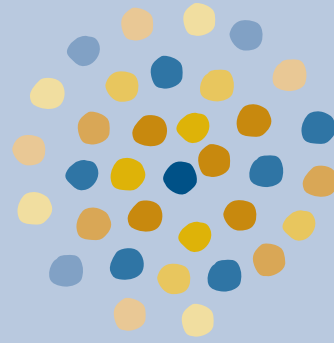




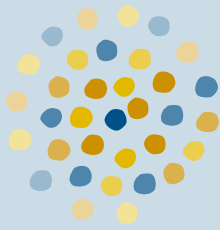
Australian Government



SKILLING AUSTRALIA

FOR THE FUTURE

DISCUSSION PAPER 2008



SKILLING AUSTRALIA

FOR THE FUTURE

INTRODUCTION ● ● ●

The Government is committed to increasing investment in training and ensuring this is targeted to address skills shortages across the Australian economy.

Skilling Australia for the future not only outlines the Government's commitment to provide an additional 450,000 training places over the next four years but outlines a roadmap for reform.

This increased investment in skills training is targeted at lifting workforce participation and productivity in Australia — allowing the Australian economy to continue to expand and deliver prosperity to future generations of Australians.

Skilling Australia for the future's investment in skills formation is designed to boost Australia's potential growth rate while maintaining steady inflation outcomes over the medium- to long-term. Currently, the limited supply of skilled labour represents a major constraint on the capacity of industry to keep pace with increasing demand and intensifying international competition.

The new policy adopts a demand driven approach to training delivery, in contrast to past supply driven approaches. Areas of skills needs will be identified through consultation with industry, and then addressed through prioritising training in those areas. Skills Australia, an independent, high level body will provide the Government with advice about the future skills needs of the country and will help to inform public investment in training. The skills capacity of the Australian workforce will be increased, improved and deepened, to ensure that the skills that industry requires are matched with appropriate training through Australia's national training system.

This paper has been developed to provide all stakeholders with an opportunity to provide feedback to the Australian Government about the proposed architecture and implementation arrangements for the 450,000 additional training places, to be delivered as the Productivity Places Program.

Feedback is invited from stakeholders on any of the issues or proposals raised in this paper, including the questions in the shaded boxes, to inform the progressive implementation of the policy over three implementation phases.

Please send feedback to productivityplaces@deewr.gov.au by 30 April 2008.

CURRENT SITUATION ● ● ●

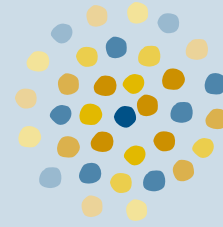
Australia has enjoyed sustained economic growth for more than a decade. An ongoing challenge will be to maintain this prosperity.

The economy is currently operating near full employment with unemployment at a generational low of around 4 per cent. Going forward, given the ageing of Australia's population, this shortage of labour will become more acute, especially the shortage of appropriately skilled workers.

The Government has an ambitious agenda, focused on economic and social reforms to drive productivity and workforce participation which will deliver economic benefits now and well into the future.

This broad agenda addresses critical areas such as infrastructure and regulatory burdens, but importantly, recognises that effective, well-targeted investments in education and particularly training will boost productivity and participation and therefore increase Australia's GDP per capita.

To ensure that our investment in training and skills has the maximum impact on boosting productivity and participation, Australia's vocational and education training system should: be responsive to the training needs of industry and the economy; provide incentives and training for those currently not participating in the workforce; and invest in lifelong learning for our existing workforce to ensure that skills are maintained and improved, which will improve job prospects in a dynamic work environment.



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SHIFT TO A DEMAND-DRIVEN TRAINING SYSTEM ● ● ●

Australia's training system needs to undergo a fundamental shift, from a system driven by the needs of providers, towards a system that responds to the needs of industry and the economy – and which provides graduates with more relevant qualifications, greater support to complete training and, therefore, a better chance of securing a job.

The current training system is highly centralised, with state-run TAFEs dominating the market and government funding delivered primarily to these and other public institutions. Employer surveys highlight a lack of suitably qualified staff as hindering their expansion efforts and poor completion rates, some below 50 per cent, in traditional training fields, particularly apprenticeships.

The training system must be more dynamic and flexible to meet the needs of industry and students if it is to deliver the skills that the Australian economy needs now and into the future.

International research shows that a 'demand-driven' approach to delivering skills and training provides more incentive for training providers to be flexible and innovative. It encourages training providers to concentrate on the quality of training outcomes rather than focusing resources on attracting and enrolling students.

