

Service Skills Australia response to
Australian Workforce Futures



March 2010
Australian Workforce Futures

Introduction

Service Skills Australia would like to formally congratulate Skills Australia on the launch of *Australian Workforce Futures*. Service Skills Australia appreciates the energy that went into developing the strategy and we would like to support its recommendations and the vision that it describes for 2025.

Over the past 2 years, Service Skills Australia has undertaken work that we believe can significantly contribute to supporting a number of the recommendations outlined in *Australian Workforce Futures*. We would like to offer our services to Skills Australia and the Australian Government to support the implementation of the *Australian Workforce Futures* recommendations. We hope that the following responses to some of the key messages and issues will be useful and demonstrate our capacity to assist.

Key messages and issues

*Sustain economic growth and raise productivity by increasing skills and avoiding future skills shortages. **Recommendation two:** Skills Australia to lead a collaborative workforce and skills planning framework featuring a new targeted approach to specialised occupations.*

In November last year, Service Skills Australia commissioned Monash University's Centre for the Economics in Education and Training (CEET) to undertake a skills and labour forecast for our industries to 2015. The report is due in June 2010 and will also seek to explore ways in which the service industries can best measure "productivity".

Lead a new partnership approach to workforce development at government, industry and enterprise level.

In 2009, Service Skills Australia commenced work on the following two significant projects:

- Implementation of the national Tourism and Hospitality Workforce Development Strategy.¹
- Development of the Sport and Recreation Workforce Development Strategy.²

In 2010, we will also collaborate more closely with the retail industry on workforce development, which—like our other industries—will result in a common vision for that sector on skills development.

¹ The Tourism and Hospitality Workforce Development Strategy is on [our corporate website](#). Australian Tourism Ministers have adopted this strategy, to be implemented under the National Long-Term Tourism Strategy.

² The scoping paper for the Sport and Recreation Workforce Development Strategy is also on [our corporate website](#).

As with the *Australian Workforce Futures* goal to “create a shared agenda on workforce futures”, Service Skills Australia believes that collaborative bi-partite relationships serve to develop a co-ordinated view and direction. Undertaking this work at specific sector level:

- a) allows for the industry to take ownership of the direction;
- b) increases relevance of the outcome, and;
- c) communicates the requirements of the sector more clearly as the time is taken to develop a common vision, in a language that is reflective of the sector.

In light of the launch of *Australian Workforce Futures*, Service Skills Australia will now undertake to work with our industry to develop these “common visions” in a way that supports the goals and outcomes set out in the national strategy, as well as influence the national education and skilling system on the needs of our industry.

*Position the tertiary education sector to ensure it has the resourcing and workforce capacity to delivery skills for the new economy. **Recommendation ten:** Develop and implement a workforce development strategy for the tertiary education workforce.*

In 2009, Service Skills Australia undertook a significant piece of research that was primarily aimed at improving quality outcomes in the Vocational Education and Training (VET) sector.

Of particular note for *Australian Workforce Futures* is the research we completed to develop a Workforce Development Strategy for VET Practitioners in the service industries. Developed from April to September 2009, this work was undertaken by the University of Ballarat and provided a set of recommendations and actions to Service Skills Australia on how the Industry Skills Council can develop its VET workforce. It is our own strategy to improve the capacity of trainers and assessors who provide services to our industry.

Response to issues

1. Landmark approach

Service Skills Australia (SSA) supports the release of the *Australian Workforce Futures* Strategy as a significant landmark approach to workforce development. To that extent, we wish to note the following:

- 1.1 Given the strong focus on skills utilisation and skills deepening, SSA hopes that work in this area will not be to the detriment of supporting entry-level skills development as well as skill development for existing workers at AQF levels 2 and 3.
- 1.2 For many “adaptive capacity” is a new concept to the tertiary system. Further discourse on this and other new concepts in the strategy will need to occur in order to harvest greater understanding of the terms themselves as well as of how they will impact upon the education landscape in a practical sense.
- 1.3 Putting the enterprise at the centre of capacity building will contribute significantly to productivity improvements broadly. To that extent, capacity building of the tertiary education workforce will need to be undertaken with these needs in mind. This will require significant change of our education system to align the nation’s workforce development system to the needs of enterprise.

2. Greater co-operation and cohesion

The goals set by the strategy are significant and will require all parties to work together effectively to reach these goals. We note that some of the goals are “stretch goals” such as attaining a participation rate of 69%, which is further than those goals expressed by Federal Treasury in their Intergenerational Report.

3. Specificity of approach

SSA supports the discussion on co-ordinated yet sector-specific approaches to workforce development.³ It is the experience of SSA that while one overarching strategy is important, this needs to be interpreted at both a sector level and then again for the regional level.

4. Utilising existing infrastructure

SSA welcomes the recognition there are existing infrastructures that the strategy can take advantage of in order to implement the recommendations. For instance, we welcome the

³ Skills Australia 2010, *Australian Workforce Futures: A national workforce development strategy*, p.52.

recommendation to expand existing programs on Workplace Education Language and Literacy (WELL) and the Enterprise Based Productivity Places Program (EBPPP) as well as the expansion of the Enterprise Connect program. We also acknowledge the positioning of Industry Skills Councils (ISCs) and believe that these bodies have a clear role to play in implementing the recommendations:

- 4.1 As mentioned above, SSA has undertaken much work in recent years that is relevant to a number of *Australian Workforce Futures* recommendations and may assist in supporting their implementation.
- 4.2 SSA appreciates the examples of workforce development provided in the strategy and knows of other strategies employed by the service industries that demonstrate equally the capability and willingness of industry to embrace this approach.

