productivity Places*, should aim to target employment outcomes and build into the programs any necessary case management or mentoring required as an aid to achieve those outcomes.

Recommendation: A more extensive evaluation of the projects and programs funded under *South Australia Works* should consider how to ensure that the positive developments from pilot projects are followed-up and continued in future projects and programs.

Recommendation: DFEEST to consider the Group Training Organisation model, the union model and the female employment model as pathways to further education, training and employment for groups who are currently not engaged in employment or training.

Recommendation: To improve the transition between school and work for young people, DFEEST needs to liaise with DECS in the development of a Certificate of Applied Learning as an alternative learning or earning pathway.

It would offer students in Years 11 and 12 interested in vocational pathways an accredited option to undertake practical work-related learning, develop employability skills, including literacy and numeracy skills, and specifically prepare them to pursue higher level VET and employment.

Recommendation: Opportunities for workforce development through job redesign should be pursued through ISBs with any necessary funding to be a priority from the Workforce Development Fund.

KPIs/Performance assessment:

- Increasing the employment participation rate and progress towards the scenarios for training job seekers outlined in this report
- Reduction in the number of South Australians that are (long-term) unemployed
- Job redesign is part of individually negotiated KPIs of ISBs.

Chapter 6

Recommendation: TaSC should continue to monitor the provision and adequacy of State-funded support services for migrants in consultation with Immigration SA and DFEEST.

Recommendation: More detailed work to be undertaken by DTED to improve the information sources regarding the effectiveness of State-based migration schemes in assisting migrants into the labour market in areas of skills demand, which are presently patchy.

Recommendation: The South Australian Government through DTED should work closely with the new Australian Government regarding skilled migration issues, including:

- the role that regional status has played in helping achieve the State's population policy and workforce development policy objectives
- COAG deliberations regarding offshore recognition and processing.

Recommendation: The South Australian Government through DTED should encourage employers to use employer sponsored visas where there is clear evidence that local supply of particular skills is not available.

Chapter 7

Recommendation: Support and accelerate the requirement to realign infrastructure assets and re-invest in ICT systems to better meet contemporary skills development needs.

Recommendation: Note that there is some inflexibility in the public provider's workforce industrial arrangements and support the DFEEST proposal for the new Enterprise Agreement.

Recommendation: To improve access to training and completion rates, while maintaining quality outcomes, pursue opportunities to shorten training times through increasing the amount of competency based assessment, RPL, and the provision of skill sets for workers seeking to upgrade their existing qualifications.

Recommendation: Support the *Skills Strategy's* recommended RPL target of 20 per cent of delivery hours for training organisations receiving public funding.

Recommendation: Support DFEEST policy to change User Choice Policy to provide 100 per cent funding for providers to undertake RPL for nominated trade areas.

Recommendation: Maintain resources provided by the Commonwealth and State to ensure that RPL is an inexpensive, easy to access process that encourages learners to take-up vocational qualifications.

Recommendation: Given the importance of access to training, TAFE SA needs to give priority to introducing new, simpler and more flexible admission and enrolment processes.

KPIs/Performance measures:

- The annual increase in the demand for and provision of publicly funded VET training increases, showing the number of students, hours of delivery and qualifications awarded.
- The biennial up-take of nationally recognised training by employers measured and reported through NCVER, compared to the current rate of 22 per cent.
- Measuring the number of courses or modules completed
- Annual employment rates for VET graduates, measured by the numbers of VET students who were unemployed at initial enrolment who gain employment after graduation as a percentage of number of VET students unemployed at enrolment.
- Annual increase in VET qualifications issued in South Australia, reported through NCVER data.
- Annual progress by publicly funded VET training delivered within enterprises increases towards a target of 25 per cent of all training by 2012.
- Enterprise based surveys of employer satisfaction with quality of training, suitability of methodology and location, and timeliness of provider response, as conducted by the NCVER

- Increases in customer satisfaction with VET training specific to quality, relevance of training and method of delivery measured by NCVET Student Outcome Surveys.
- The up-take of RPL measured through the collection of AVETMIS Standard data as a percentage of training hours on an annual basis to reach 20 per cent by 2012.
- Level of access and utilisation of TAFE facilities by non TAFE service providers in delivery of VET, including partnership and alliance arrangements, measured by the number of participants in training, number of non-TAFE providers and the programs delivered under these arrangements.
- Annual increase in e-learning, using the six primary indicators of e-learning defined by The Australian Flexible Learning Framework to demonstrate up-take and impact of e-learning in the VET system.
- Annual increase in competency based training for Apprentices and Trainees measured by numbers of contracts completed and signed off earlier than the nominal duration period.
- Government recurrent cost per hour of VET training in South Australia to meet the Government's set target of a 10 per cent reduction by 2012.

Chapter 8

Recommendation: Endorse the institutional architecture presented in Chapter 8 and support TaSC to work pro-actively with Skills Australia.

Recommendation: Encourage ISBs to consolidate and build upon existing relationships with national ISCs.

Recommendation: Support DFEEST's intention to form a dedicated project team to develop the architecture, staffing profile and scope of an Industry Skills Development Directorate that will implement the *Productivity Places Program*.

KPIs/Performance measures:

- Under the *Productivity Places Program*, the number of existing workers achieving Certificate IV, Diploma and Advanced Diploma
- Under the *Productivity Places Program*, the number of job seekers achieving Certificate II, III, IV and above
- Ensure that procedures are built in from the start to track and measure employment outcomes for job seekers under the *Productivity Places Program*, and are reported.

Chapter 1

Introduction and Background to the Review

The EDB commissioned this Review of Skills and Workforce Development in South Australia in response to concerns about the capacity and capability of South Australia's workforce to respond to the substantial economic opportunities flowing from the \$45b of major projects that are underway or in the pipeline.

The EDB was concerned that this 'skills shortage' may impact in the following ways:

- major projects may be delayed or deferred indefinitely due to risks related to availability or costs of skilled and professional labour
- significant components of these projects may be undertaken interstate or overseas, reducing the economic benefits captured in South Australia
- many of the jobs may be filled by workers from interstate on a fly-in fly-out basis or by migrants, reducing the social benefits to the South Australian community.

At the time of commissioning the Review (January 2008) the EDB formed the view that:

- there was no integrated assessment of the future workforce demand in South Australia, including the workforce demand resulting from these major projects
- there was no comprehensive framework, strategy or plan in place to respond to these needs
- the many agencies and organisations involved in skills and workforce development were fragmented and uncoordinated, with no integrating 'architecture' to clearly define roles, responsibilities and interdependencies
- the responses by TaSC and the ISBs appeared to be inadequate to respond to current and emerging workforce challenges
- progress in the Skills Reform process commissioned by ExComm was unacceptably slow
- approaches to workforce planning were fragmented; it was not clear whether or how the workforce planning that was being undertaken was being used to influence strategies and responses by government, industry or education and training providers
- there was limited progress in the development of IWAPs, which had been announced in the 2006 *Skills Statement*
- acknowledged barriers to workforce participation and development were not being addressed sufficiently.

It appears, however, that the EDB was not fully aware of two major new developments that were in the pipeline at the end of last year, and/or how far they had advanced. Since this Review was commissioned, first the South Australian Government has announced its *Skills Strategy for South Australia's Future*, which involves major reforms to the VET system in this State. Second, the Australian Government has announced a very substantial increase in training places that will be vital in helping address the challenges that South Australia is facing to increase employment participation and to up-skill its workforce.

The state-based reforms include strengthened roles for TaSC and the network of ISBs in the workforce planning process. This should lay the foundations for better workforce planning and better coordination of industry advice and engagement in the future.

In these changed circumstances, this Review has not thought it appropriate or necessary to recommend major new policy initiatives. Instead the most important task at the moment is to implement the new policy initiatives that have recently been announced by both the State and Commonwealth Governments. Accordingly, this Review makes a number of recommendations to assist and monitor this implementation.

Where this Review has also tried to add value is in further developing those issues that have been less extensively covered by the Minister's recently announced *Skills Strategy*. The Review has focused in particular on improving workforce planning, increasing the effectiveness of training and retraining, improving the quality of the skills and workforce development systems and promoting best practice solutions.

Consistent with its Terms of Reference (Appendix A), the Review has, first, closely considered the system of workforce planning in South Australia. This assessment has involved:

- a first assessment of the magnitude and nature of the skills challenge that will result from the major projects that are presently envisaged on the one hand, and the ageing of the population on the other hand – identifying the gaps and the opportunities, their implications for the number and skill level of training requirements, and whether the projected provision of training, including Commonwealth-funded places will meet requirements (Chapter 2)
- strategies to improve workforce planning in the future, particularly by better engaging industry in workforce planning and development, and by integrating the South Australian system with the national system to be developed by *Skills Australia* (Chapters 3 and 4)
- an assessment of the role and capacity of migration in meeting future population and skills targets, and how to ensure that better advantage

is taken of the skills that migrants can bring to South Australia (Chapter 6).

Second, the Review has considered how better to engage with individuals and employers to improve:

- the training outcomes achieved by the most disadvantaged persons and thus increase their employment participation and social inclusion (Chapter 5), which will involve:
 - training, including employability skills, as a necessary condition to enable them to obtain sustainable employment
 - other supporting services, including case management, as these people experience multiple disadvantages
- the take-up and completion rates achieved by vocational education and training (Chapter 7), which will involve the recently announced reforms:
 - to make the VET system more flexible and responsive, principally by increased competition and choice accompanied by greater devolution so that the staff who are directly engaged with customers, and therefore best able to respond to and even anticipate customers demands, are empowered to do so
 - new ways to deliver training that better respond to the needs of trainees and their employers
 - to reduce the opportunity cost of training by shortening training times while maintaining training outcomes
 - better career information and advice
 - to respond to the particular difficulties of learners with a disadvantage.

As noted, the assessment of these issues focuses on implementation of the State Government's recent reform package. That has led the Review to concentrate its recommendations on future arrangements for monitoring and reporting progress, including possible deadlines and various KPIs.

Third, the Review team has played a leading role in developing the South Australian proposals for the implementation of the Commonwealth's new *Productivity Places Program* for additional training and up-skilling. The Review has proposed future institutional arrangements that are intended to ensure that South Australian priorities are properly reflected in the allocation of these places (Chapter 8).

It is clear that increasing the supply of skills is important if South Australia is to realise the exciting opportunities that are now in prospect. However, very detailed workforce planning that is intended to lead to highly job-specific skills is not particularly reliable, and in a dynamic labour market will very likely lead to future adjustment problems. Instead, this Review considers that

a broader more sophisticated approach to future skill planning and creation will be necessary.

The VET system needs to engage closely with enterprises and individuals. In that respect the move to a demand-driven system of training delivery has been an important reform. But in a world of rapidly changing technologies the attention will need to be on not only the supply of skills to meet further demands, but also making sure that those skills are used to their full extent.

This Review therefore strongly endorses the central concepts of workforce development policy. As the previous 2003 South Australian Ministerial Inquiry put it, we want to increase the capacity of individuals to fully realise their personal capabilities through participation in the workforce.

Future engagement with industry will continue to be crucial, but the aim should be to encourage firms to be more ambitious in planning, to adopt best practices, and pursue high value-added and innovative product and service strategies that require skilled staff to deliver (IPART 2006: 44).

While this Review may not have produced a “blue print” that covers all the implementation issues that will need to be addressed in achieving this vision for meeting South Australia’s future skill needs, it is believed that this report should help expedite and lock-in the various reforms that are underway. For example, the Review’s assessment of South Australia’s approach to workforce planning and the demand for skills in the next decade should greatly assist the work of TaSC. It will, however, be important that progress in the implementation of the various reforms is monitored, especially given the centrality of skills to South Australia’s future economic development. For that reason the key recommendation in this report is that arrangements need to be agreed for the EDB to continue its involvement in skills policy and its implementation and to be regularly briefed on developments against an agreed set of KPIs and other performance benchmarks.

Chapter 2

The Challenge Ahead

Overview

This chapter provides a macro level quantitative assessment of the workforce challenge over the next decade, related to new opportunities resulting from major projects and the impacts of an ageing workforce.

The modelling of scenarios highlights the impact of major projects on South Australia's economic growth potential, the consequences for the demand and supply of skills, and how the resulting increase in employment participation will allow disadvantaged people to participate in the economic benefits.

Key points:

- *Projected economic growth:* 4.0 per cent per annum from 2006-07 to 2015-16; 3.3 per cent per annum from 2015-16 to 2021-22 (reduction due to the completion of construction work for Olympic Dam expansion)
- *Projected employment growth:* 2.0 per cent per annum from 2006-07 to 2015-16; 1.6 per cent per annum from 2015-16 to 2021-22
- *Projected labour productivity growth:* 2.0 per cent per annum from 2006-07 to 2015-16 and 1.7 per cent per annum from 2015-16 to 2021-22
- 133,000 additional workers required between now (2007-08) and 2017-18 due to new opportunities from major projects
- 206,000 workers required to replace people leaving the workforce or changing occupations (due to retirement and other reasons)
- *Projected growth in total employment:* from 777,600 in 2007-08 to 910,300 in 2017-18
- Based on current trends, demand for workers is projected to exceed supply around 2009-10
- A *labour force participation rate* of 65.7 per cent will be required to meet projected employment demand in 2017-18 (currently 62.9 per cent)
- Just under one third of all job openings over the decade are projected to be at professional/managerial levels, with one quarter at the intermediate level and 14 per cent at the trades/advanced level
- *Projected demand for formal education and training:* 507,000 places over the decade at the VET and higher education levels, for new entrants (including disadvantaged job seekers) and to up-skill existing workers
- The new Commonwealth *Productivity Places Program*, when combined with existing publicly funded effort, will approximately meet the demand for formal VET training, although it appears there may be a modest shortfall for university places.

Introduction

South Australia faces a significant skills challenge as a result of:

- continued solid economic growth
- major projects associated with minerals and defence
- the impact of an ageing population.

This chapter seeks to better define the likely significance of that challenge.

The information presented is based on scenarios which have been modelled for the Review, in order to demonstrate the potential impact of these factors on the future demand and supply of labour, and particular skills.

The scenarios are ambitious but achievable. The scenarios are modelled by carefully using known data and information, and extended beyond the known timeframe using an approach which is more stylised, but still plausible. The scenario results can be characterised as a 'super-cycle', triggered by the known major projects that are in sight, that establish the basis for a sustained period of higher than historical growth.

These exciting prospects outlined in the scenarios indicate what is possible. However, they are not forecasts, and at this early stage it would be imprudent to base fiscal policy, for example, on the growth projections outlined in the present scenarios. Instead their purpose is to focus attention on what will be required to realise the opportunities that South Australia now has.

In particular, to realise these ambitions a number of supportive government policies will be necessary. However, the supply of skilled labour in particular and a shortage of labour generally may well prove the most significant constraint to future growth. Accordingly the focus of the rest of this report is on the actions required to ensure the availability of the necessary skills so that imports are limited and jobs are not effectively sourced from elsewhere in Australia or overseas.

The chapter provides a broad quantitative assessment of the size of the challenge over the next decade by:

- presenting a 'baseline' demand scenario for Gross State Product (GSP) and total employment that reflects how fast demand would grow if driven solely by population
- developing an 'alternative' demand scenario for GSP and employment to demonstrate the likely impact of major projects and other future growth impacts which are not 'captured' in the baseline scenario
- separately identifying replacement demand (resulting from retirement and other sources of job turnover), which then allows for the estimation of 'total job openings' over the next decade.

With an ageing population and workforce, there is an increasing need to focus on whether South Australia will have sufficient workers to realise this potential, so the chapter also presents:

- a baseline supply scenario which presents estimates of labour supply based on projected trends in population growth and labour force participation rates
- an alternative supply scenario which demonstrates how the size of the labour force can be increased through boosting participation among key demographic groups, such as women of childbearing age, older workers and people currently outside the workforce (e.g. benefit recipients, young disengaged people).

In modelling the alternative supply scenario, labour force participation has been increased by an amount sufficient to meet the demand challenge presented by the 'high growth' or 'major projects' scenario, while still allowing for a level of frictional unemployment² within the economy.

It is not sufficient to ensure that supply 'equals' demand at the macro level – there is a need to ensure that the workforce has the skills needed by industry – which range from basic employability skills through to high levels of skills and experience. Hence the chapter not only discusses overall supply and demand, but also the key occupations and skills in demand in the future.

It is important to note that not all of the job openings over the next decade will result in a need for formal education and training. For the purposes of the Review, it is important to distinguish between those job openings which will require a training response and those which may require some other type of action, or no action at all.

The quantum of demand for education and training is also greatly impacted by the need to up-skill the existing workforce – this source of demand is estimated to be significant over the next decade.

The chapter makes a broad assessment of what the combined demand for education and training from these sources is likely to be.

Information on the quantum of demand for training is then considered against 'current activity' in an attempt to estimate the gap between the two. This then enables the additional 'training response' to be quantified. In turn, this will be influenced by the potential to recognise individuals' current competencies (and therefore potentially reduce the length and cost of

² This unemployment involves people being temporarily between jobs, searching for new ones; it is compatible with full employment and a stable low inflation rate. It is sometimes called 'search unemployment' and can be voluntary. New entrants (such as graduating students) and re-entrants (such as former homemakers) can also suffer a spell of frictional unemployment.

training) and the requirement to provide 'full qualifications' - as opposed to 'skills sets' to meet employer and individual needs.

The potential to which this gap can be met through existing programs such as *South Australia Works* and public funding for VET will be considered in conjunction with the opportunity to utilise the new Commonwealth training places (refer Chapter 8).

Overall, the Review considers that this chapter provides a useful assessment of the demand for skills in South Australia over the next decade. With more time, however, it should be possible to improve the quantitative estimates provided here, and in any event this type of projection needs continually to be updated to take advantage of new information that becomes available. This continuing work is a core responsibility of the new TaSC, in conjunction with the various industry bodies. The Review believes, however, that the methodology it has developed should help guide and accelerate their efforts to improve workforce planning and development in South Australia.

Recommendation: It is recommended that TaSC brief the EDB on progress towards refining the quantitative scenarios modelled for the Review, and provide updates of the scenario projections on a six monthly basis.

For both demand and supply, the Review has modelled a baseline and an alternative scenario - to demonstrate the potential impact of major projects (over and above the baseline or underlying level of demand) and to demonstrate how supply can be boosted through a range of targeted strategies. Supply and demand have deliberately been modelled separately to highlight the potential for economic expansion *and* the opportunity to provide jobs for South Australians previously outside the labour force.

The results of the modelling are presented below. Appendix B provides more detail on the methods and assumptions underpinning the analysis in this chapter.

The Demand Outlook

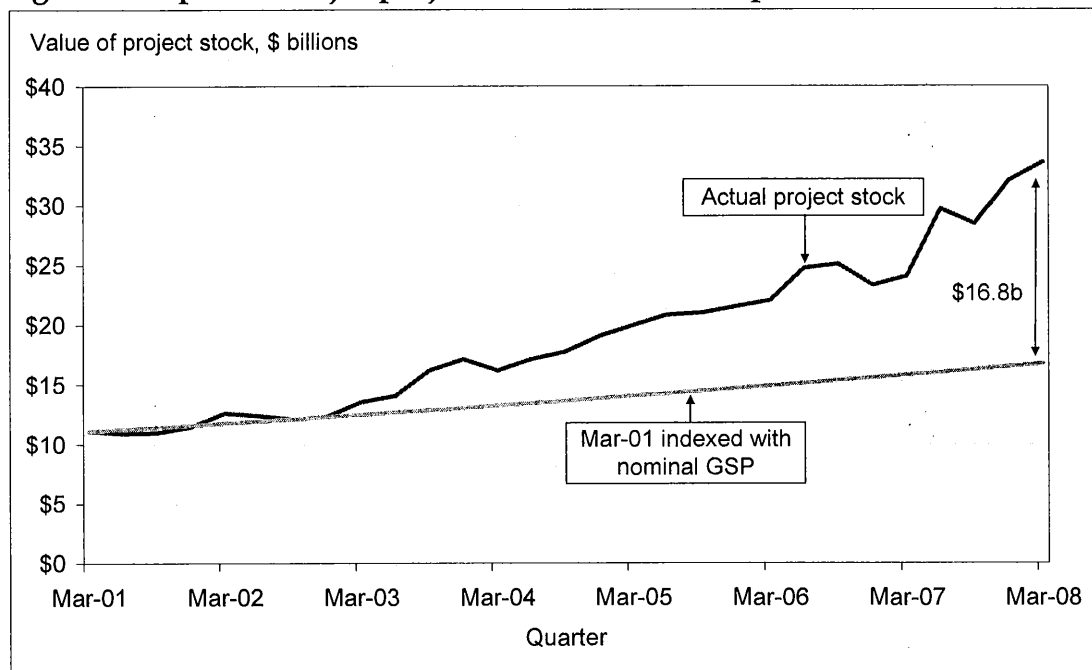
A *baseline* demand scenario was developed by assuming that future population growth in South Australia will drive underlying labour demand. The baseline scenario has employment growing more strongly than current levels due to recent (and projected) above average levels of population growth in South Australia.

The *alternative* scenario was developed by 'adding a layer' on top of the baseline to incorporate the impact of major projects. Using the South

Australian Government's *Major Projects Directory*³ and the Access Economics *Investment Monitor* (Access Economics 2008) a range of projects were identified which were considered to be 'over and above' the baseline or underlying level of infrastructure investment in the State economy (refer Appendix B for further detail).

Figure 1 shows the value of the additional projects, compared with the underlying level of infrastructure investment within the State.

Figure 1: Impact of major projects on investment expenditure in SA



Projects identified through this process include (but are not limited to):

- *Mining*: Olympic Dam, Prominent Hill, Eucla Basin, Kanmantoo, other PACE⁴ projects
- *Defence*: Air Warfare Destroyer, Techport, Mechanised Battalion, AIR7000, LeFevre Peninsula
- *Infrastructure*: Marjorie Jackson Nelson Hospital, Northern Expressway, Adelaide Metropolitan Water Project
- *Urban developments*: Port Waterfront, Evanston, Playford North, Wakefield Waters.

The projects included in this 'add on layer' account for:

- \$17.2b (54 per cent) of the \$32b worth of projects listed in the *Investment Monitor*
- \$30.6b (68 per cent) of the \$45b worth of projects listed in the *Major Projects Directory*.

³ See <http://www.southaustralia.biz/Investing-in-SA/Major-Projects-Directory.aspx>

⁴ Plan for Accelerating Exploration - see <http://minerals.pir.sa.gov.au/pace>

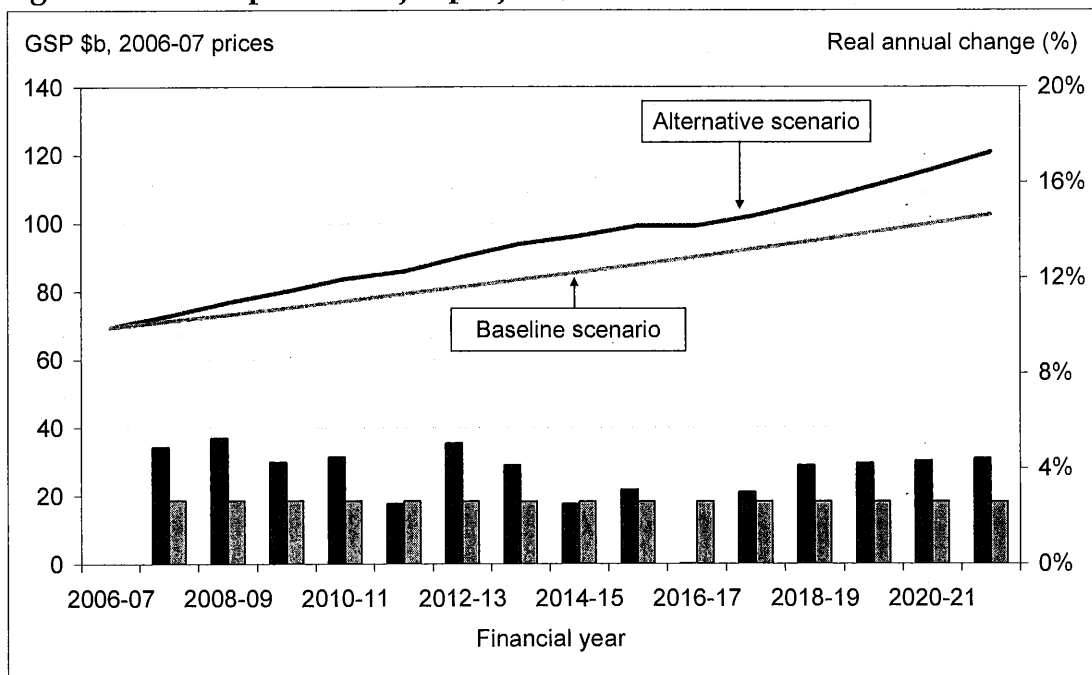
In addition, the alternative scenario includes:

- an allowance for continued growth in the level of major projects work (excluding the Olympic Dam expansion) in order to sustain and build on employment demand as the current crop of major projects begins to end. This allowance suggests that South Australia would need to identify roughly \$52b additional project work from 2010-11 to 2021-22 to maintain labour demand. The recent substantial increase in mineral and resources exploration activity suggests that this is a real possibility, assuming that a significant proportion of that exploration translates into committed projects; and that global conditions remain favourable
- an assumption that South Australia's underlying labour demand (i.e. the baseline) shifts to a higher growth path as a consequence of the major projects boom, coupled with the roll out of a high-speed National Broadband Network (NBN) by the Australian Government, which is expected to stimulate the growth of small and medium sized business (SMEs). This is incorporated in the alternative scenario by adding 0.33 per cent to baseline growth rates, phased in from 2012-13 and taking full effect from 2015-16 (an approximate completion date for the NBN).

The GSP and employment impacts of these major project inclusions are shown in Figures 2 and 3, below. They have been estimated using project expenditure and direct employment information. Flow-on employment impacts have also been incorporated. It should be noted that in a number of cases the details of these projects are yet to be settled, so the numbers presented here should be treated as indicative only.

As discussed above, the purpose of developing these scenarios is to demonstrate the potential challenges and opportunities. As new information and data become available, the scenarios can be further refined. It should also be borne in mind that the numbers presented in this chapter refer to the 'number of *people*' required (essentially ignoring the fact that, on both the demand and supply side, hours of work may be less (or more) than full-time). The scenarios also ignore the regional dispersion of jobs and potential workers.

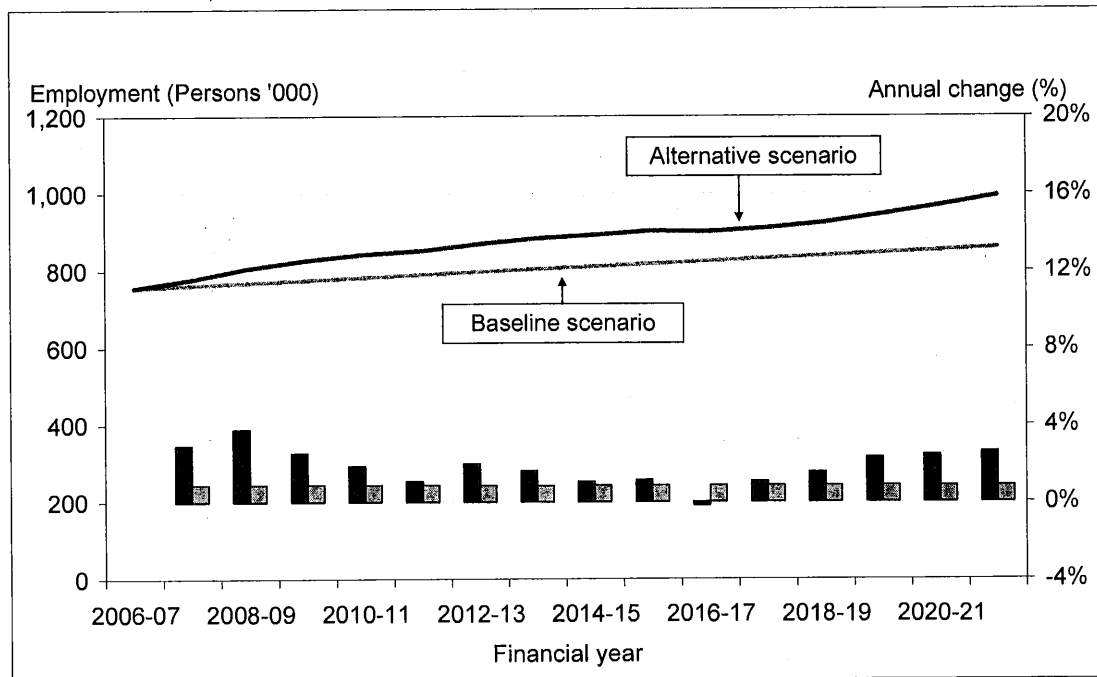
Figure 2 shows the baseline and alternative scenarios for GSP and Figure 3 shows the labour demand (employment) scenarios.

Figure 2: GSP impact of major projects, baseline and alternative scenarios

In this scenario real GSP increases at an average annual rate of 4.0 per cent from 2006-07 to 2015-16. From 2015-16 to 2021-22 the average annual growth rate slows to 3.3 per cent because of the anticipated ending of construction work for Olympic Dam expansion.

Labour productivity increases at an average annual rate of 2.0 per cent from 2006-07 to 2015-16. From 2015-16 to 2021-22 the average annual growth rate slows to 1.7 per cent because of the anticipated ending of high paying, high value-add jobs as the construction work for the Olympic Dam expansion gradually comes to an end.

Figure 3: Employment impact of major projects, baseline and alternative scenarios



The alternative scenario results in demand for an extra 125,000 workers in South Australia between now (2007-08) and 2015-16, and an extra 216,000 workers between now and 2021-22. This is the potential impact from economic growth incorporating the defence and mining expansion and other 'abnormal' growth events anticipated over the period and their flow-on impacts.

This demand equates to an annual average employment growth rate of 2.0 per cent from 2006-07 to 2015-16, compared with 1.4 per cent over the past decade. From 2015-16 to 2021-22 the average annual growth rate slows in the scenario to 1.6 per cent because of the anticipated ending of construction work for the Olympic Dam expansion and the effect this has on demand for construction workers, but growth is fairly strong after 2016-17.

Over the next decade (between 2007-08 and 2017-18) growth in the South Australian economy is expected to create **133,000 new jobs**.

This *expansion demand* is only part of the challenge – the ageing of the population will also have a significant impact on the demand for labour and skills. As South Australia's population ages, there will be an increasing need to replace workers who retire. Job openings also occur for other reasons – when people change occupations, or when people leave the labour force to undertake other activities such as caring responsibilities (looking after children or ageing/sick relatives), to study, to travel or for health reasons.

Over the next decade, the number of net job openings from *replacement demand* is likely to be in the order of **206,000** – significantly more than estimated through growth in the economy. The annual level of replacement demand rises over the decade, as the workforce ages. Many of these job openings will be filled by existing workers, creating openings at lower skill levels. This highlights the potential to support job seekers into these lower skilled jobs, as ‘stepping stones’ to higher skilled jobs over time. It also highlights the need to undertake ‘succession planning’ as part of broader workforce planning.

The combined impact of major projects plus the need to replace workers who exit the labour market or move between occupations results in *total job openings* over the decade in the order of **339,000**. This demonstrates the need to boost labour supply and skill levels in South Australia to capitalise on these opportunities.

The Supply Challenge

Current trends in supply suggest that South Australia could have insufficient workers to meet the potential demand within just a few years. Figure 4 shows the alternative (major projects) labour demand estimates (from Figure 3), compared with a baseline scenario for supply (labour force) in South Australia.

Figure 4: Potential demand compared with current trends in supply

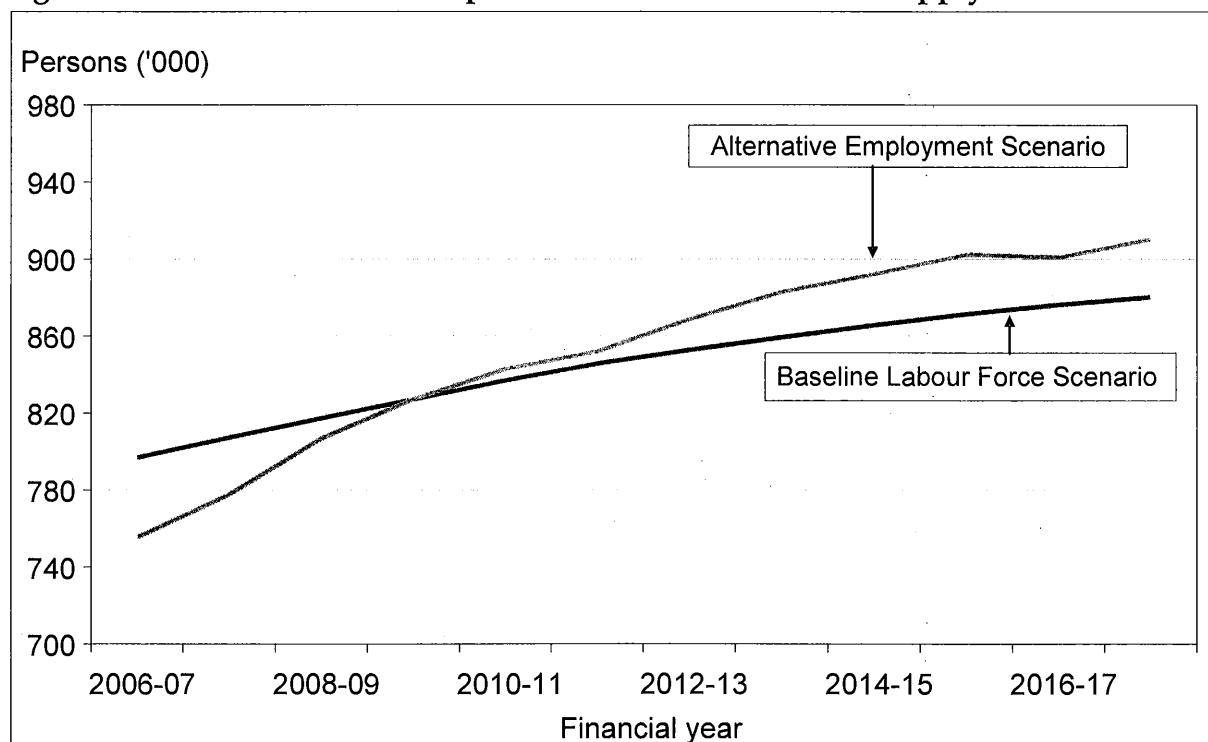


Figure 4 shows the current level of *excess supply* of labour in South Australia – this is equivalent to around 40,000 unemployed people – an unemployment

rate of just under 5 per cent (comprising those who are actively looking for a job but cannot find one). The graph suggests that the gap between supply and demand for labour will diminish over the next few years – with a cross-over occurring around 2009-10. Because there will always be some level of underlying unemployment in the economy, it is likely that the *effective* supply of labour is already close to being fully utilised. Clearly, it is critical that action is taken as soon as possible to boost participation in the labour market.

The challenge, therefore, is to incrementally increase labour force participation rates to ensure that there are sufficient workers to realise the demand potential, while also allowing for a ‘natural’ level of unemployment within the economy (to reflect the reality that there will always be a number of people ‘between jobs’ at any point in time).

Strong labour market conditions have supported increased participation in South Australia in recent years, however, South Australians continue to participate at a lower rate than other mainland jurisdictions. While South Australia’s lower than (national) average labour force participation rate can largely be explained by South Australia’s older age profile, there remains significant potential to encourage more South Australians to actively participate in the labour market (refer Chapter 5 for further discussion).

South Australia’s Strategic Plan (SASP) has a target to increase employment participation (T1.12): *increase the employment to population ratio, standardised for age differences, to the Australian average.*

Australia’s participation rate for prime age males (25 to 54 year olds) is ranked 25th out of the 30 OECD countries. The female participation rate for 25 to 54 year old Australians is ranked 20th.⁵

Despite recent strong jobs growth there are many South Australians who cannot find a job, have given up looking, or who have a job but would prefer to work more hours. According to the *South Australian Labour Market Profile* (see Attachment 1), there were approximately 250,000 people (either underemployed, unemployed or not in the labour force but wanting to work) in South Australia who were potentially available to take-up new job opportunities or more hours of work in 2006.⁶

This group comprised:

- underemployed – 117,000
- unemployed – 40,000
- not in the labour force but want to work – 95,000.

⁵ Data relates to 2005.

⁶ It is important to note that there is also a significant level of *over-employment* in the South Australian labour market – refer Attachment 1.

This illustrates some key challenges for South Australia, in particular:

- reducing the large number of underemployed workers
- engaging the long-term unemployed in work
- assisting those not in the labour force but who want to work into jobs.

The fact that there are (potentially) 250,000 South Australians who are available to take-up work or *increase their hours* highlights that any consideration of supply issues needs to address – as a priority – under-utilisation of existing labour in South Australia.

Bearing these numbers in mind, an alternative supply scenario has been developed, which deliberately examines how the ‘supply challenge’ can be met through strategies aimed at increasing participation among those not currently engaged and by using the existing workforce more effectively.

It should be borne in mind that the supply scenario presented below is just that – one scenario. To achieve the participation increases implied by the numbers will have major implications for policy and program development. These challenges are discussed in subsequent chapters.

Utilising the existing workforce more effectively necessarily involves the provision of more hours for those people who have indicated that they are currently underemployed and would prefer to work more hours. Other measures directed at the existing workforce could include:

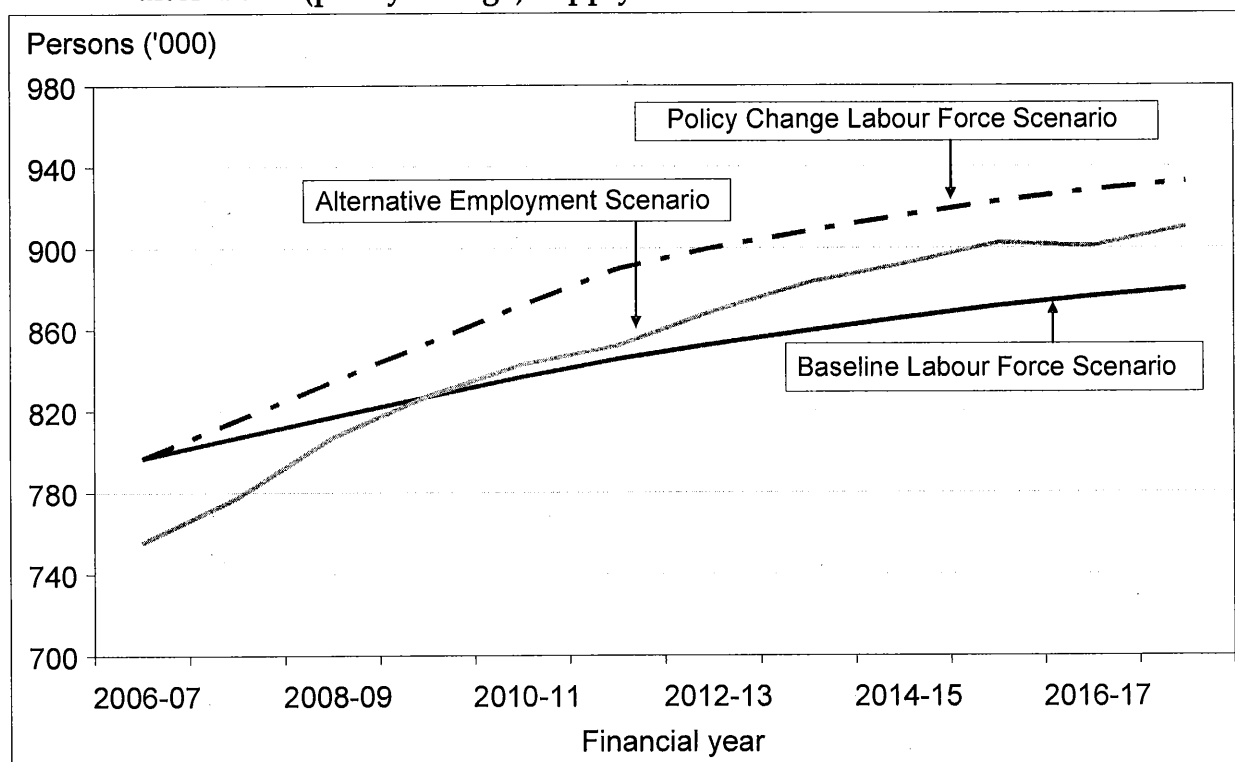
- delaying retirement of older workers, including gradual or phased retirement
- implementing work life balance strategies
- providing paid parental leave to encourage workers to return to work after looking after children
- increasing labour productivity
- job and workplace redesign.

However, as the discussion below demonstrates, the greatest potential lies in increasing participation among those currently *not engaged* in the labour force. The modelling shows that South Australia’s labour force participation could be boosted through a combination of the following strategies:

- a concerted effort to assist benefit recipients and others currently outside the labour force into jobs
- ensuring unemployed job seekers have the skills needed by employers
- attracting qualified workers back to fill job openings
- targeted assistance and changes in employment arrangements to increase women’s participation
- improving transitions between study and work for young people
- maintaining recent levels of skilled migration.

Figure 5 shows an alternative labour supply scenario (incorporating deliberate policies to boost supply) – displayed against the major projects demand scenario and the baseline supply scenario. The assumptions and calculations used to develop the alternative supply scenario are presented in Appendix B.

Figure 5: Potential demand compared with current trends in supply and alternative (policy change) supply



As Figure 5 shows, through adopting these strategies, it is possible to significantly increase supply, by an amount that ensures that economic growth is not constrained by a lack of workers. Using these assumptions implies a labour force participation rate of 65.7 per cent in 2017-18. This compares with the baseline supply scenario, which results in a *fall* in the participation rate (from the current level of 62.9 per cent to 62.0 per cent in 2017-18).

Under the alternative scenario the rate of unemployment falls over the next decade from 5 per cent to 3 per cent (which by then is projected to be an 'equilibrium' rate consistent with full employment and a stable low inflation rate).

On average over the past ten years the South Australian labour force has increased by just over 7,000 per annum (over the past five years the increase was 11,500 per annum). The alternative supply scenario implies an average annual *inflow* into the labour force of 12,000 over the next decade.

The baseline (no policy change) supply scenario results in the labour force expanding to 880,100 by 2017-18 – compared with the current figure of 796,800. The alternative (policy intervention) supply scenario sees the labour force expanding to 932,800 by 2017-18. In other words, the policy change scenario boosts supply by an additional 53,000 people. To put this figure into perspective, this represents just over 55 per cent of the current pool of South Australians who are *not in the labour force but who want to work* (95,000).

Appendix B includes details of the relative contribution from different demographic groups to achieve the alternative (policy change) supply scenario.

Under the alternative supply scenario, the male participation rate is estimated to be 70.4 per cent in 2017-18. This compares with the 1966 rate for males of 84.8 per cent. In the absence of deliberate strategies to boost participation, the male rate is projected to decline significantly over the decade. Figure 5 assumes a female participation rate of 61.1 per cent in 2017-18 under the alternative supply scenario. This compares with the current rate in South Australia of 55.7 per cent.

Recommendation: It is recommended that TaSC brief the EDB and SIB on a six monthly basis regarding progress towards increasing participation in employment, with particular reference to marginalised job seekers.

KPIs/Performance assessment:

- Details of people being assisted and outcomes through:
 - *South Australia Works* programs
 - the new Commonwealth *Productivity Places Program*
- Trends in the number of South Australians receiving benefits and allowances from the Australian Government.

It should be stressed that achieving these increases in participation will be dependent upon a range of policies operating at both the State and Commonwealth level – in addition to skills policy. For example, access to quality and affordable child and aged care, the availability of parental leave, transport, industrial relations and workplace practices, retirement, superannuation and social security arrangements and health services.

These are all elements of a cross-portfolio *workforce development* approach – as articulated in the South Australian Government’s Workforce Development Strategy, WDS (Government of South Australia 2005). As Schofield commented in the 2003 *Skills for the Future* Ministerial Inquiry (which recommended that a workforce development strategy be developed for South Australia):

While the Inquiry is passionate about the importance of skills, it does not wish to present them as a solution to a whole raft of wider economic and social problems, a common tendency in contemporary public policy. Rather it seeks in this report to position skills as a necessary but not sufficient condition for South Australia's social and economic progress. To achieve this, skills formation will need to be integrated into a wider context so their impact and value can be maximised (Government of South Australia 2003: 19).

It should be noted that despite significant Commonwealth and State Government investments in skills formation and employment development programs over many decades (including during the current prolonged economic expansion) it can be argued that such policy coordination is yet to be achieved.

The role of TaSC and other agencies (including the EDB and SIB) in coordinating cross-portfolio approaches to these policy issues will be discussed in later chapters, and can inform the role of State Government agencies, industry and the community in providing input into (and responding to) the proposed 5 Year Skills and Workforce Development Plan for South Australia.

It should also be noted that many of the individuals 'targeted' in the alternative supply scenario will not be available (or want) to work full-time hours, so it is very difficult to quantify the potential increase in supply - in terms of total *hours*. It should also be recognised that successful strategies to engage those individuals who have faced significant barriers will have at least an initial negative impact on productivity levels - as these workers adapt to the demands of the job and workplace. The extent of this impact will be heavily influenced by the pre-employment preparation and skills development they receive and the provision (or not) of post-employment support services. Successful models for engaging and retaining disadvantaged job seekers in training and transitioning them into jobs, are discussed in Chapters 5 and 8.

Identifying the Likely Demand for Skills and Training

Relevant SASP targets:

T6.19 Non-school qualifications: by 2014, equal or better the national average for the proportion of the labour force with non-school qualifications.

T6.20 Higher education: increase South Australia's proportion of higher education students to 7.5 per cent of the national total by 2014.