Introducing greater competition to the training system, including contestability for government funding, and providing public institutions with the flexibility to compete, will ensure that training providers are better able to respond to industry and employer needs.

A new body, Skills Australia, will be established under *Skilling Australia for the future* and existing Industry Skills Councils will have their role strengthened to advise government on the training needs of the workforce and to liaise with employers and training providers to match training to specific training needs.

HIGHER LEVEL SKILLS ● ● ●

If the needs of Australia's economy are to be met, the national training strategy must include a focus on increasing the number of Australians with higher level skills.

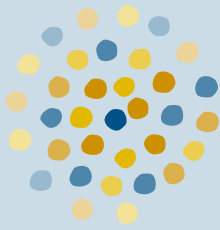
International research shows that without significant up-skilling across the workforce, Australia's relative skill level will be lower than international competitors in the future. On the basis of the current level of skill formation, in 2020 Australia will have nearly three times the proportion of low skilled or unskilled workers than the best performing countries.

People with higher qualifications have higher rates of participation and employment and their working lives tend to extend longer than those without qualifications.

In recent decades, the decline in the participation rate for males with no post-school qualifications has been particularly dramatic, with participation rates for this group falling by around 14 percentage points. Data also show that more than 70 per cent of male long-term unemployed have no post school qualifications, which is also true of 80 per cent of females receiving Parenting Payments who are not in the labour force.

The report prepared for the National Training Reform Taskforce by Shah and Burke in November 2006, examined Australia's present training efforts and modelled future demands of its economy. While the report noted that there had been considerable skills deepening based on the ABS Education and work survey data from 2001 to 2005, it predicted that ongoing growth in the Australian labour market would require 4 million workers (2.25 million new entrants and 1.78 existing workers) to acquire qualifications prior to 2016. A substantial proportion of the vocational qualifications (36 per cent) would be required at the higher level Diploma and Advanced Diploma levels.

The report also indicated that continuing the existing level of training outcomes in vocational education and training (VET) would result in a shortfall of 240,000 in the VET trained workforce over the 10 years to 2016.



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The July 2007 NCVET Report by Richardson and Tan presented a similar picture, concluding that the current levels of higher VET qualifications will not meet future workforce requirements. It found that only one third of people currently employed as associate professionals held qualifications at Diploma level or higher. In addition, the growth in demand for skills in the 18 years from 1986 were largely in occupations generally designated as professional and associate professional. These occupations grew by 40 per cent while tradespersons and related workers grew by about 8 per cent over the same period.

To ensure that the investment in skills has the maximum impact on participation rates, Australia's vocational and education training system must: provide incentives and training for those currently not participating in the workforce; and invest in lifelong learning for the existing workforce to ensure that they maintain and improve their job prospects in a dynamic work environment.

As a first step the Commonwealth and states and territories have reached agreement on the need for targeting a halving of the proportion of Australians aged 20 to 64 without qualifications at Certificate III and above, and a doubling of the number of higher qualification completions (Diploma and Advanced Diploma).

SKILLING AUSTRALIA FOR THE FUTURE ● ● ●

The *Skilling Australia for the future* policy is the first step in directly addressing these challenges. The Government will invest in Australia's economic future by funding an additional 450,000 training places over four years and will work with all stakeholders to develop a truly responsive, demand-driven training system.

A central element of *Skilling Australia for the future* is the Productivity Places Program. This Program will be framed by better diagnosis, auditing and distribution of information

about Australia's skills needs and has the goal of making training more flexible and responsive to the needs of industry, employers and individuals.

The new statutory body, Skills Australia, will provide advice to the Government on current and future skills needs. Based on this advice, the Government will nominally allocate priorities by industry, jurisdiction and level of training. Around 60 per cent of the places will target current workers who need to maintain or upgrade their skills. The remainder will target those outside the workforce who need intensive training to be job-ready.

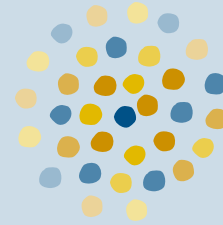
Strengthened Industry Skills Councils will work with employers and workers' representatives to identify enterprises' training needs and match those needs with training leading to endorsed national qualifications delivered by Registered Training Organisations (RTOs).

SKILLS AUSTRALIA ● ● ●

Skills Australia will be an independent, high level body of seven experts comprising economic, industry, academic and education or training expertise. Skills Australia will provide the Government with advice about the future skills needs of the country and will help to inform public investment in training.

