

## Chapter 1 Introduction

### RATIONALE

Education and training are of great importance in the business and industry sectors. It is the business and industry sectors that create jobs, income and wealth for the Australian community. Improved living standards and further economic growth can only be achieved through an increase in productivity.

The number of ways to improve productivity is limited but significant productivity gains can be made through increasing the skills base of the workforce. Achieving a productive, profitable commercial environment is the central reason for business and industry interest in education and training.

Further, fostering a training culture is the basis for entrepreneurship and innovation, which are critical to the commercial framework. For individuals, personal satisfaction in working life is improved with the right level of skills to carry out daily business requirements.

Providing for the needs of business and industry is not the only reason for education and training. There is intrinsic and extrinsic value for individuals, citizenship and society in general to be gained from improved levels of education and training. However, the contribution education and training make to Australia's skill base and economic prosperity must be emphasised from a business and industry perspective.

What business seeks is outcomes. ACCI does not address explicitly the division of roles between the Commonwealth and States and Territories. What matters is the implementation of the detailed policies in this Blueprint. It's not about who owns or controls various aspects of the education and training system.

This Blueprint brings together education and training policies of the Australian Chamber of Commerce and Industry (ACCI) from the past ten years into one consolidated document. It contains some new approaches to education and training in acknowledgement of changing labour market conditions and industry trends. In particular, there is a need to "think outside the square" in relation to mature aged workers and how they will be up-skilled in the future.

In addition to this Blueprint, ACCI will publish ongoing

issues papers in the short, medium and long-term to update the Blueprint and showcase ACCI policy in emerging areas. These papers will be developed as part of ACCI's review process and ongoing commitment to quality improvement.

In the same spirit, ACCI will also be periodically reviewing the performance of all governments and providing them with a scorecard against the recommendations contained in this document.

The ACCI policy development process is robust and democratic. Through a committee process, ACCI member organisations initiate and respond to issues, developments and trends in industry. Suggestions put forward to the ACCI Employment, Education and Training Committee are subjected to vigorous debate and then forwarded to ACCI General Council for further discussion and final endorsement. The recommendations contained in this Blueprint have been developed through this policy process.

### INTRODUCTION

Australia no longer looks as Sir Arthur Streeton painted it in the 1900s - a landscape characterised by a wide brown land dotted with wealthy pastoralists. Instead it is a complex land made up of a diverse array of activities and opportunities.

A fundamental aspect of Australia's current success has undoubtedly been its program of economic and labour market reforms. These reforms have meant that Australia now ranks 7th out of 129 countries in GDP per capita terms. As recently as 1983 Australia had been ranked 16th.<sup>1</sup>

The practical benefit of this success is reflected in the dividend of higher living standards paid to all Australians. However, there is always work to be done to continue to remove obstacles to invest and grow.

An important part of the road ahead must be ongoing improvements to the education and training sector.

The international standing that Australia has comes not from being a dominant world player. In fact there is a direct

correlation between being a dominant world player and the size of the nation's population. At 20 million, Australia has a middle level population.

Instead, high standards of education and training are one of the ways a middle sized nation like Australia can multiply its effectiveness and enable it to punch "above its weight" in the world economy and world political forums.

One of Australia's most significant comparative advantages is our human capital and the skills of our population.

Australia already possesses one of the best education and training systems in the world. This is the result of the hard work of many people over many years.

However, at the margin we do some things poorly, which need to be done better.

In this document *Skills for a Nation: A Blueprint for Improving Education and Training 2007-2017* the Australian Chamber of Commerce and Industry (ACCI) is promoting a series of policies that will help make a good system better, and help power the Australian economy through the first half of the 21st Century.

Business regards skills as a fundamental part of investment and without an adequate skill base investment is curtailed or made more expensive.

The *SAI Global - ACCI Survey of Investor Confidence* shows that there is a significant concern amongst business about the availability of suitably qualified employees.<sup>2</sup>

Education reform is central to addressing this concern.

Education by itself does not directly raise living standards. Gains come through the application of skills and knowledge learned.

Therefore it is important that reforms to the supply of education are combined with reforms aimed at improving the integration of education into the workforce.

## WHAT IS THIS BLUEPRINT MEANT TO DO?

*Skills for a Nation: A Blueprint for Improving Education and Training 2007-2017* begins with Part A which starts with this chapter setting out the key principles of a good education and training system for Australia.

We then proceed to discuss the overall policy framework

and set out what the Australian business community considers are the key objectives that it wants out of the Australian education and training system.

We also set out in this introductory chapter a timetable for reform – ie how the proposals made in the Blueprint should be implemented over the next 10 years.