T6.21 VET participation: exceed the national average for VET participation by 2010.

It is not sufficient to 'simply' ensure a match between aggregate supply and aggregate demand – there is a need to ensure that the workforce has the skills needed by industry, which range from basic employability skills through to high levels of skills and experience.

Currently there are more South Australians who want to work than there are jobs available. At the same time there is evidence of skills and labour imbalances in a number of occupations, industries and regions. The fact that employers are experiencing difficulty recruiting workers at the same time that many South Australians are unemployed or underemployed, indicates that more needs to be done to ensure that job seekers have the skills being sought in the labour market – now and into the future (see Chapter 5).

For the remainder of this chapter, the analysis will focus on the occupations and skills (qualifications) in demand. In recognition of the relatively weak (observed) link between qualifications and occupational destinations, and the movement of workers between occupations, the analysis is presented at a high level of aggregation – across five occupational skill groups corresponding with five commensurate qualification levels:

Table 1: Major occupation groups and commensurate skill level and qualification

ASCO code	Major group	Skill level	Commensurate levels of qualifications
1	Managers and administrators	1	Bachelor degree or higher qualification
2	Professionals		
3	Associate professionals	2	Diploma/advanced diploma
4	Tradespersons and related workers	3	Certificate III/IV
5	Advanced clerical and service workers		
6	Intermediate clerical, sales and service workers	4	Certificate II
7	Intermediate production and transport workers		
8	Elementary clerical, sales and service workers	5	Certificate I or completion of compulsory secondary education
9	Labourers and related workers		

Source: Australian Bureau of Statistics (ABS)

It should be stated at the outset that the estimates presented below for the projected demand for, and supply of, qualifications and training places in South Australia over the next decade represent a first attempt at this type of quantification. DFEST will continue to refine the methods used and will use information on *actual* outcomes to better target skills in demand in the future. More detail on the methodology used is presented in Appendix B.

Currently, occupations at the highest skill level (comprising *Managers and administrators* and *Professionals*) account for a 26.8 per cent share of all jobs in South Australia. The next biggest share (25.9 per cent) is at the 'intermediate' level (Skill Level 4, comprising *Intermediate clerical, sales and service workers* and *Intermediate production and transport workers*). Skill Level 5 (*Elementary clerical,*

sales and service workers and *Labourers and related workers*) is the next biggest share (18.7 per cent), followed by Skill Level 3 (*Tradespersons and related workers* and *Advanced clerical and service workers*) with 16.1 per cent. The smallest share of jobs is at the second highest skill level, comprising *Associate professionals*, which accounts for 12.5 per cent of jobs.

The Monash Centre of Policy Studies (CoPS) forecasts that, over the next decade,⁷ the two highest skill levels will increase their share of employment at the expense of the three lower skill levels. Table 2 shows the projected change in the occupational profile over the decade.

Table 2: Current and Forecast Occupational Profile, Total Employment, South Australia, 2007-08 and 2017-18

Skill Level	Skill Group	% of total employment	
		2007-08	2017-18
1	Professionals	26.8	29.3
2	Assoc Professionals	12.5	13.0
3	Trades and Advanced	16.1	14.8
4	Intermediate	25.9	25.6
5	Elementary	18.7	17.4
	Total	100.0	100.0

Source: Monash CoPS and DFEEST estimates

These shifts in the occupational profile are what is forecast in the absence of the major projects 'paradigm shift' described earlier in the chapter. When information about the likely employment impact of major projects is combined with the 'baseline' scenario, there is a further 1 percentage point shift to Skill Level 1. There is also a 1 percentage point shift to Skill Level 3 (trades and advanced) and a half percentage point shift to 'intermediate' skills.

The occupational profile of *replacement demand* differs markedly from the profile of current *total employment demand*, and so does the *change over time*. Currently, the largest need to replace workers is resulting from the lower skilled occupations (elementary and labourers): in 2007-08, 37.4 per cent of job openings from this source are accounted for by occupations in this skill group. The next largest source of replacement demand is from occupations at the intermediate skill level (27.4 per cent). The remaining occupational groups account for around 10 to 14 per cent each.

The occupational profile of replacement demand is expected to change significantly over the next decade – by 2017-18 it is forecast that just over 28 per cent of job openings resulting from replacement demand will be at the intermediate level. A further one quarter will be at the

⁷ The Monash forecasts extend out 8 years. The final two years have been projected by DFEEST using the Excel function.

professional/managerial level. The proportion accounted for by elementary/labouring jobs is expected to fall significantly - from 37.4 per cent to 18.7 per cent over this decade.

Table 3: Current and Projected Occupational Profile - Replacement Demand, South Australia, 2007-08 and 2017-18

Skill Level	Skill Group	% of job openings from replacement demand	
		2007-08	2017-18
1	Professionals	11.4	24.8
2	Assoc Professionals	9.4	12.2
3	Trades and Advanced	14.4	15.7
4	Intermediate	27.4	28.6
5	Elementary	37.4	18.7
	Total	100.0	100.0

Source: DFEEST estimates based on Monash CoPS

The current net overall (economy wide) replacement rate (of 1.9 per cent) can be used a proxy for the retirement rate - currently this equates to around 13,000 South Australians leaving the workforce per annum. The Monash CoPS forecasts that this rate will increase to 2.8 per cent by 2014-15.

The occupational profile of replacement demand is heavily influenced by the age structure within occupations, and the ability for people to move between broad occupational categories, for example from elementary/labouring jobs to intermediate level jobs, and from intermediate to trades/advanced.

Of *total job openings* over the next decade (from expansion and replacement demand *combined*) around one third will be at the professional/managerial level, and a further quarter at the intermediate level. The next largest share of job openings will be at the elementary level (16.1 per cent), followed by trades and advanced (14.2 per cent) and associate professionals (10.6 per cent).

Table 4: Projected Occupation Profile - Total Job Openings, South Australia, 2007-08 to 2017-18

Skill Level	Skill Group	Job openings	
		No.	% of total
1	Professionals	111,700	33.0
2	Assoc Professionals	36,100	10.6
3	Trades and Advanced	48,200	14.2
4	Intermediate	88,400	26.1
5	Elementary	54,600	16.1
	Total	339,000	100.0

Source: DFEEST estimates based on Monash CoPS

For the purposes of the Review it is important to know how many of these job openings are likely to result in a *demand for education and training*. Not all job

openings translate into a requirement for additional education and training. The skills associated with some jobs are able to be learnt on the job, without a requirement for formal training. For other job openings, the vacancies may be filled by existing workers or persons currently outside the labour market who have the required qualifications and skills, or by migrants (Richardson and Tan, 2007). These workers may have a requirement to have their skills updated (which may occur on and/or off the job), but it is unlikely to result in the need for a full qualification to be delivered. Even where the job vacancy is filled by a 'new entrant' the quantum of training required will depend on whether there is a need for a full qualification, or whether the achievement of a 'skills set' is sufficient. The more widespread use of RPL and other skills recognition measures will also potentially reduce the demand for full qualifications to be delivered.

Currently, 56 per cent of South Australia's employed workforce has a non-school qualification. It is projected that, based on an extrapolation of recent trends in skills deepening, this proportion will increase to 72 per cent by 2017-18. The proportion of the workforce with a non-school qualification is the standard measure used to determine a state or country's skills profile, and – as highlighted above – the SASP includes a target for the achievement of non-school qualifications.

Table 5: Projected Skills Profile of Employed Persons, South Australia, 2007-08 and 2017-18⁸

Skill Level	Skill Group	% with non-school qualification	
		2007-08	2017-18
1	Professionals	82	98
2	Assoc Professionals	62	88
3	Trades and Advanced	63	79
4	Intermediate	40	50
5	Elementary	29	42
	Total	56	72

Source: DFEEST estimates based on ABS *Survey of Education and Work*

Skills deepening in an occupation is measured as the increase in the proportion of people with qualifications over and above that due to growth. The skills deepening rate is defined as the difference in the percentage point change in the number of people with qualifications and the percentage change in employment. As Table 5 shows, over the next decade, skills deepening is greatest at the lower skill levels – reflecting the relative maturity of occupations (see Shah and Burke, 2006 for further detail).

It should be noted that the skills profile presented above refers to a person's highest level of non-school qualification – it does *not* take account of:

⁸ Tables 5, 6 and 7 draw heavily on the methodology developed by CEET – refer Shah and Burke (2006).

- those who undertake courses that do not lead to a recognised qualification
- those who undertake formal training to complete particular units/modules rather than a full qualification.

According to Shah and Burke, a considerable amount of training occurs outside the formal education and training system, and some people undertake education and training to complete particular units/modules rather than whole qualifications. Hence, the numbers presented below for *qualifications* do not provide the whole picture of training and skills development. An attempt has been made to include estimates of the demand for formal training among existing workers which *does not* lead to a full qualification (e.g. demand for refresher training or skill sets).

The *demand for qualifications* is derived by looking separately at the skill requirements of *new entrants* (to fill job openings resulting from expansion and replacement demand) and the skill requirements of the *existing workforce*. To achieve the skills profile in 2017-18 shown in Table 5 above, implies a demand for qualifications among *new entrants* totalling 232,600 over the next decade.⁹

Table 6: New Entrants, Projected Demand for Qualifications, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	98,800
Advanced Diploma	8,200
Diploma	22,300
Certificate IV	24,200
Certificate III	60,100
Certificate II	10,000
Certificate I	8,900
Total	232,600

Another key challenge is to upgrade the skill levels of the *existing workforce* in order to achieve an adaptable workforce and develop an innovative enterprise culture. Demand for *qualifications* from this source is of a similar magnitude (192,900) – resulting from workers who are *up-skilling* (completing a qualification at a higher level than their current highest non-school qualification) – shown in Table 7 – **and** workers who are gaining a qualification at an equivalent or lower level – shown in Table 8 (referred to as ‘learning’).¹⁰

⁹ This may overstate to some extent the demand for qualifications from this group – many of these may be ‘re-entrants’ rather than new entrants (e.g. women returning to the workforce) and therefore may not require a full qualification.

¹⁰ The ratio used to calculate the number of existing workers undertaking learning leading to a qualification at the same or lower level than previously held has been estimated from historical education and training data.

Table 7: Existing Workers (Up-skilling), Projected Demand for Qualifications, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	24,400
Advanced Diploma	8,000
Diploma	10,100
Certificate IV	22,600
Certificate III	41,000
Certificate II	300
Certificate I	7,900
Total	114,400

Table 8: Existing Workers (Learning), Projected Demand for Qualifications, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	23,800
Advanced Diploma	4,700
Diploma	6,700
Certificate IV	15,400
Certificate III	24,600
Certificate II	2,100
Certificate I	1,100
Total	78,500

The demand for qualifications from these three sources results in *total demand* over the next decade of 425,400 qualifications:

Table 9: Projected Total Demand for Qualifications, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	147,100
Advanced Diploma	21,000
Diploma	39,100
Certificate IV	62,200
Certificate III	125,700
Certificate II	12,400
Certificate I	17,900
Total	425,400

As Table 9 shows, just over one third (147,100 or 35.0 per cent) of qualifications demand is at the higher education level. Within VET, the highest level of demand is for Certificate III qualifications (125,700).

The estimated demand for qualifications among existing workers shown in Tables 7 and 8 represents, however, a continuation of past trends in projecting

the demand for formal refresher training and updating of skills for existing workers. But past levels of retraining have not been sufficient, and employment participation has suffered as a result. Hence, the Review has estimated that another 50,000 training places, or thereabouts, will be required over the decade (an average of 5,000 a year) to provide formal refresher training and updating of skills for *existing workers*, although not all of this refresher training will necessarily require a full qualification. When combined with the estimates from Tables 7 and 8, this results in average annual demand for formal up-skilling or refresher training of around 24,000 (242,900 over the decade). When higher education qualifications are excluded, this equates to around 19,500 per annum (194,600 over the decade).¹¹

There is also a need to boost the demand for formal training among job seekers to reflect the fact that not all the training will be successful and that only some of these most disadvantaged people will actually succeed in finding employment. Thus when attempting to move the most disadvantaged job seekers into employment (for example through the new Commonwealth *Productivity Places Program*) the Review has estimated on the basis of past experience elsewhere, that it will be necessary to 'train two people for every job opening'. The numbers presented above are, however, based on the number of *workers required* (rather than training places required) over the next decade – for example, in the case of new entrants, this assumes a traditional relationship of one training place for each job. In other words, the figure of 232,600 qualifications demand for new entrants does not factor in any wastage – either during the course, or in the transition into employment.

As discussed further below, it is estimated that South Australia will gain around 63,200 training places for job seekers over the next decade from the Commonwealth Government's new *Productivity Places Program*. As discussed in Chapter 5, the transition rate from training into employment among marginalised or disadvantaged students is likely to be in the order of 50 per cent or less. This means that we can reasonably only expect that around half (31,600) of the job seekers enrolled in courses through the *Productivity Places Program* will gain employment. This effectively means that demand for training among job seekers has been underestimated, and hence that there is a need to increase the demand for training places for these people by around 50 per cent, or 31,600 VET places.

Table 10 below incorporates the additional demand from these two sources. In the case of the 50,000 '*refresher places*' the distribution across qualification

¹¹ As a rough approximation, it is considered that workers who are neither managers nor professionals will need refresher training or up-skilling twice in a working career spanning forty years or more. In that case, about 15 per cent of workers would undergo refresher training in any year, which amounts to an average of about 90,000 a year. This is clearly much more than the annual estimate of demand of 19,500 VET places, but what is unknown is the quantum of demand for, and supply of, *informal* training and/or training which is *privately financed*.

levels is assumed to be the same as for those existing workers who are engaged in 'learning'¹² (shown in Table 8). For the 31,600 *job seeker places* the distribution across levels is based on the target allocation announced by DEEWR.¹³ Refer Appendix B for more detail.

Table 10: Projected Total Demand for Training, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	147,100
Advanced Diploma	25,300
Diploma	50,300
Certificate IV	81,300
Certificate III	158,700
Certificate II	25,400
Certificate I	18,900
Total	507,000

Investing in education and training for job seekers and existing workers will have longer term participation effects, as increased skill levels and participation in training contribute to greater levels of attachment to the labour force and to lifelong learning over the life course of individuals.

Supply of Qualifications

The supply of qualifications over the next decade can be estimated by extrapolating recent trends in completions at the VET and higher education levels. This data relates to the *completion of full qualifications*.

Some important points to bear in mind in relation to these estimates are:

- because only *completions* are captured, these estimates – by definition – include wastage during the training period
- the estimates *exclude* training which, while accredited, does not lead to a full qualification – for example the numbers do not include individuals achieving a 'certificate of attainment'
- the VET data includes **publicly funded training only** – a significant (but unquantifiable) amount of training occurs outside of the publicly funded training system
- the higher education data excludes overseas students
- the numbers do not capture *informal* training (training which does not lead to a recognised qualification).

Hence these numbers should be considered indicative only, particularly when they are considered against the demand estimates presented above.

¹² Excluding higher education qualifications

¹³ DEEWR (2008) *Productivity Places Program – Job Seekers Draft Program Guidelines* 7 March 2008

Table 11 shows that, based on recent trends, the South Australian education and training system can be expected to produce 331,100 publicly funded qualifications over the decade to 2017-18.

Table 11: Projected Total Supply of Qualifications, 2007-08 to 2017-18

<i>Qualification Level</i>	
Bachelor degree or higher	121,100
Advanced Diploma	6,300
Diploma	23,000
Certificate IV	42,100
Certificate III	74,200
Certificate II	48,100
Certificate I	16,300
Total	331,100

Source: DEST, NCVET and DFEEST estimates

The Commonwealth Government's new *Productivity Places Program* has the potential to significantly increase the number of VET places in South Australia over the next decade - over and above that captured in Table 11. Based on announcements to date, it is projected that South Australia could gain around **131,800** additional training places over the next decade - comprising **63,200** places for job seekers and **68,600** places for existing workers.¹⁴

Table 12 shows the projected share of South Australian places by qualification level. It should be noted that not all of these *places* will translate into completed qualifications - this is because there is likely to be significant wastage from training (particularly among the job seeker participants) and also because many participants (particularly existing workers) will use the training to gain a skill set (certificate of attainment) rather than complete a full qualification.

¹⁴ Based on South Australia's working age population share of 7.4 per cent. Funding has been announced for a five year period; an election policy statement committed to a six year program. It is assumed that the program will continue indefinitely - at the level suggested by the election policy document (820,000 places over six years).

Table 12: Potential Productivity Places Program Places, 2007-08 to 2017-18 by Qualification Level¹⁵

<i>Qualification level</i>	<i>No. Places</i>	<i>% of Total</i>
Advanced Diploma	8,000	6.1
Diploma	39,300	29.8
Certificate IV	39,300	29.8
Certificate III	24,700	18.7
Certificate II	20,500	15.5
Total	131,800	100.0

Combining these estimated Commonwealth places (131,800) with projections of 'existing effort' (331,100) results in total projected supply through the publicly funded system over the decade of 462,900 at the VET and higher education levels combined.

Within the **higher education sector**, there is likely to be a *shortfall* of 26,000 qualifications over the decade (projected demand for 147,100 qualifications compared with projected supply of 121,100).

Focusing on the **VET sector**, Table 10 above shows projected demand for VET training of 359,900 over the next decade. Total supply of VET training is expected to be 341,800 (210,000 qualifications from existing effort - Table 11), plus the additional Commonwealth places (131,800 - Table 12). This gives an estimated 'imbalance' (demand minus supply) of 18,100, which given the margins of forecasting error is negligible:

Table 13: Projected Demand and Supply of VET Training, 2007-08 to 2017-18

	<i>Demand</i>	<i>Supply</i>	<i>Imbalance (Demand minus Supply)</i>
Advanced Diploma	25,300	14,300	11,000
Diploma	50,300	62,300	-12,000
Certificate IV	81,300	81,400	-100
Certificate III	158,700	98,900	59,800
Certificate II	25,400	68,600	-43,200
Certificate I	18,900	16,300	2,600
Total	359,900	341,800	18,100

An apparently significant *shortfall* is projected at the Certificate III level (59,800 training places over the decade), while the greatest projected *oversupply* is at Certificate II level. However, this is not considered a major concern, as these places can be converted to Certificate III places relatively easily, based on actual demand from employers and students.

¹⁵ Based on target percentages announced by DEEWR.

This analysis demonstrates that using a simplistic approach to calculate demand and supply of training can miss some critical issues:

- there is a need to train more people than suggested by the initial demand projections, in recognition that not all trainees will become part of the workforce
- it is also important to remember that under the labour supply scenario presented earlier, there is still likely to be a significant pool of South Australians who remain outside the labour force but who want to work. The alternative supply scenario boosts participation among those outside the workforce by around 53,000. This represents around half of the current pool of South Australians who are *not in the labour force but who want to work* (95,000). These individuals will need intensive training and support to become effective members of the labour pool. Their training requirements are not factored in to the demand estimates
- there is a need to factor in the demand from workers who need to refresh their skills but who don't need a full qualification. In the past, very little training effort has been invested in ensuring that existing workers refresh their skills to avoid becoming displaced from jobs. Estimating training demand for existing workers based on *past* trends is likely to underestimate *future* demand. The new *Productivity Places Program* recognises that the current structural mismatch in the labour market is largely a result of this lack of investment in the existing workforce, and is an attempt to ensure that the mistakes of the past are not repeated.

Based on the analysis presented above, the Review finds that the projected level of supply of VET places over the next decade is in the 'ball park' of what is required to ensure that South Australia has a skilled workforce to ensure that economic growth is not constrained, and to make significant inroads into the level of marginalised job seekers.

Having said this, there remain many unknowns (particularly on the supply side). Some of the important issues for further investigation by the TaSC are:

- the significant training effort (formal and informal) which occurs outside the publicly funded system – for which there are no reliable estimates
- estimates of the provision of informal training, which is not part of a recognised qualification
- refining estimates of the demand for refresher training, and establishing what proportion of that demand does not require a full qualification
- measuring the supply of 'skill sets' e.g. numbers of individuals receiving a 'certificate of attainment'
- the success rates in terms of qualifications and certificates of attainment for different types of trainees

- the training which will be undertaken by many students who will enter into jobs without *completing* their qualifications and hence are not captured in the supply figures of *completed qualifications* presented above. When the labour market is tight, non-completions can increase, as employers offer jobs without requiring the completion of a full qualification.

Over time this more detailed analysis can be expected to refine the present estimates.

Nevertheless, the present projections of likely demand for qualifications and potential supply are considered to be sufficiently near the mark that they can be used to help (re)target current education and training effort, and to inform the allocation of the additional Commonwealth places. The number of potential places that South Australia can be expected to gain under this new program is discussed further in Chapter 8. As the program is implemented, information about actual outcomes of job seekers can be used to refine the estimation approach used here.

Finally, any discussion of future skill needs in South Australia cannot ignore the significant role played by the higher education sector. As the discussion above highlights, there is likely to be a *shortfall* of higher education places over the next decade as the shift towards higher skilled occupations continues. As the population ages, an increasing proportion of the demand for higher education qualified workers will have to be met through up-skilling of adults with VET qualifications. Again, this highlights the importance of succession planning within broader workforce planning.

It also necessitates better credit transfer arrangements between VET and higher education and the more widespread development and use of qualifications which 'bridge the gap' between VET and higher education, such as Associate Degrees (see Case study 1 below). As job redesign becomes more widely used as a workforce development strategy within sectors such as health and community services, defence, resources and manufacturing, the VET and higher education sectors will need to work closely together to identify education and training requirements associated with new job roles. The ISBs will have a key role to play in facilitating these discussions.

Case Study 1: Associate Degree in Engineering (Defence Systems)

This specialist engineering program provides a professional, up-skilling path for experienced technicians and tradespeople in the practical application and management of defence technology.

The Associate Degree in Engineering (Defence Systems) is a two year undergraduate program at the University of South Australia designed to prepare experienced tradespeople for employment as Senior Technical Officers in the defence industry. The program has been created to meet the demand for skilled defence personnel, with course delivery designed to suit students who are currently employed.

The course was introduced in 2008 and is designed for:

- experienced tradespeople currently employed in electrical, metal, electronics and IT trades with minimum Certificate III or equivalent
- individuals who have undertaken job relevant equipment training such as Computer Numerical Control (CNC) programming, 3D Computer Aided Drawing (CAD), robotics installation, production planning or front line management
- individuals with more than five years experience in a trade and with team leadership experience
- persons who have not undertaken formal study for some years but who are ambitious and looking for a challenge.

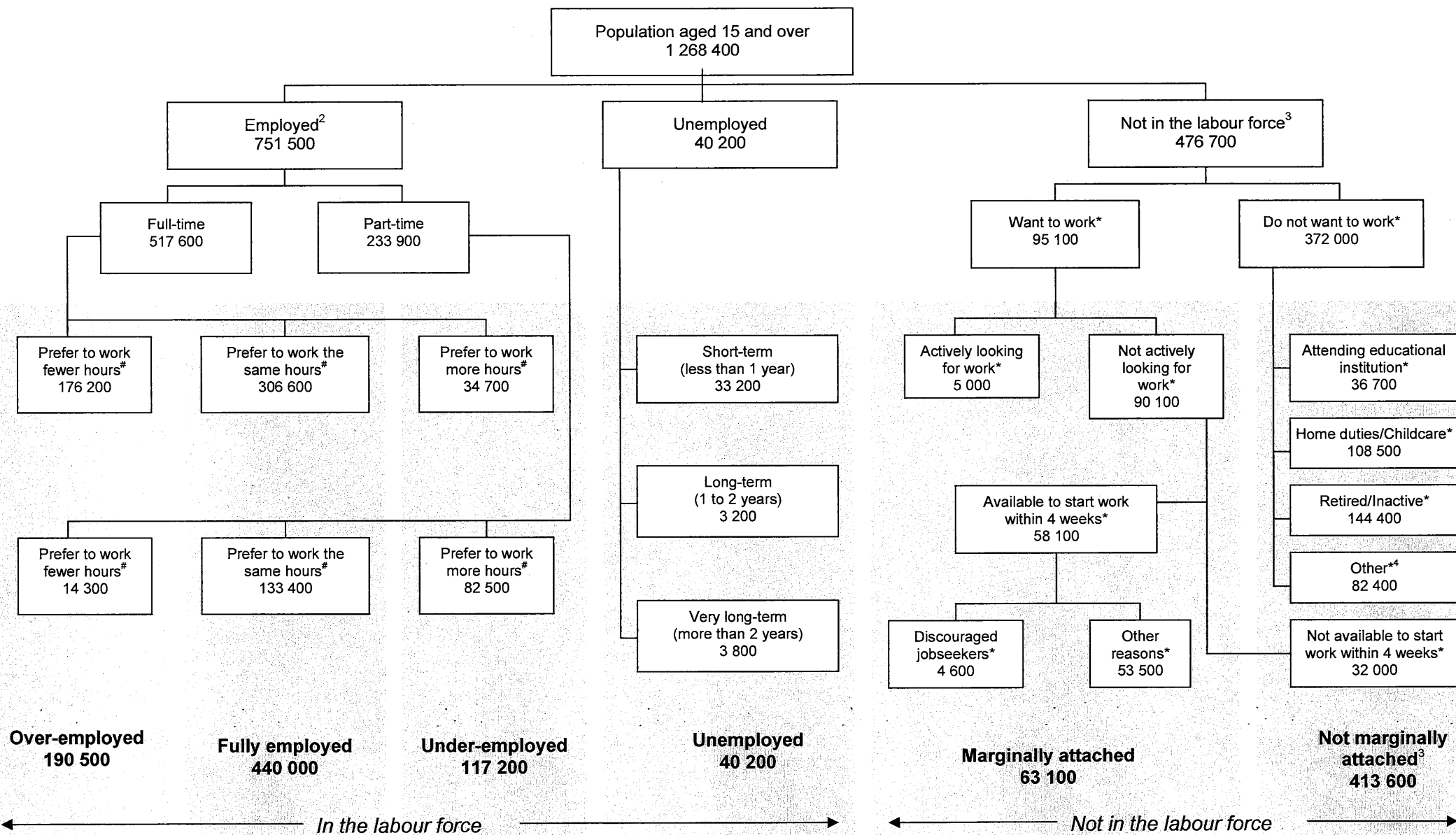
Students are eligible for the Higher Education Contribution Scheme and employers who are part of the defence industry and who wish to reimburse employees may apply to the Defence Material Organisation for a reimbursement of fees and the cost of books.

The current Review of Australian Higher Education has a major focus on meeting the skill needs of industry and building an integrated relationship between the higher education and VET sectors. The Review will have a major impact on the future structure of tertiary education and training provision and will help define policy to support greater engagement in higher education by industry and students not traditionally accessing this level of education. The South Australian Government will make a submission to the Review in August.

The 5 Year Skills and Workforce Development Plan should include discussion of higher education priorities to ensure that the Higher Education Council can respond appropriately and that the State Government can contribute effectively to discussions with the Australian Government.

Recommendation: Given the importance of the higher education sector to achieving South Australia's future growth prospects, it is recommended that TaSC undertake further work to identify priority issues for the sector, and that these be pursued through the Higher Education Council, Skills Australia and the Council of Australian Governments.

SOUTH AUSTRALIAN LABOUR MARKET PROFILE 2006¹ – PERSONS



Source: ABS, Labour Force , Selected Summary Tables, Australia (6291.0.55.001) extracted from Supertable 12 month average to December 2006; Persons Not in the Labour Force, September 2006 (6220.0); Forms of Employment, November 2001 (6359.0).

Estimated using ratios calculated from Forms of Employment (6359.0). The preference for working hours for an estimated 3 800 persons was not known.

* Estimated using ratios calculated from Persons Not in the Labour Force (6220.0).

1) 12 month average to December 2006.

2) According to the ABS. Full-time employed persons includes those who worked 35 hours or more per week (in all jobs). Part time employed persons include those who worked less than 35 hours per week (in all jobs).

3) Includes 9 500 persons who were permanently unable to work.

4) Includes persons: with a disability or handicap, illness or injury, looking after an ill or disabled person, on holiday or leisure activity, or working in an unpaid voluntary job.

SOURCES AND NOTES

1. *Population aged 15 and over*

Source: ABS, Labour Force, Australia, Detailed (6291.0.55.001) extracted from Supertable datacube LM8, 12 month average to December 2006. Persons aged 15 and above were chosen to be consistent with the majority of ratios derived from other data sources used in producing this labour market profile.

2. *Employed persons*

Source: ABS, Labour Force, Australia, Detailed (6291.0.55.001) extracted from Supertable datacube LM8, 12 month average to December 2006.

2.1 *Employed persons - prefer to work fewer / same / more hours of work, and preference not known*

Source: ABS, Forms of Employment, November 2001 (6359.0). From Tables 5 & 6 of 6359.0, ratios for persons preferring fewer, the same and more hours of work, and preference not known were derived for persons employed full-time and part-time in South Australia in November 2001. These ratios were applied to the estimates of persons employed full-time and part-time for 2006.

e.g. According to 6359.0, in November 2001 the number of full-time workers in South Australia was 475 900 and the number who preferred fewer hours was 162 000.

The proportion who *Prefer less hours* = $(162\,000 / 475\,900) \times 100 = 34.04\%$

This ratio is multiplied by the 2006 estimate of persons employed full-time (517 600) to calculate the 2006 estimate of persons employed *full-time* who *Prefer to work fewer hours* shown in the diagram.

i.e. *Prefer to work fewer hours* = $0.3404 \times 517\,600 = 176\,200$ (rounded to nearest 100)

The same process was followed for all other sub-groups of persons employed full-time and part-time.

Note: the preference for hours worked of 0.02% (100) full-time employed persons and 1.58% (3 700) part-time employed persons was not known.

Note: due to a statistical anomaly, the estimates calculating *part-time* workers preferring to work the *same hours* and preferring to work *more hours* sub-populations (using the ratios) do not equal the sum of the equivalent male and female sub-populations.

3. *Unemployed persons*

Source: ABS, Labour Force, Australia, Detailed (6291.0.55.001) extracted from Supertable datacube LM8, 12 month average to December 2006.

3.1 *Unemployed persons - short-term, long-term and very long-term*

Source: ABS, Labour Force, Australia, Detailed (6291.0.55.001) extracted from Supertable datacube UM3, 12 month average to December 2006.

4. *Not in the labour force*

Source: ABS, Labour Force, Australia, Detailed (6291.0.55.001) extracted from Supertable datacube LM8, 12 month average to December 2006.

4.1 *Not in the labour force - want to work / do not want to work (and sub-populations)*

Source: ABS, Persons Not in the Labour Force, September 2006 (6220.0). From Table 12 of 6220.0 the ratios (to total persons *Not in the labour force*) were derived for the following *Want to work* sub-populations: *Discouraged job seekers*; *Wanted to work, not actively looking, but were available*; *Wanted to work but not looking and not available*; and *Total without marginal attachment*.

From Table 9 of 6220.0 (unpublished data for South Australia) the ratios (to total persons *Not in the labour force*) were derived for *Do not want to work* and the following sub-populations: *Attending an educational institution*; *Home duties or childcare*; *Retired or voluntarily inactive*; and *Other*.

These ratios were then applied to the 2006 estimate of *Not in the Labour Force* (12 monthly average to December 2006) to produce the 2006 estimates of those sub-populations.

e.g. According to 6220.0, in September 2006 the number of persons not in the labour force in South Australia was 454 500 and the number of discouraged job seekers was 4 400 (available in table 12).

The proportion of *Discouraged job seekers* = $(4\,400 / 454\,500) \times 100 = 0.97\%$

This ratio was multiplied by the 2006 estimate of persons *Not in the labour force* (476 700) to calculate the 2006 estimate of *Discouraged job seekers* shown in the diagram.

i.e. *Discouraged job seekers* = $0.0097 \times 476\,700 = 4\,600$ (rounded to nearest 100)

The same process was followed for the other sub-populations of persons *Not in the labour force* (*want to work / do not want to work*) mentioned above.

These ratios allow the following sub-populations of *Not in the labour force* to be calculated:

Not actively looking for work = *Available to start work within 4 weeks* + *Not available to start work within 4 weeks*

Permanently unable to work = *Not marginally attached* – *Do not want to work* – *Not available to start work within 4 weeks*.

Want to work = *Not in Labour Force* – *Do not want to work* – *Permanently unable to work*

Actively looking for work = *Want to work* – *Not actively looking for work*

Marginally attached = *Want to work* – *Not available to start work within 4 weeks*.

Chapter 3

Improved Workforce Planning

Overview

The projections in Chapter 2 provide a broad indication of the size and nature of the workforce challenge. To enable effective responses, more detailed and ongoing workforce planning is required. The planning process should help to engage stakeholders and will be the principle means for ensuring coordination. This chapter outlines current and planned approaches to workforce planning and recommends further enhancements.

Key points:

- The workforce planning system developed to date has not been used to its potential as a coordinating device nor to govern the allocation of public funds for VET
- The requirement for TaSC to produce a 5 Year Plan to inform the Strategic Purchasing Plan will be a substantial improvement in and commitment to and utilisation of workforce planning
- The current demand-driven approach to workforce planning appears to be based on best practice and provides a useful foundation, however significant improvements envisaged are still to be implemented
- The existing process uses top-down planning based on economic modelling, supplemented by surveys and studies for key industry sectors
- Further input from key stakeholders is needed to complement the initial outputs from the top-down approach. ISBs and other industry bodies have a key role to play in enhancing the information
- There are multiple users for workforce planning information – the level of detail appropriate for different users will vary
- Detailed workforce planning is unlikely to be useful for many occupations, and should focus on specialist skills which are critical and involve highly specialised training
- Progress with IWAPs has been disappointing. Increased commitment is required to reflect their importance and urgency. These plans need to articulate industry demand, issues related to meeting this demand and responses to be taken by government, industry, training providers and other stakeholders
- Integrating South Australia's workforce planning with national plans to be developed by *Skills Australia* will be critical
- While workforce planning will assist in projecting demand for training, the two processes are not identical; training demand projections need to incorporate additional complexities to reflect the practical realities of the workplace and individual preferences related to the take-up of training.

Context

The scenarios presented in Chapter 2 are useful in providing a broad assessment of the future skills challenge facing South Australia, but for action purposes more detail is required on skill needs within critical sectors of the economy. Because workforce planning can never be exact it needs to be continuous and to be informed by industry and regional intelligence.

The South Australian Government is already making a major commitment to workforce planning – a commitment which will be strengthened under the new *Skills Strategy*. This Strategy requires TaSC to develop a 5 Year Skills and Workforce Development Plan, which will underpin the development of a Strategic Purchasing Plan by DFEEST. This, in turn, will directly drive the allocation of skills and workforce development funds and resources in South Australia.

The implementation of workforce planning requires coordination between a range of stakeholders. The process of developing the plans and the plans themselves represent the best means for engaging the different stakeholders and ensuring coordination.

It is clear that the workforce planning system developed to date has not been used to its potential as a coordinating device nor to govern the allocation of public funds for VET.

The two key planning documents will draw heavily on the data and information captured within the workforce planning system, and will act as the key instruments to achieve policy coordination in the future. Importantly, these instruments will ensure that the response is driven by industry demand.

The demand-driven approach to workforce planning provides the basis for a much more responsive VET system and the better allocation of skills and workforce development resources in the future. However, many of the envisaged improvements are still to be bedded down, particularly with regard to the institutional architecture. As discussed in Chapter 4, the legislation to strengthen the role of TaSC is still not through the Parliament, and the new TaSC is yet to be established. Delays in establishing the new TaSC will impact on progress towards implementing the new workforce planning system.

Establishing closer links between TaSC and the ISBs, and between TaSC and the EDB and SIB, will be critical in achieving the objectives of the *Skills Strategy*.

This chapter describes how South Australia's workforce planning system will be used to shape the policy and program responses required to meet the challenges identified in Chapter 2. The main focus of the chapter is on:

- some methodological changes that will improve the usefulness of the workforce planning system in South Australia

- improved input from industry to enhance both the usefulness and the use of workforce planning information
- closer relations with the Australian Government to ensure that Commonwealth resources and activities that impact on South Australia correspond to state needs.

The Planning Imperative

As concerns over skill and labour shortages grow, workforce planning is emerging as an imperative for governments, industry sectors and enterprises. As the discussion in Chapter 2 highlighted, there is a need to focus not only on the factors influencing demand for labour and skills, but increasingly in a labour-constrained economy, there is also a need to focus on identifying data and information on potential sources of supply.

It is also important to distinguish between demand for *workers* and demand for *training* – as these are not the same thing.

To develop a reliable and useful labour force planning capability, it is necessary to understand the interactions between labour demand and labour supply within the context of population ageing. This is a new challenge for economies worldwide. Economic forecasting models which incorporate these relationships can play an important role in helping planners identify likely future scenarios for employment and skills.

Australia is recognised as a world leader in the development of the multi-sector models of the type relevant to workforce planning and development. The Monash Model, developed by the Centre of Policy Studies (CoPS) at Monash University, is generally regarded as the leading labour market forecasting model in Australia. It is noted for its transparency and the ongoing enhancements and developments which continue to occur, with input from subscribers and stakeholders (Burns and Shanahan 2000).

Importantly, the Monash model is one of the few models worldwide which incorporates a supply side within the model. It also produces estimates of replacement demand – acknowledging the need to plan for replacement of workers as the population ages.

The forecasting of labour demand and supply, in particular occupational/skill imbalances, is a complex and difficult process. Even the most sophisticated models have gaps and limitations which inhibit their use to some degree in workforce planning. The Monash model is no exception.

The limitations associated with published labour force data and economic models have been noted by a range of authors (see for example Richardson and Tan 2007; Richardson and Teese 2007; Shah and Burke 2003; and Burns and Shanahan 2000).

According to Richardson and Teese (2007), it is almost impossible to project the future with accuracy and detail. This is because the economy is very diverse and complex, many relationships are not linear, there are unpredictable shocks from the international economy, from technological change, from individual behaviours, and from government policy.

A review of the accuracy of the Monash model undertaken by Access Economics in 2005 (Access Economics 2005) found that:

- the projections of the levels of employment were reasonably reliable at an aggregate (Australia-wide) level
- reliability fell as projections were provided at a more detailed level, disaggregating by region, by occupation and by qualification level
- reliability was too low for projections to be valuable for planning VET capacity at specific skills or regional level
- reliability fell as the length of the forecast period rose.

Based on this assessment, Richardson and Teese (2007) argue that:

This suggests that model projections should be used judiciously to inform the planning process. In our judgement, they are best used to assist the VET sector to align the broad structure of its offerings to the anticipated future needs of the economy, including replacement demand. It is unreasonable to expect such models to be able to provide accurate projections of the detailed occupational demand at a regional level five to ten years into the future. Model-based projections of demand growth are likely to be valuable if their purpose is understood to distinguish skills that are likely to be in growing demand, from skills likely to be in static or falling demand. They will be much less satisfactory if they are expected to provide detailed information on year by year fluctuation in demand, for specific skills and, for example, by region.

Policy makers and planners need to bear these limitations in mind. It is not possible (or wise) to rely on a single information source (such as an economic model) – rather it is necessary to use a range of measures to assess the existence and size of any current and probable future skill/occupation imbalances.

These authors all agree that information from forecasting models needs to be supplemented by qualitative and quantitative information from a range of other sources, including firm surveys, in-depth sectoral studies and qualitative industry intelligence.

The South Australian Approach

DFEEST has been engaged in top-down workforce planning for some time and has developed a robust system. The development of the system has been informed by Australian and international research into methods of forecasting the demand and supply of labour.

The South Australian Government, through DFEEST, has subscribed to the Monash labour market forecasts for a number of years and uses them, in conjunction with other data and information sources, as the basis for its workforce planning system.

As discussed above, there are inherent difficulties in forecasting future jobs growth with any degree of accuracy. Notwithstanding, it is important for governments to undertake indicative planning to help guide the allocation of public resources for workforce development. There is also a role for government in informing private sector decision making, including study and career choices made by individuals, and employer decisions to recruit workers, train new staff or up skill existing workers. The provision by government of high quality labour market information on trends in demand for skills can also shape the business decisions of private education and training organisations. As Schofield notes (Government of South Australia 2003: 48),

Good labour market information is a critical resource to guide both collective and individual investment in skills and to help build a competitive, flexible workplace. Ensuring that individuals, businesses and regions have all the information they need to make informed decisions is one of the fundamental roles of government.

Quality, timeliness, careful targeting of information to different client groups with different needs and a seamless user interface to clients are all hallmarks of effective labour market information systems.

Over recent years the South Australian Government has made a major commitment to developing a more integrated and structured framework for workforce planning in South Australia. Through the Workforce Development Strategy *Better Skills Better Work Better State* released in 2005 (Government of South Australia 2005), the South Australian Government, led by DFEEST, has developed the 'demand-driven approach to workforce planning in South Australia' (DDA).

The objective of the DDA is to identify 'skills in demand' to inform policy and program development and resource allocation within industry sectors and across a range of government portfolio areas. The DDA is based on best practice approaches to forecasting the demand for skills. It uses the best top-down economic forecasting models available and supplementing that information with bottom-up local intelligence gathered from key stakeholders (such as regional and industry networks), structured surveys of firms, in-depth sectoral analyses and case studies of high performing organisations.

A key weakness with the system as it currently stands is that there has been insufficient bottom-up industry and community input into the workforce planning process.

The DDA is a 'work in progress' with several enhancements planned – the key ones are discussed later in the chapter. The intention is that it will continue to be refined over time as new data sources and methods/approaches to quantifying demand and supply of skills are developed.

The approach is based on analysing current and future demand and supply of labour (including particular skills) in the South Australian economy. The DDA is underpinned by a comprehensive analytical tool (known as the 'occupation matrix') which draws together a range of published and unpublished data on occupations in the South Australian labour market, including:

- forecasts from the Monash labour market forecasting model
- historical employment data from the ABS
- DEEWR¹⁶ information on *Skills in Demand*, job seekers and job vacancies
- estimates of replacement demand
- projected completions from the VET and higher education sectors
- data on net overseas migration.

The focus of the system is on the *future* demand and supply of labour. This is in contrast with planning approaches which focus on current *skill shortages* – which reflect past mismatches between supply and demand – see Box 1 and further discussion in Chapter 8.

¹⁶ Department of Education, Employment and Workplace Relations.

Box 1: Skills Shortages

The term 'skills shortage' is used to describe a range of problems employers experience when attempting to fill vacancies. The term is often used as a surrogate for more general recruitment difficulties, or skill gaps. Frequently, the term is used to describe observations of an anecdotal nature. According to Richardson, 'skill shortage' is not a clear concept - nor is there a reliable measure of the existence of a shortage (Richardson 2007).

Given the need for Government to respond to industry concerns, it is important to have an understanding of what skills shortages are, what causes them and what the appropriate response(s) might be.

In developing policy responses, it is important to distinguish between labour shortages (a general lack of workers) and skills shortages (a mis-match between the skills in demand by employers and those being supplied by workers and potential workers).

The existence of long term persistent shortages in a number of occupations suggests that significant barriers to market adjustment processes exist. According to Shah and Burke (Shah and Burke 2003), labour markets may be operating at a sub-optimal level for a range of reasons, including externalities arising from training, wages policy, quotas on registration, low labour mobility and a lack of good quality information on the labour market. While government initiatives can help reduce these barriers, government intervention may be counterproductive if its effect is too late or it over-corrects the problem.

Many shortages will resolve themselves or are the responsibility of employers to provide incentives to recruit and retain workers. According to Schofield, *[m]any of the current skills imbalances should be viewed as a normal part of the business cycle and not as evidence of systemic market failure. In most cases, the market will adjust although there will be some lag time before it does so. Government needs to resist both urgings and the urge to 'do something about them'* (Government of South Australia 2003: 8).

It is clear that both wage and non wage responses are important in addressing supply problems. For example, there is evidence (see for example Dockery 2004) that job satisfaction and recognition are important in reducing occupational wastage and attracting workers to particular occupations. Improved career paths are an important part of the solution, particularly in occupational areas where wastage is high.

The nature of government intervention required will depend on the specific labour market that is in imbalance, as each situation is likely to require a tailored response.

The provision of publicly funded training is one of the ways of alleviating skills imbalances. The appropriateness of changing the level of provision of training as a response to a shortage depends on the type of shortage, the level of severity and the factors causing it.

If it is considered that a training response is required, there are still questions around how much it will cost and who should pay for it.

Industry and Enterprise Level Planning

The economy-wide information from the workforce planning system is supplemented by industry/sector specific workforce studies, and firm based workforce planning.

At the *industry* level, DFEEST is leading the development of industry workforce action plans (IWAPs) for six priority sectors as identified in the 2006 Skills Statement: minerals, defence, construction, health and community services, agri-food and advanced manufacturing (Government of South Australia 2006). The methodology used for these studies broadly follows the DDA, but allows for industry and region specific factors to be taken into account. These studies will be a complementary key instrument in achieving coordination across particular sectors and also for engaging stakeholders within each industry in the workforce planning process. Industry engagement in the workforce planning process is discussed in Chapter 4. As noted there, progress towards developing the IWAPs has been disappointing. As these plans will be a critical input to the development of the 5 Year Plan there is some urgency to have them completed.

Sectoral studies are also undertaken from time to time funded through sources such as the *Workforce Development Fund* or *South Australia Works in the Regions* (initiatives within the *South Australia Works* suite of State Government funded employment programs). Recent examples include the Wine Industry Employment Strategy and the Barossa Light Workforce Study. As these studies are coordinated by workforce development agents (such as ISBs, Regional Development Boards, RDBs, and Employment and Skills Formation Networks, ESFNs), rather than DFEEST directly, they do not necessarily adopt a methodology which is consistent with the DDA. This may limit their usefulness when information from these studies is 'amalgamated' with information from the state-wide planning and IWAPs to feed into the priorities for the 5 Year and annual plans. Notwithstanding, they are another important mechanisms for engaging industry and regions in the workforce planning process.