The functions that Skills Australia will undertake are outlined in the Skills Australia Act 2008. Skills Australia will:

- analyse current and emerging skills needs in the Australian economy – both in the broader economy and demands across industry sectors;
- assess evidence from commissioned research and industry stakeholders to inform Australia's workforce development needs;
- widely distribute information from research and consultations with stakeholders to enable entrepreneurs, businesses and workers to have the necessary information to inform their training and employment decisions;



- provide the Government with recommendations on current and future skills needs to help inform decisions to encourage skills formation and drive ongoing reforms to the education and training sector, including priorities for the investment of public funds; and
- establish and maintain relationships with relevant state and territory bodies and authorities to inform its advice on current and future demand for skills and facilitate alignment of priorities for responses to skills needs.

Skills Australia will provide the Australian Government with advice that reflects the needs of industry to help ensure that training, including through the Productivity Places Program, is delivered in a way that responds to those needs. This advice will be informed by a range of information and analysis, including environmental scans to be undertaken by the Industry Skills Councils, and quantitative and qualitative research by a range of industry stakeholders and governments.

Issues for discussion

How should Skills Australia interact with industry groups to ensure that it has access to the most appropriate and up to date data?

What sources of data on skills shortages should Skills Australia access?

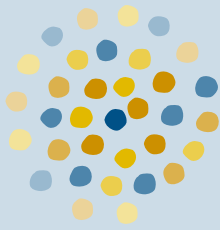
STRENGTHENED INDUSTRY SKILLS COUNCILS ● ● ●

The Industry Skills Councils (ISCs) are being provided with an expanded role in the broader area of workforce development and in the implementation process of the Productivity Places Program. This new role will be supported with additional funding from the Australian Government.

Under *Skilling Australia for the future*, in addition to their original roles of developing and maintaining training packages in line with research and market intelligence, the strengthened ISCs will take on a number of new roles. They will be funded by the Australian Government to:

- provide integrated industry intelligence and advice to Skills Australia, government and enterprises on workforce development and skills needs;
- actively support the development, implementation and continuous improvement of high quality training and workforce development products and services including training packages. ISCs have primary responsibility for developing and maintaining training packages. Training packages comprise nationally endorsed components for training and assessment for specific industries, industry sectors or enterprises that are used for developing and recognising people's competencies;
- provide independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions; and
- work with enterprises, Employment Service Providers and training providers to ensure that individual and enterprise training needs are matched to appropriate training.

The key component of the provision of information to Skills Australia will be through the development of an environmental scan which will be regularly updated by ISCs. This environmental scan will provide an overview of the



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industries covered by each ISC and will focus particularly on qualitative industry intelligence garnered by ISCs during their work with industry.

An ISC will undertake a training needs analysis of an enterprise (or verify one that has already been undertaken) and where the needs of the enterprise correspond with places available under the Program, they will be allocated places. A training needs analysis involves a close examination of the skills of current employees, the current work of the enterprise and its areas of potential expansion. Through the training needs analysis, an ISC can identify how an enterprise can improve its productivity by upskilling its current employees, identifying what kind of additional training is required to give employees the skills they need and the ability to improve their performance and that of the enterprise.

There are a number of approaches to undertaking training needs analyses which may be used. It is likely that they will involve a combination of interactive tools, as well as site visits to enterprises. On the basis of this analysis the ISC will be able to assist the enterprise to make an informed choice about the qualifications that are needed for the employees and which Registered Training Organisation will be able to best serve its needs. The ISC will consider the most appropriate mix of on-the-job and off-the-job training for each enterprise, the location of the enterprise and the style of delivery best suited to an enterprise's workforce.

The ISCs will also have a role in following through on training provided under the Program to ensure it is relevant to employers and meets their needs in terms of expectations, provision and timeliness.

The information that ISCs gain through the training needs analyses and their monitoring of the effectiveness of the training and impact on the enterprise will feed back into their environmental scans and training package development work.

Issues for discussion

How will ISCs ensure that their environmental scans take full account of workforce issues in their areas of industry coverage?

What is the best way to ensure that state based industry advisory bodies are engaged in the model without duplication of roles?

How can ISCs encourage and highlight responsive Registered Training Organisations delivering high quality training for their industry?

PRODUCTIVITY PLACES ● ● ●

The Productivity Places Program will provide 450,000 new training places, 275,000 of which will be for employers to train existing workers already in the workforce. A further 175,000 places will be targeted at job seekers. The 450,000 productivity places will be targeted at occupations facing skills shortages. The vast majority of places will be at higher qualification levels (Certificate III level or higher) in order to fulfil the higher skills needs of the economy today and in the future.

