

A vertical collage of four images is positioned on the left side of the page. From top to bottom: 1) A modern skyscraper at night with lights on. 2) A close-up of a large, circular, metallic tunnel or pipe. 3) A man in a suit and a woman in a business suit walking and talking. 4) A group of people walking in a hallway. At the bottom of the collage, there is a small inset image of an older man wearing a hat and writing at a desk.

**CEDA'S STATE OF THE NATION  
ANNUAL CONFERENCE -  
USING INDUSTRY TO DRIVE  
SKILLS REFORM**

**Speech by Mary Hicks,  
Director of Education and Training**

**June 2008**



**LEADING AUSTRALIAN BUSINESS**



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## INTRODUCTION

Thankyou for the invitation to speak today.

My name is Mary Hicks and I'm the Director of Education and Training for the Australian Chamber of Commerce and Industry, which is a network of business and industry organisations representing over 350 000 businesses across Australia.

The first Budget of the Rudd Government was delivered on 13 May 2008 and outlined a number of reforms to the provision of employment and training services in Australia.

The new government has brought together many policy silos and a new approach to linking education, employment and workplace relations.

This is an approach being mirrored to a certain extent amongst business and industry groups across the country in terms of their own policy development and connecting the dots to achieve productivity outcomes.

While much of the rhetoric is around skill shortages, and there is a genuine need to address this important issue, the development of skills, needs to be based on a renewed focus on our capacity to build our overall skills capability.

The new Commonwealth government has committed to furthering productivity and innovation in the Australian economy which are based broadly around the concept of workforce development.

The extent to which expanding and deepening our skills capability happens will depend on how broadly the workforce development approach is applied.

The OECD defines workforce development as:

*The comprehensive management of human resources so as to meet better the demands of a global economy through improving economic competitiveness and social cohesion.*

OECD 2008

Workforce development extends far beyond the provision of training.

It holistically addresses the complete array of contributing factors that further drive the human inputs into productivity growth in the workplace.

Workforce development is the culmination of a number of factors, all directly contributing to the creation of a cohesive workforce, these include:

- Skills development and training;
- Industry / government cohesion;

- Industry leadership and innovation;
- Business management and compliance;
- Industry image and perceptions;
- Culture and structures within the workplace;
- The available workforce; and
- Supporting infrastructure.

Any broader strategies to target workforce development must meet the ongoing demands of industry in ensuring the supply of a workforce that is skilled and able to contribute effectively in the workplace.

So what has the new government had to say on the issue of industry as reflected in their Budget announcements?

Systems that are responsive to industry provide an important focus for the government's policies and are a lense to illuminate the vision of achieving other social inclusion objectives as expounded in the models put forward for employment and training.

For example, in terms of the productivity places that are to be funded, the government has determined a new system of allocating places that involves a direct relationship with industry through the formation of Skills Australia.

In its Budget statement the government has stated that industry needs should be at the core of the training system.

The strategy recognises that the supply of skilled labour represents a major constraint on the capacity of industry to keep pace with increasing demand.

These measures will increase, improve and deepen the skills capacity of the Australian workforce, by ensuring that the national training system delivers the skills that industry requires.

How this will work involves Industry Skills Councils that will undertake an environmental scan to provide a detailed picture of the workforce, skills and training environments in each of the industry sectors covered by their Council.

They will identify the key areas of attention that are required by each industry area.

It is important to remember that this data will be used for the productivity places allocated for existing workers and that the focus is on higher level skills.

Whether a workforce development approach will be applied more broadly to the totality of Australia's skills needs remains to be seen and the proposed industry driven model may be adapted more broadly in the next Commonwealth State and Territory Skilling Australia Agreement currently under negotiation.

Research undertaken by the Queensland Department of Education and Training using ABS Census Population and Housing 2001 data has identified a significant skills–jobs mismatch, particularly in jobs requiring a VET qualification.

This analysis identifies a demand that involves 62.3% of all jobs across Australia requiring the technical skills gained from a VET pathway against a supply of 29.9% of the working-age population in Australia holding VET qualifications.

While labour market forecasts clearly indicate a requirement for additional numbers of qualified workers, especially Managers & Administrators, Professionals and, Associate Professionals, the focus on higher level qualifications will not meet the needs of all industry sectors.

Questions that arise include whether or not the massive 2,295,000 of the 3,516,000 needs forecast for qualifications in 2016 at the lower Certificate I, II and III levels will be adequately catered and planned for in the next funding agreement.<sup>1</sup>

Another question not yet answered is what will be the role of Skills Australia in providing advice to the Deputy Prime Minister in terms of the productivity places for those currently outside the workforce.

The data for allocating the first 20,000 of these places was prepared by the Department of Education, Employment and Workplace Relations.

It will be interesting to see if DEEWR will continue to play a role in advising her in future places allocated to those not in the workforce or whether Skills Australia will take over this role.

At a meeting with Julia Gillard last Monday, she indicated to ACCI business and industry organisations that Skills Australia would not be used to allocate higher education places.

So Skills Australia will focus on higher level vocational but not professional skills.

However, Skills Australia will be able to receive data from other sources and how, when and where this will take place, how the data will be analysed, and what it will be used for is still under development.