Recommendation: DFEEST to ensure that detailed regional and industry workforce studies funded by Government can be incorporated into the 5 Year Skills and Workforce Development Plan to be developed by TaSC.

The development and distribution of some easy to use workforce planning templates and tools can help achieve this objective. The online *Workforce Development Starter Tool* recently released by the National Industry Skills Committee (NISC) will be useful in this context. Similarly the recently released *Standards for Workforce Planning* also provides useful guidelines to assist industry to develop workforce plans for their sector, following a consistent best practice approach (Standards Australia 2008). DFEEST has recently launched the *Workforce Development Showcase* which is based on the learnings from the ISB Workforce Development Fund projects. The Showcase includes tips, resources, examples of industry projects and links to industry expertise. This Showcase is designed to facilitate the broader application of the

successful elements of projects into future workforce development projects funded by government and industry, its content will be expanded over time.

The State Government's Workforce Information Service web portal, supported by forums and workshops, is an appropriate mechanism through which to make these tools widely available.

These tools will also be a valuable resource for firms to use at the *enterprise* level, and will be supported by a new program currently being piloted by the South Australian Government. The *Building Business Capability in Workforce Development* program encourages and supports small and medium sized enterprises to integrate workforce planning with business planning, and to develop workforce development strategies to address workforce issues.¹⁷ The main elements of the program are:

- a comprehensive Employer Resource Toolkit, which will be distributed widely at no cost
- specially designed workshop sessions for employers (based on the content of the toolkit - including information on workforce planning)
- access to advice on workforce and human resource issues through dedicated Workforce Development Officers and through existing structures such as Business Enterprise Centres (BECs), ISBs and other workforce development agents and intermediaries.

While the program is still in its pilot phase and relatively small in scale, it will contribute to raising awareness among employers about the need to plan for their future workforce and to develop strategies to attract and retain workers in a competitive labour market. Based on an evaluation of the pilot, the program could be significantly expanded if employer demand warrants it. It is also a model which could be adopted by the Industry Skills Councils at the national level. Similar programs operate in some other States.

As discussed in Chapter 7, the proposed network of State-funded Career Development Centres, and the yet to be established Commonwealth Skills and Training Information Centres (STICs) will also play an important role in making labour market and training information available to a range of clients including employers and individuals.

In addition, the South Australian *Work Life Balance Strategy* administered through SafeWork SA has established a range of partnerships with key organisations, including Business SA and the Committee for the Economic Development of Australia (CEDA) to promote the business case for implementing work life balance initiatives. This includes information sessions on changing workforce demographics and how the introduction of flexible working arrangements can facilitate increased workforce participation and reduce staff turnover. An 'Employer of Choice' series of

¹⁷ See Case Study 2 in Chapter 4.

seminars has been established with Business SA, as part of its managers and supervisors training.

Part of the SafeWork SA program is a proposed state government funded small grant scheme to targeted industry employers, to assist in implementing work life balance provisions, evaluate the business benefits and establish best practice case studies.¹

The recent Commonwealth Budget included a commitment to provide grants (of between \$5,000 and \$15,000) for small businesses to help meet the set up costs of family friendly working arrangements.

The greater up-take of work life balance initiatives will be important in achieving the supply scenario presented in Chapter 2. Evidence suggests that the use by employers of flexible working arrangements to attract and retain staff is not widespread – and is generally limited to a relatively small number of innovative examples. It is critical that the State Government’s work life balance strategy (and associated SASP target) is supported to increase the availability and up-take of flexible working arrangements to assist increased participation. The potential for flexible working arrangements to assist individuals to remain in or re-enter the workforce is discussed in Chapter 5.

Use of the Workforce Planning System

The South Australian Government recently commissioned a study by SACES to identify the key users (current and potential) of the workforce planning system and to identify their needs, in the context of developing an integrated planning system.

This Review agrees with the key finding of the SACES study that there has been a significant disconnect between the workforce planning system and the allocation of public resources for VET (SACES 2007). The Review also agrees that further investments to enhance the system would be a waste of resources if this disconnect is not addressed.

With respect to the current users of the system the SACES study found a relatively close match between user needs and the *capacity* of the planning system to deliver on those needs.

The list below identifies the key users of the system:

DFEEST — Education Services and Programs
DFEEST — Office of Higher Education
DFEEST — Industry Workforce Development (Workforce Development Directorate, WDD)
DFEEST — Workforce Participation (WDD)
DFEEST — Planning and Evaluation¹⁸
DFEEST — User Choice
DFEEST — Employment Programs
DTED — Economic Analysis and Policy
DTED — Population Policy Unit
DTED — Immigration SA
Industry Skills Boards
TAFE SA

While some of these users have specific needs, the SACES study highlighted a range of common uses and requirements for data, including:

- Information on the expected future demand and supply of labour by occupation, industry and qualification to inform VET allocation, higher education places, immigration, targeting of employment programs.
- Projections of future skill demands (training requirements) by industry, occupation and qualification.
- Detailed profiles of occupations including their prospects, to feed into careers advice products and services.
- Quantification (within a range) of likely imbalances (undersupply and oversupply) to determine 'planning levels'.
- Quantification of occupational turnover; persons not currently working in a particular occupation but with relevant qualifications.
- Information on graduate outcomes including occupation/sector in which they gain employment.
- The ability to include external industry intelligence on sectoral trends in labour market demand and supply.
- Analysis of regional labour market conditions including demand and supply of labour by occupation.
- Capacity to identify target groups for attraction strategies, including migration.
- Historical analysis on the origin of additional employees where an occupation is growing, to assist in interpreting growth forecasts.
- Information on wage rates of occupations.

¹⁸ In this respect, the Planning and Evaluation Directorate can best be described as a 'future' user of the system, as at the time of the SACES study the workforce planning system and the VET resource allocation system were 'incompatible'. This should be resolved through the new planning process.

- Projections provided for both short-term and long-term, given the time taken to adjust on the supply side.
- Capacity in the model to assess 'what if' scenarios by adjusting model parameters, such as retirement rates, turnover rates, participation rates.
- Capacity to model the likely impacts of major projects to 'drive action/planning' for VET, immigration, tertiary sectors.
- Information to determine skill and experience level sought by employers.
- The ability to identify the demand for skills upgrades in an industry sector.

The current workforce planning system has the capacity to meet the majority of these needs, and the planned enhancements (discussed below) will address several more which are currently not possible. Other needs (for example the last two dot points) are best met through direct engagement with industry, e.g. through the development of IWAPs and other industry engagement mechanisms – refer Chapter 4.

Some of the user requirements were outside the scope of the SACES study, but they nevertheless form part of broader ongoing collaborative work between agencies e.g. using consistent workforce projections across government, modelling the impact of major projects and developing a capacity to model different supply and demand scenarios.

The development of the scenarios for Chapter 2 has enhanced the capacity of the system (in terms of new methods and a greater understanding among analysts of critical concepts). While the listed needs are all more or less possible (or envisaged) within the workforce planning system, the question for State Government will be how much resources can be allocated to responding to these needs, and what degree of detail information can usefully and cost effectively be provided to users. Users should be cautioned about the dangers of trying to plan at a too detailed level, and whether their needs are realistic. As discussed elsewhere in this report, detailed workforce planning that is intended to lead to highly job-specific skills is not particularly reliable, and in a dynamic labour market is not really necessary for most occupations and could even lead to future adjustment problems.

Several users indicated a desire to have access to detailed data on *regional* labour market trends. While detailed data on occupations/skills by region is not included in the 'occupation matrix' which underpins the workforce planning system, DFEEST does produce regional profiles (covering demographics, employment, skills) on a regular basis. More detailed regional analysis can be undertaken as part of more in-depth sectoral/regional studies e.g. industry workforce action plans, *South Australia Works* programs and projects.

A number of users commented on the need to incorporate qualitative information, in particular 'industry intelligence' within the workforce planning system, and the need for 'feedback loops' so that information identified by end users can feed back into the planning process. Users are seeking advice on how best to capture, analyse and use this type of data and information. This will be an important part of the development

of the 5 Year Skills and Workforce Development Plan, and is discussed further later in this chapter and in Chapter 4.

In addition to data requirements, users also expressed views on related issues, such as the method of dissemination (e.g. via the internet), the ability for non-analysts to 'interrogate' the data, the desired level of 'automation' within the system and access to advice and interpretation from labour market specialists within DFEEST.

The report from the SACES study presented a number of options for the further development of an integrated planning system, with specific reference to:

- the need for DFEEST to work closely with users to better understand their needs, and to educate them with respect to the strengths and weaknesses (limitations) of the system and the data within it
- the need to incorporate users' views (of trends in the labour market and workplace) into the system. The report specifically comments on the need for greater involvement of the ISBs in the planning process, which will further contribute to 'industry engagement' with the system
- options for further automation within the system (at the data input stage as well as in the development and dissemination of products).

The information from the study will be used to inform the further development of the workforce planning system and the new planning process.

To date, the DDA (or workforce planning system) has been used to produce a range of products to inform policy and program development across State Government, however as highlighted above it is critical that the information be used more effectively, in particular to inform the allocation of public contestable and non-contestable funding for VET - through the proposed new planning process. More effective use of the information available or potentially available in workforce plans will of itself create pressure for necessary improvements in those plans.

There is also significant potential to provide the information in readily accessible formats which are useful to a much broader range of stakeholders - to inform public and private sector decision making by individuals, firms, workforce development agents and education and training providers. This should be done through the Workforce Information Service.

With industry and other key stakeholders having a much greater role in the provision of information to help shape the planning priorities (provided that effective engagement mechanisms can be developed - refer Chapter 4) there should, in turn, be an increased use of the information and outputs by stakeholders.

Greater industry involvement in the planning process will also facilitate a changing culture where industry recognises that competing for a limited labour supply is not a viable long-term solution to a skills shortage and that there is a need to pool knowledge and efforts to ensure adequate future skilled labour supplies. As the

State's key workforce development agents, the nine Industry Skills Boards, together with organisations such as RESA and the DTC, will have a critical role in working with industry to facilitate this change in culture.

The following areas are seen as critical in terms of the more effective use of the workforce planning system:

Development of a transparent planning and policy framework for articulating the Government's priorities for skills and workforce development

As a result of the Skills Reform process and the implementation of the *Skills Strategy*, in the future the allocation of public funds (contestable and non-contestable) will be done on the basis of the 5 Year Skills and Workforce Development Plan and the annual Strategic Purchasing Plan. The plans will articulate the Government's priorities for skills and workforce development. Over time, an increasing proportion of funds will be allocated on a contestable basis, with providers competing for funds in identified priority skill areas.

The 5 Year Plan should clearly articulate the policy principles which should guide resource allocation decisions for publicly funded training and workforce development. The Plan should be based on a more detailed version of the analysis presented in Chapter 2.

The new planning framework is also intended to enhance the integrity of advice going to *Skills Australia*, and to ensure better linkages between Commonwealth and State skills development programs. The Strategic Purchasing Plan should inform the allocation of Commonwealth funding for additional training places for existing workers and job seekers, through the recently announced *Productivity Places Program*. The State Government will need to develop close relations with the Australian Government to ensure that these places are allocated in a way which corresponds with identified State needs (refer Chapter 8).

These developments underscore the need for a workforce planning capability that is able to produce robust information to inform the development of these Plans. The key issues for DFEEST will revolve around the level of detail that should be made available.

Provision of careers advice and labour market information

A number of authors have commented on the 'public good' nature of labour market information. According to Shah and Burke (2003), a lack of reliable labour market information can hamper the speed of market adjustment processes and therefore the duration of shortages or surpluses of labour. They argue that the availability of good quality labour market information to firms, households and education and curriculum providers is essential in an efficient market.

Similarly, Richardson (2007) notes that:

The provision of good intelligence on the state of the labour market is a very effective strategy for assisting normal market mechanisms to resolve shortages more rapidly. The literature identifies many sources of lags in the adjustment process, many of which arise from lack of awareness of both employers and of workers to the areas of emerging skill shortage.

The 2003 Senate Inquiry Report *Bridging the Skills Divide* (Parliament of Australia 2003) stated that industry, individuals, communities and education and training providers all need access to information on current and future skill needs so they can make appropriately informed decisions.

The DDA is being used to develop detailed occupational profiles, including 'job prospects' for South Australia, to feed into careers advice and career development tools. These profiles fill a gap in information which has existed at the State level for many years. The profiles are being combined with other information about jobs and education and training pathways to provide a comprehensive source of information to assist individuals to make study and career choices. This information will be a valuable tool for the proposed network of 17 Career Development Centres across the State (refer Chapter 7).

Information of this kind is being made available through the State Government's Workforce Information Service website. The website also contains a range of other labour market information, including profiles of disadvantaged groups in the labour market, regional profiles and industry profiles. The website should continue to be developed to provide a broad range of information on trends in the labour market and demand for skills, in formats which are useful to the broad range of stakeholders, including employers, individuals, policy makers and program administrators, workforce development agents and education and training providers. This will need to be supported by an adequately resourced analytical service within State Government to ensure that users' needs are being interpreted correctly and to help users apply the information.

In particular, the 5 Year Skills and Workforce Development Plan and the Strategic Purchasing Plan should be disseminated widely to ensure maximum impact on decision making by these groups.

Determination of target occupations for State-based migration schemes

A detailed analytical process for identifying occupations suitable for skilled migration has been jointly developed by DFEEST and DTED. This type of information is critical when trying to match migrants with local employer demand (refer Chapter 6).

Through a joint planning process, DFEEST and DTED analyse a range of labour demand and supply data (including the likely impact of major projects) to

identify occupations which would be suitable for targeting through state-sponsored visa mechanisms. This analysis is undertaken on an annual basis.

The information is used to identify occupations which have significant demand or are currently in shortage, and for which current forms of supply (such as the existing workforce, the unemployed and recent graduates) are not considered to be sufficient to meet this demand. Planning levels are also determined for each occupation. A report currently being prepared for DTED by SACES (examining the key source countries for migration to the State) will be useful in determining whether the planning levels are 'realistic'. See Case Study 6 in Chapter 6.

The Departments should continue to refine the planning process to ensure the most effective use of the occupation lists and to ensure that planning levels are 'realistic'. This is an area where industry engagement can be very effective – for example the ISBs well placed to provide information on the occupations where migration is most needed, and where it is likely to be an effective source of supply in the absence of local solutions.

Recommendation: The Review recommends that TaSC takes a lead role in ensuring the more effective use of the workforce planning system in shaping public and private sector decision making. Priorities will be to:

- develop structured processes for stakeholder engagement regarding broad trends in the demand and supply of skills and the way skills will be used in the future, to feed into the 5 Year Skills and Workforce Development Plan
- ensure that the workforce planning system is used to inform the allocation of public contestable and non-contestable funding for workforce development (including the new Commonwealth places for training), through the Strategic Purchasing Plan
- make available high quality careers and labour market information in formats suitable for a range of stakeholders, to inform individual and collective decision making
- in liaison with DTED, embed planning for skilled migration within the broader workforce planning process.

Enhancements to the Model and Planning Process

As discussed above, a major deficiency with the current workforce planning process is the insufficiency of stakeholder (industry and community) input, in particular the provision of 'qualitative advice' to inform priorities for skills and workforce development. The recent evaluation of the State's ISBs and the recently released *Skills Strategy* both make recommendations regarding 'industry engagement' with the skills and workforce development system in South Australia. A structured process will be put in place to enable TaSC to draw together advice from economic development, social inclusion, regional, community and industry groups. These reforms will result in a much stronger and better defined role for industry in

workforce planning at the enterprise and industry level, and in the provision of advice to TaSC to inform the annual planning process – refer Chapter 4.

At present there is limited involvement by industry in the workforce planning system, apart from a recently established process to engage the ISBs in the ‘validation’ of the output from the system (information on occupational imbalances). It is considered that a more useful role for industry is the provision of advice regarding broad trends in the demand and supply of skills and the way skills will be used in the future. Rather than focusing exclusively on summing each enterprise’s future expected demands for various skills, recent experience in the mining industry is that such surveys should be complemented by firms working together to better understand the conditions that will affect the future supply of skilled labour and how the available supply might be augmented. This assessment of the conditions affecting the supply of skills will then much better inform the consideration of industry’s demands for those skills and how firms are likely to draw on the future pool of skilled labour.

Industry is playing a much greater role in the development of industry specific plans, for example the Wine Industry Employment Strategy and through WDF projects. This type of involvement will be strengthened through the development of the six IWAPs. This process will be a key mechanism to capture industry’s views on the nature and level of specialist skills required by industry and for identifying responses to this demand. In particular, these plans should articulate the priorities for up-skilling the existing workforce. It is critical that these plans be completed as soon as possible.

As discussed above, greater industry involvement in the planning process will also facilitate a changing culture where industry takes a greater role in workforce development – in attracting, retaining and skilling workers, and in job and workplace redesign to meet the changing needs of the workforce. These issues are discussed further in Chapter 4.

In addition to achieving greater industry involvement in the workforce planning process, there are also a number of methodological enhancements that need to be made to the workforce planning system. Many of these have already been identified jointly by agencies (DFEEST and DTED, with input from PIRSA and DTF) and form part of a forward work program for State Government. The Review endorses the proposed enhancements in the forward work program and makes further recommendations for reform – discussed below. The new TaSC and the EDB need to support and guide this important work. In particular, it is important that the EDB’s views on priority industries are fed into the planning process.

The following discussion identifies the priority actions to ensure that the workforce planning system is well placed to inform the 5 Year Skills and Workforce Development Plan:

Presentation of the information

The optimum level of detail for presenting information from the workforce planning system depends upon the length of the forecasting period and the purpose for which the information is being used. The longer the timeframe for the projections, the less likely they are to be accurate. According to Richardson and Tan (2007), the complexity of the economy is such that it is not possible to make accurate projections of future skill needs in any detail, or for more than a few years into the future.

As discussed earlier, they assert that even the best of the forecasting models do only a moderate job of projecting total output and employment for a number of years into the future. Accuracy falls rapidly as the projection horizon extends, as the types of skills become more disaggregated, and as projections are made by region.

Richardson and Tan (2007) also emphasise the dynamic nature of the labour market: - people are constantly changing jobs, learning new skills from their work, moving to new locations, moving in and out of the labour force, and changing the number of hours per week they work. At the same time, firms are being born, growing, dying, declining, altering the size and skill set of their workforce, recruiting strategic new skills, and training some of their existing staff with the additional skills they find they need. In this dynamic labour market many shortages and surpluses usually sort themselves out over time.

Detailed workforce planning is therefore unlikely to be useful for many occupations, and should focus on those specialist skills which are either critical, involve highly specialised training, where there is very good information from employers, and/or where the training involves very long lead times.

For some sectors, such as health – which is subject to ongoing reforms – workforce planning needs to respond to changing service delivery models and demand for services. Within this environment it is necessary to undertake workforce planning at a detailed level. Because of the nature of the health sector (which has access to detailed and accurate data about its workforce and its service delivery) this detailed planning is much easier to do here than in most other sectors. In health these structural reforms affecting delivery models also provides the opportunity to explore issues such as job redesign in some detail. An immediate challenge arises because under the new *Productivity Places Program* the Australian Government has allocated 50,000 places to the health sector. The Australian Health Ministers' Advisory Committee is now engaging directly with DEEWR regarding the potential for these VET places to help address the critical workforce issues faced by the sector. This information is also feeding into the State planning process – through the framework described in Chapter 8.

The Monash employment forecasts used by DFEEST as part of the workforce planning system extend eight years out from the base year, but year on year

estimates are provided. This allows the user to select the time period most suitable for the required use. Longer range forecasts are most appropriate for identifying general trends in the labour market, and the demand for broad types of disciplines and level of skills. While the Strategic Purchasing Plan may need to be annually updated to reflect changing circumstances, fundamentally it needs to be set against the longer time frame of the 5 Year Skills and Workforce Development Plan. The provision of careers advice and migration targeting should equally take a medium term view and should not aim at too much precision, which will only raise unrealistic expectations about what can be achieved by workforce planning.

The level of detail at which the data is presented will also vary depending on the intended use. The workforce planning system uses detailed occupations (4 digit ASCO) as the basic 'building block' - this enables the data to be aggregated to higher levels for data presentation.

Given the extent to which people move between occupations and the growing importance of more general groups of skills, it is generally only necessary to present data at relatively high levels of aggregation for planning purposes. Depending on the purpose, for example the 5 Year Skills and Workforce Development Plan, this might be the ASCO skill group level (which comprises five levels) or the broad ASCED qualification level (seven levels). The analysis in Chapter 2 is presented using these classifications.

For planning purposes it is important to use standard classifications such as ASCO and ASCED, which are used widely by the ABS and other organisations to collect and report data and for which there are accepted concordances. These classifications also allow for data to be aggregated or disaggregated, depending on the intended use.

When referring to the demand and supply of skills it is important to realise that 'skills' is a very difficult concept to pin down and measure (Lowry *et al.* 2006). In Chapter 2 occupations and qualifications are used as proxies for skills - as there is no recognised classification of skills in use in Australia.

Lowry et al find that the demand for interactive and cognitive skills will grow in the foreseeable future and the demand for motor skills is likely to fall. This suggests that generic training will better reflect the practical realities of the workplace. This is important to bear in mind when developing the Purchasing Plan for publicly funded training.

Estimating the demand for training and qualifications

As discussed in Chapter 2, it is important to realise that not all of the job openings that will arise over the next decade will result in a need for formal education and training. Hence, the planning system needs to incorporate mechanisms to convert employment growth forecasts into demand for education and training.

According to Richardson and Tan, it is a misunderstanding of how the labour market adjusts to think that there is a direct, one-to-one relation between an expansion in output, the associated increase in skills needed to produce that extra output, and a requirement for the education and training system to provide those extra skills.

Indeed, they assert that there is only a loose match between the qualifications that people have and the jobs they do. Many people have qualifications they do not utilise in their current job. Many also work in jobs for which they have no formal qualification. So it is important to appreciate that the education and training sector does not need to attempt to identify every future skill vacancy and then train someone to fill it.

Notwithstanding this observed weak link between qualifications and occupations, it is argued in this Review that a closer match between qualifications and the use of those qualifications within the economy can increase efficiency and productivity. In a world of rapidly changing technologies the emphasis in future will need to be on not only the supply of skills, but also making sure that those skills are used to their full extent.

A critical point that Richardson and Tan make is that new graduates play only one part in filling job vacancies. Other sources of supply include people who learn the required skills on the job and people who already have the required skills, but who are working in other jobs, are out of the labour force or are unemployed, or are migrants.

DFEEST is working with the Centre for the Economics of Education and Training (CEET) at Monash University to develop a methodology to estimate the demand for training/qualifications resulting from occupational job openings. This involves making estimates about the proportion of job openings for different types of skills that require a training response (and the nature and level of that response). This is a work in progress but will be greatly informed by the work involved in developing the scenarios for Chapter 2.

The analysis of 'new jobs' ignores the demand for training arising from the need to up-skill existing workers. The planning system also needs to factor this in, in order to quantify the total 'demand for training'. The training and retraining needs of persons already employed in an occupation are not captured in forecasting models, but are an important element of workforce planning. The CEET methodology also incorporates measures of the demand for up-skilling of existing workers, and skills deepening within occupations (the shift in demand for higher level qualifications).

This information on the quantum of demand for training can then be considered against the potential supply sources. Often this comparison results in estimates of

the likely future 'gap' between demand and supply. But these estimates are inevitably imprecise and it will usually be better to focus on *trends* in demand and supply and what are the key factors influencing those trends. This trend analysis can then enable the 'training response' to be developed, and if quantitative estimates are required their sensitivity to the factors influencing demand and supply will be better understood. For example, forecasts of future training demands can then allow for the influence on the forecasts of changes in how individuals' current competencies are recognised, or for changes in the requirement to provide 'full qualifications' as opposed to 'skills sets' to meet employer and individual needs.

DFEEST needs to treat this work as a priority and needs to develop a mechanism to incorporate the relevant aspects of the CEET methodology into the existing planning system. DFEEST also needs to develop policy principles that underpin the public funding of skills development. It is important to bear in mind that the workforce planning system needs to be able to project demand across all occupational groups so that the Strategic Purchasing Plan can articulate what will be purchased with public funds.

Incorporating unpublished data and information

As discussed elsewhere in the report, in addition to the published data on labour market trends and forecasts, the system also needs to incorporate information gathered from other sources – in particular from detailed industry studies, firm surveys and local intelligence provided by stakeholders such as ISBs and ESNs. Qualitative and quantitative survey information gathered from such sources can provide early indications of changes in the demand for types of jobs, skills and training.

The proposed process for workforce planning will mean that the economy wide information from the workforce planning system will be supplemented with detailed information about key sectors.

Currently there is no agreed approach to incorporating 'external' qualitative and quantitative data and information into the planning process. The new TaSC will need to agree with industry bodies as to how this can better be done in a more structured way.

Estimating the workforce impact of major projects

As discussed in Chapter 2, economic forecasting models such as the Monash model will not, at any given point in time, capture all the potential demand impacts at a State level. For this reason it is necessary to develop an agreed methodology to estimate the workforce impact of major projects, to inform the workforce planning system.

A report prepared by the Australian Institute for Social Research (AISR) for the State's ISBs (funded through the WDF) in 2007 attempted to identify all major

projects under consideration or committed in South Australia (by region and industry) and to quantify the likely workforce impacts – by consulting with project proponents and through the use of input-output modelling.

The report recommended that the State Government develop a process to systematically identify the likely workforce impacts of major projects over time, to feed into skills and workforce planning. In line with this recommendation, DTED has recently engaged Access Economics to develop a capacity to model the economic and employment impacts of major projects, under a number of different scenarios. DTED will be provided with details of the approach, the modelling results and analysis of the results. Once developed, this tool will allow economic analysts within State Government to regularly assess major project employment impacts, which can ‘feed into’ the planning system.

This tool (unlike the method used in Chapter 2) uses a Computable General Equilibrium (CGE) modelling approach, so that the impact of major projects on other sectors of the economy are taken into account. This will be important information for the ISB cluster projects – refer Chapter 4.

Tracking the accuracy of the forecasts

A major limitation with existing labour market forecasting models is the lack of assessment of the accuracy, over time, of the outputs of the model¹⁹. This analysis can (and should - in the absence of formal regular evaluations) be undertaken by users of the model, to ensure the ‘robustness’ of the information feeding into the workforce planning system and to ensure that value for money is being achieved.

There is also a need to develop a capability to ‘track’ the accuracy of the workforce planning system itself – to check whether the forecast trends in demand and supply actually occur, and if not why not. Such a capacity is not part of the current system, hence consideration needs to be given to how a tracking capability can be developed, and what standards should reasonably be set regarding the accuracy to be achieved for different forecasts.

Systems will also need to be established to monitor the effectiveness of the Strategic Purchasing Plan in informing public and private sector decision making regarding the allocation of skills and workforce development resources.

¹⁹ The leading model in Australia (Monash) has only been ‘assessed’ once - as a ‘one off’ - and the Monash forecasters have raised legitimate concerns regarding the method used to assess its output – refer Meagher 2007.

Recommendation: To further improve South Australia's workforce planning system, a number of enhancements are recommended:

- the presentation of data for planning purposes should be at relatively high levels of aggregation. More detailed workforce planning should focus only on those specialist skills which are critical, which involve specialised training and where there is good information from employers
- the methodology for estimating the demand for training and qualifications among job seekers and existing workers should be further refined, based on the methods used to develop the Review scenarios
- an agreed approach should be developed for incorporating 'external' qualitative and quantitative data and information into the planning process
- DFEEST and DTED should continue to develop a capacity to model the economic and employment impacts of major projects
- a capability should be established to track the accuracy of workforce plans and training needs, in order to better understand what can be expected from these projections and what are their principal drivers and sensitivities.

KPI/Performance assessment:

- the value of the workforce planning system will be determined by how effectively it is used and how well it is tracking against actual trends in the labour market. TaSC should brief the EDB on how the workforce planning system is being further developed and how it is being used to inform the allocation of resources.

Continuous Improvement

The Workforce Development Strategy (WDS) for South Australia highlights the importance of research in helping to shape workforce planning approaches - which in turn inform workforce development policy and practice. The strategy states that 'excellence in workforce development policy and practice must be underpinned by a strong research base and collaboration between partners' (Government of South Australia 2005).

The WDS makes a commitment to:

- position South Australia as a nationally recognised research hub in the area of workforce development
- develop collaborative working arrangements between State Government and research institutions to exchange skills and knowledge about workforce development issues.

Since the release of the WDS a significant amount of work has occurred in this area and research findings have been applied to policy and practice in a range of areas including: workforce planning tools and processes, use of economic forecasting models, quantifying the demand for training, fostering high performance work practices, increasing workforce participation and promoting work life balance. This work has occurred through a number of collaborative arrangements between State

Government and research organisations, including the three public universities in South Australia, Monash University and the National Centre for Vocational Education Research (NCVER). To ensure that South Australia maintains its strength in this area these research links should continue to be developed.

Given the quantum and scope of research which is occurring in this area funded and/or coordinated by State Government, the Review supports the work being led by DFEST to develop a Workforce Development Research Agenda. The outputs of commissioned research should directly inform policy and program development.

Chapter 4

Strengthening Engagement with Industry

Overview

This chapter describes current arrangements for engaging with industry, notes improvements that are underway and suggests further refinements:

Key points:

- Effective engagement with employers by government and training organisations is key to understanding and responding to current and future needs of industry
- Industry engagement is a two-way process. It must also provide a mechanism to encourage and assist employers to adopt improved practices in relation to recruitment, retention and development of their workforce
- TaSC and nine ISBs have been established by the South Australian Government as the primary vehicles for industry engagement in South Australia. More recently, complementary bodies have been facilitated in the Defence and Resources sectors
- To ensure high levels of efficiency and effectiveness, government agencies, intermediaries, training organisations and other stakeholders need to be interconnected through a clearly defined and understood framework
- The basis for this framework is being put in place, involving new responsibilities for TaSC as the peak source of skills advice, the preparation of the 5 Year Skills and Workforce Plan, and the associated arrangements for closer relationships between TaSC and industry bodies. This framework should improve future coordination and provide the necessary leadership. The Review proposes further refinements, including a higher level of engagement between TaSC, the EDB and the SIB
- Complementary IWAPs are underway in key sectors. These are critical to a better understanding of the current and future workforce requirements for these sectors and developing strategic responses. They need to be progressed urgently and integrated into the 5 Year Skills and Workforce Development Plan
- While engagement with industry is a high priority for TAFE SA, only 4 per cent of external revenues are derived from private sector employers. Establishment of a target for TAFE SA revenues from private sector employers is proposed as means of driving a more industry-oriented culture within TAFE SA and the development of a product/service offering that is valued and purchased by employers.

Introduction

It is evident from recent policy announcements that Australia is moving more towards an industry-led training system, with a shift 'from a system driven by the needs of providers, towards a system that responds to the needs of industry and the economy' (Australian Government 2008). Similarly, in the *Skills Strategy*, it is argued that 'the skills needs of industry, employers and individuals are successfully translated into high quality, outcomes-focussed, flexible and responsive training solutions' (Government of South Australia 2008a: 4).

This chapter will focus on the coordination of the various inter-relationships between government and industry in ensuring the identification of skills in demand, which should improve the match between industry's demand for skills, and the delivery of those skills by education and training providers and industry. It will also make recommendations about how the institutional arrangements for workforce development can engage better with industry, regions, community and government. This will require clarity of roles and responsibilities, in particular the role of ISBs in supporting TaSC in identifying the priorities and strategies for skills and workforce development.

The government needs to promote industry engagement in the skills and workforce development system for two key reasons. Firstly, it is essential to have a mechanism by which employers and industry associations can feed their views into the workforce planning process. Secondly, there is a role for individual organisations (such as ISBs) in brokering and fostering workforce development initiatives.

Beyond these specific issues requiring closer links between government and industry there is a more general need to recognise that an industry-led workforce development and skills system also imposes certain obligations on industry as well as on the government. Government engagement with industry needs to be matched by the development of a different industry culture that accepts an obligation by industry to contribute to the training and employment outcomes required to satisfy its future demands for skilled labour.

The increased role for industry is based on the understanding that government cannot and should not address skills and workforce development issues on its own. Public policies can be developed to deal with skills deficiencies, the quality of the training can be ensured, and incentives for employers can be offered to increase the levels of qualification and skills of their workers. But the implementation of these policies relies principally on industry. By encouraging a workforce development and training culture within enterprises, industry itself contributes to meeting its future demands for skilled labour and in turn, growth. What is required, then, is for government to engage with industry in a conversation about mutual responsibility.

In addition, research suggests that the most positive skills and employment outcomes occur when the training is closely targeted to the needs of industry or local employers (Martin 1998; SACES 2008). To build enterprise and industry commitment

to up-skilling the existing workforce, and training new entrants, employers must be highly engaged in the process. Employers will need to determine their own skill needs, having regard to how those skills will be used so that they can be developed accordingly. Industry can then engage more productively with high quality training providers on an ongoing basis.

Unfortunately at present too often industry is not accepting its responsibility for workforce development. As Robinson (2007: 83) has outlined, some of the ways in which workplace practices unintentionally exacerbate skill shortages and why industry must address them are:

- A 'just-in-time' approach to skilling, where employers prefer to recruit people who have been trained by somebody else. While this approach may work for low-skill jobs when labour is in excess supply, it doesn't work for higher skilled jobs in the current labour market.
- A reluctance to invest in training, fearing it will make employees more mobile or lead to demands for higher wages. Employers who lose staff, have an ill-equipped workforce, or who attempt to recruit staff trained by others in the belief that it is a cost-saving strategy, are finding out how expensive and difficult this can be.
- A preference to seek new skills in younger people without investing in older workers. The organisation that adjusts now, targeting people in their mid-40s to late 50s will fare better as the population ages by giving themselves the widest possible talent pool to draw from.
- Calling for increases in the number of skilled migrants. Although a successful strategy in the past, it is expected this will have only a marginal impact because of a global shortage of high-level skills and the costs associated with retraining.
- A desire to have more on-the-job training or short periods of training to minimise time spent away from work.
- A reluctance to build in training as an on-going priority, preferring to treat training as a low priority that 'fits in' around other workplace demands. Strategies that fail to build in training as an on-going priority are unlikely to succeed in contexts where complex skills are required.

Fortunately peak bodies such as the Australian Industry Group, the Business Council of Australia (BCA) and the Australian Chamber of Commerce and Industry (ACCI), of which Business SA is a member, now appreciate the importance of addressing the future development and use of skills, as evidenced by recent publications and statements.²⁰

²⁰See for example, Australian Industry Group, *Skilling the Existing Workforce Consultations Outcomes Report 2008*; Australian Chamber of Commerce and Industry: *Skills for a Nation: A Blueprint for Improving Education and Training 2007-2017*; Business Council of Australia: *Engaging our Potential: A Checklist to Reduce Barriers to Workforce Participation 2008*.

Another particular emphasis in this chapter is on the relationship between TaSC, the EDB and the SIB - how they (will) work together, what will the points of engagement be and to what end.

In order to understand the purpose and role that government advisory bodies are playing in skills and workforce development it is first necessary to describe the existing mechanisms for industry engagement in South Australia. It is then possible to suggest what government and industry can reasonably expect from the relationship, how industry has responded so far and what changes need to be made to strengthen the engagement.

Current Mechanisms for Industry Engagement

In general, industry - enterprises, employer organisations and other peak bodies - influence priorities for expenditure and use of government resources through advocacy, but there are several mechanisms in place for government to seek a structured engagement with industry in the planning and coordination of skills and workforce development. These include:

- TaSC
- the nine ISBs and complementary bodies (i.e. the DTC and RESA)
- associated ISB cluster projects and industry involvement in the development of IWAPs
- the regionally ESFNs
- departmental and Ministerial mechanisms for industry engagement that involve workforce development (e.g. RDBs, the Premier's Food Council and PIRSA's large number of industry development groups, many of which have a workforce development focus)
- direct engagement by enterprises and industry groups with RTOs and TAFE SA through a range of formal and informal mechanisms.

As noted earlier, engagement between government and industry is occurring - for many reasons and at many levels. For example, ISBs and the three TAFE Institutes, through campus and program processes, are engaging with enterprises and industry associations around skills and are beginning to consider broader workforce development needs. What has been missing is:

- a formal and unifying rationale and framework for undertaking the engagement with industry around its skills and workforce needs
- leadership that has the authority to drive the strategy for skills and workforce development
- possibly insufficient resourcing for formal industry engagement processes.

Training and Skills Commission

TaSC was established under the *Training and Skills Development Act 2003*, to assist the Minister in identifying strategies and priorities to meet the State's current and future work skills needs through education, training and skills development, to regulate the

vocational education and training system and provide quality assurance in relation to higher education (excluding Universities).²¹

This Act included a role for TaSC in consulting with a specific range of organisations:

The Commission must, for the purposes of assisting, advising and making recommendations to the Minister on the Minister's functions as the State Training Agency, and generally to the extent practicable, consult with –

(a) industry and commerce, including industry training advisory bodies and associations and organisations established by or representing industry and commerce; and

(b) associations and organisations representing employees; and

*(c) relevant government and community bodies.*²²

Recently the landscape for skills and workforce development has undergone substantial changes, with the 2007 review of the Training and Skills Development Act. This review was triggered by the need to review the regulatory role of TaSC and also provided a timely opportunity to review how TaSC could be more effective in providing high level strategic advice to government in relation to skills and workforce development. It was generally acknowledged that TaSC had not gained traction in implementing its workforce planning and development strategy (Government of South Australia 2005) and had not been effective in providing independent leadership and strategic advice.

The outcomes from the review have been incorporated into the new *Training and Skills Development Bill 2008*, which at the time of writing, is before Parliament. This Bill formalises the responsibility of the Minister to establish priorities and develop strategies to meet the State's current and future workforce needs and strengthens the role of TaSC as the key coordinating agency in providing more strategically focussed advice on these priorities and strategies. The Bill also continues the requirement that TaSC consult with industry, regional and community groups, employee and employer associations and includes for the first time a requirement to consult with providers. Most importantly the Bill strengthens the role of TaSC in the development of workforce planning and development strategies.

The review of the Act and the drafting of the Bill coincided with the election of the new Australian Government with its policy commitments to a stronger demand-driven and industry-led skills system, including the establishment of a statutory body Skills Australia, and the provision of substantial additional funds for skills development.

At the same time the South Australian Government had just completed an evaluation of the nine ISBs. ISBs are described in more detail in the next section. The ISB evaluation called for improved and formal linkages between TaSC and each of the ISBs, and the ISBs collectively.

²¹ *Training and Skills Development Act 2003*, s. 1(3)(a)

²² *Training and Skills Development Act 2003*, s. 2(2)(10)(6)

Although TaSC had a legislative responsibility to consult with industry under the 2003 Act, and did so through its membership and reference groups and by undertaking specific focused research that involved industry and regions, there were no formal consultation mechanisms with the nine ISBs, DTC and RESA and the regional ESFNs. As discussed below, these bodies all have a significant role in identifying priorities and determining and developing workforce development strategies and programs for industry around the State.

Industry Skills Boards

In the 2003 Ministerial Inquiry into skills, Schofield reported that, 'the Government's role is to ensure a world-class education and training system and to facilitate collective action by industry to solve systemic skill shortages where they exist on an industry-by-industry basis (Government of South Australia 2003: 8). The ISBs were subsequently established in 2005. Each ISB is incorporated under the Associations and Incorporations Act and each has a Board. The membership of the boards is bi-partite, with union and employer representation and includes the key associations and industry representatives for each sector. They were established as a key mechanism to gather industry intelligence on skills and workforce development matters to ensure that the supply of skills better matches demand. The *Training and Skills Development Bill 2008*, the *Skills Strategy* (South Australian Government 2008a: 10) and the Commonwealth *Skilling Australia for the future* policy suggest a stronger future role for industry skills bodies in determining industry priorities and workforce development strategies, at the State and national level.

The nine ISBs are:

- Business Services Industry Skills Board SA Inc
- Construction Industry Training Board²³
- Electrical, Electro-technology, Energy and Water Skills Board Inc
- Food, Tourism and Hospitality Industry Skills Advisory Council Inc
- Manufacturing Industry Skills Advisory Council SA Inc
- Primary Industries Skills Council SA Inc
- SA Health and Community Services Board Inc
- Services Skills Industry Alliance Inc
- Transport and Distribution Training SA Inc

Funded by DFEEST, the ISBs receive modest core funding of \$140,000 per annum. In addition, the WDF makes funds available to ISBs (with matching funding/in kind support from industry) to develop projects. For more detail on each ISB see Appendix C.

The evaluation of the ISBs, undertaken in 2007, reported that the broad functions of the ISBs have been implemented (Lizard Drinking 2007). These functions include

²³ This is a statutory board established under the Construction Industry Training Fund Act - the CITB assumes the roles of an ISB in addition to its statutory functions.

establishing themselves and as a first step, preparing a business plan and an action plan. The most significant change to the original intent was to remove the early development of industry specific workforce plans. It was agreed by both DFEEST and the ISBs at the time that, 'without considerable resources and planning tools this would be an impossible task and one which could compromise the achievements of tangible, practical actions with industry' (ibid: 23).

The current three-year funding deed will finish on 30 June 2008, and new KPIs are currently being negotiated and will form part of the new funding deed.

The current KPIs reflect State and Commonwealth agendas and are consistent across ISBs. They are:

- industry specific workforce planning
- the development and implementation of a communication strategy to educate industries and enterprises on the importance of integrating skill development and business development
- demonstrated involvement with training package(s) and/or qualification development and review
- provision of timely advice on industrial arrangements for traineeships and apprenticeships to facilitate implementation of training packages
- provision of timely advice on the creation/abolition of occupations as either trade, declared vocation or other as required.

Individual ISBs have additional KPIs that are negotiated individually with DFEEST. The level and quality of advice on industry skills and workforce needs provided by ISBs varies. DFEEST has recognised the need to bring greater consistency and rigour into the information gathering process to ensure that input from ISBs is more readily integrated into planning processes in the future. However this integration is unlikely without close relations and better feedback from TaSC.

In addition to the individual ISBs, three ISB clusters comprising a number of relevant ISBs were established to examine the workforce development requirements of the Defence, Mining and Community Infrastructure sectors. These clusters are funded through the WDF although funding arrangements, stakeholders and objectives differ for each cluster project.

Complementary Bodies

In response to the recognised need for skills to support high priority projects, industry-led organisations such as the Resources and Energy Skills Alliance (RESA) and the Defence Teaming Centre (DTC) have been supported by the South Australian Government to plan and coordinate workforce development within their sectors.

RESA was established as an initiative within the 2006 *Skills Statement* (Government of South Australia 2006). The funds for RESA and the funding deed are administered by DFEEST (\$3.3m over four years or \$866,000 per annum) to undertake planning and

industry engagement functions as well as seeding the development of programs. RESA acts as a broker, coordinator and facilitator with employers, industry associations, government agencies, schools, TAFE SA, universities and other training providers.

The DTC, a membership-based peak body for the Defence industry, undertakes a similar role for its sector. The DTC is funded by Defence SA and has been in existence for more than ten years. While the primary objective of the DTC is to assist Defence companies, especially SMEs, to become more competitive, it has become increasingly active in workforce development – reflecting the strategic importance of workforce in the defence industry.

Like RESA, DTC acts as a broker, coordinator and facilitator with employers, industry associations, government agencies and education and training providers. DTC has received project funds from DFEEST to assist in the delivery of the skills component of their strategy and is one of the partners in the Defence cluster project.

As with ISBs, the role undertaken by both RESA and DTC is intended to complement the workforce planning undertaken by DFEEST.

Regional Employment and Skills Formation Networks

The *South Australia Works in the Regions* program operates through 17 regional networks (ESFNs). They comprise representatives from the local community, business, regional economic bodies and Commonwealth, State and Local Governments and are supported by nine Regional Coordinators employed by DFEEST.

ESFNs have been established to:

- consult with the local community on employment and skill formation issues
- develop partnerships which ensure that all the expertise and resources available in the region are used
- develop regional Employment and Skills Formation Plans that address the local training and employment needs of individuals and employers. These plans will be a critical input to the 5 Year Skills and Workforce Development Plan.

The Skills Strategy for South Australia

Late in 2006, the State Government initiated an extensive Skills Reform process to reform VET and TAFE in South Australia. A Skills Reform Reference Group was established to recommend priorities for reform to ensure that the returns from the State's investment in VET are maximised and to meet the challenges presented by the growth in demand for skilled labour. The Skills Reform project followed on from the base established by the Kirby Report in 2002, the Ministerial Inquiry in 2003 (the Schofield Report) and the Positioning TAFE project of 2004-05.

Key elements of the resultant agreed reform package include:

- TaSC to be the peak advisory body on skills issues, providing direct advice to the Minister for Employment, Training and Further Education on the State's skills and training needs
- TaSC will produce a 5 Year Skills and Workforce Development Plan that is updated annually and is publicly available
- DFEEST will prepare and publish an annual Strategic Purchasing Plan that articulates State Government training expenditure intentions for both private and public training providers
- an increased level of funding to be made available on a contestable basis
- clear articulation of the roles of purchaser and provider of training services
- DFEEST accountable to the DTF on the basis of an agreed net financial outcome
- a 10 per cent reduction in the unit cost of publicly funded training by 2012
- the establishment of a TAFE SA Network, with devolved responsibility and accountability, supported by an integrated support service
- the introduction of a 'lead Institute model' for TAFE SA - specialist centres will be established to provide a single point of entry for industry and an educational focal point for TAFE SA
- better use of infrastructure and an integrated focus on e-learning within TAFE SA
- TAFE SA will develop its workforce to nurture and embrace partnerships with industry sectors, and to promote innovation and entrepreneurship.
- a target of 25 per cent of training delivery conducted in the workplace by 2012.