Chapter 2 gives an overview of the entire education and training system and gives a detailed analysis of the economic case for further reform.

Chapter 3 gives never before published data from a recently conducted ACCI National Education and Training Survey that shows what the business community is saying about key issues related to the system.

Part B of the Blueprint examines each of the component sectors of the education and training system, viz:

- Early childhood, pre-school and primary school education (chapter 4);
- Secondary Schools and transitions to post-compulsory education (chapter 5);
- Vocational Education and Training (VET) (chapters 6-9); and
- Higher Education: Providing skilled workers and R&D (chapter 10).

The reader will note a concentration on the VET sector with four chapters for that sector alone. This is the case because of the significant direct involvement of the business community in this particular sector of the system. A large part of the training at VET level is done by business itself, in workplaces, and equally the overwhelming proportion of the graduates from this level of training go straight on to working for businesses in Australia (ie as the name says, the skills acquired are 'vocational' in nature).

Part C of the Blueprint addresses a whole range of cross-sectoral issues that by definition range across more than one education sector. They are:

- Maths and Science (chapter 11);
- Employability skills (chapter 12);
- Literacy and Numeracy (chapter 13);

- Careers advice (chapter 14);
- Education as an export (chapter 15);
- Education & Training and the tax system (chapter 16); and
- People with disabilities; indigenous people; and mature aged workers (chapter 17).

### The Key Principles of a Good Education and Training Policy

As the key principles for a good education and training policy, business strongly supports:

a comprehensive education and training system which enables all Australians to contribute to a cohesive, democratic and prosperous society, in which the attributes and skills of individuals are fully developed.

This is crucial in meeting the short and long term economic goals of Australia and provides business with a competitive edge to compete in the global economy.

Business requires a system that retains incentives for employers and promotes the flexibility to choose education and training options, which meet specific industry needs.

### Education and Training Policy Framework

Australia's education and training system must provide people with the knowledge, skills and attitudes they need to participate fully in Australian society - culturally, socially and in their employment.

All Australians must be able to:

- benefit from a sound education platform which provides basic literacy and numeracy skills;
- pursue future education and training opportunities which enhance workplace skills; and
- develop a positive attitude to the concept of life-long learning.

Australian businesses expect individuals to have vocational skills, underpinning foundational skills and an understanding of entrepreneurial behaviour. On behalf of the business community ACCI plays an active part in the development, monitoring and evaluation of education and training

policies and programs that impact on business. This is in recognition that the maintenance and expansion of a comprehensive education and training system is pivotal to the achievement of short and long term economic goals of Australia.

Education and training is imperative for:

- an increase in the competitiveness of enterprises and the need to respond to global competitive pressures;
- employee satisfaction/motivation through acquisition of higher skills;
- flexibility/adaptability of workers to change in the workplace;
- ability for companies to draw on workers in emerging labour markets and meet new industry needs;
- enabling enterprises to build upon skills of existing workers, particularly younger workers and to adapt them to a particular workplace; and
- absorbing the pool of youth unemployment and equipping them with the skills that employers need in order for those young people to make a positive contribution to the workforce and the economy through lifelong learning.

Education and training provides business with a competitive edge to compete in the global economy.

### Education and Training Policy Objectives

ACCI supports education and training policies which:

- improve education and training as a driven system that is specifically aligned to industry needs;
- support the allocation of government funding to education and training outcomes that provide incentives for employers to participate, maximise opportunities for participants and enhance efficiencies within the system;
- expand the role of competitive markets in all sectors by pursuing open competition principles that diversify the supply of education;
- create competitive conditions that enhance the 'user choice' principle;

- promote student centred funding that allows an individual to purchase a course of study through the school, vocational education and training provider or university of their choice;
- promote the options available in clear, unambiguous, non-jargon ways that will be easily understood by students, employers and the current workforce;
- facilitate the usage and availability of multiple education and training pathways from school to the workplace;
- align packaging of training standards leading to a national qualification under the Australian Qualifications Framework (AQF);
- focus on nationally consistent outcomes and achieve standards that are comparable to international standards of best practice;
- respond to the growing need for students to undertake workplace learning programs that develop links with industry and create pathways to further training and employment;
- improve, and regularly test, on a nationally agreed and consistent basis, literacy and numeracy standards;
- strengthen the focus on sound such as literacy and numeracy, at primary and early secondary school levels;
- acknowledge, develop and assess in a contextual manner, employability skills;
- improve and integrate careers education, employability skills and enterprise education principles into the education and training system;
- encourage the adoption of an enterprising culture, particularly by young Australians;
- support articulation arrangements across the school, vocational education and training and higher education sectors;
- promote equality of education opportunities and options for groups with special needs who experience barriers to participation in education, training and work;
- enhance opportunities for education providers to be trained and qualified to standards which are adequately benchmarked; and
- promote training reform which is enterprise focused, demand driven, flexible, mindful of all parties involved and devoid of extensive bureaucracy.