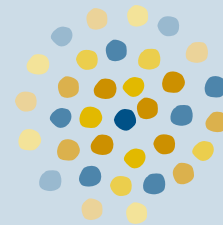
Skills Australia will provide advice to the Australian Government on the delivery of productivity places from July 2008, as outlined above.

Existing workers

Many existing workers will already have skills and experience that should and can be formally recognised by training providers. By providing existing workers with higher level skills, workers will be far better positioned to transfer their skills to other areas in the workplace and be able to adapt more quickly to the changing needs of an enterprise and the economy.

The 275,000 places allocated to existing workers include 45,000 places for Australian Apprenticeships.

The Commonwealth Government has proposed to the states and territories that places for existing workers will be



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funded through a cooperative arrangement being developed between the Commonwealth and states and territories, through which 50 per cent of the funding will be met by the Commonwealth and 40 per cent by the states and territories. It is proposed that employers will make a contribution of 10 per cent of the cost of training for existing workers.

Job seekers

This element of the Program aims to assist job seekers to participate in training leading to endorsed national qualifications so as to acquire the skills they need to participate successfully in the workforce, secure sustainable employment and play a full role in Australian life, while providing the additional skilled labour required by industry and the economy.

The definition of a job seeker is a person who is aged 15 years or over and is:

- registered with an Employment Service Provider (ESP); or
- an income support recipient who is not currently required to meet activity test or participation requirements; or
- a participant in the Community Development Employment Projects scheme; or
- not currently working and seeking or intending to seek paid employment or self employment after completing the qualification; or
- was in one of the above categories before they entered into their Australian Apprenticeship arrangement – confirmed by providing a copy of their training contract.

For the purposes of this Program, a job seeker includes a person who is participating in volunteering activities.

The 175,000 places for job seekers, including 20,000 Australian Apprenticeships, will be fully funded by the Commonwealth. There will be some places at Certificate II level delivered through the Job Seeker element of the Program.

These training places will provide job seekers with a set of skills that will improve their future employment prospects. More targeted, higher quality training will give people access to better paying jobs now and into the future.

Implementation strategy

The Commonwealth is working with the states and territories through the Council of Australian Governments (COAG) Working Group on the Productivity Agenda, to develop joint delivery arrangements for the Productivity Places Program.

The Government decided to fast-track work on increasing the skills base of the Australian workforce by making 20,000 of the 450,000 training places available by April 2008. This will ensure workers with improved skills will enter the workforce as early as June 2008. The Program will be delivered in a progressively reformed system which will see an increasingly responsive system driven by industry demand. There will be three phases to the implementation of the program:

Phase 1: 20,000 job seeker places to be available from 1 April 2008

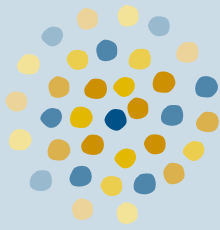
Phase 2: Existing workers and job seeker places from 1 July 2008 – December 2008

Phase 3: Existing workers and job seeker places from 1 January 2009 and beyond.

PHASE 1: 20,000 JOB SEEKER PLACES TO BE AVAILABLE FROM 1 APRIL 2008

The Job Seeker component of the Productivity Places Program will commence from 1 April 2008 with the availability of 20,000 places available at Certificate II and III levels.

Job seekers will either be referred to Registered Training Organisations (RTOs) by their Employment Service Provider



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(ESP) (such as Job Network or Disability Employment Network) or will be able to enrol directly with the RTO if they are not registered with an ESP.

For each participant registering for training, either their ESP or their RTO will make an assessment of their capacity to benefit from the training, that is, their ability to complete the training and gain employment.

For those job seekers who lack the foundation skills to complete the training, enabling training may be available through other programs such as the Language Literacy and Numeracy Program or Australian Apprenticeships Access Program.

The Department is developing an approved provider list through a call for Expressions of Interest (EOI) from RTOs to offer training in an area of industry demand. The EOI was issued on 26 February 2008. Further information on the EOI is available at www.productivityplaces.deewr.gov.au.

The priority occupations and their linked qualifications for the initial job seeker places have been identified by DEEWR using an interim approach. Skills Australia will develop a methodology for identifying skills shortage areas for future rounds of the Productivity Places Program.

The Department is entering into contracts with approved training providers from late March 2008 following an assessment process. From April 2008 approved training providers can commence enrolling participants for training from the date of their contract approval.