The *Skills Strategy* should lead to a major improvement in the responsiveness, flexibility and effectiveness of the VET system in South Australia. The reforms enhance the standing and responsibilities of TaSC and represent an important step towards improving and better coordinating engagement with industry in the provision of skills. A three year staged implementation plan has been developed for the Strategy.

Institutional Architecture for Industry Engagement and Workforce Planning

The diagram overleaf highlights the vital role that TaSC and ISBs will play in industry engagement and workforce planning.

The *Skills Strategy* provides a practical mechanism for TaSC to make its recommendations to the Minister, through the 5 Year Skills and Workforce Development Plan. The 5 Year Plan will outline the priorities and strategies for skills and workforce development across the South Australian economy.

As shown in the diagram, TaSC will develop the 5 Year Skills and Workforce Development Plan, which will be developed with input and advice from ISBs, the EDB and SIB, from government agencies and community groups.

The Government's response to the plan will be articulated in the Strategic Purchasing Plan. This plan will be the basis for the future allocation of publicly funded

contestable and non-contestable funds for vocational education and training. As mentioned earlier, the *Skills Strategy* will require an increased proportion of funds to be allocated on a contestable basis. This, in turn, will require an enhanced purchasing capacity within DFEEST – refer Chapter 8.

These new arrangements will require TaSC as the key coordinating agency to formally establish closer, more direct and more effective links with industry through the ISBs and other bodies. These more formal links should clarify the roles and relationships of these various groups and how they contribute individually and collectively to economic and social development of the State through the development of the State's workforce.

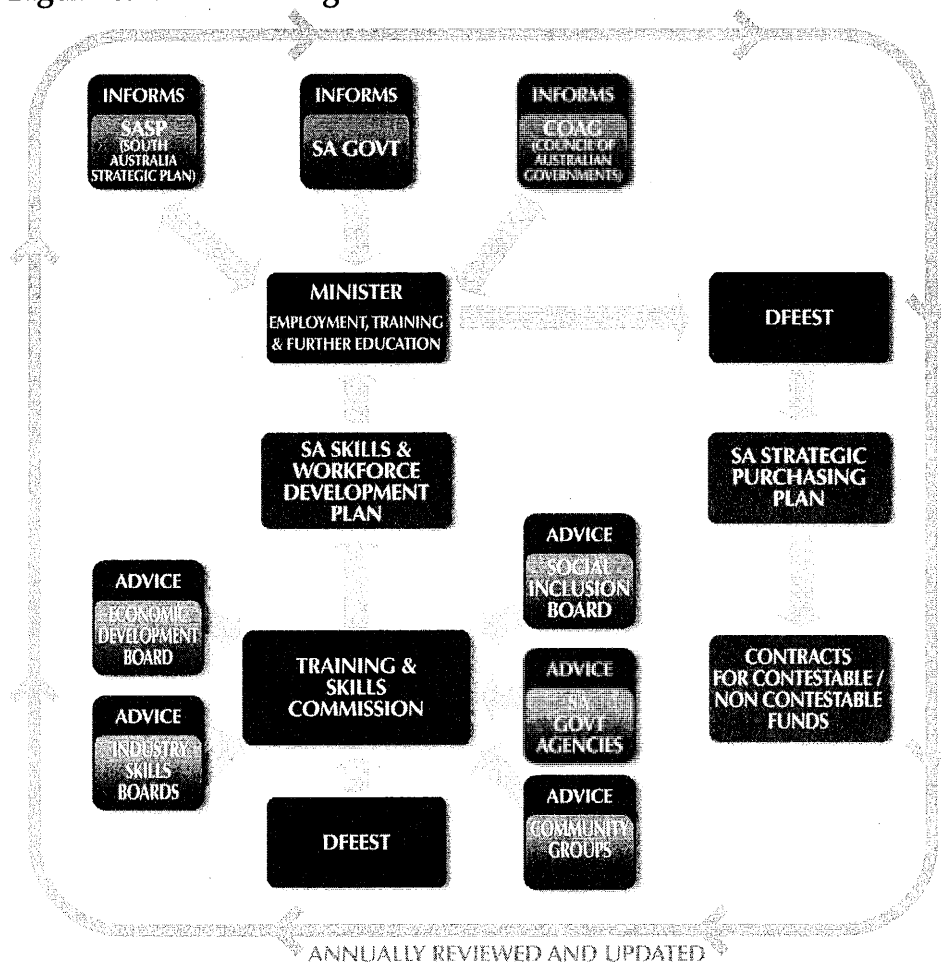
Development of the 5 Year Plan will include a formal relationship with the Government's peak advisory bodies on economic and social development (the EDB the SIB), and a structured process for consultation and closer engagement with bodies such as the ISBs, RDBs, Government agencies and other key stakeholders. This will ensure TaSC is able to provide independent and authoritative advice to Government based on advice and intelligence from industry.

It is expected that TaSC will engage with various stakeholders as prescribed in the Training and Skills Development Act to formulate policy directions and priorities. The effectiveness of TaSC's stakeholder engagement in this way will be dependent on the proposed formal arrangements for incorporating the views of industry representatives (including ISBs) and providing feedback. To formalise the relationship between TaSC and the EDB, the EDB should be represented on TaSC and TaSC should provide regular briefings to the EDB on the outlook for skills and workforce development.

Recommendation: To ensure that the views of industry feed into policy directions and priorities for skills and workforce development, it is recommended that the EDB be represented on TaSC, and that TaSC provides regular briefings to the EDB on the outlook for skills and workforce development. In particular, it will be important that the EDB's views on priority industries are fed into the planning process.

It will also be critical that the views of industry feed into the development of the South Australian approach to the implementation of the new Commonwealth *Productivity Places Program*. For an illustration of the new planning framework see Figure 6.

Figure 6: The Planning Framework



Source: Government of South Australia (2008a) *A Skills Strategy for South Australia's Future*

To take full advantage of the Commonwealth's new *Productivity Places Program*, the 5 Year Skills and Workforce Development Plan developed by TaSC needs to reflect the overall workforce and training priorities for South Australia. Accordingly it needs to be formulated with significant input from industry and community organisations. This is discussed in Chapter 8.

Further Strengthening of Industry Engagement

Improving effectiveness of ISBs

The evaluation of the ISBs in 2007 found that although the ISBs had made some significant achievements in creating a solid foundation to engage with industry on the workforce development agenda, four areas for improvement were identified:

- sustained engagement with industry in providing strategic advice to government
- improved engagement with TaSC
- a refined and more integrated role in working with the Workforce Development Directorate (WDD)
- an enhanced ability to broker and implement workforce development programs funded through the WDF and other appropriate funding sources.

The evaluation noted that to improve these areas it would require:

- greater clarity of roles played, and interfaces between, the various agencies and organisations participating in workforce development and planning for the State
- the application of additional resources, in particular an increase in annual funding to \$200,000 per annum and a five-year funding agreement.

There is understandable variation across all nine ISBs in terms of the outcomes achieved and their level of industry engagement. For example, some have strong links to the Australian Government's ISCs, while others have none. DFEEST's internal analysis of the relative performance of the ISBs identifies the following key factors as influencing the outcomes achieved by the ISBs to date:

- different industry priorities
- relative strengths of industry networks
- individually negotiated KPIs
- industry advice focus versus project activity focus.

To some extent it is easier for industries dominated by larger companies (e.g. mining) to organise themselves and identify training priorities, than it is for industries dominated by SMEs. However it is probably the latter group which most needs this form of representation.

The new skills environment reinforces the importance of ISBs. As key bipartite agencies covering most industries across the economy, the nine ISBs (together with RESA and DTC) should provide vital nodal points for joint actions within industry. Maintaining their differentiation from providers of training and employment services, the ISBs should be able to broker collaborative activities bringing together enterprises and service providers to engage in workforce development actions on an industry, inter-sectoral and enterprise basis. The ISBs will also have a critical role in feeding in intelligence regarding industry trends and the factors influencing future demand and supply of skills to the proposed planning process.

Use of the ISBs, RESA and DTC as auspices for workforce development initiatives provides consistent avenues for industry participation and can be used to establish common expectations of the contributions of industry and government in workforce development.

Relationship with Government

A difficult issue for both government and industry that has affected their relationship is the degree to which government can reasonably task industry bodies, while those bodies are also meant to be independent so that they can properly reflect the voice of industry. A fundamental principle is that if the government pays then it is reasonable that it has some authority to set priorities. At the same time, the government should welcome the frank and fearless advice of industry, and while the executives of the ISBs may be largely paid by government, they should be chosen by their ISB and convey the views of that ISB.

A second difficulty is that there is sometimes a degree of naivety by both government and industry as to what they can expect of each other. On the one hand, too often industry looks to government to fix problems, which to an important extent are of industry's own making. Thus shortages of skilled labour can reflect the preference of firms to attract labour from each other and their failure to provide sufficient training. On the other hand, government tends to assume that industry is an all-knowing institution from which it is possible to obtain a consolidated view about future developments. Instead, Government needs to consider more carefully what advice it can most usefully obtain and then ask the right questions.

In future, rather than seeking to aggregate each firm's skills requirements in order to estimate 'skill gaps', government should promote a consideration of trends in demand and supply for skills in different sectors and the conditions affecting those trends. For example, this approach has been applied in the mining industry by RESA to consider first how the supply of skills can best be augmented and then what demands different firms will want to make on that supply. An advantage of this approach is that it can lead to a reconsideration of what skills are really needed, and the possibilities for job redesign so that, for example, professional skills are used more effectively by being supported by increased use of associate professionals.

A third major stakeholder concern is an alleged lack of coordination in the government's relations with industry. The Review acknowledges this concern, but argues that it is important to consider how much coordination is appropriate. Coordination inevitably involves a loss of freedom for those who are coordinated and consequently risks a loss of individual initiative. The aim is to strike the right balance between coordination and individual autonomy and initiative. The Review has concluded the desired coordination will largely be addressed through the new workforce planning arrangements and institutional architecture discussed earlier. In addition, there is also the issue of coordination within government itself as regards its dealings with industry. The Review considers that DFEEST is necessarily the lead agency responsible for ensuring the availability of skills. Other agencies will have a legitimate interest but they should work with and through DFEEST.

Consultations undertaken for this Review reinforced that some clarity was required around the roles of the key participants in the workforce development process. It has been suggested that the ISBs need to have clear communication protocols and channels established and a means of determining priorities in an environment where they have limited resources and a multitude of demands placed on them by government agencies and industry.

A potential solution to make requests from Government more efficient would be to introduce an account management model, i.e. the Executive Officer of each ISB has one primary contact within DFEEST who manages all aspects of the relationship. Where necessary, the Account Manager would have a facilitation role in ensuring the ISB is referred to the right department or person and responded to in a timely

manner, and that repetitive requests are not made. This model is in keeping with common account management practice in the private sector and would streamline the connection between ISBs and relevant parts of government that are involved in regional, industry and workforce development. The Review suggests that DFEEST consider this proposal.

Priority Functions for ISBs

After consideration of the feedback received during consultations undertaken for this Review, the Review suggests the Government should task the ISBs (and RESA and DTC) to give priority to:

- sector specific workforce development planning and the provision of workforce development advice regarding broad trends in the demand and supply of skills and the way skills will be used in the future to drive the implementation of the 5 Year Plan developed by TaSC, and
- the development and delivery of skills and workforce development strategies, in accordance with the 5 Year Plan. This includes brokerage of industry skills and workforce development initiatives and delivery of training and other workforce development programs with RTOs and other provider agencies in accordance with the purchasing plan, on a fee for service basis.

Recommendation: It is recommended that the two key functions of the ISBs (and RESA and DTC), that are financed by the government, should be:

- sector specific workforce development planning and the provision of workforce development advice to drive the implementation of the 5 Year Skills and Workforce Development Plan developed by TaSC
- the development, brokerage and delivery of skills and workforce development strategies in collaboration with RTOs, in accordance with the 5 Year Skills and Workforce Development Plan.

Some of the ISBs have relationships with some of the national ISCs but the level of engagement should be expanded for mutual benefit to enable the objectives and priorities of the Australian Government's *Skilling Australia for the future* policy to be met effectively to the benefit of South Australia's industries. This is discussed further in Chapter 8.

Workforce Planning and Provision of Advice

The Review suggests that the workforce planning and provision of advice roles of the ISBs should be covered by the core funding from DFEEST and include an expectation of a high degree of consistent engagement with their respective industry sectors. This would encompass facilitation, collation, and communication of industry intelligence and strategic advice on current and emerging needs and priorities regarding workforce development, industry skills and training to the Government, to industry and other relevant organisations.

The new contracts that are being negotiated should reflect these roles and expectations and incorporate them into KPIs and reporting/briefing arrangements.

The Review has concluded that some modifications to funding arrangements would make lines of authority clearer and deliver better returns for the Government's investment. The Review supports the increase in annual funding and considers that \$200,000 per annum is the minimum level of funding to enable the ISBs to carry out these functions effectively.

A key element of workforce planning is the development of workforce action plans for key industries - as discussed below.

Industry Workforce Action Plans (IWAPs)

The IWAPs are recent examples of joint Government/industry initiatives involving key industry stakeholders (including ISBs), DFEEST and relevant government agencies. Six IWAPs are being developed in areas of high economic demand:

- Defence
- Mineral Resources
- Agri-Business
- Construction
- Health and Community Services
- Advanced Manufacturing.

The IWAPs will identify the key factors that may affect these priority industries over the next three years (until 2010). It is expected that the plans will identify workforce trends and issues, and promote a mutual understanding of the strategies to meet the demand for appropriately skilled labour. These plans will inform the Skills and Workforce Development Plan and the Strategic Purchasing Plan, and identify and make recommendations on a range of actions in response to identified workforce needs (including developments required in the VET system, immigration, higher education and adult community education). The plans are jointly championed by DFEEST, DTED and PIRSA (for Mineral Resources and Agri-Business).

Objectives of the plans are:

- better identification and coordination of existing and future projects/programs that could benefit from a collaborative approach
- development of a workforce profile that can be updated regularly with comparable methodology
- development of a shared understanding about the workforce profile and the future of the industry through engagement with government and industry
- development of a range of workforce development strategies to be implemented to meet the demand for appropriately skilled labour
- increase opportunities for people to participate in the workforce in ways meaningful to them, while meeting the needs of firms and industries.

The Review has concluded that these IWAPs are fundamental to ensuring that industry demand is understood by industry itself and by government and education and training providers, and that strategic responses by government, industry,

training providers and other stakeholders are developed and committed to. They will be a key input to the 5 Year Skills and Workforce Development Plan.

However, progress with IWAPs to date has been disappointingly slow, which seems to indicate a lack of priority applied to these plans. It is imperative that these IWAPS are treated as a high priority and developed urgently. Target dates for completion should be established, with all IWAPs completed in 2008.

KPIs/Performance assessment:

Industry workforce action plans will be a critical input to the development of the 5 Year Skills and Workforce Development Plan. Target dates for completion should be established, with all IWAPs completed in 2008.

ISB role as brokers for workforce development projects

The ISB evaluation concluded that there is a need to improve the level of engagement with employers to improve workforce retention and recruitment practices and to increase the rate of response from the education and training system in workforce development.

Workforce development means increasing the capacity of individuals to participate effectively in the workforce throughout their whole working life, and increasing the capacity of firms to adopt high-performance practices that utilise and support the further development of their employees' skills and value.

Thus it involves much more than providing training courses that equip individuals to meet employers' current needs for specific skills. Workforce development is about ensuring that the workforce is able to respond to the current and future needs of industry, while at the same time providing opportunities for people to develop skills and use them in the workplace, especially those who have traditionally been disadvantaged or excluded from the workforce.

It is imperative that ISBs act as key intermediaries or brokers to promote the importance of integrating workforce development and business development to industries, enterprises and their workforce.

This broker role should take the form of a *specific purpose program* which is targeted at specific projects with the outputs/outcomes to be identified. It is anticipated that this brokerage role and financial resources for special projects could be funded on a contractual basis as is now done through the WDF.²⁴

²⁴ The WDF is the State Government's vehicle for funding industry wide projects that focus on developing high performance workplaces, support coordinated workforce planning, and address workforce issues that restrict industry growth. It is also an effective means for leveraging industry contribution for workforce development through the formation of partnerships between industry, government, education and training providers and unions.

Projects would be expected to address significant workforce issues (for example: attraction and retention, job redesign) rather than a simple focus on skills and training. The objective would be to ensure that groups of employers accept joint responsibility for developing their workforce.

Industry Engagement and Workforce Development

There is a need to encourage SMEs to invest in skills development and enhance their contribution toward the overall development of South Australia's workforce. This is not always considered by SMEs to be an attractive option for them due to the fear that once they have invested in the skills of their staff, they risk losing them to other employers and their investment is lost.

Across Australia, there has traditionally been a relative lack of management commitment and support for workforce planning, a lack of awareness, and firms have lacked workforce planning and development-related skills and/or capabilities.

Good practice in workforce planning and development is not confined to education and training and employment systems and programs, which are often seen to be the responsibility of government. Importantly it also encompasses assisting employers to be efficient and effective in areas including recruitment, training, management, reward, workplace practices, succession planning, retaining Gen X, Gen Y and mature age workers and leveraging skilled migration - to ensure they have got the best people for their business when they need them.

These business practices need to be considered by employers in the context of their business strategy and employers need to be provided with the knowledge and tools to assess future workforce needs, compare with the current workforce, and develop and implement solutions.

In partnership with relevant industry, related associations and workforce development specialists, governments do have a proactive role to play in helping equip firms with the knowledge and tools to undertake workforce planning and hence, workforce development, complementary to other business advisory services.

ISBs and other intermediary organisations also have a critical role to play in facilitating this new culture and work practices, particularly in SMEs. Often the best opportunities are when a firm is reconsidering its business strategy, either because of new technology or because of other pressures to restructure. At the same time, it is recognised that this is new ground for most stakeholders - government, industry and intermediaries alike.

Accordingly DTED and DFEEST have collaborated to develop the *Building Business Capability in Workforce Development* program to respond to this challenge. The program, which is currently being piloted, is described in the following case study.

Case Study 2: Building Business Capability in Workforce Development

A recent study found that while the importance of effective workforce planning is recognised by firms, few actively engage in it. The reasons relate to 'a lack of management commitment and support for workforce planning, a lack of awareness and a lack of workforce planning and development-related skills/capabilities of firms.'²⁵

To address this issue, the primary objective of the program is to build the workforce development capability of businesses and create high performance, sustainable workplaces that will underpin a local workforce that is globally competitive.

This will be achieved through the development and delivery of a program that will encourage and support employers to:

- develop workforce plans and integrate them into their business plans
- implement workforce development strategies to resolve workforce issues.

The program and support materials have been developed collaboratively by DTED and DFEEST, with additional support from the Office of the Ageing and SafeWork SA. The program is currently being piloted – if the pilot is successful, the program will then be offered more widely in metropolitan and regional areas.

A fundamental feature of the program is that is delivered through intermediaries – in this case the MISAC (an ISB), the North-West Business Development Centre (a BEC) and the SA Centre for Innovation. It is intended that the program will be made available to other ISBs, BECs and RDBs for delivery through them.

The program consists of two key components:

1. A workforce planning toolkit for employers

Key topics to be covered by the toolkit include:

- the steps that an organisation needs to take in regard to workforce planning
- worker attraction, recruitment and selection strategies and techniques
- staff induction, training and development procedures
- how to motivate, manage and reward performance
- retaining workers (including information on flexible work arrangements and work/life balance)
- a mature aged worker component – planning for the ageing of the workforce
- skilled migration.

2. Advisory Services

- Group sessions: seminars, workshops and/or presentations based on the toolkit
- Individual sessions: for general information and assistance in navigating the employer resource toolkit, it is proposed that Workforce Development Officers (WDOs) be appointed to assist participating employers. For more detailed business advice, the WDO may refer the employer to a professional HR practitioner.

²⁵ Report prepared for DFEEST by the Australian Institute for Social Research (on behalf of the Workforce Development Research Consortium) 2007, *Workforce Planning Tools and Practitioners: Prevalence, Scope and Quality*.

TAFE SA Engagement with Industry

TAFE SA and workforce development

As discussed above workforce development involves much more than providing training courses that equip individuals to meet employers' current needs for specific skills. It involves the VET system working closely with individual firms, clusters of firms and other partners, to facilitate the adoption of high performance practices, the pursuit of high-value-added and innovative product and service strategies, and the development of new approaches to employee relations, job design and career development.

Accordingly the Review recommends that TAFE SA take a leadership role in championing and facilitating this concept of workforce development in industry.

This would involve TAFE SA staff offering more proactive workforce development services, including training needs analysis, skills recognition and workplace training, how work is organised to make best use of skills, career structures etc. The new approach would involve TAFE SA developing a partnership relation with a firm to develop its workforce, focusing on the outcomes being sought and the firm's needs rather than training input.

The opportunities for developing such relationships most often occur when a firm is restructuring. Thus this new line of activity will only absorb some of TAFE SA's resources. In effect it would entail some of TAFE SA staff moving conceptually from being training providers to being workforce development agents. Other TAFE SA staff would experience less change.

But these new partnership relations will require the development of a new entrepreneurial culture across the proposed TAFE SA Network. Rich and meaningful partnerships would need to be developed with individual enterprises in their regions, to understand their business models and directions, their current approaches to utilising their workforce and the vital role that their workforce will play in their future plans. In turn this will provide TAFE SA with an opportunity to be truly entrepreneurial in offering the proactive workforce development services as discussed above – including but not limited to training services.

This approach and recommendation is consistent with the intent and core tenets of *contestability* and *devolution* that underpin the *Skills Strategy*.

To be successful in the new contestable environment, a culture of entrepreneurial behaviour will need to be developed and embedded within the TAFE SA Network, underpinned by high quality partnerships with enterprises. This is reflected within the *Skills Strategy*, with substantial commitments such as:

- build an enterprising culture
- provide innovative service and product responses to the market
- develop effective sales and marketing tools

- provide structure, incentive and encouragement for innovation across the Institutes
- use new tools, behaviour and structures to ensure that industry engagement becomes a fundamental feature of the way TAFE SA Institutes operate.

The establishment of the TAFE SA Network and the devolution of authority to Institutes within the Network are designed to enable this new culture and operational model to emerge and be successful. The Review endorses this intent and commitment while at the same time recognising the substantial implementation challenge involved.

Recommendation: Workforce development involves much more than providing training courses – it requires the VET system to work closely with individual firms, clusters of firms and other partners to broker broader workforce solutions that focus on the *use* of skills to improve productivity and participation. Accordingly the Review recommends that DFEEST takes a leadership role in championing and facilitating this concept of workforce development in industry with training providers including TAFE SA.

A target for private sector revenues

Given the fundamental importance of engagement with private sector enterprises, and also the repositioning of TAFE SA Institutes as a workforce development agent, the Review believes the implementation of the *Skills Strategy* should incorporate a particular focus on the extent and effectiveness of this engagement. The Review concludes that this can be assisted by setting and monitoring a target for revenues from the private sector to drive the required culture and behavioural change. The retention of external funding derived from the private sector will also be an important incentive for TAFE SA to adapt its culture, and the level of external funding will provide a good indication of the extent to which TAFE SA's processes and services have become more flexible, cost-effective and responsive to the needs of the private sector.

The *Skills Strategy* states, 'The TAFE SA Network will have an increased focus upon the commercial orientation of its business activities. Through well managed external relationships and high quality products developed by the lead Institutes²⁶, business growth will occur' (Government of South Australia 2008a: 23).

While this commitment appropriately reflects the commercial imperative for TAFE SA to further develop funding sources to complement funding from the Commonwealth and State Governments, this Review has concluded that it should go

²⁶ TAFE SA's lead institutes will contain specialist centres with close alignment to key industry sectors, e.g. VET for the mining sector based at the Whyalla campus. This will provide a single entry point for industry and an educational focal point for TAFE SA. The lead institute model will allow for the development of learning resources, customised curricula, learning strategies and professional development activities for staff.

further to encompass a specific focus on revenue from private sector employers or employer groups.

This would constitute a measure of employer engagement – the acid test of a partnership between TAFE SA and employers is that the employer so values TAFE SA services that the employer is prepared to pay.

Commercial revenue within TAFE SA for the 2006 and 2007 calendar years totalled \$54.3m, received from over 600 different clients with the top 79 clients generating 89 per cent of the revenue. The majority of these clients are other state and Commonwealth agencies, semi-government bodies, industry skills councils, universities, regional development boards and other training/employment agencies.

Only 12 of the top 79 clients are private sector employers or employer groups. Revenue from these 12 enterprises totalled \$2.1m or 4 per cent of the commercial revenue derived in these years, with \$636,301 (or 30 per cent) coming from one employer.

This Review contends that this low level of private sector revenue reflects an unacceptably low level of direct engagement with employers and that a more challenging target should be established to drive the desired performance and industry alignment that the South Australian Government should require from its training provider.

Such a target would complement and support a related target in the *Skills Strategy* that 'in 2012, 25 per cent of delivery will be in the workplace' (Government of South Australia 2008a: 25).

Establishing a private sector revenue target is not straight forward and should be undertaken in consultation with the Chief Executive DFEEST and TAFE SA. There is ambiguity about the definition of a private sector client. For example, with the increasing trend toward brokers (e.g. the ISBs) and consortium funding bids, the ultimate private sector beneficiary or beneficiaries may be hard to identify and/or allocate the revenue to. Alternative financial reporting processes will need to be developed and implemented in order to accurately record and track performance.

Recommendation: To further encourage TAFE SA to develop workforce development partnerships with enterprises, it is recommended that the Chief Executive, DFEEST establish a target for revenues generated from the private sector by TAFE SA, and that the EDB be briefed on progress towards the target.

KPIs/Performance assessment:

- a target for revenue from private sector enterprises could take the form of an absolute financial target (e.g. \$2m per annum, growing at say 15 to 20 per cent per annum) or a percentage of total commercial revenues (e.g. 10 per cent).

Conclusion

The changes to skilling arrangements proposed within the *Skills Strategy* and the Australian Government's *Skilling Australia* initiative provide the opportunity to rearrange the current workforce development planning activities to accommodate greater input from industry.

Defining functions, simplifying relationships and clarifying the roles and responsibilities of workforce development agents to create simple frameworks will enable a greater participation of industry and individual enterprises.

Chapter 5

Social Inclusion and Employment Participation

Overview

This chapter will outline how we can take advantage of the opportunities from stronger economic growth to assist disadvantaged people, who have been marginalised from the workforce, to realise their capabilities and improve employment participation.

People who are disadvantaged in the labour market will need assistance with finding employment or appropriate training. There appears to be broad agreement on several key principles to improve the effectiveness of labour market programs. They include:

- training should be closely targeted to the needs of industry or local employers and match the interests of the cohort of job seekers
- programs should generally be small in scale and again, be targeted at skills in demand or the needs of employers
- achieving a qualification or certificate is important for some participants and for some industries, as it signals to the employer competency, skills and employability
- combination programs work best as they have the capacity to address 'multiple barriers' to employment and are able to be tailored to the needs of the individual. Combination programs may involve, *inter alia*, training on and off the job, work placement, mentoring, job search assistance, and follow up once in employment
- early intervention is advisable, whether this involves the unemployed job seeker or those currently at school who are at risk of leaving school without sufficient a foundation to compete in the labour market
- training needs to be delivered flexibly, with some tailoring around the time commitments of the participants, their access to technology and their individual learning needs and styles
- Voluntary participation is important, while local projects should attempt to mirror employment disciplines and conditions as much as possible.

Introduction

Employment participation is central to social inclusion, the development of capability and removing income inequalities. Access to secure and rewarding employment contributes to the building of confidence and self-esteem. At a time of high levels of employment and a prosperous and growing economy there is a real opportunity to assist job seekers who are most disadvantaged in finding paid employment. There is also an economic urgency, as the Business Council of Australia (BCA 2008: 2) has pointed out:

From a business perspective, addressing areas of low-participation and social disadvantage can no longer be viewed within a 'feelgood' or affirmative action framework. Developing and implementing alternatives to customary hiring streams and practices will become a prerequisite to the continuing growth, even survival, of many businesses reliant on access to labour.

The previous chapters have detailed the major challenges that South Australia is facing to avoid skill shortages as a result of the resources and defence related 'super-cycle' and an ageing population. This chapter will outline how we can take advantage of the opportunities from stronger economic growth to assist disadvantaged people, who have been marginalised from the workforce, to realise their capabilities and improve employment participation.²⁷ Increasing the employment participation rate will support the South Australian Government's dual economic and social inclusion priorities.

There appears to be agreement that people receiving income support who have the potential to work have an obligation to either seek employment or to seek training that will lead to employment. However, people who are disadvantaged in the labour market will need assistance with finding employment or appropriate training. Earlier employment assistance models have been designed for labour markets in time of high unemployment. There is a need to rethink these models to strengthen social and economic participation; for example by integrating training, personal development and meaningful work outcomes, with an important role for industry and local communities in supporting employees.

The Need for Action

While employment in South Australia has grown to record levels over the past few years, the ageing of the population, coupled with the decline in the number of workforce entrants has major economic and social implications. The BCA has pointed out that at the moment there are five workers paying income tax for every one person reliant wholly or mainly on welfare payments. In comparison, in the mid 1960s there were 22 workers for every welfare recipient (BCA 2008: 1). Because of the projected ageing of the population the burden of this dependency will deteriorate

²⁷ Participation in employment is determined by the proportion of people of working age in the labour force (the participation rate), the proportion of people in the labour force who are employed, and the average hours worked by those in employment. Source: Treasury, *Intergenerational Report 2007*.

further unless the productivity and labour force participation of the future working age population is increased. Central to achieving this improvement will be increasing education and skill levels.

Thus increasing employment participation is central to two critical economic policy problems presently facing South Australia and Australia in general:

- The severe structural mismatch in the labour market, with employers reporting that they cannot find workers with the skills that they need, while at the same time many people of working age report that they cannot find work, or cannot find as much work as they would like, or are working in jobs for which they are over-qualified.
- The ageing of the population that will increase the rate of aged-dependency, and has been projected to result in a fiscal gap between government expenditure and revenue equivalent to 5 per cent of GDP for the Commonwealth and another 4 per cent of GDP for the States by around 2040.²⁸

There is evidence of uneven distribution of jobs within the economy over the last few decades. For example, there has been an increasing differentiation between well paid, full-time, secure employment and low paid, casual and insecure semi/unskilled jobs. While recent OECD data shows that on average Australian full-time employees work 43.5 hours per week (Scott 2008), there has been an increase in underemployment, whereby people in part-time and casual positions would prefer to work more hours. At the same time, there are a large number of disadvantaged and marginalised job seekers who have not been able to find any work for several years. The majority of the latter group is receiving some form of Commonwealth pensions or allowances.

Between February 2003 and February 2008 South Australia's labour force participation rate increased from 61.2 per cent to 62.9 per cent. This compares with 68.4 per cent in Western Australia, 66.9 per cent in Queensland and a national average of 65.2 per cent. Within the employed workforce, approximately 15.6 per cent (or 117,200 South Australians) are considered underemployed while 25.3 per cent (or 190,500) were considered over-employed. The South Australian Labour Market Profile further shows that of the 476,700 persons who were not in the labour force in 2006, 19.9 per cent (or 95,100) wanted to work. Of those who wanted to work, almost two thirds (or 63,100) were considered marginally attached to the workforce. One in six unemployed South Australians were long-term unemployed.

In the last forty years male workforce participation in Australia has fallen by 12 per cent from 84 per cent to 72 per cent (Keating 2005). While many skilled jobs for professionals, associate professionals and administrators have been created there has been negligible job growth in manual and traditional blue collar jobs, and this has

²⁸ Treasury analysis shows that the best way to fix this problem is to increase the rate of employment participation so that GDP is higher because of the higher employment, thus increasing government revenues and lowering expenditures. By contrast there is community pressure for the real level of government services and benefits to rise in line with any increase in productivity:

especially impacted on the opportunities for males. The Commonwealth Treasury has shown that almost all the decline in workforce participation for those males aged 25 to 55 is accounted for by men who have no post-school qualifications, and in most cases left school at Year 9 or even earlier (Kennedy and Hedley 2003; Treasury 2004). Although female workforce participation has increased for all educational levels over the last 25 years, it continues to be about 30 per cent lower for women who have no post-school qualifications compared to those women who have. Consistent with this finding, employment participation for both males and females is much lower among those who have low educational levels and lack skills, and the problems faced by these people tend to increase as they get older.

Research by Bob Gregory (Gregory 2008) has shown that between 1995 and 2007, the number of unemployed Australians fell by 252,000 or 45 per cent to 308,000. However, the number of Disability Support Pension (DSP) recipients surged by 235,000, or 51 per cent, to 697,000 over the same period. Women have accounted for two out of every three new recipients of DSP since 1995. This could, however, partially be a response to the increase in the age pension age for women from 60 to 65 years since 1995 and the removal of the so-called wife's pension for those whose husbands were already on DSP. This trend mirrors the experience of blue-collar men in the early 1990s who lost their jobs and were placed in the half-way house of the DSP – between the dole and the age pension.

In March 2007, there were just over 200,000 South Australians receiving benefits/allowances from the Australian Government – excluding the age pension. This represented 12.9 per cent of South Australia's total population, compared with the national average of 11.1 per cent. Table 14 shows that one third of recipients (over 68,000 South Australians) were receiving the DSP. The next largest categories were Newstart Allowance (38,191 or 19 per cent of the total), Parenting Payment Single (32,654 or 16.2 per cent of the total) and Youth Allowance (26,386 or 13.1 per cent of the total). Moreover, about one in seven Australian children live in jobless households (BCA 2007, Living in Australia 2008). During a time of sustained economic growth and record high levels of employment it is increasingly unacceptable that nearly 200,000 South Australians are missing out on economic prosperity.²⁹

²⁹ Table 14 shows all Centrelink recipients in SA but people on Austudy are not counted as disadvantaged as their studies should lead them to more prosperous career prospects.

Table 14: Centrelink Recipients South Australia March 2007

	<i>Number</i>	<i>%</i>
Carer payment	8,608	4.3
Disability Support Pension	68,173	33.9
Wife pension (Age)	1,435	0.7
Wife pension (DSP)	1,993	1.0
Parenting Payment Single	32,654	16.2
Parenting Payment Partnered	12,029	6.0
Newstart Allowance	38,191	19.0
NSS Mature Age Allowance	619	0.3
Partner Allowance	4,994	2.5
Widow Allowance	3,047	1.5
Youth Allowance	26,386	13.1
Austudy Payment	2,444	1.2
Sickness Allowance	631	0.3
Total	201,204	100.0

Source: Centrelink 2007

It can be argued that the current Job Network is no longer suited to a labour market characterised by lower unemployment, increased demand for skilled people and a growing proportion of people who are highly disadvantaged and long-term unemployed. Increasingly, the Job Network is being asked to meet the needs of difficult-to-place job seekers and long-term unemployed people. In July 2003, just under 20 per cent of the Job Network case load was classified as highly disadvantaged, but in March 2008 this had increased to 29 per cent. In 1999 around one in ten unemployment benefit recipients were in receipt of benefits for five or more years. By March 2008 this had increased to almost one in four (O'Connor 2008). These people usually have very low levels of formal education and as Australia is mainly short of skilled labour, not unskilled labour, there is a real need to provide opportunities for training.

It is well-understood that a combination of 'lack of employment is a key contributor to social exclusion, and is connected with a myriad of problems from mental health through to intergenerational poverty' (BCA 2008). To lift employment participation levels and address chronic disadvantage, complex and often multiple barriers need to be overcome and thus strategic and policy responses by governments and industry are required.

In addition to the uneven distribution of jobs, the ageing of South Australia's workforce is another major challenge facing policymakers and employers over the next decade. As noted in previous chapters, South Australia has the oldest population and workforce in Australia. In 2004, there were 386,100 people aged 45 to 64 in South Australia, accounting for 25.2 per cent of the total population in the State. By 2007, this had increased to 413,223 people or 26.08 per cent of the total population in South Australia (see Table 15). In addition, in 2007, 15.2 per cent of the population was aged 65 years and over. By 2022, this proportion is expected to grow to 22.4 per cent (DFEEST Occasional Paper, February 2008).

Table 15: South Australia's Mature Age Population, 2007

	<i>Males</i>	<i>Females</i>	<i>Persons</i>	<i>% of total population</i>
45-49	57,843	58,925	116,768	7.37
50-54	53,693	55,028	108,721	6.86
55-59	49,852	51,627	101,479	6.40
60-64	42,309	43,946	86,255	5.44
45-64	203,697	209,526	413,223	26.08
65+	106,259	134,463	240,722	15.19
Total population	782,706	801,807	1,584,513	100.0

Source: ABS Cat. No 3201.0 Table 4, Estimated Resident Population by Single Year of Age, South Australia

South Australia generally has higher labour force participation rates for its younger population, and lower rates for its older population, than the national average. Given the age profile in South Australia is skewed towards an older population, this in turn leads to a lowering of the total participation rate for the state (DFEEST 2007).

More than one third of South Australia's current workforce will be approaching the age of retirement (55 to 64 years of age) within the next decade. At the same time, low fertility rates a decade or so ago are now reducing the supply of younger workers joining the workforce. The latest figures suggest that although there are 5.25 people in the (potential) workforce for every person aged 65 and over, this will have fallen by more than half, to 2.2 people, by 2050-51 (Productivity Commission 2004).

This increase in age-dependency is presently projected to have severe economic and fiscal consequences. However, demographers have noted that if male employment ratios are increased to their 1973 levels, and female participation was the same as in other advanced countries, then by 2025 the aged dependency ratio would fall and it would not return to today's level until 2052 – another 44 years.

It will be increasingly important to attract (both unemployed and underemployed) and retain mature age people in the workforce to ensure a source of skilled labour as the pool of younger entrants shrinks. Unless participation by middle and mature aged people is increased, as the population ages the increase in the future labour supply and economic prospects will thereby be diminished. There will, however, be some offsetting response as more older people are likely to continue working as they are healthier and live longer lives. In addition, many older people now have higher expectations for an active lifestyle which some of them can best afford if they keep working. But these mature aged people will demand more flexible work hours that better enable them to choose how they balance their work and family and social demands. Thus improving the work life balance, for example by offering flexible work practices, will benefit employees in the workplace – including those with

family and caring responsibilities, mature age workers and people with disabilities. It will also benefit employers and the economy more generally by allowing employers greater access to experienced people in a situation where skilled labour is expected to be in short supply and where these people might otherwise leave.

The BCA reported in May 2007 that besides improving employment participation of mature age workers and people with a disability, a third group that has a low participation rate is women. DFEEST has noted that South Australia has recorded Australia's lowest increase in female labour market participation over the period 1978-2006 and that in comparison to all other advanced countries, Australian women's age-specific workforce participation rates are low (refer Chapter 2).

In addition, women tend to be concentrated in part-time and/or casual jobs; women tend to be in less skilled and lower paid jobs; women are more frequently under-employed; and women are employed in a narrow range of occupations and industries, compared with the male workforce (ABS 2007). According to Day and Dowrick (2004), however, many women who are entering the labour market have higher average education levels than in the past, which may further contribute to the decline in fertility rates, but which will increase female employment participation (with resultant higher work productivity). There are both economic and social benefits in employing more women which need to be considered in strategies and targets.

In order to fully realise the contribution that women could make to the labour force it will, however, be important to assist them meet their family commitments by promoting flexible work and family arrangements. For example, people with family or other caring commitments want flexible working hours that will allow them to vary their start and finish times around pre-determined 'core hours' and to work less than ordinary hours of duty per week. Again businesses will benefit from implementing these work-life balance policies through the retention of skilled staff, a competitive edge in recruiting and an enhanced corporate image, a better return on their training investments, less absenteeism and staff turnover, reduced stress levels and improved morale and commitment, and potentially improved occupational health and safety records.

There are some targets in the SASP which focus on the need for more young people to complete their schooling. For example, Target 6.15 notes that by 2010 the number of 15 to 19 year olds engaged fulltime in school, work or further education/training (or combination thereof) should increase to 90 per cent. Similarly, Target 6.16 aims for a yearly increase in the proportion of 15 to 19 year olds who achieve the South Australian Certificate of Education (SACE) or comparable senior secondary qualification.³⁰ These targets are set because low school completion rates could result in those early school leavers experiencing difficulties finding meaningful employment later in life.

³⁰ http://www.saplan.org.au/images/TargetFactSheets/t6.15_target%20fact%20sheet.doc, viewed on 20/05/08.

Research points to the need for early intervention, whether this involves the unemployed job seeker or those currently at school who are at risk of leaving school without a sufficient foundation to compete in the labour market. The level of youth unemployment in South Australia and in particular in regional cities is unacceptably high. If young adults have achieved education up to Year 12 or a Certificate II or III vocational qualification, and can access services to assist them to make the transition through school and then employment, they are likely to continue to be active participants in society as well as the economy.

Participation rates for indigenous adults across all age groups remain well below those for the non-indigenous adult population. In 2006 there were 25,557 Aboriginal people in South Australia, representing 1.7 per cent of the total population of the state. The Aboriginal population has a relatively young profile, with 36.3 per cent of the population being aged under 15 years (compared to 18.2 per cent for the non-Indigenous youth population). With such a relatively young population it might be expected that Aboriginal people would be represented in the labour force to a higher degree than non-Aboriginal people; however, the overall labour force participation for Aboriginal people in South Australia was 47.9 per cent in 2006 compared to the participation rate of 60.3 per cent for non-Aboriginal people. The Aboriginal labour force participation rate is lower than the non-Aboriginal participation rate for all age groups except the 65 and older age group.³¹

Demographic research by DFEEST has revealed that in situations where Aboriginal people are not employed it is more likely to be as a consequence of not being in the labour force (including studying fulltime, caring for other people, having a disability or being disengaged) rather than being unemployed.

Another group that requires specific initiatives are males aged 25 to 54 years old, and particularly those with low skill levels. In the past few decades, technological advances have led to changes in jobs and the introduction of new industries and occupations, and this is likely to continue. The South Australia job losses in recent years have been in manufacturing companies such as Mitsubishi and Electrolux. Men in this age group that have low skill levels risk having their skills becoming redundant and they are therefore facing an uncertain employment future.

It is interesting to note that the proportion of South Australia's labour force with non-school qualifications continues to lag behind the Australian average despite a progressive increase in the level of educational attainment. The proportion of the State's labour force with non-school qualifications has risen from 45.6 per cent in 2000 to 55.6 per cent in 2006.³² However, as the Australian average has increased by an equal proportion, the gap between the State and national average has stayed the same. The State's comparatively low skill level may be a reflection of its historical

³¹<http://www.workforceinfoservice.sa.gov.au/workforceinfo/participation/profiles/aboriginalprofile> viewed on 10/04/08

³² ABS Cat. No. 6227.0, as reported in the SA Strategic Plan 2007, Objective T6.19.

reliance on industries requiring less skilled workers and the loss of skilled workers interstate and overseas.

Barriers to Employment

As already noted, low employment participation is almost always associated with early school leaving and no post-school qualifications. There is also considerable evidence that increasing the labour force's skills through education and training lifts employment participation, reduces unemployment and contributes to productivity. In addition, achieving a qualification or certificate can be important for employers as it signals to the employer the job seeker's competency, skills and employability. Given that the fall in employment participation is mainly concentrated among unskilled people whose job opportunities have declined, then the emphasis of employment programs should be on raising the skills of the adult workforce and maintaining and upgrading skills over the course of an individual's working life.

However, although increasing skills is a necessary route to increase employment participation, it is often not a sufficient condition. People who leave school early and lack post-school qualifications often have experienced multiple difficulties that make it difficult for them to obtain sustained employment. These people often need individualised assistance (including case management) and the type of assistance needs to vary to respond to the different needs of different groups.

This combination of assistance further underlines Moskos' (2007a) observation that skills and experience are both crucial to the employment prospects of people currently unemployed. A successful employment program such as Boys Town, Port Pirie (Case Study 3) focuses on skills for employment but it also combines assistance with personal, social, financial and family issues built into the program.

Case Study 3: Boys Town, Port Pirie

Boys Town, Port Pirie engages young people who are at significant risk of not completing their schooling, to re enter education and training and move into mainstream employment. A critical aspect of this program is the 'wrap around welfare support' including counselling, personal support and skills development through work experience

As a *South Australia Works in the Regions* funded project, this eight week pre-employment program combines classroom learning with work experience with local employers where participants apply their skills in workplace settings. The project provides six weeks accredited training and two weeks on the job training for small groups of ten participants aged 16 to 21 years. In 2007 over fifty per cent of all participants gained employment or enrolled in further study, including in traineeships.

Moskos has noted that skills and experience are crucial to the employment prospects of unemployed persons: 'individuals with marketable skills, acquired through investments in education and training, are generally able to more easily secure employment, and tend to earn more on average once they do' (Moskos 2007a: 32). A review of literature supports the view that training programs tend to be more successful 'if they are long and lead to a formal qualification' (SACES 2008: 8).

Qualitative research commissioned by DFEEEST indicates that individual barriers to employment are highly interrelated. In other words, several barriers are experienced by one person and together compound the negative impact on their chances of employment (Moskos 2007a).

For example, people who are not part of or on the margins of the labour market often have limited language and literacy proficiency which impede their employment and even their job search activity. There are many adults in South Australia whose personal people skills are too low even to meet everyday life tasks, to work in a service-based economy, let alone a knowledge-based economy. A recent survey by the ABS showed that 45.2 per cent of South Australians aged 15 to 74 do not have adequate literacy, maths and comprehension skills to cope with simple everyday tasks. The survey also found that 45.2 per cent have difficulty in prose literacy such as reading newspapers, 45.9 per cent have difficulties with document literacy such as bus timetables and 45.9 per cent have difficulty with simple mathematics.³³ Any employment program needs to take into consideration that literacy and numeracy skills are fundamental in community life and in the workforce.