These are important questions for the business community especially the accuracy of the information collected, whether it has been validated with industry, and whether or not it will be contextualised to industry needs.

We have the potential to identify real industry needs and to connect people in a clever way with jobs, using skills identified by employers and having the right training to acquire those skills.

Clearly, the better the connection with industry, the better the chances are for the potential employee of securing a position where there is a real need and there will be less likelihood of training being undertaken for its own sake without an employment outcome being achieved.

Turning now to employment, a central feature of the new employment model is also based on a direct relationship with employers and further, the incentive payments to employment service providers will support a demand driven system by providing payments for providers that make a placement.

A payment will no longer be automatically made for an employment outcome not achieved by the provider.

Payment will only be made where the provider has achieved the placement with an employer, encouraging providers to make a better effort with employers as there will be a financial incentive to do so.

The strong links between the new employment network provisions outlined in the federal budget and the Productivity Places Program will enable those outside the workforce to access training and support services that will help remove many of those barriers.

Access to Language, Literacy and Numeracy training, counselling, a focus on the development of employability skills, access to childcare and transport, VET courses in targeted skills shortages areas and an incentives scheme for Job Network Providers that provides real motivation to place people into sustainable employment will all contribute to increasing employment participation.

## IMMIGRATION

Not all of Australia's skills needs will be met through our employment, education and training systems.

There is also a need to supplement our labour supply with workers from overseas.

In 2006-07, the number of permanent migrants accepted to Australia under the Migration Program was 148,000.

Of these, 97,900 or 66 per cent were in the Skill Stream. The Skill Stream is specifically designed to target migrants with the relevant skills to meet Australia's labour market needs and skill shortages.

By the end of 2007-08, the number of permanent skilled migrants to Australia is anticipated to increase to over 105,000.

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1. Chandra Shah and Gerald Burke, 2006, *The future labour market and qualifications in Australia*, Report to National Quality Council

And for the 2008-09 Migration Program, the Commonwealth Government announced in the May 13 Budget an additional 31,000 skilled migrant places, taking the anticipated number of skilled migrants to well over 133,000.

In addition to the Migration Program, thousands of skilled workers come to Australia every year on a temporary basis under a number of visa mechanisms. The most significant of these is the skilled temporary worker or 457 scheme.

The 457 visa scheme:

- Assists Australian employers to fill skilled vacancies that they have been unable to fill through local employment and training measures
- Provides flexible, streamlined temporary entry arrangements to assist Australian business to sponsor and employ skilled personnel from overseas for up to four years.

Occupations that can be held by personnel sponsored under the 457 Program must be skilled (broadly equivalent to manager, professional, associate professional or skilled trade roles).

In 2006-07 there were a total of 87,310 457 visas granted.

The top occupations sponsored under 457s were computing professionals, registered nurses, general medical practitioners, business and information professionals, and medical practitioners in training.

On the temporary skilled migration front, the Government has also moved quickly to implement the recommendations of the Report of the External Reference Group (ERG) on Visa Subclass 457.

These include the establishment in Sydney, Melbourne and Perth of specialised teams or 'Centres of Excellence' to facilitate and process 457 visa applications from July.

This is intended to allow a more responsive service to employers and regions with pressing skills needs and reduce processing backlogs.

Another key recommendation is to establish an accreditation system whereby 'low risk' employers with a good track record of compliance with immigration and industrial relations laws can have 457 visa applications fast-tracked by the Department.

DIAC is currently developing a system to facilitate the implementation of this recommendation.

From an ACCI perspective, it is pleasing that the Government has also accepted the Report's first recommendation which called for development of a long-term strategy to respond to aggregate labour market and skill needs and population trends.

ACCI has been lobbying on this issue for some time as was noted in the ERG Report: "The role of long term planning was supported in a number of other submissions received by the ERG, with the Australian Chamber of Commerce and Industry suggesting that Australia needs a transparent long term population policy of which temporary migrants are one component."

Of interest also is the announcement by the Government that it will introduce a Bill into Parliament this year to better define employers' obligations and employees' rights under the temporary skilled migration program.

The Bill will expand the range of sanctions that may be imposed on employers by allowing the Department of Immigration to pursue financial penalties against employers who breach their sponsorship obligations.

The Government has said that it will consult with industry on the proposed provisions of the Bill and associated regulations but the timeframe for feedback is likely to be limited.

In all of these developments, clarity around those issues which are to do with compliance and those issues which are to do with industry development is needed and the issues need to be separated so that skilled migration, both temporary and permanent, can contribute to a holistic workforce development approach.

## CONCLUSION

From a business perspective, there is much in the architecture of the Budget announcements that is pleasing, especially the policy connections that focus on workforce development.

There are still many unanswered questions about the implementation of these initiatives and while there is a clear intent to making responsiveness to industry a focus of the policies, much will depend on the detail and on decisions still being made.

Transparency around the decision making processes not just for the immediate decisions that need to be made, but also in the rolling out of Skills Australia, the new Employment Services Model and in ongoing Immigration issues is required.

The Australian Chamber of Commerce and Industry holds out much hope for the more integrated policy approach, which has the potential to achieve real productivity outcomes.

We will be working with the Government to assist them in achieving a more demand led approach.

Thank you

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