ESPs can refer their job seekers to approved courses from April 2008. Eligible individuals who are not linked to an ESP can contact approved RTOs directly to gain a place in the Program and may enrol from April 2008, subject to the RTO approval.

RTOs will receive payments when participants commence training and complete training. Payment will also be made to:

- RTOs for the administrative functions required to enrol participants and liaise with ESPs; and
- Industry Skills Councils for the linkages they make between businesses and RTOs.

The arrangements established by the Department for the first phase of the job seeker places will continue in all states and territories until 30 June 2008.

Issues for discussion

What can be done to ensure that the training outcomes for individuals and enterprises translate into appropriate employment outcomes?

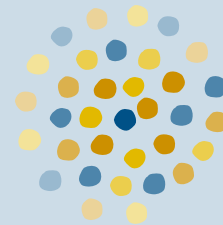
Skills and Training Information Centres

Skills and Training Information Centres (STICs) will be established from 1 April 2008. STICs will refer employers to Industry Skills Councils and provide information and advice to prospective students, employers and training providers on skills and training outside the Australian Apprenticeships pathway. Australian Apprenticeships Centres will take on the role until 30 June 2009.

PHASE 2: EXISTING WORKERS AND JOB SEEKER PLACES FROM 1 JULY 2008 TO 31 DECEMBER 2008

From 1 July 2008, additional job seeker places will be rolled out and the program will be expanded to provide training for those in the existing workforce subject to agreed arrangements being finalised with each state and territory.

An existing worker will be defined as someone aged 15 years or over who, in any given week, works for one hour or more for pay, profit, commission or payment in kind.



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The identification of priority occupations for the July round will be led by Skills Australia and informed by the experience of the April 2008 process and by ongoing consultations with Industry Skills Councils and other stakeholders.

While the Commonwealth is funding 100 per cent of job seeker places released in April, the resourcing and distribution arrangements which support the Productivity Places for existing workers will be funded in partnership between the Commonwealth, states and territories and industry.

The Commonwealth has proposed that it will contribute 50 per cent of the funding for these places and the states and territories will contribute 40 per cent of the funding for these places, through a new model for Commonwealth and State and Territory cooperation.

The remaining 10 per cent contribution is expected to be provided by employers and businesses. The nature and form of this contribution is still subject to discussion.

Issues for discussion

How can this program be managed to best meet the needs of employers?

PHASE 3: EXISTING WORKERS AND JOB SEEKER PLACES FROM 1 JANUARY 2009 ● ● ●

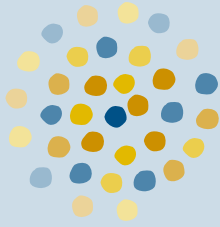
Phase 3 of the implementation will allow the delivery models for both the job seeker and existing worker places to be further refined based on the lessons learnt in the initial stages to form an ongoing model for the Program.

Evaluation and reflection on the initial phases of the Program will form the basis for further reform.

Skills Australia will move beyond its establishment phase and will have formed a strong data and evidence base to advise government on the allocation of training places, and the capacity of the Industry Skills Councils to engage with businesses and training providers will be well established.

From 1 January 2009, it is proposed that the procurement of training places for job seekers will be undertaken by the states and territories under the auspices of the next Commonwealth/State training agreement. While the implementation details will be negotiated as part of that agreement, it is proposed that job seekers will still access the training through their ESP or approved RTOs.

As under Phase 2, distribution and purchasing of training places under this phase would also be based on principles agreed between governments.



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CONCLUSION ● ● ●

Vocational education and training (VET) is an extensive activity involving a diverse range of individuals and organisations. The Commonwealth, state and territory governments provide substantial funding to the system; industry, through employer and worker representatives, define the skills needed for work and advises about the products and services it requires; RTOs translate the needs of industry into quality, client focussed training and assessment; and training brokers and facilitators provide advice and information and link job seekers, existing workers and employers with the VET system. More than one in eight working-age Australians is now enrolled in vocational education and training.

Skilling Australia for the future will strengthen the VET system, increasing and deepening the skills capacity of the Australian workforce and ensuring demand for skills and skills training are matched. The Government cannot do this in isolation - everyone has a stake in the training system and we all need to work together to ensure that we have a skilled workforce for the future.

Responses to this discussion paper will be a valuable resource for implementation of this initiative.

The Government will continue to consult with all those involved in the training system throughout the life of the Productivity Places Program to ensure it continues to respond to priority needs.

Responses should be emailed to productivityplaces@deewr.gov.au by 30 April 2008.