A key obstacle to finding employment is a lack of *accredited* qualifications. In particular mature age workers have learned most of their skills 'on the job' or when they are able to perform their duties at a higher level they have not got the qualification to get the commensurate recognition and payment. Holding qualifications that were obtained overseas can also be difficult in securing employment because the mix of skills making up a particular qualification is different between countries. Improving RPL can help many of these people and this is discussed further in Chapter 7.

Studies have shown that there is often a close relationship between a person's health status and participation in the labour market. For example, a person with a pre-existing health condition or disability may be unable to find a job that could accommodate their health needs without some changes in job design and how the work is organised. Thus to attract people with a disability or health problems, work arrangements may need to be made more flexible than for other members of society.

As women continue to be the primary carer in families – either of young children, sick relatives or increasingly elderly relatives – they are more likely to face problems in combining work and care than men. For women with dependent children, the availability of affordable and accessible childcare is a major factor in deciding to

³³ ABS Cat. No. 4228.0 – *Adult Literacy and Life Skills Survey, Summary Results, Australia*

enter the workforce or to participate in training courses. Also, women need working and training arrangements that recognise their family responsibilities. For example, training courses that require people to be on campus after 3pm are for some parents a barrier to participate in further education and training.

Barriers to employment for disadvantaged older workers have similarly resulted from VET policy and practice. For example, employment support, education and training options are not targeted towards older job seekers, and pathways to employment of modes of training delivery for older workers are not clearly established or resourced (NCVER 2006). Mature age workers themselves have indicated that the low rate of entry level pay (in a new career) is an obstacle for them to change career paths or undertake new training (SACES 2008: 49).

Early school-leavers may have personal characteristics that make it more difficult for them to succeed in the world of work. They tend to come from lower socio-economic backgrounds, are often found to have less motivation, fewer social skills, and to have had conduct disorders. Their past experience of school has also often added to their lack of motivation. On the other hand, there are examples of schools that have succeeded in overcoming the inherent disadvantages that these young people face, and which they can then carry into the rest of their lives. This suggests that what will determine the success of further education and training for non-academically inclined people will be the nature of that training and how it is delivered.

Services that are designed to assist the most disadvantaged need to pay attention to the life circumstances of an individual (e.g. family issues, homelessness, recognition of prior learning, drugs and alcohol, generational unemployment, etc). Intensive wrap around services – within an intensive skills development framework – provided through strategic localised responses are often necessary in assisting people disengaged from the labour force. It is for these reasons that this Review strongly supports funding for case management in the arrangements for the *Productivity Places Program* which will be discussed in Chapter 8.

What Works Best?

In contrast to passive employment assistance programs that mainly provide some job search assistance, active labour market programs aim to improve participants' attraction to relevant employers, by upgrading their skills, motivation and confidence, and by involving employers through matching people with job requirements.

Research commissioned by DFEEST, and undertaken by SACES, recommended that the following key principles should be built into initiatives to engage more South Australians in paid employment:

- training should be closely targeted to the needs of industry or local employers and match the interests of the cohort of job seekers

- programs should generally be small in scale and again, be targeted at skills in demand or the needs of employers
- a partnership approach involving relevant stakeholders from business, community, training/service providers and government works best
- achieving a qualification or certificate is important for some participants and for some industries, as it signals to the employer competency, skills and employability
- combination programs work best as they have the capacity to address 'multiple barriers' to employment and are able to be tailored to the needs of the individual. Combination programs may involve, training on and off the job, work placement, mentoring, job search assistance, and follow up once in employment
- early intervention is advisable, whether this involves the unemployed job seeker or those currently at school who are at risk of leaving school without sufficient a foundation to compete in the labour market
- training needs to be delivered flexibly, with some tailoring around the time commitments of the participants, their access to technology and their individual learning needs and styles
- voluntary participation is important, while local projects should attempt to mirror employment disciplines and conditions as much as possible.

Recommendation: New and existing employment programs should be based on the above set of principles.

Furthermore, in its review of selected SA Works in the Regions projects, SACES (2008: 55) recognised that the existing *South Australia Works* program could be further enhanced by incorporating the following elements:

- strengthen the cooperation with local employers
- give greater priority to skills formation for transition to employment
- provide a stronger indication of intended outcomes by industry and/or occupation
- first aim to target employment outcomes and then build into programs the necessary wrap around services and individualised support as required as an aid to achieve those outcomes
- to the extent it is possible, enable participants to achieve a qualification which signals competency, skills and capability
- general community-benefit projects (e.g. Work for the Dole type projects) must always have a strong training and skills component that is relevant to the labour market and should not be funded otherwise.

The case studies in this report illustrate the diversity of responses to local labour markets and/or industry, characteristics of the participants and occupational requirements. Not all programs benefit the same groups of people. For example, single mothers and re-entrants may benefit from job search assistance or placement services with some form of training to upgrade their basic skills, while long-term unemployed people may need a combination of initial training in employability

skills as well as more specific job skills continued with work experience and intensive case management. The manner in which each program is delivered also needs to adapt to the needs of different people. Where women re-entering the workforce may find training in a classroom beneficial, youth, older males and groups with low levels of education may be better helped with training on the job.

Programs that combine classroom learning and on-the-job-work experience (with a focus on enhancing skills), coupled with input from local employers in the design of the program, appear to achieve sustainable employment outcomes (SACES 2008: 6). For example, the success of the Goal 100 program, described below, was significantly due to the involvement of employers, the local community and TAFE, and the clear focus on employment outcomes. In addition, employers benefit because employer specific training programs reduce their recruitment efforts and costs and contribute to high retention rates while in training. While employers are seen to contribute to social equity goals by contributing to specific training programs, they are also 'good corporate citizens' (SACES 2008: 5).

Case Study 4: Choose Your Future (Goal 100)

Goal 100 is an example of a 'demand-driven model', with a clear focus on employment outcomes and addressing skills in demand at a regional level. OneSteel in Whyalla was unable to secure sufficient interest in employment (through advertising and the Job Network). The Goal 100 program has been designed in cooperation with major employers in the heavy engineering sector, SA Works, TAFE SA and the Whyalla Economic Development Board.

Measured solely by sustainable employment outcomes, Goal 100 was a successful program; 100 participants began the program with 79 graduating, including 11 women and 16 indigenous participants. At the end, 86 participants had either started work or received a job offer including some who didn't complete the program but found work as a direct result of their participation. At the start of the program OneSteel gave a guarantee to employ 50 graduates but ultimately employed 65.

Many unemployed people will need to acquire a set of basic 'employability' skills before they enter the labour market. It is generally agreed that the most essential work-related attributes are reliability, punctuality, neat appearance and politeness. In response, a set of 'employability skills' has been identified that employers are increasingly looking for in people. There are two facets to employability skills: 'personal attributes' and 'generic skills'.

Personal Attributes

The 'personal attributes' component of employability skills includes the following qualities: loyalty, commitment, honesty and integrity, enthusiasm, reliability, personal presentation, commonsense, positive self-esteem, sense of humour, balanced attitude to work and home life, ability to deal with pressure, motivation and adaptability.

Generic Skills

- communication skills that contribute to productive and harmonious relations between employees and customers
- team work skills that contribute to productive working relationships and outcomes
- problem-solving skills that contribute to productive (enterprise) outcomes
- initiative and enterprise skills that contribute to innovative outcomes
- planning and organisation skills that contribute to long-term and short-term strategic planning
- self-management skills that contribute to employee satisfaction and growth
- learning skills that contribute to ongoing improvement and expansion in employee and company operations and outcomes
- technology skills that contribute to the effective execution of tasks.

Because people with low levels of skills and qualifications often suffer from low self-esteem, lack of social skills and application, they frequently require pre- and post-employment individualised support and case management. Case Study 5 provides one example of a strategy to engage and retain disadvantaged job seekers.

Case Study 5: Kilburn/Blair Athol Employment Project

This project uses case management to identify and assist the multiple barriers that participants in this metropolitan area were facing, while also taking steps to improve their pre-employment skills. Strong partnerships within the local community are critical in providing referrals to appropriate services necessary to assist the job seeker overcome obstacles, including drug and alcohol addiction or lack of housing to obtaining employment.

Participants undertake accredited training courses and engage in community projects to develop the necessary entry level skills to qualify for identified occupations in the region. A range of other pre-employment support is provided including resume and interview preparation, Drivers Training, transport, English classes for migrants and refugees. In 2005, twenty seven of the forty participants gained employment, or undertook further study or voluntary work.

Initially set up for youth but now migrants, women, indigenous people and people re-entering the workforce are included. Two significant factors in the success of the project are having good quality people to deliver the program and long term funding to provide long term case management.

Case management is the term used to support and track a job seeker through their journey in education and training and possibly employment. This process may include development of a customised learning and training plan and ongoing

monitoring and support by a dedicated person. Case management can benefit all job seekers, but it is particularly relevant for job seekers with multiple barriers in gaining sustainable employment. They are particularly at risk of failing once they are in training if they do not have sufficient supports in place to ensure their needs are met. These costs are potentially offset because the likelihood that these people will remain unemployed or underemployed for extended periods of time is reduced.

Recommendation: Assistance to disadvantaged people, through publicly funded programs such as *South Australia Works* and *Productivity Places*, should aim to target employment outcomes and build into the programs any necessary case management or mentoring required as an aid to achieve those outcomes.

Employers are currently experiencing difficulty in recruiting new staff who are suitable and have the necessary skills. Employers would therefore benefit from improvements in workplace retention and minimised turnover. Many new employees are likely to require some form of on-the-job or external training. Employees from a disadvantaged group may require additional resources and a long-term commitment to achieve success. It has also been argued that training should be closely targeted to the needs of industry or local employers and match the interests of the cohort of job seekers. Training programs can then help to test or assess the capacity of participants to meet future workforce demands.

Training programs that are linked to job outcomes seem to be more successful in attracting trainees and getting them back into sustained employment. Successful strategies have included an employer commitment to finding and implementing solutions in the workplace, a specific focus on retention strategies such as post program support and mentoring, as well as more flexible recruitment methodologies. These responses assist people to overcome and address significant skills development and employment barriers. Examples of successful programs are Boys Town, Port Pirie (Case Study 3); Goal 100 Whyalla (Case Study 4); and the Kilburn/Blair Athol Employment Project (Case Study 5).

These programs are premised on the need to assist the most highly disadvantaged job seekers find and retain employment. There have been a number of successful such projects, but unfortunately too often they are one-off and are not sustained or extended to other locations and/or situations. There is a need to evaluate these projects better and find out why they are too often not maintained and why their successes are not translated into mainstream programs.

Recommendation: A more extensive evaluation of the projects and programs funded under *South Australia Works* should consider how to ensure that the positive developments from pilot projects are followed-up and continued in future projects and programs.

In addition to the programs referred to above, SACES (2008: 56) has proposed several models that can be implemented to increase employment participation. They are:

- The **Group Training Organisation (GTO)** model that would recruit the more disadvantaged job seeker, provide intensive pre-employment preparation and support in employment. This model could possibly be trialled in the northern or southern region of Adelaide where there is a demand for apprenticeships, (see also Case Study 3).

Because GTOs have extensive employer networks they are well placed to assess local demand, job vacancies and the capacity and willingness of employers to hire additional apprentices. An integral component of this approach is an attempt to address the holistic needs of participants, i.e. by providing personalised pre-employment preparation, workplace mentoring and assistance in addressing personal issues.

- The **union model** offers mentoring by union members from a specific industry, skilled tradespersons and local social or sporting identities. It is targeted to groups, including indigenous young people, who have high unemployment levels and provides training and/or employment in an area where trade skills are in demand or in a specific industry such as mining.

This model is based on developing occupational skills in employment and providing support in the work placement to increase employment performance, attachment to a specific job and thus the likelihood of retention. The Boys Town program in Port Pirie demonstrated that an 'adult mentor' appears to be very important in program retention, building a young person's self esteem and acquiring a positive attitude to work.

- The **female employment model** focuses on particular groups of women facing difficulties entering the labour market, e.g. women who are refugees, newly arrived migrants or women with low literacy levels.

This model includes literacy and numeracy education, work placements and certified training that leads to employment in occupations in demand in specific regions, for instance in the aged, children and community care sector.

Each of the above models creates a pathway to further education, training and employment for groups who are generally not engaged in employment or training and whose labour is currently under-utilised.

Recommendation: DFEEST to consider the Group Training Organisation model, the union model and the female employment model as pathways to further education, training and employment for groups who are currently not engaged in employment or training.

For many adult trainees, their training needs to be delivered flexibly, with some tailoring around the time commitments of the participants, their access to technology and their individual learning needs and styles. Chapter 7 will examine in detail the responsiveness of the South Australian training system and how it can be changed to ensure that individuals and employers want to pursue and complete their training.

There are also successful programs to provide young people with pathways for learning and work. The State Government's commitment to learning or earning through the Youth Engagement Strategy aims to ensure that all 15 to 19 year olds have the support to complete Year 12 or gain a comparable vocational qualification or employment. The introduction of the *future* SACE from 2009 will provide a structure for students in Years 10, 11 and 12 to learn key skills and knowledge.

Through 'VET In Schools' more than 20,000 South Australian students in Government, Catholic and Independent schools are undertaking school-based nationally recognised vocational training provided or auspiced by TAFE SA or a private RTO. Young people receive two forms of credentials: a credit towards their SACE as well as a nationally recognised certification of industry accredited training. The program incorporates a relevant structured workplace learning component that enables students to demonstrate industry-specific skills in a real workplace. This ensures work-related skills and knowledge are developed in an authentic context.

All secondary school students in State Government schools are eligible to enrol into a Trade School for the Future to undertake an Australian School Based Apprenticeship. It is expected that a student undertaking a school based apprenticeship will complete about 30 per cent of a Certificate III qualification over two years. Trade School students spend their weekdays involved in a combination of school, working part-time and skills training at a TAFE or other training provider. This includes valuable, hands-on industry experience which will ensure they have a better chance of entering the workforce. This alternative non-academic pathway to learning is intended to improve school retention and ultimately lead to sustained employment outcomes for those young people who have often been most at risk of experiencing long periods of unemployment.

Finally, an alternative pathway for South Australia, which has commenced in Victoria, is to develop a Certificate of Applied Learning for young people interested in VET in South Australia.³⁴ It is intended to provide an option that allows for a hands-on approach that delivers a preparatory pathway for learners who wish to pursue vocational and or employment pathways following the completion of mandatory secondary education. This would include a South Australian Certificate of Applied Learning that will prepare learners for more specific vocational pathways and work by providing a substantive VET precursor to apprenticeships, higher VET or employment. Developed within the Australian Quality Training Framework, the certificate of applied learning would provide a substantive vocational alternative to

³⁴ For Victoria, see <http://www.vcaa.vic.edu.au/vcaa/vce/publications/wheretow/vcalindex.htm>

those currently available within the SACE framework. While primarily targeted as a traditional Year 12 alternative, the certificate of applied learning would be an ideal entry or re-entry point to learners of all ages, particularly those seeking literacy and numeracy support and employment outcomes.

Recommendation: To improve the transition between school and work for young people, DFEEST needs to liaise with DECS in the development of a Certificate of Applied Learning as an alternative learning or earning pathway. It would offer students in Years 11 and 12 interested in vocational pathways an accredited option to undertake practical work-related learning, develop employability skills, including literacy and numeracy skills, and specifically prepare them to pursue higher level VET and employment.

Where Will the Unskilled Jobs Come From?

Due to globalisation and new technological developments, there is a growth in occupations and industries requiring high levels of skills. As shown in Chapter 2, the increase in jobs over the next decade is likely to favour high skill occupations. But many jobs for lower skilled people will be created because the new higher-skilled job openings will be filled by the up-skilling of existing workers. Chapter 2 has estimated that job openings resulting from replacement demand are likely to be around 206,000 over the next decade. This highlights the potential to support job seekers into these lower skilled jobs, as 'stepping stones' to higher skilled jobs over time.

At the same time, new jobs that may be created for disadvantaged groups are those vacated by up-skilling existing workers. Given that each job has skilled and unskilled elements, by redesigning jobs it is also possible to increase the skilled part of the job (and possibly retain the existing worker) and create new jobs at lower skill levels. A significant outcome of job redesign is therefore improved job retention which is of great interest and importance to most organisations.

Recommendation: Opportunities for workforce development through job redesign should be pursued through Industry Skills Boards with any necessary funding to be a priority from the Workforce Development Fund.

What Outcomes Can be Expected?

There has been much debate over the effectiveness and value of training programs for job seekers. During the 1990s most assistance was directed towards low skilled jobs or work experience programs (e.g. Work for the Dole) and the training content was fairly minimal.³⁵ However, in October 2006 the Howard Government introduced the Australian Skills Vouchers Program in recognition that marginalised

³⁵ The *Welfare to Work* policy sought to tighten eligibility requirements for some groups of social security recipients so that they were under more pressure to look for work.

job seekers need training. The skill vouchers were worth up to \$3,000 to purchase Certificate II courses, but past experience suggests that level is typically not sufficient to achieve good employment outcomes.

In the context of a strong labour market – the unemployment rate is at its lowest level in 30 years – job seekers with minimal barriers to employment tend to find work readily, with little or no assistance from employment providers. The economic growth provides the opportunity to do better. The Review strongly supports the new Australian Government's decision that participation in training will be an alternative to the job search requirements imposed on benefit recipients.

Through the *Productivity Places Program*, 238,000 training places nationally over four years, in areas of skill demand, will be made available to people who are unemployed or marginally attached to the labour market.

This Review agrees with the view that Job Network providers have had insufficient funds available to support more than short-term training (Thomas 2007; ACOSS 2007). Moreover, the payments to the providers for completion of part-time education and training are contingent upon the job seeker obtaining employment. According to the Australian Council of Social Services (ACOSS), Job Network providers' use of Job Seeker Accounts for training was low and declining, with funding being directed to job search training and courses involving an average of three days (ACOSS 2007). The Review endorses the Rudd Government's decision to consider the existing employment placement services.

A new system of employment placement services is set to provide "better, more tailored assistance to disadvantaged job seekers and place[s] greater emphasis on assisting employers to fill job vacancies" (O'Connor 2008). Results from active labour market programs are often considered disappointing because they are typically under-funded and do not include much training content, which is more expensive. In the new employment service model there will be a great emphasis on training in key areas of demand and stronger incentives for providers to meet employer needs. The Commonwealth *Productivity Places Program*, which will be discussed in more detail in Chapter 8, addresses these issues, but as presently envisaged the numbers may need to increase further in later years.

The Independent Pricing and Regulatory Tribunal (IPART) in NSW has examined the success of VET programs in getting previously unemployed people into jobs. IPART concluded that a 50 per cent success rate can reasonably be expected with relatively longer and more intensive training as envisaged with most of the *Productivity Places Program* (IPART 2006: 144). Training needs to be at a higher qualification level in order to fulfil the higher skills needs of the economy. Training to complete Certificate III or IV courses and/or a mixture of formal training both on and off the job would on average involve 650 hours of training. Given that (disadvantaged) job seekers are a priority group for the *Productivity Places Program* it is important to consider that training includes attention to employability skills. In

addition, costs associated with case management can be considerable and need to be taken into consideration.

Conclusion

The key message of this Review is that arresting and reversing the decline of male labour force participation, especially the decline in low skilled, prime age men's labour force participation, and sustaining and increasing female labour force participation, are important to prevent a significant reduction in South Australia's employment participation. Future options to increase employment participation are also dependent upon improving and extending the participation in the labour market of older South Australians, improving the skill level of those currently peripheral to the workforce and improving transitions between school and work for young people.

It is obvious that there is a need to improve the skills level in the changing South Australian labour market. The *Productivity Places Program* that has been announced by the Rudd Government in early 2008 is a clear imperative for the State Government to engage with the Australian Government.

To improve employment participation, the VET sector has an important contribution to make. The scenarios that were presented in Chapter 2 suggest that the most potential lies in increasing participation among those currently not engaged in the labour force. The majority of these people will require intensive training with careful case management.

Past experience indicates that there is a higher chance of succeeding if close cooperation with employers occurs (possibly with employment commitments attached) to achieve the training and employment participation targets that are proposed. Some of the models that have been outlined in this chapter will assist in achieving a high success rate.

KPIs/Performance assessment:

- Increasing the employment participation rate and progress towards the scenarios for training job seekers outlined in this report
- Reduction in the number of South Australians that are (long-term) unemployed
- Job redesign is part of individually negotiated KPIs of ISBs.

Chapter 6

The Contribution from Migrants to Meeting Skill Demands

Overview

Recent population growth in South Australia has been driven by significant growth in net overseas migration. South Australia's current level of net overseas migration is above the level required to achieve the SASP target, and has boosted population growth significantly. The growth in population has, in turn, boosted labour supply. Skilled migration programs, together with strategies aimed at using the existing pool of labour more effectively, can significantly influence workforce participation. This chapter looks at the role of migration in addressing South Australia's supply challenges over the next decade, in particular the role of skilled migration programs in contributing to the State's skills needs.

Key points:

- South Australia's regional status has underpinned the strong growth in overseas migration necessary to achieve the State's population target
- Continued population growth will be an important element of achieving the labour supply scenarios, and the growth in demand for goods and services, required to maximise economic growth potential
- Almost two-thirds of the recent arrivals to the State have been skilled migrants. It is critical that this share is maintained if migration is to play an effective role in augmenting labour supply
- It will also be important to target migration to the skills in demand in the South Australian economy – this should be an integral part of the workforce planning process
- Ensuring that there is a quick transition into the workforce and that migrants' skills are recognised (and enhanced where required) will be essential
- Any additional migration over and above present targets should essentially be limited to acting as a 'safety valve' – when the skills are not available in the local labour force
- As global competition for skilled workers intensifies, employers will no longer be able to rely on migration to the extent possible in the past
- The workforce planning system should continue to be used to target State sponsored visas, to influence the Australian Government's approval processes and to encourage employers to sponsor migrants
- ISBs and other workforce development agents and intermediaries can play a critical role in assisting industry to use migration as an effective workforce development strategy when local labour cannot be sourced.

Introduction

This chapter looks at the role of migration in addressing South Australia's supply challenges over the next decade, in particular the role of skilled migration programs in contributing to the State's skills needs. The focus of the discussion is on overseas and, to a lesser extent, interstate skilled migration.

South Australia's *Population Policy*, released in 2004 (Government of South Australia 2004), was developed by the State Government in response to the EDB's concerns that population trends were a key issue affecting the State's future productivity and prosperity. The policy includes a range of initiatives designed to supplement labour force growth and augment skill development through migration. The targets initially set in the policy have been incorporated into SASP.³⁶

Over recent years, population growth in South Australia has been above the SASP target and has been driven overwhelmingly by the growth in net overseas migration (NOM). As discussed later in the chapter, this growth has been driven by South Australia's regional migration status.

Almost two-thirds of the recent arrivals to the State have been skilled migrants. It is critical that migration is targeted to the skills in demand in the South Australian economy – this should be an integral part of the workforce planning process. Ensuring that there is a quick transition into the workforce and that migrants' skills are recognised (and enhanced where required) will be essential in achieving this effectiveness.

Skilled migration is an expensive and slow process for boosting labour supply compared with other measures which seek to use the local pool of labour more effectively. For this reason, it should not be relied on more than is necessary. Any additional migration over and above current targets should essentially be limited to acting as a 'safety valve' – when local supply solutions have been exhausted.

As global competition for skilled workers intensifies, employers will no longer be able to rely on migration to the extent possible in the past. Raising employer awareness around these issues is a key role for government.

It is very important that the migrants who settle in South Australia have the skills in demand in the labour market – the workforce planning system should continue to be used to target State sponsored visas, to influence the Australian Government's approval processes and to encourage employers to sponsor migrants, where there is likely to be a shortage from local sources (e.g. highly skilled professional occupations).

³⁶ T1.22 Increase South Australia's population to 2m by 2050, with an interim target of 1.64m by 2014

T1.23 Reduce annual net interstate migration loss to zero by 2010, with a net inflow thereafter to be sustained to 2014

T1.24 Increase net overseas migration gain to 8 500 per annum by 2014.

Context

The Migration Program administered by the Department of Immigration and Citizenship (DIAC) has traditionally been focussed exclusively on the planned *permanent* intake, comprising the Skill Stream and the Family Stream – for which planning levels are announced annually by the Australian Government. There is also a range of *temporary* visa mechanisms which have a significant impact on the labour market, including:

- business long-stay subclass 457 visas – the primary employer sponsored temporary work visa
- student visas – overseas students can work up to 20 hours per week and work full time in semester breaks
- working holiday maker visas – enables young holiday makers to work in primary industry in regional areas of Australia.

The use of temporary visas has grown significantly in recent years – in response to demand from sponsors and interest from applicants. The primary difference between temporary visa options and the planned permanent migration program is that the temporary visas are managed on a *demand-driven* basis.

Within the planned permanent migration program, the relative contribution from the Skill Stream has grown from 37.3 per cent in 1996-97 to 66.1 per cent in 2006-07. The Family Stream has fallen from 60.3 per cent to 33.8 per cent over the decade.³⁷

Within the permanent Migration Program there is a system of priorities designed to maximise the level of targeting to labour market needs:

- Employer Sponsored Migration – recruitment by employers of highly-skilled staff from overseas or from people temporarily in Australia, when they have been unable to fill a vacancy from within the Australian labour market or through their own training programs
- State/Regional Sponsored Migration – allows for the entry of skilled people through sponsorship by the State Government
- General Skilled Migration – the GSM visa classes are the largest component of the Skill Stream of the Migration Program. Applicants are selected against a points test, with an emphasis on selecting people with characteristics which enable them to integrate into the skilled labour market. Priority is given to applicants who have occupations listed on the Migration Occupations in Demand List (MODL) prepared by DEEWR.

Skilled migration programs, together with strategies aimed at using the existing pool of labour more effectively, can significantly influence workforce participation. Migration has the potential to play a substantial role in addressing shortages of workers in particular occupations and regions where critical skill and labour shortages are expected. Migration also has broader economic, social, cultural and environmental impacts, which in turn influence labour demand and labour supply.

³⁷ The remaining migrants entered under the Special Eligibility category, which has fallen to less than 1,000 per annum in recent years.

These impacts will be influenced by the relative contribution of skilled versus other types of migrants entering the State.

Labour market transitions of migrants are influenced heavily by the type of visa they arrive on, how well their skills are matched to areas in demand in the local economy, the nature of the local economy (e.g. competition for available jobs), and the provision of settlement services such as English language training and skills recognition processes. The institutions for qualifications recognition and skills bridging programs in the destination region have a crucial role in ensuring immigrants are job ready as soon as possible after arrival and that their skills are not wasted (Shah 2005).

The Current Situation

In the year to June 2007, South Australia's Estimated Resident Population (ERP) increased by 16,309 persons (1 per cent) to 1,584,513.³⁸ The current South Australian growth rate is above the level required to reach the SASP target of 2m by 2050. If South Australia's population continues to grow at recent strong levels, the 2m target will be reached by around 2030.

Recent strong population growth has been driven by significant increases in NOM. In the year to June 2007 NOM was 13,146. The June quarter was the seventh consecutive quarter of growth above that necessary to achieve the SASP target of 8,500 per annum. South Australia's status as a 'region' for Australian immigration purposes has contributed significantly to this achievement. Adelaide is the only mainland capital to have regional status.

South Australia continues to record a net loss in interstate migration (3,563 persons in the year to June 2007). This was 38 per cent higher than the previous year, with a continued loss to Queensland – accounting for over half of the total loss. South Australia has recorded interstate migration losses in all but a few of the past 100 years. The majority of the loss derives from young highly skilled people.

Data released by the ABS in late 2007 includes some key statistics on the labour market outcomes of recent arrivals (those who arrived between 2003 and 2007) and established migrants (those who arrived prior to 2003).³⁹ Key points include:

- Generally, labour market outcomes in South Australia for recent arrivals are higher than for established migrants. For example the average employment rate for the period was 54.5 per cent for recent arrivals compared to 48.4 per cent for established migrants. This most likely reflects the higher proportion of skilled migration inflow in recent years (which has doubled since 2003-04)

³⁸ Compares with 1.5 per cent nationally. Highest growth was WA (2.3%) followed by Qld (2.2%).
Source: ABS data, DTED briefing *Population Estimates June Quarter 2007* – based on data released on 4 December 2007.

³⁹ Data relates to a 14 month period to February 2007.

- Generally, labour market outcomes are lower for migrants in South Australia compared to nationally. For example the average employment rate for overseas born of 48.9 per cent for South Australia is 7 percentage points lower than the national average of 56 per cent
- Labour market outcomes for Australian born South Australians are also lower than the national average, but the gap is not as significant as for migrants.

For recent arrivals, the key differences between arrivals to South Australia and the nation are:

- A higher proportion of state sponsored migrants: 33.2 per cent of total arrivals to South Australia over 2006-07, compared to 12.1 per cent for Australia
- A higher proportion of humanitarian migrants, 12.2 per cent of total arrivals to South Australia over 2006-07, compared to 8.7 per cent for Australia
- A lower proportion of arrivals from English-speaking countries: 34 per cent of total arrivals to South Australia, compared to 39.1 per cent in Australia.

Traditionally, the United Kingdom has been the greatest supply source for migrants coming to South Australia. While the UK remains the largest country of origin, increasingly, South Australia is drawing its migrants from China and India. DTED has recently commissioned SACES to investigate whether South Australia's three main source countries (the UK, China and India) are sufficient to meet the State's most significant occupations in demand. This work will inform future migration strategies at the State level.

Targeting immigration to skills in demand can be an effective strategy where the skills are not available locally. One of the problems with this strategy, however, is that the arrival of migrants with appropriate skills often lags the shortage, with migrants finding themselves having to work in alternative, and often less skilled occupations, or join the pool of locally unemployed labour. A planned approach to workforce issues and the use of employer sponsored and temporary migration schemes can minimise these challenges. Also, migration programs are more likely to succeed if supported by comprehensive information, not only about the labour market and specific job opportunities, but also about ancillary services such as schooling, health and housing (see Shah 2005).

Existing Support and Initiatives

Current support offered to migrants by the South Australian Government includes: skills recognition, some (limited) advice regarding temporary on-arrival housing options, some employment/careers advice and 'meet and greet' services.

In October 2005, TaSC presented the Minister for Employment, Training and Further Education with a report on Overseas Qualifications Recognition, containing 18 recommendations focussing on the following areas:

- expansion of skilled migration campaigns and promotional/awareness campaigns

- development of 'packages' of support for newly arrived migrants
- establishment of 'one stop shops'
- provision of accurate information on employment opportunities in South Australia
- availability of off shore assessments
- establishment of a network of assessment and recognition bodies
- availability of English and occupational bridging courses.

As a result of the report, services for skills recognition have recently been amalgamated and a 'shop front' has been established in the CBD - known as Skills Recognition Services. As part of the service, a Skilled Employment Consultant has been appointed to assist clients experiencing barriers to employment with one on one case management support. The Consultant will also be responsible for working with industry and employer groups to market skilled migrants.

In addition, a new program *Skilled Work SA* is being developed to provide intensive support to newly arrived migrants via a series of forums and workshops, and through direct links to industry, employers and employment programs.

These programs are jointly administered/funded by DFEEST and DTED.

A recent report on progress towards the recommendations suggests that the intent of the recommendations is being pursued. The recommendations are being progressively implemented, however the extent to which 'full' implementation can occur will be subject to available resources.

Recommendation: TaSC continue to monitor the provision and adequacy of State-funded support services for migrants in consultation with Immigration SA and DFEEST.

Other initiatives provided by government and business include: DTED's *Make the Move* campaign promotes South Australia to potential overseas migrants. The information provided through newsletters and information kits informs overseas migrants about the benefits of settling in South Australia.

Immigration SA has a network of six regionally based skilled migration officers (RMOs) who work with employers to identify migration. The RMOs are based with RDBs and are funded to:

- increase the State's overall and regional population through attracting and retaining skilled migrants in regional South Australia;
- enhance regional employers' awareness of various migration programs; and
- assist access by regional employers to overseas skilled labour when the skills are not available from the local labour market.

In addition, DIAC has an officer out posted at Business SA to work with employers regarding migration issues.

Business SA also operates a *Migration for Business Growth* program, which facilitates better connections between recently arrived migrants and South Australian businesses. SA Great's *Out of State* program reminds South Australians living either interstate or overseas of opportunities within the State.

Key Issues and Challenges

Consultations undertaken as part of the Review identified a range of issues with respect to the contribution that skilled migration makes to the State's skill needs. These are discussed below.

It is evident that South Australia's recent strong population growth has been driven by growth in net overseas migration, which in turn has largely been driven by the State's regional status. The new Australian Government is yet to release a policy on migration but it is probable that the issue of regional status will be examined soon. This is likely to result in further lobbying from some other states to have regional status extended to them. If South Australia's regional status is removed, or it no longer *uniquely holds* that status, it is likely that NOM to South Australia will fall significantly (and, in turn, the overall population growth rate will slow from recent levels).

There are limited data sources available at the State level to analyse, in any level of detail, the destinations of migrants in the South Australian labour market. While 64 per cent of settler arrivals to South Australia in 2006-07 arrived through the skilled stream, there is no information about how many find work, in which occupations, whether their skills are being utilised etc. Because of this, it is hard to judge how effective the migration program is in addressing skill needs.

Recommendation: More detailed work to be undertaken by DTED to improve the information sources regarding the effectiveness of State-based migration schemes in assisting migrants into the labour market in areas of skills demand, which are presently patchy.

It should be noted that while South Australia's regional status has resulted in increased numbers of overseas migrants, migrants who enter through this scheme are generally older, have less work experience and less proficiency in English (than other skilled migrants) as the scores required for these categories in the points test are lower. This, in turn, may result in poorer labour market outcomes and contribute to some of these migrants moving interstate for work, thereby compounding the net loss in interstate migration.

South Australia's loss of population interstate is largely driven by job opportunities – if South Australia can significantly enhance its job prospects and move to a 'higher growth path' (as suggested by the analysis in Chapter 2) this loss may be reduced somewhat.

It is clear that migration policies cannot be developed in isolation at a state level – but must be part of a national migration policy which in turn should be imbedded within a national population policy. The South Australian Government has repeatedly called for the development of a National Population Policy since the release of its *Population Policy* in 2004 (Government of South Australia 2004).

Recommendation: The South Australian Government through DTED should work closely with the new Australian Government regarding skilled migration issues, including:

- the role that regional status has played in helping achieve the State's population policy and workforce development policy objectives
- COAG deliberations regarding offshore recognition and processing.

Role of the State Government

Apart from influencing Australian Government migration policy, the South Australian Government is also able to influence migration through state-sponsored visas. At least one third of settler arrivals to South Australia are state-sponsored.

Targeting these visas, in terms of occupations in demand, is critical in ensuring that the State is attracting skills in demand, and in ensuring positive labour market outcomes for migrants and minimising any displacement of local labour.

A detailed analytical process for identifying occupations suitable for skilled migration (using DFEEEST's 'workforce planning system') has been jointly developed by DFEEEST and DTED – see attached Case Study 6. As discussed throughout this chapter, this type of information is critical when trying to match migrants with local employer demand.

Some occupations are receiving high numbers of nominations – well above the level needed in South Australia. This is being addressed through the establishment of planning levels through the analytical process.

The current SACES study shows that (using available Census data) most of the migrants settling in South Australia are in the professional occupations. The planning levels that the State Government has established for *trades occupations* are far in excess of actual arrivals nationally, let alone in South Australia. This disparity may be because other States (and, indeed, countries) are vigorously targeting these workers, because these workers already have well paid jobs in their home country, and/or because tradespeople are generally 'less mobile' than professionals. Global competition for skilled workers (in particular highly skilled tradespeople) is likely to intensify in coming years, further limiting South Australia's potential to attract these occupations. These factors should be taken into account within the planning framework.

As discussed in Chapter 3 it is important that the occupational planning for skilled migration is realistic in terms of what can reasonably be expected from labour market forecasts.

Employer Involvement

As discussed above, employers are also able to directly sponsor migrants – in both the temporary and permanent categories. Temporary migration, in particular, has grown significantly over recent years and is most evident in the rise in employer-sponsored long-stay visas. Migrants arriving through this process can have better labour market outcomes (as there is a direct match between worker(s) and employer(s), and also ‘smoother’ settlement). Recent proposed changes to the 457 visa category are an attempt by the Australian Government to make the visas more flexible in meeting employer needs for skilled labour. Specialist teams to fast track the visas of skilled workers and an accreditation system for employers who regularly hire overseas labour are the main recommendations of the recent committee established to examine the use of temporary visas.

There have been some effective examples of relatively large scale employer sponsored schemes, for example in the health (nurses) and emergency services (police, ambulance) areas. Employers are best placed to know what their labour and skills requirements are in this regard. Where employers are seeking significant numbers of skilled workers, international expos can be an effective way of demonstrating to potential migrants that jobs are available. To date, the South Australian Government has had limited success in encouraging employers to accompany it on such trips, however it should continue to seek employer involvement in such trips.

Recommendation: The South Australian Government through DTED should encourage employers to use employer sponsored visas where there is clear evidence that local supply of particular skills is not available.

Recognition of Qualifications

Regardless of visa type, offshore processing can minimise delays in settlement and offshore recognition of qualifications, in particular, can ensure that workers have the skills required *before* they enter the State. Currently there is very little offshore recognition or processing, however this is an issue that COAG is examining.

It is also important to ensure that new migrants are able to gain work experience soon after arriving. Many skilled migrants experience difficulties in finding employment in their occupational field, representing a loss of the potential benefits they bring to a job (Saunders 2008). There is a need to examine available data sources to critically examine the labour market outcomes of migrants at the State level.

The increase in net overseas arrivals to South Australia has significantly increased the need for recognition processes. The recently established Skills Recognition

Services shopfront currently focuses on trades recognition for recently arrived migrants, but could (if resourced) provide such services for professional occupations (which is currently done through professional associations); and could also provide a broader 'one stop shop' offering career development services. The proposed 17 regional Career Development Centres could also be resourced to provide skills recognition services.

Conclusion

More broadly, there is a role for State (and Commonwealth) Governments to work directly with employers to raise awareness about the migration process. Many employers, when faced with a skills issue, want a 'quick fix', and assume that migration can provide that. Many employers do not realise that migration is a process which takes significant time, and can involve significant cost. When they do recognise the costs and risks involved they are often much more reluctant to use migration as a solution to their skills problems. Furthermore, in some industry sectors, e.g. construction, the prevalence of sub-contracting arrangements means that employer sponsored migration is problematic, and therefore not a viable solution to skills shortages. As discussed earlier, for these reasons, additional migration should only be viewed as a safety valve.

Employers have a responsibility to train and it may be that individual employer's access to temporary migration applications should have regard to their training effort and future plans.

Through programs such as the new *Building Business Capability in Workforce Development* program (refer Chapters 3 and 4), South Australian employers can find out about the role that migration can play in meeting their skill needs, together with other strategies aimed at using the existing pool of South Australian labour more effectively. Employers will also be encouraged to plan ahead for skill needs, rather than be reactive.

ISBs and other workforce development agents and intermediaries can also play a critical role in assisting industry to use migration as an effective workforce development strategy - in conjunction with other measures. This would need to be reflected in their performance agreement with State Government.

In this regard, whether to use migration as a skills strategy may well depend on the nature of the issue being addressed. Migration may have the potential to address *current* skills shortages (which reflect *past* mismatches between supply and demand) but should not be relied upon to address *future* skills needs - until such time as local supply is 'exhausted'.

Employers will need to acknowledge that in an increasingly competitive global labour market, they will need to train and develop their own staff, as relying on migration as a solution to skills issues is not a viable long term option.

Case Study 6: Using Labour Market Data to Inform Skilled Migration

DTED is a key user of the estimated future job demand and net imbalance information from the 'workforce planning system' - to inform its skilled migration program. The information from the workforce planning system is used to identify occupations which would be suitable for targeting through state-sponsored visa mechanisms. This analysis is updated on an annual basis and informs future targeting of the program.

The information has been used to identify occupations which have significant demand, and for which current trends in supply (such as the existing workforce, the unemployed and graduates) are not considered sufficient to meet this demand. Planning levels are also determined for each occupation. These are planning levels for Immigration SA *nominations*. Generally, the planning levels are set at double the figure identified from the occupation analysis, as DTED expects less than half would actually arrive in South Australia⁴⁰. For some occupations (e.g. Fitter, Electrician, Plumber) there is no limit set for the number of nominations. Historically these are occupations where South Australia does not attract many migrants - they are skill shortage/very high demand occupations.

The occupations identified through the 2007 process and hence targeted for skilled migration during marketing activities (such as overseas expos) include:

- Fitter*
- General Plumber*
- Metal Fabricator*
- Welder*
- Electrician*
- Flat Glass Tradesperson
- Panel Beater*
- Painter and Decorator*
- Chef*
- Cook
- Motor Mechanic*
- Refrigeration and Air-conditioning Mechanic*
- Bricklayer
- Office Manager

It should be noted that there is considerable sensitivity around the planning levels, and hence they are used for *internal planning purposes* only. They are not published nor made available to migrants or migration agents.

Note: both the national and state-based skilled migration programs are restricted to managerial, professional, paraprofessional and trade occupations (ASCO 1 to 4).

* These occupations are also on DIAC's MODL list

For planning purposes, the level of permanent overseas arrivals by occupation is used as a guide to the potential supply response.

⁴⁰ Built into these is the expectation that no more than half (at the most) translate into settler arrivals, due to the numbers who are either not successful at the DIAC stage, decide to settle in another state or who choose not to migrate at all.

Chapter 7

Increasing the Take-Up of and the Successful Outcomes from Training

Overview

This chapter focuses on how the South Australian VET sector can respond to the social and economic challenges identified in other areas of this report.

Key points:

- The ability of the VET system⁴¹ to accommodate the needs of employers and individuals is an important influence on the take-up and completion of training which contributes towards the development of skills
- Training is a critical element of labour market programs to assist people outside the workforce into employment
- It is not sufficient to focus only on new entrants – existing low skilled workers also need to be up-skilled to meet the demand for skilled workers
- The VET system needs to be more flexible and responsive to attract new learners and assist them to complete their training, while accommodating the needs and preferences of employers and leveraging learning opportunities provided by the work environment
- Additional contestability in the VET sector along with greater devolution –both embodied in the *Skills Strategy* – will increase choices for learners and employers, improve responsiveness, encourage innovation in training offerings and delivery and foster a more entrepreneurial culture
- The age profile of the VET workforce, entrenched cultural issues and inflexibility in industrial awards are major impediments to responding to these challenges; Enterprise Bargaining and utilisation of industry expertise through more part-time teachers offer opportunities to address these issues
- Training costs for learners and employers (including opportunity costs) need to be decreased by reducing training times through the increased use of RPL, better skills recognition for immigrants, increasing competency based completions and a focus on skill sets rather than full qualifications
- New methods of training delivery are needed, including the increased use of employment-based models and e-learning
- Learners with disadvantages require intensive support; this requires increased resources including increased teacher-student ratios, case managers, counsellors, mentors and welfare advisers
- Accurate career and labour market information needs to be accessible to prospective learners; the proposed network of Career Development Centres will be a valuable source of information, career development services and skills recognition services.

⁴¹ The VET system includes public and private training providers, higher education providers, schools delivering vocational training and adult community education settings. VET provides a pathway for learners through to the University sector.

Introduction

The responsibility for action to improve the effectiveness and efficiency of the South Australian VET system and delivering better skills outcomes for the economy is shared between the Commonwealth and State Governments, industry, non-government VET providers and individuals. Improving the depth and breadth of skills in the South Australian economy will involve changes to both the VET system (the way the demand for skills is translated to the supply of training) and the way the demand for skills is met.

This chapter reviews the current situation regarding engagement in training, the capacity of the sector and the responsiveness of training providers. Barriers and challenges to the up-take of training will be discussed and a series of recommendations proposed.

Engagement with Training

The VET system needs to foster life long learning, and encourage people to train to higher level qualifications. Skills can be gained through skills recognition and customised learning programs. The training for new entrants to the labour force needs to be engaging and sufficiently broad so that people will be able to continue learning throughout their lives. The process of skills acquisition and qualifications for experienced workers is a responsibility that is currently shared between governments and industries.

The VET system needs to be in tune with the changes occurring in industry so that trainers can use their expertise to work collaboratively with employers and workers to solve problems, support innovation and develop new approaches to address skill shortages. The current VET workforce itself requires up-skilling so that it can better work with enterprises to develop workforce skills. New tools, behaviours and structures to operate in a range of environments (including virtual) and new approaches are required.

Training is critical for people seeking employment who are currently outside the workforce. Training that is tailored to meet each client group's particular needs will be the most effective in assisting learners to find sustainable employment. In this context, modernising the apprenticeship system by maximising early/competency based completions will make apprenticeships a more attractive option for training for both young and mature workers.

In 2006, approximately 45 per cent of Australian males and 51 per cent of Australian females held no post-school qualifications. For those who had a post-school qualification in 2006, 36 per cent of Australian males and 38 per cent of Australian females had a VET qualification that is, an Australian Qualification Framework (AQF) qualification below a Bachelor degree (ABS 2008b). South Australia currently is below the national average for VET participation, employment participation, and the achievement of post-school qualifications.

Employers use nationally recognised training⁴² for three main reasons: to meet legislative/regulatory/licensing requirements, to provide the skills required for the job, and to maintain professional/ industry competence.

NCVER reported that in 2006, 54 per cent of employers surveyed nationally had used the VET system in the previous 12 months; this was a decrease from 57.1 per cent in 2005. In comparison, 49.8 per cent of South Australian employers used the VET system. In the survey period, 48.5 per cent of employers used non-recognised training and 68.4 per cent used informal training (NCVER 2008a).