## A Timetable for Reform

In the following chapters of this document *Skills for a Nation: A Blueprint for Improving Education and Training 2007-2017* we set out how we can meet the objectives noted above over the course of the next 10 year period.

Many things can be done now. However, significant changes to the way we organise the Vocational Education and Training (VET) system and the higher education system will require a large amount of political will from governments at different levels of our federal structure. They will take a considerable amount of time to implement.

The benefits to be gained are substantial. In a Research Report for the Council of Australian Governments (COAG), *Potential Benefits of the National Reform Agenda*,<sup>3</sup> substantial benefits were identified as part of the human capital agenda.

It was estimated that full implementation of the health and the education and training sub-streams of the National Reform Agenda (NRA) could potentially raise the level of workforce productivity by as much as around 1 percentage point, also over the next 25 years.

Model estimates of the impact of human capital stream reforms suggest:

- with higher output and more people in paid employment, household disposable income and household consumption could increase by up to around 7 per cent or around \$1,800 (2005-06 dollars) per person, before any additional household financial and other costs;
- achievement of higher workforce participation is estimated to raise State, Territory and local government and Commonwealth net revenue by up to around \$9 billion and \$14 billion (2005-06 dollars), respectively, before the program costs of achieving NRA workforce participation objectives; and
- achievement of higher workforce productivity is estimated to raise State, Territory and local government and Commonwealth net revenue by up to around \$4 billion and \$6 billion (2005-06 dollars), though once again, this is before the program costs of achieving NRA workforce productivity objectives.

This Blueprint lists some 153 proposals related to improving of Australia's operation of the education and training. ACCI will maintain a "Training Scorecard" of Governments' uptake of these Blueprint recommendations.

The changes proposed can be divided between those matters that could be dealt with in the short to medium term, say, 3 to 5 years; and those matters that need more time, say, 5 to 10 years to implement (see Figure 1.1).

Thus Commonwealth and State Governments should seek to implement proposals in the following areas over the next 3 to 5 years:

- In the VET area a number of proposals can be accomplished in the near term including:
  - Greater funding from both the Commonwealth and State Governments.
  - The approach to the preparation of Training Packages.
  - The involvement of Industry Skills Councils.
  - The role of the Institute of Trade Skills Excellence (ITSE).
- A flexible industrial relations system underpinning the principle of performance pay for the VET and school sectors.
- Various proposals related to secondary schools and transitions to post compulsory education including schools-industry policy and Australian Technical Colleges.
- Parts of the early childhood, pre-school and primary school education proposals.
- Improvements in the integration of employability skills into education and training frameworks.
- Careers advice proposals as they relate to updating educational career advice and support.
- Matters relating to the drive to encourage foreign students and providing more resources to Australian Education International.

Further, the Commonwealth and State Governments should seek to implement proposals in the following areas

over the next 5 to 10 years:

- In the VET area a number of proposals would take a longer timeframe to accomplish:
  - The introduction of a sensible system of fees, HECS and FEE-Help.
  - Review of incentive payments to include higher-level qualifications.
  - The exploration of alternative pathways to trade qualifications such as 'certificates', 'associate diplomas' and 'diplomas'.
- Reforms to the way higher education is funded including the use of vouchers and the link between skilled workers and R&D.
- The development of an Australian National Curriculum and an Australian Certificate of Education to apply across Australia.
- Better integration between schools, VET and higher education.
- Over time, the improvement in the levels of literacy and numeracy.
- The improvement in the quality and quantity of maths and science graduates.
- Fostering a culture within training that encourages and promotes innovation and the re-gaining of Australia as a clever country of entrepreneurs, innovators and risk takers where the knowledge base is highly valued and rewarded across all levels.
- Further policy work designed to encourage careers guidance services in the private and voluntary sectors.
- A program to vastly expand the export potential of VET education.
- Changes to the taxation system to facilitate investment in education and training.
- Changes to the way the taxation system interacts with the education system, including to the taxation arrangements with respect to philanthropy.
- The treatment of people with disabilities; indigenous