5. Needs of Industry

While we have concerns that the occupations in-demand list of “specialised occupations” may not reflect the needs of our industries, we appreciate the context in which they are provided. We see this as an opportunity for our industries to advise their education system on its needs and, to that extent, will be undertaking a skills forecasting exercise of our own.

6. Role of “core skills”

SSA welcomes the strategic focus on language and literacy. From our own experience, increases in productivity and participation will be tied to improvements in the development of “core skills” across all levels of the workforce. Core skills—as per the definition provided in the Australian Core Skills Framework (ACSF)⁴—recognise that all levels of the workforce can improve numeracy and literacy skills (including comprehension, problem-solving and decision-making) and so contribute to realising the *Australian Workforce Futures* goals on improved skills utilisation.

7. Funding skills development

SSA supports recommendations for ISCs to use programs such as the Productivity Places Program to promote better ways of developing skills. The linking of training to deliver on enterprise outcomes focuses attention from just the training intervention to the context in which training should be delivered. Furthermore, by providing opportunities for funding to explore collaborative and experimental approaches, the education system gets the opportunity to undertake research and development into innovative approaches to skills development. SSA appreciates the opportunity that *Australian Workforce Futures* takes to identify opportunities to deliver flexibly.

⁴ <http://www.deewr.gov.au/Skills/Programs/LitandNum/ACSF/Pages/default.aspx>

Looking to the future: A Note on Productivity

In response to the Prime Minister's keynote speeches on productivity, there has been a range of discussion in the media on productivity. Ross Gittens noted the complexity of the issue by stating that:

Late last year the Productivity Commission produced a submission to a parliamentary committee that sought to explain the slowdown in productivity. However, it focused neither on labour nor on capital productivity but on a more sophisticated concept called "multi-factor productivity". This is the growth in output you get that can't be explained by increased inputs of labour and capital. In a sense it's "pure" productivity improvement. It's the thing economists usually label as technological advance – although closer inspection reveals there's more to it. Multi-factor productivity is improved by the achievement of economies of scale (producing more with the same equipment) and by greater specialisation.

It's improved by changes in the allocation of resources that cause the changed bundle of goods and services produced to yield greater utility to consumers (increased "allocative efficiency") and by the closing of old factories and opening of new ones. It's improved by better management practices and work arrangements. It's also improved by increases in "human capital" arising from education and training, which represent improvement in the quality of labour.

But the main component is technological advance: inventing new products, producing better products (this week's Apple iPad is a bit of both) or introducing better production techniques.⁵

Australian Workforce Futures pulls together much of the emergent thinking on workforce development and planning, and sets out a number of recommendations to be responded to if the education system is going to support national productivity targets. Moving forward, it will be worthwhile ensuring that a robust discussion on productivity (and what this means for workforce development infrastructures) is discussed. More particularly, a discussion on "productivity" as it relates to different sectors and regions should be considered.

SSA notes the definition of productivity provided by the 2010 Intergenerational Report (IGR10). In particular:

High productivity growth – producing more output with proportionately fewer workers – is the key to continued growth with an ageing population. Investments in Australia's skills and infrastructure base will lead to a lasting improvement in productivity.⁶

⁵ Gittens, Ross 2010, *Truth about productivity*, Sydney Morning Herald, January 30, 2010.

⁶ Australian Government (Treasury) 2010, *Australia to 2050: Future challenges* (The 2010 Intergenerational Report), p.xix.

The '3 Ps' framework in IGR10 defines "real GDP" as a function of:

- Population—the number of people of working age (15 years and over);
- Participation—the average hours worked by each working person, and;
- Productivity—the average output per hour worked.⁷

In spite of great discussion in the report on participation and productivity, IGR10 crucially identifies that:

*While implementation of recent policies to lift productivity growth will have implications for productivity over the medium term, it is inherently difficult to project productivity growth over long horizons with any precision. This is because of the historical variation in productivity growth, **and difficulties in measuring and explaining the range of factors which drive productivity.***⁸ (SSA emphasis)

SSA strongly believes that given this, the nature of productivity and how it translates to the sectors needs to be further explored. If workforce development interventions are going to succeed, the education system needs to be informed about which aspects of productivity are being addressed. Industry has a role to research and advise government on the exact nature of productivity improvements and where workforce development can support these improvements. SSA believes that the start of this process is the change in paradigm from training to workforce development, and by encouraging and leading the skilling system to link training outcomes to improvements in enterprises. However, more work needs to be done in order to understand how this applies to specific sectors as well as at the regional level.

SSA has commenced this thinking already by asking Monash University's Centre for the Economics of Education and Training (CEET) to consider the nature of productivity as it relates to the service industries. We look forward to sharing this with stakeholders in the future.

Contact details

Kit McMahon
General Manager
(02) 8243 1200
kmcmahon@serviceskills.com.au

⁷ Australian Government (Treasury) 2010, *Australia to 2050: Future challenges* (The 2010 Intergenerational Report), p.2.

⁸ Ibid, p.14.