The report further states that the use of the VET system includes three types of engagement:

- employers with jobs that require VET qualifications (33.3 per cent nationally, 26.6 per cent in South Australia)
- employers with an apprentice or trainee under a contract of training (29.1 per cent nationally, 26.2 per cent in South Australia)
- staff undertaking nationally recognised training other than under a contract of training (22.1 per cent nationally, 21.9 per cent in South Australia).

Engagement was highest (greater than 75 per cent) in government administration, defence, mining and construction. The results from the survey state that about half of employers (49 per cent nationally) use non-recognised training (i.e. not recognised as VET training), with 27 per cent of them not exploring the availability of recognised training, and 71 per cent of employers using informal training.

While participation in accredited training is low – only half of the South Australian employers surveyed chose accredited training – satisfaction with the outcomes is high. In 2007, 88.2 per cent of employers were recorded as being satisfied with the nationally recognised training provided for their staff. This is an increase from 80.2 per cent in 2005 and exceeds the national average of 80.5 per cent. 81.7 per cent of South Australian employers were satisfied with training for their traineeships and apprenticeships which was a slight decrease from 2005 (82.4 per cent). The national average is 83.3 per cent. 88.4 per cent of employers were satisfied with VET qualifications compared with 70.1 per cent in 2005. This is significantly higher than the national average of 80.8 per cent. In contrast, a survey undertaken by Australian Chamber of Commerce and Industry found only 55.8 per cent of employers found VET graduates had appropriate skills for their industry and only 52.4 per cent thought those skills were up-to-date (ACCI 2007: 75).

Student satisfaction with VET training, which included all training providers, was higher than that of employers. NCVER reported that in 2007, 89.0 per cent of South Australian graduates were satisfied with the quality of training in the VET sector, compared to the Australian average of 88.8 per cent (NCVER 2008b). Students like

⁴² Nationally recognised training means AQF qualifications delivered by registered training providers.

the training they get and believe that their goals are met. A business review conducted by KPMG in 2008 in relation to the TAFE workforce found a comparatively higher cost and lower productivity in South Australia than most other states. However, this does not translate into a higher satisfaction level for the training.

In South Australia, there are currently 35,100 trainees and apprentices in structured training and work, in some 244 trades and vocations (NCVER 2007). This is the highest figure on record for this state and the number is continuing to trend upward. Over the last two years, this trend has been accompanied by an increase in completions and a decrease in the number of cancellations and withdrawals. However, in the traditional trades, attrition continues to be a problem with contracts of training completion rates of around 70 to 80 per cent.

The current low rate of unemployment in Australia has meant that labour is being sought from a variety of sources which include groups that require intensive intervention to prepare them to participate in the workforce. Increasingly, specialised approaches are required to respond to inadequate language, literacy and numeracy skills, lack of motivation or study skills and health issues. As noted in Chapter 5, in 2007, 45.2 per cent of South Australians aged 15 to 74 have skills below the basic level required to deal with everyday life (ABS 2008a). These low levels of literacy mean that a person does not have the ability to adequately gain knowledge about subject matter and, therefore, their performance will be poor in many aspects of their life. This is a major impediment to employment and up-skilling.

Lifelong learning is essential to effectively dealing with the rapidly changing demands of the contemporary workplace. Employers need to demonstrate greater flexibility when responding to and supporting workers engaged in training and to work more effectively with training providers. Encouraging the take-up of skills will hinge on improving the incentives to training and the flexibility of training providers to meet market demand. Continuing to focus on training new labour force entrants will not make a significant difference to the availability of skills in the short term. Existing low skilled workers need to be up-skilled into jobs which require them to be ICT literate, have learning skills and decision making capacities, be able to work in teams and display entrepreneurship and leadership. A focus is needed on higher level qualifications to up-skill existing workers.

Capacity of the South Australian VET System

Challenges

The VET system serves a diverse student body which requires a range of delivery modes and levels of support to suit workers requiring up-skilling, school leavers transitioning into work or unemployed persons. Historically, the Australian VET sector targeted 15 to 24 year olds and delivered training in classroom settings. Having gained their credentials, individuals typically entered careers for life, building additional skills through experience and on-the-job training. In this model,

government paid almost all of the cost of providing up-front training for a fixed number of individuals to undertake certain 'craft' skilled roles.

In early 2008, there were 300 training providers registered in South Australia delivering AQF VET qualifications to domestic and overseas students. Twenty-eight of these are higher education providers. In 2008, 127 of these providers, including TAFE, have a contract with the South Australian Government for User Choice funding for traineeships and apprenticeships. Many more VET providers registered in other States and Territories can operate in South Australia.⁴³ Currently, 98 interstate registered training providers have contracts with DFEEST to deliver training in South Australia. However, this accounts for only a small percentage of the User Choice training in this State. In 2007, less than 10 per cent of the total funding was provided to RTOs with User Choice funding agreements. Of the 300 South Australian registered VET providers, 45 also registered to deliver to overseas students on student visas.

More than 2000 AQF qualifications are available for registered VET training providers to deliver, with approximately 984 of these available for delivery through contracts of training (traineeships and apprenticeships). DFEEST's records show that in 2007, in excess of 34,000 VET AQF qualifications were issued by registered VET training providers both as a result of public funding and fee-for-service provision.⁴⁴ In addition, many more partial qualifications were issued, comprising accredited short courses, skills sets, and individual units of competency. Records show that, of the 34,179 qualifications, 53 per cent were issued by TAFE SA and 47 per cent by private providers. Under-reporting by the private sector has been identified which is likely to mean that its share would be higher.

AQF qualifications, both those in national Training Packages and nationally recognised courses accredited locally, must meet the needs of industry generally or enterprises more specifically. Registration ensures that training providers meet the appropriate standards to deliver AQF qualifications. RTOs must demonstrate that they have qualified staff and relevant resources to provide quality teaching, learning and assessment services.⁴⁵ While RTOs are monitored periodically throughout their registration, it is the responsibility of the organisation to ensure that they continue to meet their registration responsibilities. How they offer their services and the

⁴³ Registration in one state/territory has national effect and no further regulation is required for registered VET training providers to offer their services across state borders. While the intention of RTOs to operate in a state/territory other than their primary state of registration is recorded on the National Training Information Service (NTIS), statistics are not available on how many actually deliver training in South Australia.

⁴⁴ Under the Training and Skills Development Act 2003, all providers registered under the Act are required to report all full or part AQF qualifications issued on the Department's Client Qualifications Register (CQR).

⁴⁵ Registration is governed by the *Training and Skills Development Act 2003* and this requires training providers in the VET sector to meet the requirements of national standards agreed by training ministers in all jurisdictions.

teaching, learning and assessment methodologies they choose, are neither mandated nor recorded.

The Review considers that South Australia is well served by the number of VET registered training providers and the scope of the VET AQF qualifications available for delivery in South Australia. The Review further notes that there has been significant growth in 2007 in the number of providers registered to deliver to both domestic and overseas students.

Nonetheless, a number of research reports in recent years have called for reform to the training system (Allen Consulting 2006; TAFE Directors Australia 2007). In South Australia, the *Skills Strategy* identified barriers in the current training system that are, in part, constraining the VET system's capacity and preventing more individuals and businesses from undertaking training. These include:

- the lack of alignment between the allocation of government subsidies and individual need for training or retraining
- the lack of alignment between costs and benefits of training
- the lack of incentives to support up-skilling
- a focus on the supply of training rather than meeting demand
- a training system that is becoming increasingly complex
- a system where good providers in the system are not rewarded, and
- a system which cannot always meet the expectations and changing needs of industry and business

The most recent national reform was the revision and implementation in 2007 of revised national standards for registered VET training providers and accreditation of courses. The Australian Quality Training Framework (AQTF) standards are aimed primarily at streamlining regulation of both of these functions while retaining mechanisms for ensuring quality provision of training. This has been fully implemented in South Australia.

The public provider needs to fundamentally realign its infrastructure to meet the needs of contemporary VET training and skills development. Blended delivery requires different learning precincts and sites supported and connected by technology. VET learning environments need to be constructed to meet enterprise and learner needs through the creative use of shared public and private facilities and resources. There is a need to invest heavily in ICT systems rather than maintaining ageing infrastructure. Linking with initiatives across DFEEST, and with other partners, to aggregate effort in this area is essential.

Sharing physical facilities assists in reducing the costs of maintenance and major upgrades for each party and ensures that up to date equipment and technology is utilised across industry and the training environment. Sharing facilities between industry and training providers occurs in some areas, but this approach needs to become more common. Existing examples of the sharing of assets include the loan of

a mining truck simulator to TAFE SA by Thies and the operator of the Oxiana-owned Prominent Hill copper and gold mine for a Labour Market Transition Program to prepare workers for the mining industry, and TAFE and the Women's and Children's Hospital sharing learning spaces (see Case Study 7).

Case Study 7: Women's and Children's Hospital

A dedicated Learning Centre is located within the Haematology Department of the Women's and Children's Hospital Department of Laboratory Medicine (WCHDLM). It is in close proximity to the pathology laboratories. TAFE SA has equipped the centre with a teaching microscope incorporating computerised technology to enable the transmission of images from the microscopes in the diagnostic and research laboratories to large screen displays in the learning centre. The centre has presentation and lecturing facilities, access to the internet and to the laboratories. This is supported by in-house information management systems and study resources. It is designed to also be utilized as a general reading and meeting area to promote learning.

TAFE SA provides workplace assessor training for key hospital staff to complete their Certificate IV in Assessment which allows for workplace staff to jointly assess with TAFE staff. The hospital has access to the learning centre for in-house customised training. Jointly developed learning resources, depicting WCH laboratory procedures from collection to reporting, support the delivery of training.

The current challenge for the VET system is to find ways to meet the expanded range of expectations that come with new ways of working with physical structures, systems and methodologies that were designed for a different era. ICT is a critical resource and platform for the future of training delivery. It can be utilised in the delivery of training in the workplace and enables flexible learning at times that suit the learner.

Recommendation: Support and accelerate the requirement to realign infrastructure assets and re-invest in ICT systems to better meet contemporary skills development needs.

Capability of the VET Workforce

The VET workforce needs to be capable of developing a highly skilled workforce for South Australia and implementing the initiatives of the *Skills Strategy*. Consequently, the VET workforce will need to acquire further skills and also must develop a capacity for change.

Approximately 2,000 public provider staff are eligible for retirement in less than five years, and 70 per cent of the leadership group is over 50 years of age with growing skills shortages for staff in high growth areas. This scenario presents a significant challenge. Further, TAFE SA has a higher cost workforce than other jurisdictions but with lower productivity, highlighting a major challenge of workforce capacity and

capability that must be addressed. TAFE SA needs to develop its workforce and future leaders.

Nurturing and embracing partnerships with stakeholders and other VET providers will promote innovation and an entrepreneurial culture. The demands of the State for a flexible and responsive training provider system to deliver a skilled workforce, combined with increasing demands from employers and individuals for high quality individualised training, will put great pressure on registered training providers. The figures presented earlier in this chapter show that the training provider sector is growing in capacity, but what is less clear is whether its workforce has the capability to deliver the services being demanded.

Replacing the ageing VET workforce is proving to be increasingly difficult as new VET workers are difficult to find in skill shortage areas. Furthermore, there is anecdotal evidence that across the VET workforce, training providers' skills may not be keeping pace with the way work is organised, the increasingly diverse range of clients/students needs, and increased expectations for sound teaching, learning and assessment practices. Building the capability of the VET workforce to provide a new training response is essential.

This is an issue that all states and territories are currently facing. The National Senior Officials Committee (NSOC), the Chief Executives from Training Departments in all jurisdictions, agreed early in 2008 to further examine the issues of capacity and capability of the VET workforce. The imperative to meet the COAG Productivity and Skills Agenda is driving this agreement. The starting point is to build on a 2004 national analysis of the VET workforce conducted by NCVER, profiling the national VET workforce. NSOC will commission an update on the 2004 NCVER research in order to understand more about the profile of the VET workforce, and to position the VET sector to take action with interventions that will respond to possible future constraints. Ultimately, training providers, as employers, are responsible for the development of their own workforces. However, research findings disseminated to the sector will provide a platform for a response.

The capacity of the VET workforce to successfully implement the *Skills Strategy* initiatives is a critical factor, and improving workforce flexibility and productivity depends on it. Currently, 45 per cent of the TAFE SA workforce is permanent with the other 55 per cent on fixed term contracts or casual arrangements which gives some flexibility (Boston Consulting 2007). Further utilisation of industry expertise is needed however, as is more flexibility in the industrial awards. More part-time TAFE teachers who also work in industry would better ensure the currency of training delivery and improve the alignment between the needs of industry and the training system.⁴⁶

DFEEST will consider a review of the TAFE Act staff structure, taking into account the current training environment and making an assessment of the demands for the

⁴⁶ In NSW more than 50 per cent of TAFE teachers are part-time, and many also work in industry.

next 15 years. Skill shortages, the ageing workforce, the current staff profile, and a need to provide incentives for mature age workers that may join the service in their later years prior to retirement have all been under consideration. While the implementation of the *Skills Strategy* is not reliant on achieving industrial changes, the industrial changes being proposed would assist TAFE SA's efforts to improve staff performance and productivity.

Recommendation: Note that there is some inflexibility in the public provider's workforce industrial arrangements and support the DFEEST proposal for the new Enterprise Agreement.

Professional Development for VET Practitioners

A VET initiative for building the capability of the VET workforce, *Re-Framing the Future*, is a nationally funded professional development program that has been managed by South Australia for the past 11 years. Projects are focussed on engaging and up-skilling VET practitioners across Australia. Strategic and change management has been undertaken and assessor, practitioner and industry networks have been formed which have assisted VET professionals across Australia to develop both individual and organisational skills to respond to the national training system. This source of funds supplements resources available within VET organisations and encourages engagement through partnerships. Every year, the number of applications for support exceed the funds that are available and, while considerable resources have been invested in professional development, only a small proportion of the VET workforce is benefiting. It is often the same people and programs who utilise this source of funds to advance their skills, while the majority of other staff and organisations continue to operate with established practices.

A further initiative is a traineeship pathway for VET trainers and assessors. Bringing new entrants into the VET workforce through a contract of training for skills development under the mentorship of experienced VET practitioners has the potential to attract new entrants and build their skills from the beginning of their employment. This arrangement is expected to take effect from 2009.

Industry experience or vocational competence is a core skill for VET trainers and assessors. The mandated qualification for trainers and assessors is the Certificate IV in Training and Assessment, which develops core teaching learning and assessment skills. Ultimately, educational excellence underpins the quality of the experience and outcomes for students and helps to create an ongoing commitment to life-long learning.

Clarifying the role of VET practitioners, developing their entrepreneurial skills and confidence to become key industry experts in workforce development, as well as being able to manage an increasingly diverse student cohort, are opportunities that can be utilised to revitalise and refresh current staff.

Initiatives to Improve Take-Up of Training and Completions

Positioning the VET system so that individuals and enterprises want to train, and then to complete their training, will require not only a highly skilled workforce, but also a broader and more sophisticated response from VET providers. Both public and private providers will be required to develop their roles beyond simply providing skills in traditional settings.

For the purpose of this report, some key initiatives and strategies have been identified as being fundamentally important to changing the way the VET system delivers services to industry, employers and individuals. Responsiveness and flexibility, founded on competition, choice and devolution, will encourage the development of an entrepreneurial culture among VET staff working in partnership with employers, businesses and networks. The delivery of training will focus on employment based models, and use blended delivery approaches which include electronic learning. Additionally, decreasing the opportunity cost of training by reducing training times through competency based training, the use of skills sets and the recognition of existing skills, will encourage more people to sign on and complete their training.

The strategies identified will move the VET system from an institutional to a flexible work based model of training delivery, incorporating competency based approaches for assessment of apprentices and trainees, the recognition of prior learning, blended delivery including e learning and new approaches to assist disadvantaged learners. The Government's new *Skills Strategy* includes a number of initiatives that will address many of these issues.

Responsiveness and Flexibility

Today, employers are demanding a responsive and accessible publicly-funded VET system that is driven by their needs and in tune with the changes that are occurring in industry; a system that engages effectively with them. Similarly, VET learners are seeking flexible and responsive training that will provide them with the blend of skills and qualifications they require to build and extend their career and employment options. Understanding and capturing the skills and workforce needs of employers and employees and translating them into training options is central to a demand-driven, responsive and flexible system for skills and workforce development.

Consultation undertaken by TaSC identified the key characteristics required by stakeholders from VET providers which they felt the South Australian VET system needed to address. These include:

- flexibility, in response to the preferences of employers
- content that is clearly and immediately relevant to the business
- consistency and reliability in training quality across providers

- delivery by consistently high quality trainers who are well informed about the industry/occupation and whose principal motivation is to improve skills
- responsiveness and accessibility achieved via competition for business by training providers
- excellent communication from training providers to businesses
- consistency in skill attainment levels across different qualifications that are classified at the same AQF level, and
- efficient and robust processes for recognition of prior learning.

In response to these demands, this Review suggests that there are three primary drivers of change in the VET system that the Government's *Skills Strategy* is endeavouring to encourage to make the VET system more flexible and responsive:

- competition and choice in combination with more devolution
- creation of an entrepreneurial culture, and
- the development of partnerships and networks

These drivers are discussed in more detail below.

Competition/choice and devolution

Changing the way the VET system is funded is an important part of the overall reform of the training system. The move to greater contestability in the skills sector, which has been a focus of reform in other states, offers a number of potential advantages. These include increased training choice for learners and employers, an outcome which improves responsiveness, encourages innovation in training offerings and delivery, and improves the quality and cost effectiveness of programs. Greater contestability also leads to better value for money for governments, enterprises and learners.

These changes in South Australia will align with the new national VET environment being created under the Commonwealth's *Skilling Australia for the future* policy. There will be an incremental increase in contestable funding for publicly-funded VET, with the aim of further increasing flexibility and driving efficiency and innovation. In 2007-08, \$13.9m of the State's non-User Choice expenditure on the public provision of training was contestable. This represents 6 per cent of the total VET purchase. By 2011-12, \$21.9m of the State's non-User Choice expenditure will be contestable, representing 11 per cent of the total. This will be done incrementally by shifting funds from non-contestable to contestable. By 2012, it is anticipated that Commonwealth growth funds will have increased by up to \$50m, all of which will be contestable. Contestable funding from all sources in 2007-08 is planned to be 25 per cent of the total training expenditure and by 2012 it will be 48 per cent (Government of South Australia 2008: 17).

Contestable funding will target program areas that have the best opportunity of improving overall participation, achievement of post-school qualifications and employment participation. A more contestable market place will require the public provider to compete for business against the private sector. A revised financial management framework for the public provider will see re-investment of surplus revenue for spending in future periods operating on an agreed net financial outcome. This will promote greater commercialism and a focus on revenue expenditure and productivity. The new business model for the public provider outlined in the *Skills Strategy* provides greater autonomy and distinction between the provider and the purchaser to compete effectively in a more competitive market. Clearly defined control and capability to make timely decisions will be achieved through the newly constructed TAFE network with an autonomous and devolved network of three connected Institutes.

Creation of an entrepreneurial culture

An entrepreneurial culture must be fostered to build capacity for innovation and networking and for marketing new approaches that respond to client demands by pro-actively helping to create and shape those demands. Providing training at times and locations that better suit industry needs should be a priority for the way the VET provider operates.

Current funding and operational arrangements however, can constrain the public providers' ability to innovate. Up until very recently, examples of entrepreneurial behaviour typically relied on individuals with initiative and energy to achieve innovation and develop new opportunities with customers. Management systems that enhance the capacity to seek opportunities to work with industry, to promote and support workforce development, with a system-wide culture characterised by innovation and entrepreneurship, will need different funding mechanisms that allow operational flexibility and performance management. In addition, improved planning arrangements and performance measures that drive improved efficiency, effectiveness and accountability for publicly funded VET will be required.

An entrepreneurial culture will foster partnering with industry and industry bodies, employers, schools, universities, other government agencies, and private and public providers. Small to medium size organisations will benefit from partnerships with VET to provide effective workforce development strategies.

The *Skills Strategy* outlines initiatives that will ensure greater alignment between the needs of customers, whether they are individuals, community, enterprises or industry, and products and services. The emphasis is on streamlined processes and systems to improve access and offer flexible delivery options for a diverse range of learners. The public provider will operate with more commercial freedom within the market place, but will be held more accountable by having to adhere to business and competitive disciplines in the way it provides its products and services. Targeted requirements will be documented in State purchasing plans.

Partnerships and networks

The knowledge economy is based on partnerships and networks in which businesses that are competitors will often collaborate on some issues for mutual benefit. These partnerships will be diverse in nature and operate at different levels. A blended learning and partnerships approach will support regional economic, social and environmental development and sustainability. VET will need to take a leadership role in adapting services to suit the new emphasis on workforce development. VET providers should increase the capacity of individuals to participate effectively in the workforce throughout their whole working life and work with businesses to increase their capacity to adopt high performance practices that support employees in developing their potential skills and value. Currently, the emphasis on workforce development is not widespread, and the current system relies too heavily on a few exceptional individual's enthusiasm for initiatives to occur.

The public provider needs to become a recognised partner in the state's economic development, seeking opportunities to work with industry so that workforce development is fostered through career development and lifelong learning. An entrepreneurial approach will be required if staff are able to meet the needs of organisations as well as individual learners. VET providers need to be recognised by firms as a key source of new skills, and be able to facilitate innovation by disseminating information about new technologies and what they mean for firms' own workforce development. VET providers can engage with firms and assist them in improving their business by increasing their workforce's skills and abilities, enhancing the value of their products and services, adapting to technological and other changes and increasing their profitability.

Seeking opportunities to build partnerships with industry will encourage the development of high-performance workplace cultures, through sharing new work practices and organisational approaches that support workforce development. The public provider will need to build its capacities to broker new partnerships and forge new models of collaboration with businesses to better integrate training to suit workplace developments. Learning about the needs of the organisation within the context of regional economic, environmental and social developments will ensure that skills are utilised. This will encourage local business planning and innovation, help communities deal with change and take advantage of opportunities for growth.

Delivery of Training

New methods of training delivery are needed in order to respond to the different needs of the different groups seeking training today. Thus, VET providers need to be more open to varying the timing of training provision and the method of learning, for example through e-learning and workplace delivery. These changes to delivery modes are considered further below. However, there is a tension between flexibility and responsiveness that comes with the objective of offering a highly customised service and achieving cost efficiency in the provision of VET.

Employment based models of training

Overseas research indicates that learning in real work situations, where people have to perform tasks, master specific situations and problems and learn from others, has significant benefits. In Europe, 71 per cent of employers surveyed consider employees learn new things in the context of their work.⁴⁷ This is not a new concept, although the implementation of it has been too difficult in the current way the VET sector operates.

Workplace learning is critical for skills and knowledge development, as people acquire most of their vocational competence in work environments. People are often unaware of these competencies, as they can be tacit, holistic and behavioural in nature. Learning at the workplace includes a wide variety of models, such as job rotation, coaching, apprenticeship, e-learning or quality circles. It is a way of learning that suits small and medium enterprises. For people with low levels of education, an opportunity for informal learning at work seems a better option, but it must be educationally sound, lead to quality skills formation and have positive outcomes for both the individual and the enterprise.

The strength of employment based training lies in the provision of experiential learning in the workplace that complements experiences in educational institutions. This requires the integration of trainer and employer working in partnership to provide a sound learning environment to develop the skills required for contemporary work.

Employment based training models may be constrained by regulatory environments, the capacity within the education and training sector to respond to fast changing industry practices, and workplace/employment relations. These issues play out differently in different working environments; hence models may need to be tested in the specific enterprise or industry area. The nature of partnerships between apprentices/employees, employers, VET providers, government bodies and other supporting agents will underpin the achievement of better outcomes for employment based training models.

Recent NCVET research (Choy *et al.* 2008) has proposed a set of five enhanced employment based training models based on experiences in manufacturing and child care which will provide a framework for training providers to address the varying needs of enterprises and individuals. The outcomes classify training into two categories – entry-level training and further or specialised training.

The five models attempt to provide variations in the provision of entry level training that take account of the need for an appropriate duration for skill development and the use and integration of experiences provided by both the workplace and the educational component. These enhancements acknowledge that different learners, with varying capacities, will need different periods of time to develop occupational

⁴⁷ European Centre for the Development of Vocational Training (CEDEFOP).

knowledge and diverse pathways through entry-level preparation to meet their own needs and those of industry.

The five models are:

- Traditional entry-level training – an enhanced model of the current apprenticeship/ traineeship model. Includes the greater integration of learner’s experience in the workplace and educational settings. Educational provider demonstrating leadership with workplace participation
- Accelerated entry-level training – Workers-learners progress speedily through a more effective and intense experience both in the workplace and educational institution. Integration between workplace and educational setting shared by trainers and employers
- Internship entry-level preparation – employment-related learning after the completion of an expedited entry-level training. Recognition and interim authority to practice their occupation. After further employment related learning experience, both employer and educational institution finally assess and recognise certification for the occupation. Currently only limited Cadetship (Government-based) and Communityship (Community-based) programs are offered
- Extension model of entry-level preparation – for mature workers to develop their occupational capacities and employment based experiences, augmented by flexible educational provision in out of work time. Learner is required to be self-directed in their learning
- Extension model for further development – for mature workers who have completed their initial occupational development and have some experience. Based on employment experiences, supported by flexible educational provision out of work time. Responsibility shared between educational provider, workplace and worker. Again, learners need to be self-directed in their learning.

The division between working and learning is expected to decrease as project-based and practice-oriented learning forms increase. With the present skill and labour shortages, the time is right for businesses/enterprises to take responsibility for planning and managing internal knowledge transfer and skill development. If an employee gains 90 per cent of their knowledge from within the organisations (70 per cent informal, 20 per cent structured) and only 10 per cent from external training, then it is questionable as to why so much spending and effort occurs outside the workplace. Table 16 provides the percentage of existing workers engaged in VET training during 2006. It is unknown whether the training relates directly to current work or participants are training for other purposes.

Table 16: SA VET Clients by Employment Status and Provider Type 2006

PROVIDER	TAFE SA		OTHER PROVIDERS		SA VET TOTAL	
	No. Clients	per cent	No. Clients	per cent	No. Clients	per cent
Employed full-time	29,915	37.7%	8,315	19.6%	38,230	31.4%
Employed part-time	14,723	18.6 %	6,118	14.4%	20,841	17.1%
Self employed	2,673	3.4%	491	1.2%	3,164	2.6%
Employer	1,863	2.3%	126	0.3%	1,989	1.6%
Employed - unpaid	664	0.8%	116	0.3%	780	0.6%
Employed Total	49,838	62.9%	15,166	35.8%	65,004	53.4%
Unemployed	10,282	13.0%	2,800	6.6%	13,082	10.7%
Not in labour force	9,306	11.7%	4,236	10.0%	13,542	11.1%
Unknown	9,870	12.4%	20,215	47.7%	30,085	24.7%
Total	79,296	100.0%	42,417	100.0%	121,713	100.0%

Source: SA VET Skills Reform – Market research October 2007

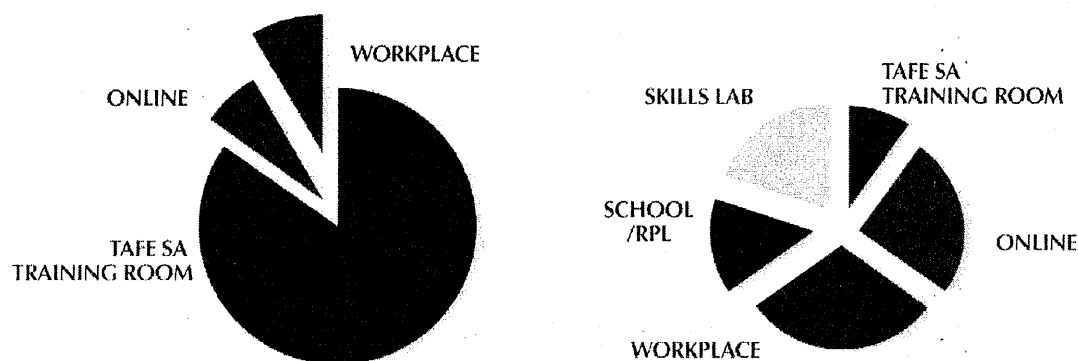
Data is reported as 'unknown' for the following reasons: information was not collected; a student has not responded to a question on the enrolment form; invalid information was supplied. Caution should be taken when using data with a large number of 'unknown' responses (NCVER 2007 p.4).

Training providers need skills for helping businesses build learning plans similar to the way they develop strategic, business and marketing plans. There are many examples of enterprise and private RTOs that deliver accredited training at the work site. This training is customised to meet the specific needs of the enterprise and the workers and provides a good model for future directions.

The *Skills Strategy* has committed the public provider to move from a predominately training room model to a blended approach as the base for all teaching and learning, reflecting a much more learner centred approach. This will more than double the current level of workplace delivery from 10 per cent in 2007 to 25 per cent of total training by 2012, and will be a fundamental component of training. Programs will be delivered in partnership with industry to enable more rapid engagement into enterprises with higher training demand. The target of 25 per cent was set, based on the connections to e-learning, changing target markets (existing workers, young generation learners) and competency based developments (KPMG 2008). Employer and industry regulatory bodies have a role to play in assisting the provider to achieve this target and planning must include all parties.

The use of industry facilities, engaging employers to provide training opportunities at the work site, working to achieve more flexibility with licenses and managing industrial arrangements are issues that will need to be addressed.

Figure 7: Blended learning approaches



In the year 2007:
Attendance required at a campus for a fixed time and duration

In the year 2012:
Learning methodology is negotiated and customised to a learner's needs.

Blended delivery

The *Skills Strategy* requires that South Australia's VET sector improves flexibility, responsiveness, quality and access. VET faces significant challenges due to its diverse client base and fluctuations in demand. Individuals increasingly are requiring recurrent training throughout their working life with training and delivery modes varying to meet changing individual and industry needs.

Flexibility is required in:

- time, location and format to accommodate both younger and older students and those inside and outside the workforce
- training structures to accommodate fast track courses and RPL for those with existing experience, or part-qualification for those who only need a subset of skills
- the mix of skill sets, courses and qualifications offered and the continual updating of facilities and techniques to remain relevant to industry needs, and
- funding arrangements that allow for co-investment by industry, employers and individuals to more accurately reflect the mix of public and private benefit. This approach requires commercial skills at the provider level around contracting, tendering and complex budgeting.

The sector must respond to the needs of individuals, as well as addressing the needs of employers and enterprises, as ultimately, it is the individual who chooses to pursue training and qualifications. The sector has a client group that is sophisticated, astute, discerning, often time poor and not afraid to demand their consumer rights.

E-learning

A recent report suggests that ICT will remain the main technological driver of productivity growth in Australia over the next 20 years (Scase 2007). Society is moving into an era in which the business model for service provision is for individualised and specialised packages of services rather than off-the-shelf and/or one-size-fits-all products. Web technologies that allow for remote, flexible and collaborative working and training will have a major impact on business and personal life. Clients, particularly younger ones, are demanding this level of service from the training sector and from the employer to suit their working conditions.

The emphasis in the VET sector is now on delivering the skills urgently needed to address the critical under-supply of skilled workers across industry groups. Continued investment in boosting the up-take of e-learning and associated technologies will assist the sector to address these demands. A survey conducted by Australian Flexible Learning Framework with 140 organisations across the construction and mining, health, primary industries, manufacturing and electronics, transport and logistics industries found that 40 per cent of respondents plan to increase the proportion of their training budgets spent on e-learning in the next 12 months. These technologies enable access to a greater variety of courses and training that can be delivered at a time and place that suits learners and businesses across regional, remote, rural or metropolitan areas.

The key business drivers identified for the implementation of e-learning were to increase staff knowledge, provide online access to training materials, reduce cost and time associated with training in the long-term and ensure quality and consistency of training. E-learning is an attractive option in a digital world, but it creates another area of learner demand for those not proficient with the use of computer technology. This is particularly the case for many older workers who are encouraged to stay longer in the workforce and who are already struggling to meet the demands for higher level technical skills in modern workplaces. The Australian Flexible Learning Advisory Group recognises the crucial role practitioners play in bringing about changes in education and offer a number of resources and programs which support VET practitioners, and businesses interested in incorporating e-learning into their approach.

E-learning has the potential to assist the VET sector to deal with the cost pressures generated from an ageing, inflexible bricks and mortar infrastructure, and the proper expectation that these training resources should keep pace with changing technology and industry demands. The Australian Flexible Learning Framework supports the up-take of quality e-learning in the VET sector and works to increase the demand for e-learning from individual learners and equipping businesses to implement e-learning solutions to business challenges. The 2007 *Flexible Learning Benchmarking* survey shows the use of technology in VET has quadrupled in three years since the first benchmarking survey in 2005. The 2005 survey showed 6 to 8 per cent of VET activity involved technology, which rose to 17 per cent in 2006 and 29 per cent in 2007. This new technology could be in the form of computer-based learning

resources, online course activities, using the internet, mobile or voice technologies, or online enrolment and assessment (I & J Management 2007).

Case Study 8: E-learning Flexibility: Providing Business Solutions

In an industry wide e-learning initiative, manufacturing managers, technicians and new entrants to the industry are using a virtual online factory to develop skills vital to the competitiveness and environmental health of Australia's manufacturing industry. The program will provide opportunities for companies to address skill shortages, by up-skilling existing workers and provide training for new entrants through the virtual factory.

Using e-learning as a training tool provides the means to train at all levels within an organisation to improve their systems, reducing wasted material and energy consumption. Learners will engage in multiple work roles within the virtual factory, and will be able to make decisions and solve problems using production data, job roles and case studies which are reflective of manufacturing and process work environments. Further skill development and application, as well as gathering of competency evidence, will occur back at the workplace.

The training encompasses an online classroom where learners can meet with an expert who will help facilitate learning and give learners the opportunity to review and reflect on decisions made during training. The training materials address three units from the Competitive Manufacturing Training Package.

Research undertaken by the Inspire Foundation (2007), found that even marginalised youth use communications technology and the internet. This research found marginalised young people, such as those who are homeless, bullied, new arrivals or Indigenous are finding ways to chat with friends and create online profiles, find information and contact service providers. The research showed the internet is becoming an integral part of everyday life for young people; 40 per cent said they could not live without the internet, and 88 per cent have a mobile phone. This dependence on and access to communications technology has huge implications for service providers including training organisations, both government and non-government, as they try to provide effective and meaningful services to young people.

DFEEST's Information Economy Directorate has a mandate to provide opportunities so all people have access to the online world. However, flexible delivery, including workplace learning, must not sacrifice the development of under-pinning knowledge. This is because sustained skill development requires the development of profound and transferable skills through under-pinning knowledge development – cognitive skills are as important as applied skills. While e-learning is an attractive option in a digital world, it will not meet the needs of all learners and requires relationship-building and support.

Reducing the Opportunity Cost of Training by Shortening Training Times

It is likely that the time required to complete some VET qualifications limits the individual's willingness to undertake this training and/or to complete it. In the traditional trades, reducing the time required to complete an apprenticeship would probably make training more attractive to many potential apprentices, particularly mature-aged workers. More work-based training of shorter duration, greater take-up of Recognition of Prior Learning and the use of Skills Sets for existing employees may encourage a greater number of employers to invest in accredited training which not only meets their needs but provides clear career pathways and greater opportunities for employees.

Recommendation: To improve access to training and completion rates, while maintaining quality outcomes, pursue opportunities to shorten training times through increasing the amount of competency based assessment, RPL, and the provision of skill sets for workers seeking to upgrade their existing qualifications.

Competency based training

On 10 February 2006, COAG agreed to measures to further a national approach to apprenticeships, training and skills recognition and skills shortages. In part, this agreement involved shortening the duration of apprenticeships (this includes traineeships) where competencies are demonstrated and required. COAG agreed that:

Apprentices to be certified as competent by a State or Territory Training Authority without the need to make special application when they have demonstrated competence to industry standards:

- through the amendment of training legislation and administrative procedures where necessary, and
- by removing references to fixed duration from awards and legislation in all jurisdictions where such awards prevent early sign off based on competency.

State Premiers and Territory First Ministers agreed to achieve this outcome by December 31, 2006. There were no references in State Awards or legislation that prevented the introduction of competency based early sign off in South Australia. However, as indicated previously, in line with the spirit of the COAG agreement, TaSC implemented *Guidelines for Competency Based Traineeship and Apprenticeship Completions*, for all training contracts, from 1 January 2007, and DFEEST proceeded to promote them to employers, trainees and apprentices.

The South Australian *Training and Skills Development Act 2003* does not prevent competency based early completion of training contracts and neither do State Awards prescribe a fixed duration for apprenticeships. As a consequence, up until 2007, trainees and apprentices in South Australia were able to complete their training

contract after they had served 75 per cent of the nominated contract term (usually 12 months to 24 months for trainees and 36 months to 48 months for apprentices).

At that time, early completion required both the trainee or apprentice and their employer to agree that the required competencies had been achieved (as does the current competency based completion system). While early completions were somewhat restricted, it was utilised by a relatively low but growing percentage of eligible trainees and apprentices prior to the introduction of Guidelines for Competency Based Traineeship and Apprenticeship Completions on 1 January 2007. For instance, in 2003, some 18 per cent of trainees and apprentices completed after reaching 75 per cent of their training contract term, with this percentage rising to 23 per cent in 2004, 25 per cent in 2005 and 31 per cent in 2006.

The vigorous promotion of the guidelines that removed the requirement to complete 75 per cent of the duration of the training contract before seeking to complete a training contract, is having some impact. According to the NCVER (2007), in South Australia, 18.4 per cent more apprentices and trainees completed their training contracts over the year ending 30 September 2007 than did so in the preceding twelve months (to 30 September 2006). By comparison, there was an increase of 3.7 per cent for the same period nationally. Similarly, the proportion of trainees and apprentices completing early has seen a sharp rise.

State and territory inconsistency in the collection and reporting of completions has prevented NCVER publishing recent completion rate data and there is insufficient information on which to base accurate comparisons between the jurisdictions. However, advice provided by the states and territories suggests, for a range of reasons, that the early impact of this COAG action been most profound to date in South Australia where 51 per cent utilised the competency based option and completed before the nominal duration was reached (VENUS database).⁴⁸ Early completions when the worker is competent will encourage apprentices and trainees to finish and gain their qualifications and trades, rather than leaving early to seek better wages and conditions. Mature age workers will be more likely to undertake apprenticeships if the time is reduced, as low wages over a long period can present extreme economic hardship, particularly for those with families and financial commitments.

New South Wales and Tasmania introduced competency based completion requirements for training contracts that commenced from 1 January 2007, and Victoria introduced the changes from 1 July 2007. None of these states, therefore, has yet to experience the full impact of the change. Western Australia on the other hand has had competency based completions in place since 2006 but has not widely promoted the change to stakeholders in the system. Queensland, the ACT and the Northern Territory introduced competency based completions some time ago and, as a consequence, have not noticed any changes in early completion rates in recent years.

⁴⁸ A database that records all contracts of training for apprentices and trainees in South Australia.

The success of competency based completions is dependent to a large degree on employer, trainee and apprentice understanding and acceptance. While there are early indications that the changes are having the desired effect in South Australia, as more trainees and apprentices are entering the skilled labour market more quickly, there is anecdotal evidence to suggest that some employers, particularly in the traditional trades, may be reluctant to consider early completion. This may be because they have a traditional view of the time it takes to become competent, or they consider that an apprentice becomes more productive and valuable in their third and fourth year, and/or they are reluctant for a range of reasons to pay their apprentice qualified trade rates.

Interestingly, competency based completion for trainees and apprentices is causing Group Training Organisations (GTOs) to re-think their business model. Current practice for GTOs is to set charge-out-rates to host employers of trainees and apprentices on the assumption that the apprenticeship/traineeship will be completed at the end of the nominal term (usually four years for apprenticeships). As the business model traditionally assumes a four year nominal term, the effect of competency based completion is that GTOs may not recoup the full cost of employing and hosting out an apprentice/trainee. Some GTOs are concerned that increasing their charge-out rate will make their services less competitive. The skills shortage is possibly exacerbating this situation as employers, particularly in the mining sector, are apparently offering attractive wages to trainees and apprentices. GTOs could consider charging employers according to the assessed competence of the trainee rather than at a standard rate. A further role for GTOs could be to offer other services such as skills up-grades for existing workers and brokering skilled workers to areas of skill demand.

At the same time various other alternatives aimed at accelerating traineeships and apprenticeships also have been explored. For instance, Western Australia has reduced the nominal duration of many apprenticeships to 3 and 3.5 years. In South Australia a GTO has recently partnered with a large employer in the civil skills sector and is seeking to collapse structured off-the-job apprentice training into one year in place of the average 2 ½ years. This initiative enables apprentices, if competent, to complete in 24 to 36 months rather than the standard 48 months. DFEEST is monitoring this approach as it is likely that it could be adopted by other medium and large employers.

By December 2008, sufficient time should have elapsed to enable a thorough examination of the impact of competency based completions in South Australia and to determine whether further intervention may be required.

Skills sets

A more flexible approach to training is the use of skills sets which are sub-sets of qualifications, sometimes drawn from a range of qualifications. There is a legitimate concern that skill sets may be introduced to cheapen training at the expense of quality, and, in particular, will not equip young people with the all-round skills that they will need to sustain employment as the technology and industries change. However, for existing employees, skill sets can be an attractive way of up-grading their qualifications or refreshing their skills so that they can adapt to new technologies. In effect, skills sets can provide a different pathway and a more targeted option for both employees and employers in that they combine general and specific units of competence. They are a response to the rapidly developing needs of business and the community and provide a time-frame that is relevant for businesses and individuals (ACCI 2007: 135).

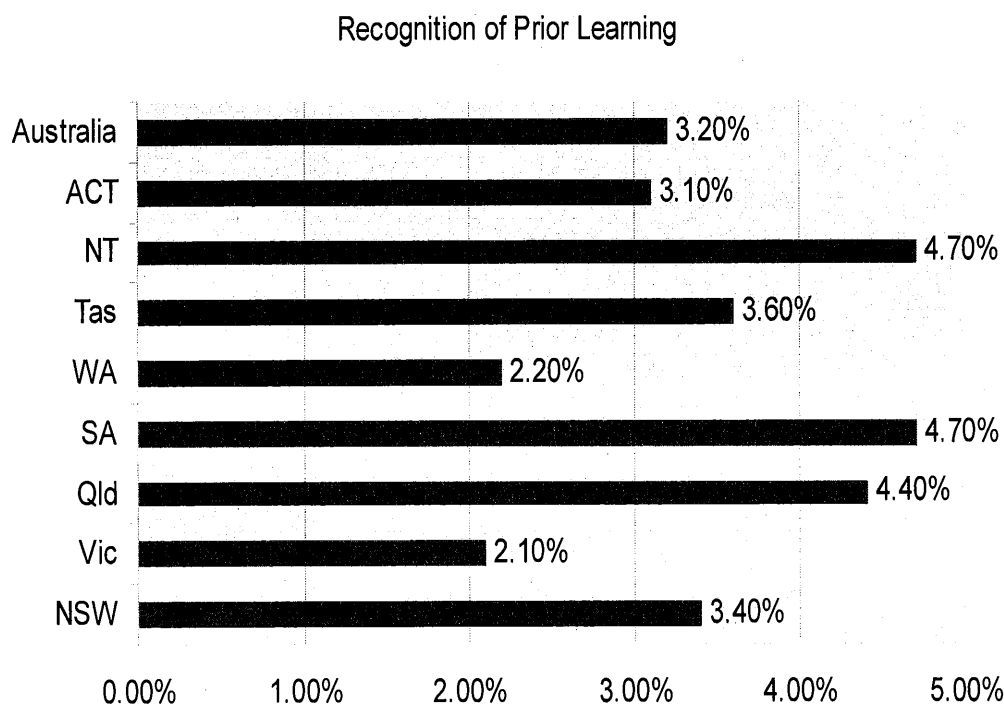
Skills sets can be developed and supported by the National Quality Council (NQC) or pulled together to meet a specific enterprise need. They can respond to local need assisting employers and the VET sector to be more flexible. National funding arrangements to recognise skill sets and not just qualifications will assist in the up-take of skills sets by training providers. In addition to technical and vocation specific skills that are a fundamental part of the VET mission, the future will see a focus on employability skills which are essential as a first step to enabling the most disadvantaged job seekers to get back into employment.

Skills recognition (RPL) strategy to shorten training period

Rapid technological change requires an increasing emphasis on lifelong learning, both formal and informal, in ensuring a highly skilled workforce that maintains and demonstrates currency of knowledge and skills. Employers indicate that significant learning takes place through industry experience as opposed to that gained from completing a course. Statistics for recognising workers' skills are extremely low and RPL is under-utilised as a legitimate assessment pathway that can shorten training times, even when the person is competent at their job. A higher level of underpinning knowledge and skills is assessed against qualifications which do not always align with the requirements of the actual jobs. Past poor practices by assessors have undermined confidence in the process for both employers and individuals, and this frequently leads to recommendations to undertake the training rather than sponsor RPL.

RPL was designed to underpin the competency based system to recognise workers skills and is an important aspect of the State's training and re-training efforts to better meet future economic and employment growth targets. RPL is integral to a sound workforce development strategy. Mature and experienced workers, in particular, must be able to access cost effective, streamlined and efficient RPL assessment processes with training providers and assessment centres.

Figure 8: RPL data for all States and Territories



Source: VET Provider Collection – Australian Vocational Education and Training Management Information and Statistical Standard (AVETMISS) 2006

NCVER statistics (2006) indicate the very low achievement rates of use for RPL compared to the number of enrolments and hours of training delivered nationally. Figure 8 gives a comparative percentage of RPL undertaken in each State and Territory, demonstrating that there is considerable work to be done to make this a legitimate option for both employers and individuals. The Review therefore strongly supports the *Skills Strategy's* target that RPL should account for as much as 20 per cent of the hours of training delivered by organisations receiving public funding.