**Figure 1.1  
Timeframe for Achieving Education and Training Reforms**

Timeframe	Goal
3 to 5 Years	<ul style="list-style-type: none"> <li>• Greater funding from both the Commonwealth and State Governments.</li> <li>• Industry ownership of the preparation of training packages.</li> <li>• Reform Industry Skills Councils.</li> <li>• Cement the role of the Institute of Trade Skills Excellence (ITSE).</li> <li>• A flexible industrial relations system underpinning the principle of performance pay for the VET and school sectors.</li> <li>• Improve school to work transitions through various proposals related to secondary schools and transitions to post compulsory education including schools-industry policy and Australian Technical Colleges.</li> <li>• Focus on quality education in early childhood, pre-school and primary school education proposals.</li> <li>• Improvements in the provision of employability skills.</li> <li>• Improve careers advice, services and support.</li> <li>• Encouraging foreign students and providing more resources to Australian Education International.</li> </ul>
5 to 10 Years	<ul style="list-style-type: none"> <li>• The introduction of a sensible system of fees, HECS and FEE-Help across the VET and Higher Education sectors.</li> <li>• Review of incentive payments to include higher-level qualifications.</li> <li>• The exploration of alternative pathways to trade qualifications.</li> <li>• Reforms to the way higher education is funded including the use of vouchers and the link between skilled workers and R&amp;D.</li> <li>• The development of an Australian National Curriculum and an Australian Certificate of Education to apply universally across Australia.</li> <li>• Better integration between schools, VET and higher education.</li> <li>• Over time the improvement in the levels of literacy and numeracy.</li> <li>• The improvement in the quality and quantity of maths and science graduates.</li> <li>• Fostering a culture within training that encourages and promotes innovation and the re-gaining of Australia as a clever country of entrepreneurs, innovators and risk-takers where the knowledge base is highly valued and rewarded across all levels.</li> <li>• Further policy work designed to encourage careers guidance services in the private and voluntary sectors.</li> <li>• A program to vastly expand the export potential of VET education.</li> <li>• Changes to the taxation system to facilitate investment in education and training.</li> <li>• Changes to the way the taxation system interacts with the education system, including to the taxation arrangements with respect to philanthropy.</li> <li>• Improve the treatment of people with disabilities, Indigenous Australians, and mature age workers.</li> </ul>

Australians; and mature age workers.

### Funding of the Education and Training System

For various areas of public expenditure the Australian Government has previously made long-term commitments to substantially boost spending levels.

For example, in the 2006-07 Budget the Government noted its previous provision of around 3 percent annual real growth in the Defence budget until 2010-11 and proceeded to commit for the four years 2011-12 to 2015-16, to “provide 3 percent annual real growth over the period, providing a firm basis for continued long-term planning”.<sup>4</sup>

However, there is no such commitment for education and training. Indeed the Budget forward projections are for real ‘growth’ of only 0.0 percent; 0.8 percent; and 1.7 percent over the next three years.<sup>5</sup>

This is simply not acceptable and will not achieve the goals of any Government.

The business community believes that a similar commitment that has been given to Defence should be made to investing in the most important asset the nation has, ie our human capital.

As detailed in Chapter 2, total public spending on education and training was \$47.2 billion in 2004-05 (which is the latest consolidated figure from the Australian Bureau of Statistics). Of this some \$14.4 billion was from the Australian Government and \$34.0 billion from State Governments.

Two main resourcing issues are: what should be funded; and where should the money come from? The first question can be answered by a report prepared for the National Training Reform Taskforce in 2006, which analysed future training needs to 2016.

In this report, *Qualifications and the Future Labour Market in Australia*, predictions based on the use of qualifications as a proxy for skills suggest Managers, Professionals and Associate Professionals - together with Intermediate Clerical will increase while employment in Trades and

Advanced Clerical in 2016 is actually forecast to decrease to below 2006 level. In 2016 more people will be employed in Associate Professionals than Trades occupations.

The number of employed people with qualifications will increase by over two million and the number without qualifications will decline by 840,000. A total of 1.78 million existing workers are expected to acquire qualifications to levels higher than they currently hold (70.5 per cent VET and 29.5 per cent higher education).

Although the most common VET qualification that existing workers will acquire is also a Certificate III (26.3 per cent) a relatively large proportion are expected to acquire an Advanced Diploma (14.9 per cent). In contrast, only 3.6 per cent of new entrants with qualifications are expected to have an Advanced Diploma.

The report states “*If supply of people with VET qualifications remains at the same level as in 2005, a shortfall of 240,000 can be expected over the ten years to 2016. To meet the shortfall, net completions will need to increase by 1.9 per cent per year.*”<sup>6</sup>

Focus on supporting entry level qualifications should also not be neglected as the largest area of need will still be at the Certificate III level and this level of qualification is more relevant in particular industries.