Recommendation:

Support the *Skills Strategy's* recommended RPL target of 20 per cent of delivery hours for training organisations receiving public funding.

While only publicly funded hours are recorded, it is likely that far more RPL is undertaken by both the private and public sector that is not recorded. In comparison to the amount of training, the up-take of RPL has been low due to the dis-incentives in the past and the perception that the process is complex and difficult. Many trainers and employers associate high risk with this form of assessment, however, when utilised appropriately, using sound professional judgment, the process gives an accurate profile of a worker's skills and knowledge as much if not more than other forms of assessment. RPL enables the individual to recognise and validate their

existing skills and knowledge and identify any learning that is needed. This motivates and engages them to participate in on-going training and up-skilling.

Students who work full-time and who are established in the workforce and already have significant educational capital to draw from are the most likely to use RPL. But RPL is most valuable for mature workers who have accumulated knowledge and skills from time in the workforce and often from a wide range of experiences.

There are other particular circumstances where RPL processes are valuable. For example, when workers are retrenched, maximising their opportunities to be re-trained and employed can be accelerated through RPL processes. Migrants may have a range of skills which can be assessed through RPL either before they migrate or when they arrive. It should be noted that for licensed trades, Australian standards must be met and the requirements are determined by the Licensing Bodies in each State.

Training organisations undertake a skills recognition process once equivalence in qualifications has been determined, and identify any training that is required. Without RPL, this training can be a lengthy process and cause undue stress and economic hardship for some. It also means that skilled workers are unable to work in the jobs for which they are skilled until they gain a license or develop knowledge and skills appropriate to the Australian work place. Improvements are needed to get this system working more efficiently and effectively. RPL up-take among students in various access and equity groups is mixed and, in many cases, lower than among students overall.

Some industry areas, particularly around the licensed and traditional trades, have not embraced RPL and, while training providers can encourage and respond, it will be legislation, policy or external economic and industry drivers that will ultimately change the practice of employers. The percentage of RPL delivered under User Choice funding is very small (in the order of 1 per cent annually for traineeships and apprenticeships combined). Since 2002, the proportion of RPL in the trades has been around half of that delivered to trainees, and although this was reversed in 2007, no explanation has been found for the change. DFEEST will be increasing the rate of the training subsidy paid to RTOs for RPL for apprentices in the traditional trades and some higher level traineeships from 50c in the dollar to the full rate from 1 July 2008. The up-take of RPL in the trades and higher level traineeships will then be closely monitored. Providing funding incentives is likely to see an up-take in RPL in some of the trade areas, however further engagement with the licensing bodies, employers and RTOs is needed to achieve the best outcomes for each of the trade areas.

<p>Recommendation: Support DFEEST policy to change User Choice Policy to provide 100 per cent funding for providers to undertake RPL for nominated trade areas.</p>
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There is a strong focus to up-skill VET staff to use innovative practice and streamlined approaches. Integrating RPL into a workforce development approach which reflects the skills, needs and demands of the economy is a sound approach. RPL has been identified as a powerful tool for engaging people in learning and reassuring them that the skills they already have are valuable. Industry, learners and providers however, need to be active supporters and participants in the process.

Employers and workers alike need to see the RPL process as an investment and not a cost, and training organisations need to approach RPL from an industry systems perspective rather than the traditional educational approach. Matching workers knowledge and skills against job roles and tasks makes more sense than using qualifications from Training Packages to fit workers against. Looking at work systems, manuals, procedures, job descriptions, in-house training or non-accredited purchased training, allows an assessor to match employees to national qualifications or parts of qualifications. This requires the assessor to know what the job role involves and if the skills used at work could be equivalent to a qualification or part thereof.

Case Study 9: RPL for the Flexible Packaging Industry

Recognising the existing skills of a group of workers, who are part of an ageing workforce and providing an effective pathway through to skilled tradesperson status, is an initiative being undertaken by Print Training Australia in partnership with Pope Packaging. Process/systems will develop and evolve and can be used across a range of sectors and enterprises within this industry. Importantly, this process provides an opportunity for staff to have their skills formally recognised and promotes opportunities for other jobs within the organisation or employment across the industry. RPL assessment instruments based on real work practices and holistic assessment have been developed and a training reference group informs the development and the process. Workplace mentors and assessors will ensure that RPL is embedded into work practices and continues for existing and new workers to the organisation.

Governments have been seeking wider engagement in and better application of RPL and a greater focus on work based training since 2004. RPL has a strategic contribution to make in improving Australia's international qualifications ranking and addressing issues relating to the ageing workforce and skills shortages. In 2005, action was taken to remove the formulae for discounting RPL in the national data collection and RPL advice was included in assessment guidelines for all future Training Packages and accredited.

COAG has initiated a three year program (2006 to 2009) jointly funded by the Commonwealth and State Governments to build the training system's capacity to deliver high quality RPL for enterprises and individuals. If this initiative is successful, there will be an increase in the up-take of RPL and ultimately an improvement in the attainment of qualifications.

Five assessment centres, to complement the newly opened Skills Recognition Service in the CDB, will be placed in highly visible public venues to provide a more accessible service for clients seeking skills recognition. This will improve access to skills recognition over and above the current concentration on trade and overseas qualifications recognition.

Recommendation:

Maintain resources provided by the Commonwealth and State to ensure that RPL is an inexpensive, easy to access process that encourages learners to take-up vocational qualifications.

Career Information and Advice

DFEEST is developing a career development framework, *Careers SA*, to support increases in workforce participation and productivity and also young people's knowledge and access to learning and work pathways and programs. The purpose of the career development centre network is to provide independent, accurate and up-to-date career and labour market information for the community, including students at school, those who have left school, adult entrants to the workforce and existing workers.

Clients seeking information have a better experience if the information is complementary and the services are integrated in one location. The Skills Recognition Service provides one-on-one information and advice about recognition of overseas gained qualifications and skills, comparative assessments of academic qualifications and, in some instances, on-going case management support through the process of recognition and the move into skilled employment. While the centre primarily works with skilled migrants, the service is also able to assist anyone who needs settlement information and advice, recognition of prior learning support, information about career change or assistance with gaining skilled employment. The service links to other State and Commonwealth Government agencies and services, including the Commonwealth Career Development Centres.

Career Development Centres are being established as a new initiative. They will employ experienced career planners to assist clients to develop a plan for their working life. A network will be formed with 17 centres providing labour market information and career development and information services which will complement and support the provision of the Skills Recognition Services and provide a more prominent and accessible entry into training and work. While the Commonwealth provides career development advice, their focus is on youth and in particular the 13-19 cohorts and there is no face-to-face delivery of career information, advice or guidance for adults which presents a significant gap in the delivery. This gap will be addressed through the provision of credible labour market intelligence and a web-based portal.

Admission to training

Access to training is important for a broad range of learners. The public provider selects learners for courses through two intakes a year using an application process designed to be objective and equitable. In many circumstances however, the process is a barrier to flexible entry for workers requiring up skilling. Applicants meet designated minimum entry requirements and selection criteria if the course is competitive. Applicants are ranked and offered places up to the number designated for each course. While this may suit school leavers or those entering the workforce via a full-time course, for part-time learners and lower level certificate courses, the application process is unnecessarily time consuming and difficult to navigate. The application process encourages the continuation of the current time based, lock step approach to training and does not suit work based or just in time learning. Access to training and service delivery is a critical factor in the *Skills Strategy* and improved and streamlined admission processes will need to be introduced.

Recommendation: Given the importance of access to training, TAFE SA needs to give priority to introducing new, simpler and more flexible admission and enrolment processes.

Responding to Learners with Disadvantages

A recently released report reiterates that some clients face a number of challenges before they can effectively engage in learning that supports skills for the workforce (Guenther *et al.* 2008). Barriers associated with transport, child care, health, the competing pressures of the needs of children, the demands of Centrelink and, sometimes, feelings of inadequacy all contribute to a diminished desire to undertake training.

People who are disadvantaged in the labour market require intensive support to encourage them to overcome the multiple barriers they face when looking for work. The need for case management has been discussed in Chapter 5 but the purpose of it needs to be re-emphasised in that it is particularly relevant for disadvantaged *learners* who are at risk of failing once they are in training if they do not have sufficient support in place to ensure their needs are met.

The VET sector needs a coordinated response to assess the likely skills needs and training demand for this group. VET needs to work collaboratively in partnership with other training providers with particular expertise in cultural diversity, language, literacy and numeracy, working with people with disabilities and with challenging behaviours, to ensure a range of training options tailored for the particular needs of employment disadvantaged groups. Barriers such as contractual obligations, 'red tape', participant behaviour and the struggle to find adequate and appropriate resources contribute to the difficulties of providing an environment where skills for vulnerable labour market entrants can be delivered.

VET should provide pathways to employment for disadvantaged students by addressing student's needs in a holistic way, rather than focussing on training specific needs. A preparatory pathway either prior to engagement with VET programs or delivered concurrently with these programs guarantees more effective training outcomes and sustainable employment. VET providers will have greater success with job seekers if they develop collaborative working relationships outside the VET sector with Centrelink, rehabilitation and Job Network providers, social workers and psychologists. Inside the sector, collaboration with teaching and support staff as well as preparatory and mainstream teaching staff is also important.

The flexible design of courses and delivery of language, literacy and numeracy (LLN) programs integrated with vocational training is required. There is considerable diversity in the length of training intervention applied as part of welfare to work programs that lead to the attainment of a recognised credential and sustainable employment. Research indicates that the VET system can provide learning opportunities that address the needs of Welfare to Work participants (Barnett and Spoehr 2008).

Additional resources over and above the cost of the vocational training are often needed by these disadvantaged learners to significantly increase the teacher-to-student ratios, employ additional specialist staff such as case managers, counsellors, mentors and welfare advisers, purchase materials and rent off-site venues. There have been a number of well-funded pilot programs designed to provide additional support for students with additional needs. Programs such as *Learning or Earning* which have run since 2003, and the program described in the case study below, have had great success with disengaged learners. However, the cost of running these programs is high, and the funds required are substantial. Current funding approaches place emphasis on starting new 'pilot' programs and projects but not enough on the development and scale-up of promising ones. Many initiatives are not funded for more than one year. The expenditure is around \$10,000 for each student, and this compares with the average recurrent cost per equivalent full-time student in government secondary schools of \$8000 in 2000-01 (McArthur 2003: 12). This model is not considered sustainable in VET, but offers a viable option to disengaged youth who need to be in school, in training or working up until the age of seventeen.

Effective transitional programs will address the needs of the specific client groups. The programs must develop employability skills, involve considerable pastoral care from the training providers, provide on-the-job experience (preferably with a career pathway), be flexible and allow for the personal constraints of the clients (e.g. transport, childcare and illness).

Case Study 10: Equity programs need long term investment

A Commonwealth-funded pilot project engaged long term unemployed people requiring job skills. The participants gained Certificate I in Preparatory Education, Certificate II in Retail and Hospitality, and Certificate I in Meat Studies.

The 49 participants came from a broad range of ages and equity groups which included long term unemployed, youth, indigenous, persons with a disability and women. Altogether, 15 TAFE staff were involved in the program, with a project manager who kept in close contact with the participants. A key aim of the initiative was to develop personal resilience among the participants, as well as shifting their mindset from welfare dependency to sustainable employability and developing community networks.

Formal external evaluation of the participants' personal development was commissioned by the project manager to assist future initiatives aimed at getting long-term unemployed people into jobs. As with many successful trials or pilots, further funding to continue the initiative was not available.

The contestable funding offered through *Skilling Australia* will focus on job seekers and this group will largely comprise those who are long term unemployed, indigenous, unskilled migrants and refugees, women returning to the workforce and people with disabilities. Their particular needs have been discussed in Chapter 5. Additional funding over and above vocational course funding will be required to ensure these people are skilled and ready to enter the workforce and have the resilience to remain in work.

Case Study 11: Better Skills for Better Care & Workplace Education Language & Literacy (WELL)

A training program for up-skilling and credentialing aged care workers as Enrolled Nurses was funded through the Commonwealth Department of Health and Ageing. Funding was directed to aged care organisations with a capacity of up to 45 residents.

Training was delivered at a range of aged care complexes. This necessitated a very flexible approach that would make training feasible for the training providers and accessible for the workers. This type of approach required that learners had the skills to enable them to achieve the outcomes of the course with limited contact from the trainers.

Many of the staff participating in the training had low levels of language, literacy and numeracy and others were from a non-English speaking background and were finding it very difficult to meet the requirements of an AQF level 4 Enrolled Nursing course. While their practical skills were good,

they found it difficult to write reports to the required level and failed drug calculations.

The training and aged care organisations jointly applied for a WELL Program to assist the workers with English language, literacy and numeracy skills. Funding is available on a competitive grants basis to organisations for English language and literacy training linked to job-related workplace training and is designed to help workers meet their current and future employment and training needs. A language, literacy, numeracy (LLN) specialist worked alongside the aged care trainer to assess the workers and offer intensive training one on one or in small groups to help the workers develop the necessary language, literacy, numeracy and communication skills to successfully complete their training.

The number of participants attaining competency on their first attempt increased during the integrated programs, as vocational training achieves optimum results when the participants are supported in their language, literacy and numeracy skills development.

For learners already in the workplace issues of language, literacy, numeracy and technology skills and under-pinning knowledge must be addressed. Sustained skill development is premised on the development of transferable skills through knowledge development, with cognitive skills as important as applied skills. The role of VET with its connection to the learning process and learning theory equips people to participate, not only fulfilling the needs of employers but contributing to the development of an individual's abilities and community resilience.

Conclusion

VET in Australia has undergone a dramatic reformation over the last decade and is recognised as a world leader (ACCI 2007: 141). Australia has a strong engagement with employers and leadership in working with governments and RTOs. With rapid economic growth and unemployment rates at a generational low, critical skills shortages within many industries have emerged. There is an increased urgency for skilled workers particularly in the trade areas. Traditional practices are being challenged and higher level technical skills are required by industry as low-skilled and non-skilled positions decrease.

South Australia can only move forward by changing the key elements of the VET system and the way it functions, the way it connects and the way it delivers and by making more efficient use of existing resources. While plans are in place for the VET sector, the execution of them will need to be timely and effective if South Australia is to meet the challenges and opportunities ahead.

KPIs/Performance assessment:

- The annual increase in the demand for and provision of VET training increases, showing the number of students, hours of delivery and qualifications awarded.
- The annual up-take of nationally recognised training by employers measured and reported through NCVET, compared to the current rate of 22 per cent.
- Measuring the number of courses or modules completed
- Annual employment rates for VET graduates, measured by the numbers of VET students who were unemployed at initial enrolment who gain employment after graduation as a percentage of number of VET students unemployed at enrolment.
- Annual increase in VET qualifications issued in South Australia, reported through NCVET data.
- Annual progress by publicly funded VET training delivered within enterprises increases towards a target of 25 per cent of all training by 2012.
- Enterprise based surveys of employer satisfaction with quality of training, suitability of methodology and location, and timeliness of provider response, as conducted by the NCVET
- Increases in customer satisfaction with VET training specific to quality, relevance of training and method of delivery measured by NCVET Student Outcome Surveys.
- The up-take of RPL measured through the collection of AVETMIS data as a percentage of training hours on an annual basis to reach 20 per cent by 2012.
- Level of access and utilisation of TAFE facilities by non TAFE service providers in delivery of VET, including partnership and alliance arrangements, measured by the number of participants in training, number of non-TAFE providers and the programs delivered under these arrangements.
- Annual increase in e-Learning, using the six primary indicators of e-learning defined by The Australian Flexible Learning Framework to demonstrate up-take and impact of e-learning in the VET system.
- Annual increase in competency based training for Apprentices and Trainees measured by numbers of contracts completed and signed off earlier than the nominal duration period.
- Government recurrent cost per hour of VET training in South Australia to meet the Government's set target of a 10 per cent reduction by 2012.

Chapter 8

Engagement with the Commonwealth

Overview

The Australian Government's *Skilling Australia for the future* policy provides for increased resources for vocational education and training to be allocated on a contestable basis, through the new *Productivity Places Program*. This represents a significant opportunity for the South Australia to realise its training and skills ambitions and an additional imperative to have the institutional infrastructure in place that not only ensures industry engagement in developing a strategy for skills and workforce development in South Australia, but also provides an implementation strategy for the additional funding from the Commonwealth.

Key points:

- the Australian Government has recognised the importance of nationally endorsed training in helping job seekers to acquire skills and gain lasting employment, and in assisting existing workers to update or upgrade their skills
- the *Productivity Places Program* will deliver 630,000 additional training places over five years nationally. Of these places, 391,800 places will be allocated to existing workers and 238,200 to job seekers
- the Productivity Places are *additional* to current effort. The Australian Government will provide 50 per cent of funding for existing worker places, the State Government will contribute 40 per cent and industry will contribute the remaining 10 per cent. The additional job seeker places will be fully funded by the Australian Government
- the *Skilling Australia for the future* policy also commits funding to strengthen the role of the national Industry Skills Councils and to establish Skills Australia, to provide independent advice on current and future demand for skills
- the Review has played a leading role in advising on the institutional arrangements to ensure that South Australia will attract a significant share of the Commonwealth funding for additional training places and that the allocation of these places reflects State priorities
- based on South Australia's current working age population share, and assuming that the program continues at the same level past the five year funding commitment, it is estimated that South Australia will gain around 131,800 places over the next *decade* – comprising 63,200 places for job seekers and 68,600 places for existing workers
- a model is presented as the basis for South Australia to work with the Commonwealth and to influence the allocation of Commonwealth funds for training
- the successful implementation of the program will require close liaison between *Skills Australia* and TaSC, and between the national ISCs and state-based ISBs.

Introduction

In response to concerns about national skills shortages, the Rudd Government has announced the *Skilling Australia for the future* policy, a commitment to increasing investment in training and ensuring that this is targeted towards industries and occupations with the greatest needs.

Skilling Australia for the future's investment in skills formation is targeted at lifting workforce participation and is designed to boost Australia's potential growth rate while keeping inflationary pressures under control. As pointed out in earlier chapters of the report, the limited supply of skilled labour could be a major constraint on the opportunities that the mineral and defence industries, and other major projects, bring to the South Australian economy.

The new Australian Government policy adopts a demand-driven approach to training delivery, in contrast to past supply driven approaches. Areas of skills needs are expected to be identified through consultation with industry, and then addressed through prioritising training in those areas.

The Australian Government and its policies and programs for *Skilling Australia* represent an enormous opportunity for the State to realise its training and skills ambitions. The Review has played a leading role in advising on the institutional arrangements to ensure that South Australia will attract a significant share of the Commonwealth funding for additional training places and that the allocation of these places reflects South Australian priorities.

Chapter 4 has described the existing institutional architecture that currently exists but the focus was on the engagement of government and industry within South Australia. The purpose of this chapter is to provide the basis for working with the Commonwealth in order to achieve recognition of the State's role in workforce planning and associated relations with industry. The chapter will first identify what needs to be done to implement the program and how this is proceeding. Secondly, it will explain the role for the State in influencing the allocation of Commonwealth funds for training and the State management of those training funds by acting as the purchaser of training on a competitive basis as required.

Productivity Places Program

Under the *Skilling Australia for the future* initiative, the Australian Government has recognised the importance of nationally endorsed training in assisting job seekers to acquire skills and gain lasting employment and assisting existing workers to update or upgrade their skills. It has announced funding of the *Productivity Places Program* which will deliver 630,000 additional training places (including 85,000 apprenticeship places) over five years. Of these places, 391,800 training places will be allocated to existing workers wanting to gain or upgrade their skills and 238,200 places will be allocated to job seekers.

In the first instance, the *Productivity Places Program* provides South Australia with a significant opportunity to train job seekers in preparation for employment in areas where there are identified skills needs. To start immediately training people who are currently not employed, the first 20,000 job seeker places are being allocated through a direct tender process by DEEWR. DEEWR has produced a list of occupations and related qualifications that can be offered by training organisations under the program.

The *Skilling Australia for the future* policy highlights that close consultation with business is a key component and notes that the Commonwealth 'will work with businesses to identify their needs and tailor training to address skill gaps in the workforce'.⁴⁹ The policy is based on the expectation that a demand-driven approach will better match up training to the needs of industry. Therefore it is of critical importance to have the institutional infrastructure in place that not only ensures industry engagement and State involvement in developing a strategy for skills and workforce development but also provides an implementation strategy for the additional funding from the Commonwealth.

In South Australia, the Minister for Employment, Training and Further Education, on the advice of TaSC, will recommend the State's priorities for the Commonwealth's additional training places to Skills Australia in the form of a bid. To support TaSC and the Minister, the Workforce Development Directorate in DFEEST will take leadership in developing the State's priority list for the additional training places. In particular, the identification of training places for existing workers is an area where DFEEST will be providing local intelligence – refer discussion later in the chapter.

DFEEST's process of industry consultation and the development of the State bid include:

- collation of quantitative analysis from government and industry sources
- seeking qualitative advice on the priorities of each of the ISBs, RESA and the DTC
- identifying health priorities with the Department of Health and the Department of Family and Community Services (DFC) and their respective ISB
- establishing the qualification levels to be purchased according to current and desired skills levels of the workforce.

Furthermore, TaSC will undertake consultation with the EDB and the SIB on the draft list of priorities, prior to making a recommendation of those priorities to the Minister. It is anticipated that the final allocation will occur through bilateral agreement between Ministers, which in practical terms will occur between DFEEST and DEEWR.

⁴⁹ Julia Gillard, Deputy Prime Minister, *Government releases reform road map on skills*, 1 April 2008.

As the new role for TaSC is still being developed it should be noted that over time a more comprehensive approach will be established to support the identification of priorities and strategies consistent with Commonwealth requirements and the development of the 5 Year Skills and Workforce Development Plan, under the *Skills Strategy*. This will include engagement with a broader range of regional, industry and community stakeholders.

The model or framework that is proposed here could provide solutions to issues around improving engagement with industry identified in Chapter 4 and improve cooperation with the Commonwealth to address the skills issues across the Australian economy. One example where State-Commonwealth cooperation has been successful is that of labour market adjustment initiatives (Case Study 12).

Case Study 12: Labour Market Adjustment Initiatives

Labour Market Adjustment Initiatives are developed by the State Government in partnership with the Australian Government to assist displaced workers who have been retrenched due to company or industry downsizing, closure or restructure.

The Mitsubishi Assistance Package to support workers to transition to new employment is a \$10m package, for which the Australian Government has provided \$7.5m and the State Government \$2.5m.

Services available include:

- **Job search skills and techniques** including resume preparation, job applications, networking, interview skills and presentation advice
- **Career counselling/case management/employment brokerage**
- **Recognition of Prior Learning and Recognition of Current Competencies**
- **Training and Licensing**
- **Wage subsidies** to assist employers
- **Relocation assistance** within South Australia and interstate to assist with full time employment
- **Self employment** assistance including small business training and establishing your own business
- **Other assistance** such as fares, tools and equipment and fees associated with selection processes.

The success of Labour Market Adjustment Initiatives is contingent on the following factors:

- Clear policy position on eligibility
- Industry and labour market analysis which provides early information on industries in decline, and job growth areas
- Strong partnerships between state government departments and between the State and Commonwealth, employers and unions
- Targeted intervention through a case management approach which includes support with post-employment training and up-skilling

- Industry commitment which ensures a transition to sustainable employment, with the provision of post-employment training
- Matching employees to suitable and sustainable employment, with appropriate support for training and skilling
- Income support during transition
- Ongoing personal support for workers facing challenges in adapting to new workplace cultures. This is particularly important when workers transition to a different industry sector.

If each of these factors is not in place, there is a substantial risk that retrenched workers will not receive the full range of opportunities to increase their skill levels and qualifications and move to sustainable quality employment.

A good example of a successful transition program is the accelerated mining industry apprenticeship initiative for 70 workers which is operating through CavPower. The critical elements of the program are information, orientation, effective recruitment, selection and induction, flexible training arrangements, ongoing monitoring and support and competency assessment (RPL).

In the CavPower program, TAFE SA is providing accelerated apprenticeship training with most of the formal off-the-job training being undertaken in one year. The workers will complete their apprenticeship in two and a half years with the final eighteen months being on-the-job training. The accelerated program recognises workers' existing skills, making it possible to complete the qualification in 30 months, compared to the standard four years.

Institutional Architecture

The Australian Government's *Skilling Australia for the future* policy provides for increased resources to be allocated on a contestable basis through the national ISCs. Over the next five years, \$884.6m will be provided for an additional 238,200 VET places for people currently outside the workforce and \$704.6m to provide an additional 391,800 places for people within the workforce. To improve industry engagement, the 2008-09 Budget has allocated \$83.2m for strengthening the eleven ISCs. As independent bodies, they will play a key role in building industry's confidence in the ability of the VET system to deliver real outcomes, and raising individual enterprise's commitment and ongoing investment to the skilling of its workforce.

The Australian Government has established *Skills Australia*, an independent, high level body that will provide the Government with advice on current and future demand for skills and investment of public funds in training. Skills Australia has been provided with \$19.6m over 5 years to undertake this task. To inform its decisions it will gather data from a range of sources, such as the ABS, the NCVER

and the National Education and Training Statistics Unit (NETSU).⁵⁰ It is expected that an additional significant information source will be the ISCs.

A key priority for Skills Australia will be to signal to government and industry important changes of direction required in VET services and the labour market generally to increase workforce participation and to grow productivity. Addressing Australia's long-term skills issues is vital to tackling inflationary pressures. Skills Australia is comprised of experts drawn from a range of backgrounds with expertise in economics, industry, academia and education.

As explained in Chapter 4, South Australia has a network of bi-partite ISBs which provides a conduit between Government and industries in the State. These nine ISBs are complemented by other organisations that have been established to focus on industries that are seen to be critical for South Australia – RESA and DTC focus on the specific needs of their respective sectors and have established industry-based networks and advisory structures.

Together, these organisations have enabled a level of penetration into industry that would not have been otherwise possible. Their views will be collected by TaSC in the preparation of its formal advice to the Minister for Employment, Training and Further Education as part of the 5 Year Skills and Workforce Development Plan. The Plan will be TaSC's principal instrument for communicating the skill and workforce needs to meet the State's economic and social objectives into the future and will strongly direct the Strategic Purchasing Plan.

The national ISCs are being resourced to strengthen their role in providing advice to government on the training needs of the workforce. Currently, there are ISBs in South Australia that have relationships with some of the ISCs, but the level of engagement can be readily expanded for mutual benefit to enable the objectives of the Australian Government's *Skilling Australia for the future* policy to be met effectively.

The ISCs have expressed their wish to 'consolidate and build upon existing relationships with State and Territory Training Authorities. They will seek a

⁵⁰ The National Education and Training Statistics Unit (NETSU) was formed in 2000 through an agreement of the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) and its funding is determined through an agreement with the Commonwealth and States and Territories. NETSU is managed by a board, which comprises funding partners from the Commonwealth (through DEEWR) and each State and Territory Government.

NETSU aims to:

- coordinate statistical development across the various sectors to improve data quality and comparability, making new data sources available and more accessible to policy makers and researchers.
- assist partner agencies in making better use of and access to education and training statistics for policy analysis and research purposes;
- provide a pool of expertise within the ABS in education and training statistics from which education and training authorities can obtain advice and information resources.

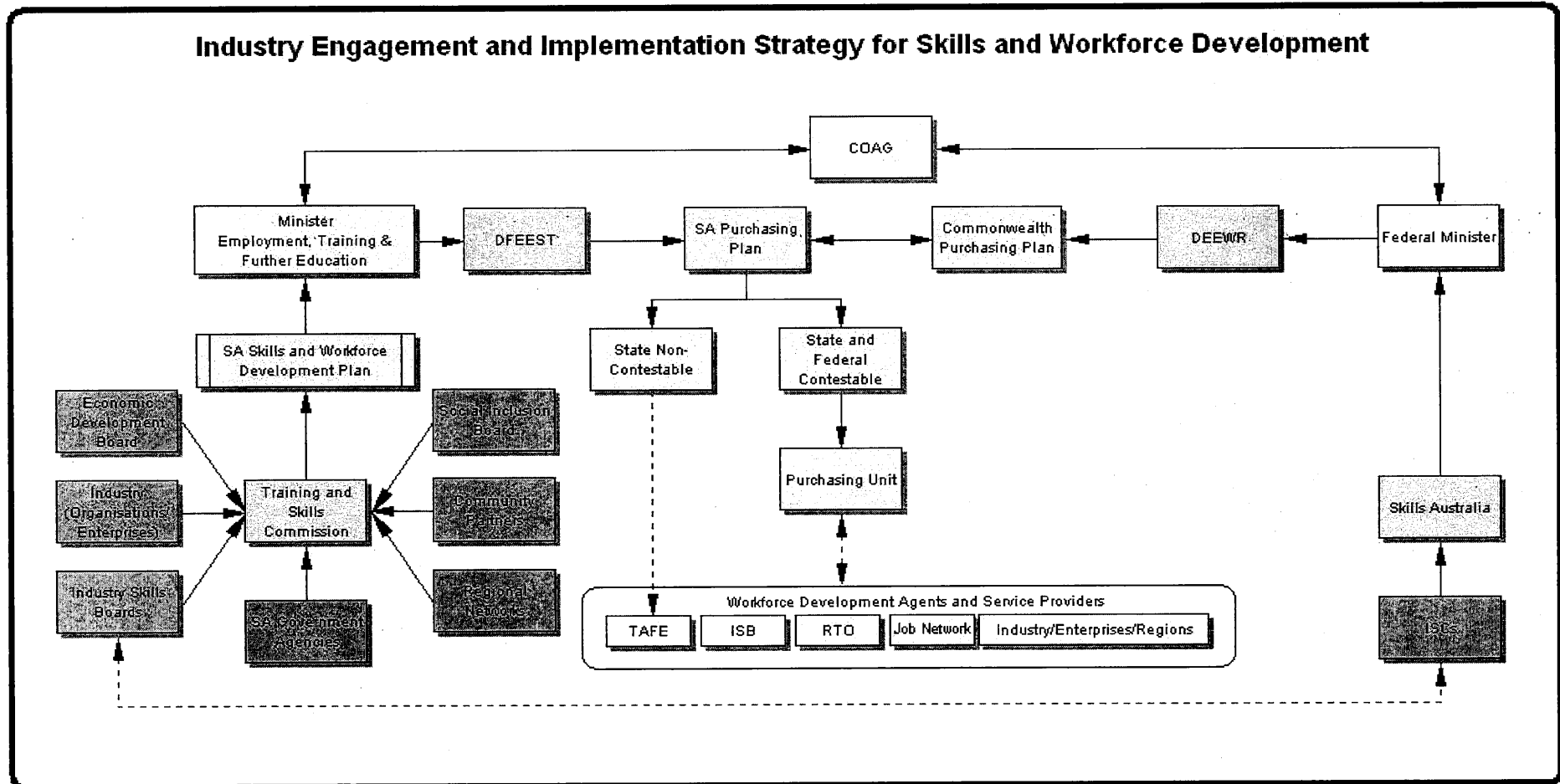
collaborative approach to identifying and addressing the skill needs of Australia's current and future workforce through regular informed dialogue and identification of shared priorities.⁵¹

In practice it will be up to individual ISCs to put in place a business model which best delivers on its role and the expectations of industry. The extent to which State-based industry advisory bodies exist and operate across the jurisdictions varies but in South Australia the government has shown commitment to these arrangements. It is therefore expected that ISBs in South Australia will be engaging with the individual ISCs in support of their role to achieve greater efficiencies and outcomes, possibly with formal agreements and performance measures in place.

Similarly, *Skills Australia* will be complemented by the activities and strategies developed by TaSC in South Australia. The diagram below illustrates the proposed model for industry engagement in South Australia that links well with the needs of Skills Australia and the Commonwealth. In particular, it is useful as a basis for South Australia to work with the Commonwealth and to influence the allocation of Commonwealth funds for training.

The left side of the diagram represents the development of the 5 Year Skills and Workforce Development Plan and how this informs the Strategic Purchasing Plan (as discussed in Chapter 4). The right side of the diagram shows the Commonwealth's process in developing its Purchasing Plan. These plans are the mechanisms through which the allocation of training funds will be decided.

⁵¹ Industry Skills Councils, *Joint Industry Skills Council Response to the Skilling Australia for the Future Discussion Paper*, April 2008.



As with the ISBs in South Australia, the ISCs consult with a wide range of stakeholders and draw on industry networks and active stakeholder engagement. Similar to the way the ISBs inform TaSC, the ISCs are expected to provide industry intelligence and advice to Skills Australia. It has been noted that *Skills Australia* will play a significant role in the Government's plans to deliver the additional training places.⁵² From a South Australian perspective, there is a high expectation that TaSC will have an important relationship with *Skills Australia*.

State management of training funds

A substantial 'purchasing' capability will be required within State Government to manage and administer the large amounts of contestable Commonwealth and State funds tied to employment and skills development outcomes in line with industry demand.

From 1 July 2008 the Commonwealth's arrangements will potentially attract up to \$22m for existing worker training (Commonwealth, State and industry funds). In addition, the *Skills Strategy* requires DFEEST to increase and aggregate contestable funds (initially \$2m in 2008-09). These amounts will grow significantly as the Commonwealth releases job seeker places to the State from 1 January 2009 and the implementation of the *Skills Strategy* progressively increases the level of contestable funds. Ultimately the purchasing function may be administering more than \$100m of contestable funding over the 4 year period.

The implementation of this program represents a natural progression of the core business of DFEEST, which is to provide assistance, funding support, advice and expertise in the development and delivery of skills training and related employment outcomes directly linked to workforce skills needs. In this process DFEEST is responding to the new State and Australian Government policies.

In line with program guidelines and outcome requirements, and within the framework and spirit of contestability, a flexible and responsive service will be established exemplifying the following:

- obtaining value in the expenditure of public money
- providing for ethical and fair treatment of participants
- ensuring probity, accountability and transparency in the allocation and management of funds.

The management, administrative and operational principles that will be applied to program development and implementation will be as follows:

- **Strategic alliances:** Wherever appropriate, longer term strategic alliances with service providers will be sought, with the aim of working with them to continually improve relationships and secure ongoing quality of supply.

⁵² Julia Gillard, Deputy Premier, *Government Releases Reform Road Map on Skills*, Media Release, 1 April 2008.

- **Standard documents and processes:** There will be similar processes, documentation and information across programs to ensure 'best practice' and to simplify dealings with service providers and clients. This will also be reflected in all marketing materials and client advisory services.
- **Cost effectiveness and efficiency:** Multiple/continuous tendering processes can be long drawn out and costly. Where appropriate the program will seek to bulk up "purchases" and allow for future options so that an efficient and cost effective approach to supply is possible. Program options would include registered supplier list, open tender, limited tender, solicited/ unsolicited proposals.
- **Market Structure:** In considering the strategic necessities of the program, strategies will be developed taking into account the structure of the market and its overall capability to deliver the level and quality of outcomes required. These strategies would include the development/encouragement of consortia/partnership proposals to achieve outcomes.
- **Professional contract management and management of suppliers:** The management process does not finish when a contract has been signed. Relationships with suppliers and contracts will be actively managed to ensure the best outcomes.

While a dedicated project team is currently developing the architecture, staffing profile and scope of the new unit, there are a number of organisational issues that need to be considered, including location – where does it fit in the structure of the agency (separation of purchaser and provider roles), funding/resourcing and reporting lines. To reflect the new policy framework enunciated in the *Skills Strategy* (Government of South Australia 2008a) and *Skilling Australia for the future* policy, it has been suggested that the new unit will be called the Industry Skills Development Directorate.

South Australia's Share of the New Commonwealth Places

The remainder of this chapter will explore the potential allocation that South Australia can expect from the new Commonwealth program, based on the working age population share which underpins the estimates presented in Chapter 2.

The *Productivity Places Program* commenced on 1 April 2008. For the initial period of the program (between 1 April 2008 and 30 June 2008), the Australian Government has allocated 20,000 training places for job seekers. The existing worker places are effective from 1 July 2008, with arrangements for the first allocation currently being finalised between the State and Commonwealth Governments.

Arrangements for the implementation of the full program are subject to ongoing negotiations between the Commonwealth and States/Territories, through the COAG process - specifically through the Skills and Workforce Development subgroup of the Productivity Agenda Working Group.

As discussed above, in the 2008-09 Budget the Australian Government announced funding and places for the program over a five year period. For the purposes of the Review, the number of places has been projected forward over the decade (to 2017-18) to gauge the impact that the program is likely to have in contributing to meeting the State's skills needs and to boosting participation in line with the growth scenarios modelled for the Review.

Based on South Australia's current working age population share, and assuming that the program continues at the same level past the five year funding commitment, it is estimated that South Australia will gain around 131,800 places over the next decade - comprising 63,200 places for job seekers and 68,600 places for existing workers (refer Chapter 2).

The policy is that all of the Productivity places are *additional* to current effort. Currently, public funding for VET in South Australia primarily occurs through the Commonwealth-State training agreement, through User Choice (apprenticeships and traineeships) and through employment programs delivered as part of the *South Australia Works* suite of programs.

Up-skilling of existing workers accounts for only a relatively small proportion of publicly funded VET. Current effort in terms of up-skilling existing workers is difficult to gauge, as this is generally privately funded (by individuals) or through fee for service activities, and therefore very little data and information is available to help quantify effort.

The Australian Government will provide 50 per cent of funding for existing worker places, the State Government will contribute 40 per cent and industry will contribute the remaining 10 per cent. The additional job seeker places will be fully funded by the Australian Government. Indicative prices provided by the Australian Government range from \$2,500 for Certificate II places to \$10,000 for Diploma and Advanced Diploma Places.

When the additional Commonwealth training places are combined with projections of 'existing effort' (estimated at 210,000 over the decade), this results in total publicly funded VET *supply* of 341,800 training places between 2007-08 and 2017-18 - refer Chapter 2. Preliminary modelling undertaken for the Review shows estimated *demand* for VET places over the decade of 359,900 - suggesting a small shortage of around 18,100 VET places which, given the margins of forecasting error, is negligible.

The Review finds that the projected VET supply over the next decade is in the 'ball park' of what is required to ensure that South Australia has a skilled workforce and to make significant inroads into the level of marginalised job seekers. These estimates will be refined over time, and will be informed by learnings from the implementation of the *Productivity Places Program*.

Concerted effort will be required by State Government (in particular through DFEEST working collaboratively with DFC and DECS) to ensure disadvantaged job seekers are engaged in learning and work. The Social Inclusion Board's participation agenda should be a catalyst for these efforts. There is also a need for the South Australian Government to liaise with the Australian Government about the future of the employment services network in Australia – refer Chapter 5.

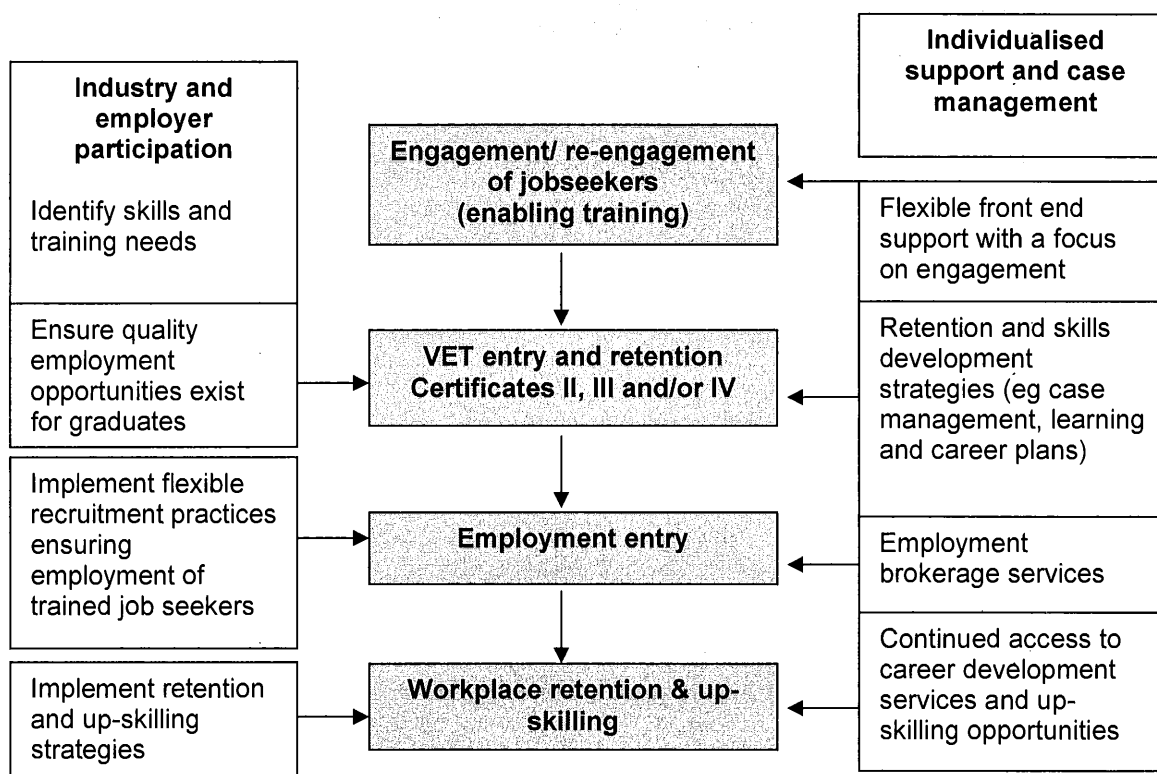
The *Productivity Places Program* provides South Australia with a significant opportunity to train additional job seekers in preparation for employment, complemented by existing programs operating at the State level. As discussed throughout the report, the successful engagement and retention of job seekers within these programs will require a range of strategies, encompassing 'wrap-around' support services. This needs to be factored into the costing of these programs.

The box presented below is operating currently in South Australia and could be applied to the new Commonwealth *Productivity Places Program*.

Box 2: Job Seeker Participation Strategy Model

The *Productivity Places Program* provides South Australia with a significant opportunity to train job seekers in preparation for employment in areas where there are identified skills needs.

The successful engagement and retention of job seekers within the program will require a range of engagement and life skills strategies enabling job seekers to enter and complete training and transition in to employment as outlined in the following model.



Key factors

Key factors for the successful engagement and retention of job seekers in training and transitioning to employment include:

- Front end services that address personal or life barriers to training and employment
- Continued access to individualised support services including language, literacy and numeracy development, life skills development, career advice and individualised learning plans.
- The prospect of achieving sustained quality employment as a major incentive for job seekers to complete training.
- Industry and employer participation (e.g. access to workplace training/ workplace experience).

The above approach highlights the supporting structures required to successfully engage and retain job seekers in training and transitioning to employment.

Critical within this model is the provision of employability skills. A policy question for both State and Commonwealth Governments, is what proportion of public funds should be 'reserved' for employability/generic skills, as opposed to vocational skills, and/or how employability skills can be embedded in vocational learning.

The analysis in Chapter 2 also highlighted demand for qualifications at the higher education level - the South Australian Government needs to continue to engage with the Commonwealth on higher education issues.

Prioritising Occupations in Demand

DEEWR has developed the Priority Occupations for the Productivity Places Program (POPPP) list for targeting places within the program. The list is based on work undertaken by DEEWR as part of its *Skills in Demand* research and regional and employer surveys.

DFEEST has some concerns that the list does not accurately reflect the State Government's view of occupations in demand in the State economy. Some key concerns are discussed here.

The DEEWR list of priority occupations is at the 6 digit ASCO level. As discussed in Chapter 3, the evidence suggests that the links between an occupation and the qualification of an individual are far more fluid than might be suggested in the priority occupation list. Greater aggregation is needed in recognition of the multiple pathways between qualifications and the occupational destination of individuals.

The *Skills in Demand* analysis by DEEWR is based on the recent recruitment experiences of employers (in particular with a focus on areas of *shortage*), and is somewhat retrospective. Shortages may reflect past mismatches between supply and demand or may reflect normal turnover in an occupation.

A future-oriented perspective about needs is also required if skills and workforce development strategies are to bridge the demand-supply gap in the future. This is particularly important in South Australia because training requirements in the future will be driven as much by the retirement of workers as it will by growth in industries.

In broad terms these future skills will be required to meet expected growth in industries, from the retirement of workers and from increasing demands for higher level skills. This future oriented perspective can be informed through the use of projection modelling techniques, such as Monash labour market forecasts and the CEET projections (as used in the South Australian workforce planning system). DEEWR has access to the Monash and CEET forecasts but currently uses

them primarily for the development of careers advice and information on 'job prospects', rather than for targeting program activity.

Given these concerns, the South Australian Government has developed its own priority occupation lists. The South Australian lists are based on the comprehensive occupational analysis process undertaken each year in South Australia, as described in Chapter 3.

In developing the lists, consideration has been given to the occupations most appropriate for targeting to the two categories of participants i.e. *existing workers* (gaining or upgrading skills) and disadvantaged *job seekers*, who may be new entrants or re-entrants. The process used in South Australia can inform the Australian Government's approach to identifying priority occupations.

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Appendix A**REVIEW OF SKILLS AND WORKFORCE DEVELOPMENT****TERMS OF REFERENCE****PURPOSE**

The Review will aim to ensure South Australia's workforce has the skills and capacity to enable economic growth, secure South Australia's competitive advantage in attracting new investment and meet the immediate and future requirements of business.

REPORTING ARRANGEMENTS AND SUPPORT

The Review will be chaired by the Minister for Employment Training and Further Education and conducted by Dr Michael Keating, an eminent person with national standing and extensive experience in the skills and workforce development area.

Dr Keating, a member of the Economic Development Board has been appointed as the Lead Reviewer and will report to the Premier as the Minister for Economic Development, the Deputy Premier as the Minister for Industry and Trade and the Minister for Employment Training and Further Education.

The review is supported by a small secretariat based in the Office of the Economic Development Board consisting of officers nominated by both the Chief Executive of the Department of Trade and Economic Development (DTED) and by the Chief Executive of the Department of Further Education, Employment, Science and Technology (DFEEST).

An advisory committee chaired by the Minister and made up of 5 key stakeholders has been appointed. The Chief Executives of DTED and DFEEST and a representative of each of the key Ministers will participate in the advisory committee as observers and advisors.

The Review will provide a final report to the Premier, Deputy Premier and Minister for Employment, Training and Further Education by June 30 2008.

OBJECTIVES

The objectives of the Review are:

1. To provide advice on how SA's system of workforce planning can be developed to meet the emerging and future economic and employment growth needs of the State, noting SASP targets and focussing on the following:
 - The availability of skills and the use of skills in SA, to identify gaps and opportunities for re-skilling;
 - Identifying current and emerging demand for key growth areas, including major projects, and opportunities for retraining and redeployment of skills;

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- Strategies to better engage industry in workforce planning at the enterprise and industry level (e.g. Business SA and EESA) to ensure the projections are accurate, and strategic;
 - The role and focus of the business and skilled migration programs in contributing to the State's skills needs; and
 - In consultation with the Social Inclusion Commissioner, identify skills and workforce development policies and programs to encourage economically disadvantaged people to take advantage of job opportunities provided by economic development.
2. To provide advice on how to increase the State's training and retraining efforts to better meet future economic and employment growth targets. This will include a particular focus on adult members of the community to increase their participation in the workforce and their ability to adapt to new areas of high skill demand. Areas for consideration include:
- Advice on possible incentives (in addition to taxation and welfare incentives) to encourage individuals to retrain by overcoming the disincentive of lost income associated with retraining. This might involve, for example, different course structures and training times, and increasing the use of competency-based assessment approaches;
 - How to achieve wider engagement in and better application of recognition of prior learning, focussing on competency-based approaches; and
 - Greater focus on work-based training and training.
3. To provide advice on how to improve the quality of and overall level of the supply system, for example:
- The impact of the reforms being pursued by the Minister to build a more flexible and effective training system, and how these reforms can maximise the demand for and supply of future skills
 - The scope for better coordination of relevant government agency resourcing and programs to respond to industry skills requirements and any key actions that will enhance the supply of skilled labour
 - How the State can best engage with the Federal Government to obtain the necessary resources for strategic areas of skills and workforce development, with a focus on the new skills agenda and funding initiatives that the Federal Government announced in the last election
 - How industry skills boards can be developed to maximise their effectiveness and their role in allocating resources as envisaged under the Federal Government's demand driven approach to skills funding
 - The quality and structure of the education and training workforce, and how to achieve better exchange with industry.
4. To provide advice and information on best practice and innovative practice in other national and international jurisdictions.

Appendix B

Modelling Assumptions and Methods – Chapter 2**Developing Scenarios of Labour Demand and Supply**

There are a number of ways in which future scenarios of demand and supply in South Australia can be modelled. Basically, this boils down to making a choice between:

- using existing published forecasts and projections of Gross State Product (GSP), employment and labour supply (produced by organisations such as the South Australian Department of Treasury and Finance, Monash Centre of Policy Studies, the Productivity Commission, Access Economics and the Australian Bureau of Statistics)
- using available forecasts and projections of the *key variables* which determine these growth rates, such as population, imports, labour productivity and participation rates – again there is a range of forecasts available
- generating scenarios using alternate inputs and assumptions, based on ‘what is known’⁵³ and what is considered most likely.

The existing models and projections are not particularly useful when attempting to quantify the *full potential* of the impacts identified in Chapter 2 for ‘aspirational’ planning, for a range of reasons:

- the time periods for which the forecasts are available often do not meet the required timeframe
- CGE models⁵⁴ such as Monash and Access Economics assume that economic shocks are partially crowded out because of rigidities in the labour market which cause relative wages to change in response to a skills shortage. This does not allow for the ‘full potential’ to be identified
- economic forecasting models do not always incorporate all the latest information available to State Governments – this is because new projects are always coming on line (whereas models are generally only updated on an annual – or less frequent – basis); because major projects such as the Olympic Dam expansion may not be captured in the macro forecasts which feed into such models until such projects are ‘officially committed’; and because State Governments are privy to confidential information about major projects, which can be incorporated into macro level planning, without breaching confidentiality
- most of the published forecasts are based on conservative population forecasts for South Australia – they do not reflect the recent strong growth recorded in the State’s population or the Government’s population targets in the SASP.

⁵³ For example from existing in-depth studies such as the SACES studies into the employment impacts of the minerals and defence expansion

⁵⁴ Computable General Equilibrium

For the purposes of the Review, it was determined that an alternative approach to using published forecasts was required – with the exception that Planning SA ‘high’ population estimates are used to underpin both the demand and supply scenarios⁵⁵.

Modelling Demand

The baseline demand scenario uses the following assumptions:

- population growth⁵⁶ drives underlying labour demand
- labour productivity growth of 1.75 per cent per annum
- labour demand can be met without real wage changes above the labour productivity growth dividend
- labour demand and productivity together drive underlying GSP potential.

In the alternative demand scenario, the increase in project values reported by the Access Economics *Investment Monitor* over the period from 2001 to 2007 is used as a guide to the total value of major projects which should be considered over and above the baseline. This was done by extrapolating the stock value in March 2001 (the first period of the *Investment Monitor* database) in line with nominal GSP, and identifying the difference between this extrapolation and the actual stock value in March 2008 (the most recent period of the *Investment Monitor* database).

The GSP and employment impacts of these inclusions have been estimated from project expenditure and direct employment information, including data from detailed studies where available and current. Flow-on effects were estimated using multipliers taken from a South Australian input-output model.⁵⁷ The use of input-output multipliers for the scenarios is deliberate, as the aim is to identify the ‘full potential’ – ignoring crowding out effects which could eventuate.

The project information (including any assumptions made about the timing of expenditures and shares spent on imports) was developed and refined in consultation with key parties within State Government who have exposure to the selected projects. Nonetheless, it should be noted that in some cases the details of the major projects are not settled and are subject to significant uncertainty.

Estimates of *replacement demand* for workers are from the Monash CoPS labour market forecasting system. The Monash forecasts extend out eight years. The final two years have been projected by DFEEST using the Excel function.

⁵⁵ Note: the Planning SA ‘high series’ population estimates have a long term assumption of net overseas migration (NOM) of 7,200, which is significantly below recent levels. The projections will be updated (based on 2006 Census benchmarks in late 2008). Hence the projections used in Chapter 2 reflect some of the recent growth in NOM, but can still be considered conservative – but also achievable. Refer Chapter 6 for further discussion.

⁵⁶ Based on the Planning SA ‘high’ series

⁵⁷ Regional Industry Structure and Employment (RISE) Impact Model

Modelling Supply

The baseline labour supply has been estimated using the current labour force participation rate as the base and then applying the *trend*⁵⁸ suggested by the Productivity Commission's projections of labour force participation rates for South Australia to the Planning SA 'high' series population estimates. It is important to note that these recently updated population projections reflect some, but not all, of the relatively high level of population growth in South Australia over recent years – driven by the highest levels of net overseas migration experienced by the State in decades – refer Chapter 6 of the report.

In the alternative supply scenario, the labour force has been boosted in the following ways (refer Table A1 below for more detail):

- *young people*: in line with the SASP targets to increase the proportion of young people who are either 'learning or earning' the participation rate of 15 to 19 year olds has been increased by 1.6 percentage points and the rate for 20 to 24 year olds by 4.0 percentage points.⁵⁹ It is also assumed that the increased participation among 15 to 24 year olds flows through as these cohorts age, hence by 2017-18 there will be an increase of 3.0 percentage points among 25 to 29 year olds. These increases have been applied to both males and females in these age groups. These changes result in an extra **9,850** 15 to 29 year olds in the labour force over the decade
- *women*: participation rates of women in the child bearing/rearing ages (from 15 to 49) have been increased, ranging from 2.0 percentage points to 6.0 percentage points. The greatest increase (6.0 percentage points) is among 35 to 39 year olds. These increases could be achieved through a combination of affordable child care, availability of parental leave and encouraging and supporting women to return to the workforce after child rearing. These changes result in an extra **12,769** women in the labour force by 2017-18⁶⁰
- *delayed retirement*: labour force participation rates drop off markedly as South Australians move into the 55 and over age groups⁶¹. In the alternative scenario, retirement has been 'delayed' by increasing the participation rate of persons aged 55 to 59 by 8 percentage points, persons aged 60 to 69 by 3 percentage points and persons aged 70 and over by 0.5 of a percentage point. These changes result in an extra **16,313** older workers in the labour force by 2017-18
- *people receiving disability allowances*: there are currently over 68,000 South Australians receiving the disability support pension from the Australian

⁵⁸ Rather than the PC projected rates themselves, which have been tracking below the actual rates in South Australia over recent years

⁵⁹ Assumes 25 per cent of the *additional* 15 to 19 year olds will be 'earning' and 75 per cent 'learning'; and 35 per cent of *additional* 20 to 24 year olds earning and 65 per cent learning. These proportions represent a person's 'main activity' – many young people will be combining work and study.

⁶⁰ Participation among young women aged 15 to 29 has only been increased by 2.0 percentage points under this policy adjustment, as young women's participation has 'already' been increased through policy initiatives designed to increase the proportion of young people who are 'learning or earning' – described in the first dot point.

⁶¹ Participation rates are 12 percentage points lower among the 55 to 59 age cohort compared with the 50 to 54 age cohort.

Government – most of whom are likely to be outside the labour force. In the alternative scenario, it is assumed that around 1 in 5 of these individuals (20.2 per cent or **13,745** recipients) can be assisted into the labour force. This is achieved by increasing the participation rate of males aged 30 to 64 by between 2 and 4 percentage points, and women aged 45 to 54 by 3.0 percentage points.

All of these participation rate increases are phased in gradually over a five year period.

Table A1: Policy Change Supply Scenario, Contribution from Demographic Groups 2007-08 to 2017-18

Age	Males		Females		Total
	Increase in participation (pp)	No. people	Increase in participation (pp)	No. people	
15 to 19	1.6	829	3.6	1,775	2,604
20 to 24	4.0	2,368	6.0	3,390	5,758
25 to 29	3.0	1,852	5.0	2,915	4,767
30 to 34	2.0	1,217	5.0	2,904	4,121
35 to 39	4.0	2,137	6.0	3,020	5,157
40 to 44	3.0	1,549	5.0	2,464	4,013
45 to 49	3.0	1,685	5.0	2,755	4,440
50 to 54	3.0	1,674	3.0	1,670	3,344
55 to 59	10.0	5,690	8.0	4,631	10,321
60 to 64	5.0	2,554	3.0	1,585	4,139
65 to 69	3.0	1,415	3.0	1,493	2,908
70 +	0.5	489	0.5	616	1,105
Total	4.1	23,459	3.3	29,218	52,677

pp percentage points

The table below shows the annual figures underpinning the demand and supply scenarios presented in Figure 5 in Chapter 2: baseline (no policy change) labour force supply; the 'policy change' supply estimates and the alternative (major projects) employment demand estimates.

Table A2: Annual Estimates, Demand and Supply Scenarios (Figure 5)

Year	Baseline Labour Force (Supply)	Policy Labour Force (Supply)	Alternative Employment (Demand)
2006-07	796,760	796,760	755,433
2007-08	807,169	815,763	777,575
2008-09	817,272	834,591	806,970
2009-10	827,111	853,470	827,409
2010-11	836,855	872,147	842,844
2011-12	845,469	889,827	851,915
2012-13	852,659	900,097	868,796
2013-14	859,295	908,249	882,882
2014-15	865,561	916,062	892,118
2015-16	871,385	922,851	902,340
2016-17	876,140	928,555	900,735
2017-18	880,119	932,797	910,262

Estimating Demand and Supply of Qualifications

The estimates presented in Chapter 2 for the projected demand for, and supply of, qualifications over the next decade represent a first attempt at this type of quantification. The South Australian Government will continue to refine the methods used and will use information on *actual* outcomes to better inform the process.

The demand for qualifications is estimated by:

- estimating how many of the job openings over the next decade will require qualifications
- estimating the demand for qualifications among existing workers.

In order to do this it is first necessary to determine the likely occupation and skill profile of the workforce in 2017-18.

Estimates of the current and forecast *occupational profile* of employment and replacement demand are sourced from the Monash CoPS model. The Monash forecasts extend out eight years. The final two years have been projected by DFEEST using the Excel function.

Demand from major projects alters the 2017-18 occupational profile slightly. These shifts have been estimated using survey data collected by SACES on major projects in the mining and defence sectors. According to this data, major projects in the mining sector are expected to generate (both directly and indirectly) greater demand (relative to other occupation groups⁶²) for the trades and advanced (skill level 3) and intermediate (skill level 4) occupation groups, whereas major projects in the defence sector are expected to create greater demand for professionals (skill level 1) and trades and advanced occupation groups. It is estimated that the impact across the labour market over the ten year forecast period is a relative shift of approximately 1.0 percentage point (8,000 jobs) to the professionals and trades and advanced occupation groups and 0.5 of a percentage point (4,000) to the intermediate occupation group. To adjust the relativities while maintaining the estimated overall level of employment in 2017-18, the occupational shares for associate professionals and elementary occupation groups have been reduced by approximately 1.25 percentage points each over the forecast period.

Estimates of the *skills profile* (the proportion of South Australians within each occupation group with a non-school qualification) have been estimated based on data from the ABS *Survey of Education and Work* for the period 2001 to 2005. The methodology used draws heavily on that developed by CEET (refer Shah and Burke 2006), which is based on estimating the rate of 'skills deepening'. *Skills deepening* refers to the increase in the proportion of workers in an occupation with qualifications, after allowing for overall growth in employment.

The skills profile for 2017-18 has been estimated by adjusting the current skills profile by *derived skills deepening adjustment factors* (the skills deepening rate relative to one). Skills deepening adjustment factors were estimated for each level of qualification (e.g. Certificate I through to Higher Education (Bachelor degree or above)) within each occupation group.

It is assumed that skills deepening will continue over the next decade at a similar rate to that observed in the recent past.

To derive a credible future skills profile, the estimated skills deepening adjustment factors were adjusted to remove outliers (i.e. those greater than +/-10 per cent from the rate of employment growth for a given occupation group). Outliers were substituted with the *average adjustment factor* for the particular qualification level. The skills deepening adjustment factors used to estimate the skills profile for 2017-18 are provided in Table A3 below:

⁶² For more detail on occupational skill groups refer Table 1 in Chapter 2

Table A3: Skills Deepening Adjustment Factors

Skill/Occupation Group	Qualification Level								
	HED	AdvDip	Dip	CertIV	CertIII	CertII	CertI	With	Without
Professionals	1.017	0.980	1.053	1.074	1.019	0.975	0.943	1.011	0.962
Assoc Prof	1.039	0.993	1.033	1.074	1.055	0.953	0.935	1.009	0.996
Trades & Advanced	1.020	1.016	1.055	0.970	1.022	0.960	1.087	1.013	0.995
Intermediate	1.039	0.998	1.055	1.074	1.021	0.960	0.935	1.016	0.993
Elementary	1.039	1.041	1.055	1.074	1.031	1.011	1.042	1.032	0.989
All	1.039	0.993	1.055	1.074	1.021	0.960	0.935	1.015	0.985

The estimated skills profile for 2017-18 was calculated by multiplying the forecast level of employment for each skill/occupation group by the current skills profile (based on an average of 2001 to 2005) and the skills deepening adjustment factor - raised to the power of the number of years in the forecast period.

Estimating Demand for Qualifications

Not all job openings translate into a requirement for additional education and training. The demand for qualifications is derived by looking separately at the skill requirements of *new entrants* (to fill job openings resulting from expansion and replacement demand) and the skill requirements of the *existing workforce*. Demand for qualifications among existing workers is derived from two sources:

- *up-skilling* (individuals who are completing a qualification at a *higher* level than their current highest non-school qualification)
- *learning* (workers who are gaining a qualification at an *equivalent* or *lower* level than their current highest non-school qualification).

Again, the methodology developed by CEET (Shah and Burke 2006), has been drawn on to estimate of the number of *new entrants* and *existing workers* requiring qualifications. Readers wanting more detail (including formulae used to derive the estimates) are referred to the CEET report.

Note the CEET methodology does not include workers who are gaining a qualification *at an equivalent or lower level* than their highest level of non-school qualifications in estimates of demand for qualifications.

Estimating the number of *new entrants* requiring qualifications involved the following steps:

- calculating the *new entrants rate* as a proportion of the forecast level of employment in 2017-18 for each occupation group. This is equal to the replacement rate plus the rate of employment growth as a proportion of the rate of employment growth plus one

- estimating the new entrants rate *by age cohort* for each occupation group. This involves distributing the new entrants rate for each occupation group across age cohorts based on the current age profile within that occupation. To do this, data from the *ABS Survey of Education and Work* has been used. In estimating the new entrants rate by age cohort for each occupation group, it is assumed that the majority of new workers are in the youngest age cohorts
- calculating the new entrants rate by age cohort for each *qualification level* within an occupation group. This is equal to the new entrants rate by age for that occupation group multiplied by the age profile for each qualification level within that occupation.

The number of new entrants *requiring qualifications* by occupation group was estimated by multiplying the new entrants rates by age cohort for each qualification level within an occupation by the estimated number of persons employed in that occupation group with the corresponding qualification in 2017-18.

Estimating the number of *existing workers gaining a qualification or up-skilling* involved:

- estimating the number of existing workers for each occupation group by qualification. This is equal to the forecast level of employment in 2017-18 minus the estimated number of new entrants
- calculating the proportion of people who will be in the same occupation in 2017-18 – referred to as the '*stayers rate*'. This is equal to one minus the replacement rate over the forecast period
- estimating the stayers rate by age cohort for each occupation group. This involves distributing the stayers rate for each occupation group across age cohorts based on the current age profile within the occupation. To do this data from the *ABS Survey of Education and Work* has been used. In estimating the stayers rate by age cohort for each occupation group, it is assumed that the majority of stayers are in the youngest age cohorts
- calculating the stayers rate by age cohort for each qualification level within an occupation group. This is equal to the stayers rate by age for an occupation group multiplied by the age profile for each qualification level within that occupation
- applying the stayers rate by age cohort for each qualification level within an occupation to the current level of employment for each occupation group by qualification to obtain the number of persons in 2017-18 in the same occupation with the same qualification.

The number of existing workers gaining or up-skilling in each occupation group by qualification is then estimated by subtracting the estimated stayers from the total number of existing workers in 2017-18. If the estimated number of stayers was greater than the estimated number of existing workers (this occurred mainly at lower qualification levels) then the number of existing workers up-skilling was set to zero.

Estimating the number of *existing workers* undertaking *learning* involved:

- calculating for each qualification level the proportion of qualifications completed (on average over the period 2002 to 2006) at the same or lower level than that previously held by individuals. This was done using data from NCVET. This proportion is referred to as the *learning rate*
- applying the learning rate for each qualification level to the estimated number of existing workers in 2017-18 with the relevant qualification.

Estimating Additional Demand for Training Places

Existing Workers

In addition to the *achievement of full qualifications* (estimated at 192,900 for *existing workers* over the decade⁶³), it is estimated that in the order of 50,000 training places will be required (an average of 5,000 a year) to provide formal refresher training and updating of skills for existing workers who do not need a full qualification. While this training will not impact on the overall skills profile of the workforce, it is an important source of demand for training, over and above that shown in Tables 7 and 8 in Chapter 2⁶⁴.

For these 50,000 '*refresher places*' the distribution across qualification levels is assumed to be the same as for those existing workers who are engaged in '*learning*' (shown in Table 8, Chapter 2). Higher education qualifications have been excluded as it is assumed that the demand will be for higher level VET training.

The ratios used are shown in Table A4 below:

Table A4: Existing Workers, Projected Demand for Refresher Training

<i>Qualification level</i>	<i>No. Places</i>	<i>% of Total</i>
Advanced Diploma	4,300	8.6
Diploma	6,150	12.3
Certificate IV	14,100	28.2
Certificate III	22,550	45.1
Certificate II	1,900	3.8
Certificate 1	1,000	2.0
Total	50,000	100.0

The Review considers these demand estimates for existing workers conservative and believes there could well be significant additional demand for refresher training over and above the projections presented in Chapter 2. For example, if it is assumed that workers employed in non-professional/managerial jobs (i.e. in skill levels 2 to 5) will need refresher training or up-skilling twice in a career spanning forty years, then about 15 per cent of workers would undergo refresher training in any year, viz: assuming that the refresher training is dispersed evenly across the 40 year career, it

⁶³ Comprising 111,400 workers gaining a qualification at a higher level than their current highest qualification (up-skilling), and 78,500 gaining a qualification at an equal or lower level (learners)

⁶⁴ Individuals gaining a qualification at an equal or lower level also *do not* contribute to the overall skills profile (which measures a person's highest non-school qualification only)

would occur in roughly the 13th and 26th year of employment. So in any given year, 2 in every 13 workers (around 15 per cent) will be undertaking training.

This suggests annual demand for VET training for existing workers averaging 90,000 (refer footnote 10 in Chapter 2). This figure is derived by applying 15 per cent to the 'average' or mid-point level of non-professional/managerial employment over the decade:

Table A5: Projected Employment, Non-Professional/Managerial 2007-08 and 2017-18

<i>Occupation group</i>	<i>2007-08</i>	<i>2017-18</i>	<i>average</i>
Skill Level 1	209,800	275,600	
Skill Levels 2 to 5	567,775	634,662	601,218
Total	777,575	910,262	

Job seekers

There is also a need to boost the demand for training among *job seekers* to reflect the fact that not all the training will be successful and that only some of the most disadvantaged people will actually succeed in finding employment. It is estimated that South Australia will gain around 63,200 training places for job seekers over the next decade from the Commonwealth Government's new *Productivity Places Program* (see discussion below). As discussed in Chapter 5 of the Report, the transition rate from training into employment among marginalised or disadvantaged students is likely to be in the order of 50 per cent or less. This means that we can reasonably only expect that around half (31,600) of the job seekers enrolled in courses through the *Productivity Places Program* will gain employment. This effectively means that demand for training among job seekers has been underestimated, and hence that there is a need to increase the demand for training places for job seekers by around 50 per cent, or 31,600 VET places.

For the additional 31,600 *job seeker places* the distribution across qualification levels is based on the target allocation announced by DEEWR:

Table A6: Additional Job Seeker Training Places, Projected Demand by Qualification Level

<i>Qualification level</i>	<i>No. Places</i>	<i>% of Total⁶⁵</i>
Diploma	5,056	16
Certificate IV	5,056	16
Certificate III	10,428	33
Certificate II	11,060	35
Total	31,600	100

⁶⁵ Source: DEEWR (2008) *Productivity Places Program – Job seekers Draft Program Guidelines* 7 March 2008

Estimating Supply of Qualifications

The supply of qualifications over the next decade is estimated by extrapolating recent trends (using a weighting approach) in completions at the VET and higher education levels.

This data relates to the *completion of full qualifications*.

Some important points to bear in mind in relation to these estimates are:

- because only *completions* are captured, these estimates – by definition – include wastage during the training period
- the estimates *exclude* training which, while accredited, does not lead to a full qualification – for example the numbers do not include individuals achieving a ‘certificate of attainment’
- the VET data includes **publicly funded training only** – a significant (but unquantifiable) amount of training occurs outside of the publicly funded training system
- the higher education data excludes overseas students
- the numbers do not capture *informal* training (training which does not lead to a recognised qualification).

VET completions data by occupation and level of qualification was sourced from NCVER for the years 2002 to 2006. Higher education completions data was obtained from DEEWR for domestic students for the period 2002 to 2005.

The estimates *include* qualifications gained at an equal or lower level than the person’s current highest qualification level. (**Note:** the CEET methodology does *not* count these as part of supply).

Total VET supply is estimated by combining the extrapolated completions (‘current effort’) with the expected number of places that South Australia will gain through the *Productivity Places Program*. The *Productivity Places Program* will deliver 630,000 additional training places over five years nationally. Of these places, 391,800 places will be allocated to existing workers and 238,200 to job seekers.

The projected number of places that South Australia will gain is based on its working age population share (7.4 per cent). Funding has been announced for a five year period; an election policy statement committed to a six year program. In order to calculate the projected number of places over the next *decade*, it is assumed that the program will continue indefinitely – at the level suggested by the election policy document (820,000 places over six years).

Using these assumptions, it is projected that South Australia could gain around 131,800 additional VET places over the next decade – comprising 63,200 places for job seekers and 68,600 places for existing workers.

It should be noted that not all of these *places* will translate into completed qualifications - this is because there is likely to be significant wastage from training (particularly among the job seeker participants) and also because many participants (particularly existing workers) will use the training to gain a skill set (certificate of attainment) rather than complete a full qualification.

Appendix C

Industry Skills Boards

1. Business Services Industry Skills Board SA Inc
2. Construction Industry Training Board
3. Electrical, Electro-technology, Energy and Water Skills Board Inc
4. Food, Tourism and Hospitality Industry Skills Advisory Council Inc
5. Manufacturing Industry Skills Council SA Inc
6. Primary Industries Skills Council SA Inc
7. SA Health and Community Services Board Inc
8. Services Industry Training Skills Alliance Inc
9. Transport and Distribution Training SA Inc

Of the 618 Australian New Zealand Standard Industrial Classification (ANZSIC) codes, 560 (90.6 per cent) are covered by the nine ISBs. 26 codes are classified as 'others' and 32 of them come under mining. 'Others' and mining together are classified under unallocated sectors.

The nine ISBs cover the ANZSIC codes as follows:

- Business Services (77 codes or 12.5%)
- Construction (31 codes or 5.0%)
- Electrical, Electro-technology, Energy and Water (7 codes or 1.1%)
- Food, Tourism and Hospitality (44 codes or 7.1%)
- Manufacturing (151 codes or 24.4%)
- Primary Industries (58 codes or 9.4%)
- Health and Community Services (25 codes or 4.0%)
- Services Skills Industry Alliance (133 codes or 21.5%)
- Transport and Distribution (34 codes or 5.5%)

1. Business Services Industry Skills Board SA Inc. (BSISB)⁶⁶

The Business Services Industry Skills Board SA Inc. (BSISB) is a bipartite Board funded by the SA Government and established in June 2005. The Board focuses on workforce skills development and planning to ensure in its industry sectors have the skilled workforce to grow into the future.

The BSISB exists to examine, assess, make recommendations and take action on recruitment, retention and skills utilisation issues, with an emphasis on areas of skills shortages, and cognisant of the State Strategic Plan and its emphasis on equity of opportunity.

The BSISB industry sectors are:

- Business Services
- ICT

⁶⁶ <http://www.bsisb.com.au/cgi-bin/index.cgi> accessed on 26 March 2008

- Finance
- Property & Asset Management
- Printing and Graphic Arts and
- Education & Training.

The BSIS Board is comprised of employer and employee representatives. There are currently 8 member organisations. These are:

- SA Unions
- Business SA
- Information & Communication Technologies Council SA
- Australian Services Union
- Real Estate Institute of SA (REISA)
- Finance Sector Union
- Printing Industry Association of Australia, SA & NT Division
- Australian Manufacturing Workers Union (AMWU)

The purpose of the BSISB is to:

- Facilitate, collate and communicate accurate industry intelligence and strategic advice on current and emerging needs and priorities regarding workforce development, industry skills and training to the Government, through TaSC, to industry and other relevant stakeholders
- Identify generic and emerging skills to support the employment needs of individuals
- Articulate and advocate South Australian industry's perspective in the development, implementation and continuous improvement of high quality, nationally recognised, training products and services to further the State's economic and social development
- Promote to industries, enterprises and their workforce the importance of integrating skill development and business development
- Encourage the advantages of education, recognised training and lifelong learning for all South Australians
- Act as the principal, bi-partite voice of the industry parties on issues related to skills development
- To promote legislative, social or administrative reforms or amendments and to do all such acts and things as may be in the interest and welfare of the industries and conducive or incidental to the attainment of the objectives of the Board.

2. Construction Industry Training Board (CITB)⁶⁷

The Construction Industry Training Board (CITB) was established under the South Australian Construction Industry Training Fund Act 1993 to implement training programs across all three sectors of the building and construction industry. Funds for this training are paid in the form of a levy by Project Owners (generally the main builder or contractor or the owner builder). The levy is 0.25 percent of the value of building and construction work. The CITB consider properly structured training

⁶⁷ <http://www.citb.org.au/about/default.asp> accessed on 26 March 2008

programs to be vital if South Australia is to maintain a skilled workforce with high standards, and be internationally competitive in the construction industry. CITB-managed or funded training is designed by the industry for the industry. Training is delivered in metropolitan and regional areas, is relevant and tailored to the needs of specific sectors.

The CITB industry sectors are:

- Housing
- Commercial
- and Civil

The CITB's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Construction Industry Training Advisory Body
- to act as a principal adviser to the Minister for Employment, Training and Further Education and the Minister of Employment, Education and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia
- preparation of training plans
- coordination of training and review and evaluation of employment related training programmes.

The Act specifies the CITB's functions which include:

- to act as a principal adviser to the relevant State and Federal Ministers on any matter relating to training in the building and construction industry
- to administer the Construction Industry Training Fund (CITF)
- to prepare training plans in accordance with the Act
- to generally coordinate training and personnel development within the building and construction industry
- to promote increased productivity career opportunities personal satisfaction and OH&S within the industry through training
- to review and evaluate employment related training programs to ensure that they meet the training and skill requirements of the industry
- to ensure a more equitable distribution of effort amongst employers in relation to employment related training in the building and construction industry
- to initiate, carry out, support or promote research into the training and personnel needs of the building and construction industry
- to liaise with educational, professional and training bodies (in either the public or private sectors) in relation to training and personnel development within the building and construction industry, and
- to promote, undertake or support programs designed to facilitate the international exchange of information relevant to training or personnel development within the building and construction industry.

3. Electrical, Electro-Technology, Energy & Water Industry Skills Board⁶⁸

The EEEWSB came into being in 1988 to foster the Electro-technology Industry and create an Association where issues of the industry could be explored and debated and guidelines developed. Created with both Union and Enterprise representatives and Government input the Association has gone from strength to strength adding other industries to the original group. Today EEEWSB covers seven main industry sectors.

EEESWB Board membership includes:

- NECA SA Chapter and RACCA
- Communications Electrical Plumbing Union, Electrical, Energy & Services Division
- Air Conditioning and Mechanical Contractor Association of South Australia
- Executive Officer of EEEWSB
- ETSA
- Electronics Industry Association
- SA Water
- Aspinall and Associates

The objectives of the EEEWSB are:

- To provide SA input into National Training Plans/skill development, run workshops, phase reviews, and promote Training Packages.
- To establish data bases populated with data containing relevant industry sector skills intelligence, including medium and long term trends
- To provide advice and tools regarding attraction, retraining, up-skilling and retention.
- To be the portal for preferred and appropriate models of training, for existing and emerging industries
- To be the trusted information and advice bureau for skills and trend analysis and a contact point for media, schools, parents, RTOs and others for the Industries covered
- To be in touch with the international picture for these areas regarding interstate and international movement of qualified staff.
- To conduct professional development to the utility and electro-technology industries, Futures groups, Group Training Companies and other bodies advising young and mature age persons in matters of vocational education
- To support Skilled Migration pathways and support
- To undertake projects relevant to the industries and supporting the above.

Tasks of the EEEWSB are:

- Understanding the labour market dynamics as they apply to the seven industry sectors
- Informing employers and other industry stakeholders of future trends to encourage all parties to take appropriate steps to meet these requirements

⁶⁸ <http://www.eeewsb.com.au/> accessed on 26 March 2008

-
- Collaborating with VET training organisations to recruit and train appropriate numbers of students to closely meet the needs of industry
 - Participating in national standard setting workshops to meet industry's changing needs
 - Providing information on Apprenticeships coordination services to facilitate the entry of young people into the skilled occupations in the industry
 - Establish sector group meetings from time to time
 - Improving foundation skills through workplace Language Literacy and Numeracy initiatives
 - Engaging with recognised providers to undertake research for the industry
 - Supporting e-Learning initiative being developed within the industry, and
 - Supporting the articulation of qualifications to academic pathways, encouraging and supporting employees undertaking under-graduate and graduate career developments.

4. Food, Tourism and Hospitality Industry Skills Advisory Council SA⁶⁹

The purpose of the Food, Tourism and Hospitality Industry Skills Advisory Council SA Inc is to foster the development of a flexible, skilled and motivated workforce that will create in the long term a profitable and sustainable industry for the food and beverage processing, tourism and hospitality sectors.

The FTH Skills Council industry sectors are:

- food and beverage processing
- tourism
- hospitality.

In accordance with its constitution the FTH Skills Council has a Board of six Directors, (consisting of three employer organisations and three employee organisations) and is made up of three nominations from each Standing Committee.

The Board of Directors is as follows:

- Chloe's Restaurant
- LHMU
- AHA (SA)
- Baking Industry Association
- AMIEU
- NUW

FTH objectives for 2005-2008 are:

- Establish formal engagement, consultation and communication links with key industry stakeholders to establish the ISB as the principle of bipartite workforce information

⁶⁹ <http://www.fthskillsCouncil.com.au/aboutus.asp> accessed on 26 March 2008

- Facilitate, collate and communicate accurate industry intelligence and strategic advice on current emerging needs and future priorities regarding workforce development and industry skills and training needs to the Government, through the Training and Skills Commission, industry and other relevant stakeholders
- Assist industry to respond to emerging workforce requirements generated by new Food, Tourism and Hospitality industry developments
- Develop initiatives aimed at addressing strategic and systemic workforce issues currently limiting industry performance and growth
- Ensure the quality of training is maintained to industry standards to build a more skilled and professional industry
- Strengthen the delivery of training within the secondary and tertiary education sectors to produce employment outcomes responsive to needs of industry
- Assist in the development of high quality, nationally recognised training products and services to further the States economic and social development
- Support the growth of Regional Food and Tourism initiatives
- Promote legislative, social or administrative reforms in the interest and welfare of the industry.

In accordance with its constitution the Food, Tourism and Hospitality Industry Skills Advisory Council SA Inc is underpinned by two Standing Committees:

- the Tourism and Hospitality Industry Standing Committee, and
- the Food and Beverage Industry Standing Committee

5. Manufacturing Industry Skills Council SA Inc⁷⁰

The Manufacturing Industry Skills Advisory Council (MISAC) was established by key industry organisations to represent the workforce development interests of South Australia's manufacturing industry.

MISAC represents the broad interests of the manufacturing industry's workforce development needs through a 12 member Board and four Industry Standing Committees:

- Automotive
- Light Manufacturing
- Metal, Engineering and Aerospace
- Process Manufacturing

MISAC Board membership comprises:

- Engineering Employers Association South Australia (EEASA)
- Australian Manufacturing Workers Union (AMWU)
- Motor Trade Association of SA (MTA)
- Communications Electrical Plumbing Union (CEPU)

⁷⁰ <http://www.misac.com.au/cgi-bin/page.cgi?id=254&ssn=R95w8IyYZpEaFB0iQQAo3kFexXka2ZLQ> accessed on 26 March 2008

-
- Lincoln Plastics Pty Ltd
 - Codan Limited
 - ASC Pty Ltd
 - Agostino Group
 - National Union of Workers (NUW)
 - Australian Workers Union (AWU)
 - Liquor Hospitality & Miscellaneous Union (LHMU)
 - Textile Clothing & Footwear Union of Australia (TCFUA)

MISAC objectives:

MISAC works with industry, the Community and Government to:

- Identify workforce development trends, emerging skill requirements and the recruitment and retention of a skilled workforce
- Provide accurate industry intelligence to Government on current and future skill needs and training requirements for our industry
- Support the development, implementation and continuous improvement of quality nationally recognised Training Products and Services, including Training Packages.

6. Primary Industries Skills Council⁷¹

The Primary Industries Skills Council (PISC) represents all the agricultural, fishing, amenity horticulture, racing, veterinary and applied science and natural resource management industries. It collaborates directly with the National Agrifood Skills Council (AFISC).

PISC works with industry stakeholders and government to develop industry specific workforce plans, identify workforce trends and emerging skill needs, and consider issues relating to career advice, attracting and retaining a skilled workforce and industry training needs. The focus of this function is on workforce development for all South Australian primary industries.

PISC industry sectors:

- Agriculture
- Amenity
- Conservation and Land Management
- Horticulture
- Fishing/Seafood
- Racing
- Animal Care
- Farriery

PISC Board Membership:

- Chair
- Executive Officer

⁷¹ <http://www.pisc.org.au/about-us/index.php> accessed on 26 March 2008

- SA Farmers Federation
- Australian Workers' Union
- Abalone Industry Association of SA Inc.
- Seafood Processors and Exporters Council
- Stehr Group
- National Union of Workers (SA/NT Branch)

1.1.1 Functions of the PISC are to:

- Provide industry intelligence and strategic advice on current and emerging skill and workforce development needs from both employer and employee perspectives
- Promote the importance of integrating skill development and business development
- Advocate South Australian industry's views in the development, implementation and review of nationally recognised training products and services
- Promote the advantages to be gained from education, recognised training and lifelong learning for all South Australians
- Provide advice on the recognition of skills and qualifications gained overseas.

7. SA Health and Community Services Board⁷²

The purpose of the Health and Community Services Industry Skills Board is to foster the development of a flexible, skilled and motivated workforce that will create in the long term a profitable and sustainable industry.

It covers the following industry sectors:

- Health
- Community Services
- Correctional Services
- Public Safety

The Board consists of five union representatives and five employer representatives:

- Australian Nursing Federation
- Australian Services Union
- Liquor, Hospitality and Miscellaneous Union
- Public Service Association
- SA Unions
- Business SA
- Department of Health
- Department of Correctional Services
- SACOSS
- Department for Families & Communities

⁷² <http://www.sahcssb.com.au/about.php> accessed on 26 March 2008

The objectives for 2005-2008 are:

- Establish formal engagement, consultation and communication links with key industry stakeholders to establish the ISB as the principal voice of bipartite workforce information on issues of skills.
- Facilitate and collate accurate industry intelligence and strategic advice on current emerging needs and future priorities regarding workforce development and industry skills and training needs, and communicate these to the Government, industry and other relevant stakeholders
- Identify generic and emerging skills to support the employment needs of individuals
- Articulate and advocate South Australian industry's perspective in the development, implementation and continuous improvement of high quality, nationally recognised, training products and services to further the State's economic and social development
- Promote to industries, enterprises and their workforce the importance of integrating skill development and business development to produce employment outcomes responsive to the needs of industry and the community.
- Promote the advantages of education, recognised training and lifelong learning for South Australians working in health and community services.

8. Services Industry Training Skills Alliance Inc⁷³

Service Skills SA (SSSA) is the business name for Service Skills Industry Alliance Inc. (SSIA). It covers the following industry sectors:

- Arts
- Sport & recreation
- Retail
- Wholesale
- Personal services.

Board Membership reflects the above mentioned industry sectors.

9. Transport and Distribution Training SA Inc⁷⁴

Transport Distribution Training South Australia (TDTSA) exists to facilitate the continual improvement of workforce planning and skills acquisition for the Transport and Logistics Industry and to provide information and assistance to Transport RTOs to keep the industry competitive in the global market. TDTSA is aligned to the National Transport Industry Skills Council which exists to create, provide and manage a range of services revolving around recruiting/re-training and up-skilling workers in the transport and logistics industry. The transport and

⁷³ http://www.serviceskillssa.com.au/index.php?option=com_content&task=view&id=16&Itemid=34 accessed on 26 March 2008.

⁷⁴<http://www.tdtta.com.au/index.php/selectedContent/1855138248?currentDriven=14979640¤tContent=1052456792&PHPSESSID=711bab6c33f34e135ece1a85b6922bbe> accessed on 26 March 2008

logistics industry has been through a period of major reform and will continue to feel the impact of new technologies, increased competition, and greater demands from customers, globalisation and continual change to regulatory frameworks.

Industry Sectors:

- Road Transport: Road Freight Transport, Bus Transport, Services to Transport, Courier Services
- Maritime: International Sea Transport, Coastal Water Transport, Inland Water Transport (river, harbour, lake), Services to Water Transport
- Aviation: Regular Passenger Transport (International and Domestic), Non-scheduled Air and Space Transport, Services to Air Transport
- Rail Transport: Freight Transport Service, Passenger Transport Service, Services to Rail
- Other Transport: Customs Agency Services, Services to Transport, Freight Forwarding
- Storage: Grain Storage, Storage nec, Postal Services.

Board membership includes:

- Maritime Union of Australia
- Taxi Council SA
- Toll SPD
- Transport Workers Union
- Commercial Aviation Association of Australia
- Australian Rail Tram and Bus Union
- Skilled Engineering
- SA Road Transport Association
- Great Southern Railways
- Business SA
- Bus and Coach Association
- National Union of Workers

TDTSA objectives are:

- To contribute to the availability of suitable training/skills development arrangements to meet the skill needs of the industry.
- Enhance the long-term employability of individuals in the industry by identifying the generic and emerging industry skills to support the employment needs of individuals in an effort to maximise recruitment and retention possibilities
- Maximising access and equity to accredited vocational education and training opportunities for each sector of the industry
- Contribute to the development and provision of careers advice for each sector of the transport industry and cross sector career pathway opportunities
- Collaborate with key industry partners to act as a principal bi-partite voice of the industry parties on Transport and Logistic issues related to skills development while encouraging increased industry ownership and investment in training.

Appendix D

Individuals Consulted

Kate	Barnett	Australian Institute for Social Research
Caroline	Batty	Department of Trade and Economic Development
Steve	Beere	Resources and Energy Skills Alliance
Elaine	Bensted	Department of Further Education, Employment, Science and Technology
Richard	Blandy	University of South Australia
Peter	Bradshaw	Olympic Dam Taskforce
Ian	Buchanan	Department of Further Education, Employment, Science and Technology
Rohan	Callaghan	Department of Treasury and Finance
Mirella	Canziani	Department of Premier and Cabinet
Monsignor	Cappo	Social Inclusion Board
Paul	Case	Olympic Dam Taskforce
John	Cassebohm	Food Tourism & Hospitality Skills Council
Stephen	Conway	TAFE SA
Mark	Cully	National Centre for Vocational Education Research
Brian	Cunningham	Department of Further Education, Employment, Science and Technology
Derek	Cupp	Manufacturing Industry Skills Advisory Council
Marcus	d'Assumpcao	Department of Further Education, Employment, Science and Technology
Paul	Dean	Department of Further Education, Employment, Science and Technology
Paul	Dowd	Resources and Energy Skills Alliance
Tania	Dziodosz	Department of Premier and Cabinet
Andrew	Fletcher	Defence SA
Craig	Fowler	Department of Further Education, Employment, Science and Technology
Gael	Fraser	Lizard Drinking
Raymond	Garrand	Department of Trade and Economic Development
Rebecca	Greenfield	Department of Trade and Economic Development
Jim	Hancock	South Australian Centre for Economic Studies
Robyn	Hansen	Department of Trade and Economic Development
Chris	Harrison	Department of Further Education, Employment, Science and Technology
Stuart	Hocking	Department of Treasury and Finance
Michelle	Hogan	Department of Premier and Cabinet
Jane	Kelly	Department of Further Education, Employment, Science and Technology
Ann	Kerr	Department of Premier and Cabinet
Tony	Kyriacou	Defence SA
Jenny	Lauritsen	Department of Further Education, Employment, Science and Technology
Emma	Lawson	Department of Premier and Cabinet
Andrew	Manson	Primary Industries and Resources SA
Adrian	Marron	TAFE SA
Isabel	Maurer	Department of Further Education, Employment, Science and Technology

Kelly	McGloin	Defence SA
Michael	McKay	Department of Trade and Economic Development
Val	McMahon	Department of Further Education, Employment, Science and Technology
Tanya	Meyer	Department of Trade and Economic Development
Peter	Mylius-Clark	Department of Further Education, Employment, Science and Technology
Susie	O'Connor	Department of Premier and Cabinet
Michael	O'Neil	South Australian Centre for Economic Studies
Graham	Oades	Service Skills SA
Richard	Osborne	Department of Further Education, Employment, Science and Technology
Stephanie	Page	Department of Premier and Cabinet
Eric	Parnis	Australian Institute for Social Research
Tracey	Parnis	Department of Further Education, Employment, Science and Technology
Bob	Pearce	Department of Further Education, Employment, Science and Technology
Wendy	Perry	Workforce Blueprint
Tom	Phillips	Training and Skills Commission
Sue	Richardson	National Institute of Labour Studies
Chris	Robinson	Department of Education and Children's Services
Tanya	Rogers	Department of Education and Children's Services
Brett	Rowse	Department of Treasury and Finance
Paul	Ryan	Office of Minister for Employment, Training and Further Education
Peta	Savage	Department of Further Education, Employment, Science and Technology
Deb	Selway	Department of Further Education, Employment, Science and Technology
Adrian	Smith	Training and Skills Commission/SYDAC
Shirley	Smith	Department of Premier and Cabinet
John	Spoehr	Australian Institute for Social Research
Ross	Steele	Planning SA
Richard	Symonds	Department of Further Education, Employment, Science and Technology
David	Waterford	Department of Premier and Cabinet
Steve	Whetton	South Australian Centre for Economic Studies
Emily	White	Department of Further Education, Employment, Science and Technology
Grant	Whitesman	Department of Trade and Economic Development
Sunny	Yang	Department of Trade and Economic Development
Chris	Zielinski	Department of Further Education, Employment, Science and Technology
Roger	Zubrinich	Office of Minister for Employment, Training and Further Education