It is also critical that training needs remain responsive to demand and that planning approaches do not rely too heavily on forecasts based on a supply side approach. There is an inherent risk in and potential for polarising the workforce into two distinct groups of lower level and higher level qualifications based on projections that use qualifications as a proxy for skills.

For example, is the current level of qualifications being undertaken at the higher level a result of individuals undertaking these studies because they think they can get a better job or because employers have identified it as a

real need? NCVET research shows that motivation for studying VET varies - ranging from employment-related issues to personal development or further study. It also revealed that individuals studying higher level qualifications do not always receive wage benefits compared with those who do not complete a qualification.

Understanding where higher level skills will be needed and in which industries should be based on dialogue with industry rather than placing too much reliance on projections based on the current patterns of studying qualifications.

Adequately resourcing the VET system so that it is responsive to meet demand in all areas is therefore critical to ensuring an adequate supply of skills at all levels as required by industry.

The Australian Government should as a matter of priority increase expenditure on education and training, but so too should state governments.

All levels of Government have a responsibility to deliver three key strategies:

1. leadership and a will to make positive change happen;
2. funding in order to make the vision a reality; and
3. methodology and accountability to ensure that the vision and funding are turned into reality.

An increase in Australian Government expenditure of 3 percent in each of the next three financial years would be in the order of \$2.6 billion in additional expenditure (see Figure 1.2).

However the matter should not stop with the Australian Government.

State Governments need to take full responsibility with

**Figure 1.2**  
**A 3% Real Increase in Australian Government Funding**

	Total Education Spending – Estimated and Projected (\$m)	Estimated and Projected Nominal Annual Growth (%)	Projected Real Growth (%)	Scenario 1 Projected Real Growth of 3.0% (\$m)	Difference
2005-06	15622				
2006-07	16633	6.5	3.4		
2007-08	17041	2.5	0.0	17548	507
2008-09	17606	3.3	0.8	18513	907
2009-10	18353	4.2	1.7	19531	1178
<b>Total</b>					<b>2592</b>

respect to their obligations. State Governments must accept that their contribution in both dollar terms and commitment is intrinsic to Australia succeeding in helping business to deliver in the global marketplace. State Governments should match any Australian Government expenditure increase, and as they account for a bit over double the total expenditure of the national government on education and training they should increase funding by some \$5.2 billion.

An injection of a combined additional \$7.8 billion over the next three years would be a significant boost to maintaining Australia's strong international standing in respect of education and a long way to boosting us to world's best.

It is imperative that this funding is not seen in isolation and that it must be linked to efficiencies outlined under the Commonwealth-State Training Agreement with adequate safeguards on market based delivery and cementing the role of industry including User Choice and the connection to the outcomes of industry endorsed quality rating system through the Institute for Trade Skill Excellence.

This Blueprint contains a number of areas where there should be increased funding. However, the overall increase in expenditure should be concentrated on ensuring that we have the best VET sector in the world.

## Conclusion

ACCI is nationally recognised as the leading employer organisation in the debate around skills development and training at federal, and state and territory levels.

This Blueprint examines:

- resourcing issues – including the promotion of User Choice, student fees, infrastructure, taxation and appropriate levels of government, employer and individual investment to improve Australia's skill training;
- the appropriateness of existing skills and training structures including the National Training Framework;
- the integration of post compulsory education and training options – that is, across the three education sectors;
- education and training responses to meet skills and labour shortages, in particular the ageing workforce; and

- appropriate consultative mechanisms to ensure skills and training activity and policy is employer-led.

<sup>1</sup> The Conference Board and Groningen Growth and Development Centre, Total Economy Database, January 2007, <http://www.ggdc.net>.

<sup>2</sup> The survey is published quarterly and the January 2007 survey showed that the *Availability of Suitably Qualified Employees* was ranked second while the *Availability of Training Facilities* was ranked 14th. The survey is available at <http://www.acci.asn.au/SurveySOIC.htm>.

<sup>3</sup> Productivity Commission, 2007, *Potential Benefits of the National Reform Agenda*, Canberra.

<sup>4</sup> [http://www.defence.gov.au/budget/06-07/pbs/2006-2007\\_defence\\_PBS\\_02\\_s1\\_Ch1.pdf?](http://www.defence.gov.au/budget/06-07/pbs/2006-2007_defence_PBS_02_s1_Ch1.pdf?)

<sup>5</sup> Budget Strategy & Outlook 2006-07, Budget Paper No 1, Table 7.

<sup>6</sup> Shah, C. and Burke, G., 2006, *The Future of the Labour Market and Qualifications in Australia*, Centre for the Economics of Education and Training.