



# **National Workforce Development Strategy**

## **ACCI response to the Skills Australia Discussion Papers**

**November 2009**

**LEADING AUSTRALIAN BUSINESS**



## ACCI – LEADING AUSTRALIAN BUSINESS

ACCI has been the peak council of Australian business associations for 105 years and traces its heritage back to Australia's first chamber of commerce in 1826.

Our motto is "Leading Australian Business."

We are also the ongoing amalgamation of the nation's leading federal business organisations - Australian Chamber of Commerce, the Associated Chamber of Manufactures of Australia, the Australian Council of Employers Federations and the Confederation of Australian Industry.

Membership of ACCI is made up of the State and Territory Chambers of Commerce and Industry together with the major national industry associations.

Through our membership, ACCI represents over 350,000 businesses nationwide, including over 280,000 enterprises employing less than 20 people, over 55,000 enterprises employing between 20-100 people and the top 100 companies.

Our employer network employs over 4 million people which makes ACCI the largest and most representative business organisation in Australia.

### Our Activities

ACCI takes a leading role in representing the views of Australian business to Government.

Our objective is to ensure that the voice of Australian businesses is heard, whether they are one of the top 100 Australian companies or a small sole trader.

Our specific activities include:

- Representation and advocacy to Governments, parliaments, tribunals and policy makers both domestically and internationally.
- Business representation on a range of statutory and business boards, committees and other fora.
- Representing business in national and international fora including Fair Work Australia, Australian Industrial Relations Commission, Safe Work Australia, International Labour Organisation, International Organisation of Employers, International Chamber of Commerce, the Business and Industry Advisory Committee to the Organisation for Economic Co-operation and Development, the Confederation of Asia-Pacific Chambers of Commerce and Industry and the Confederation of Asia-Pacific Employers.
- Research and policy development on issues concerning Australian business.
- The publication of leading business surveys and other information products.
- Providing forums for collective discussion amongst businesses on matters of law and policy affecting commerce and industry.

## Publications

A range of publications are available from ACCI, with details of our activities and policies including:

- The ACCI Policy Review; an analysis of major policy issues affecting the Australian economy and business.
- Issue papers commenting on business' views of contemporary policy issues.
- Policies of the Australian Chamber of Commerce and Industry – the annual bound compendium of ACCI's policy platforms.
- The Westpac-ACCI Survey of Industrial Trends - the longest, continuous running private sector survey in Australia. A leading barometer of economic activity and the most important survey of manufacturing industry in Australia.
- The ACCI Survey of Investor Confidence – this gives an analysis of the direction of investment by business in Australia.
- The Commonwealth-ACCI Business Expectations Survey - this aggregates individual surveys by ACCI member organisations and covers firms of all sizes in all States and Territories.
- The ACCI Small Business Survey – which is a survey of small business derived from the Business Expectations Survey data.
- Workplace relations reports and discussion papers, including the ACCI Modern Workplace: Modern Future 2002-2010 Policy Blueprint and the Functioning Federalism and the Case for a National Workplace Relations System and The Economic Case for Workplace Relations Reform Position Papers.
- Occupational health and safety guides and updates, including the National OHS Strategy and the Modern Workplace: Safer Workplace Policy Blueprint.
- Trade reports and discussion papers including the Riding the Chinese Dragon: Opportunities and Challenges for Australia and the World Position Paper.
- Education and training reports and discussion papers including ACCI's *Skills for a National 2007-2017 Blueprint*.
- The ACCI Annual Report providing a summary of major activities and achievements for the previous year.
- The ACCI Taxation Reform Blueprint: A Strategy for the Australian Taxation System 2004–2014.
- The ACCI Manufacturing Sector Position Paper: The Future of Australia's Manufacturing Sector: A Blueprint for Success.

Most of this information, as well as ACCI media releases, parliamentary submissions and reports, is available on our website – [www.acci.asn.au](http://www.acci.asn.au)

## Introduction

Business and industry in Australia create wealth and jobs for the Australian population. There needs to be a balance in the supply of labour between domestic and overseas workers, based on the capability of the existing workforce.

A workforce development approach adds value to the dynamics of labour force supply and demand. At the national level, it includes an analysis of existing Commonwealth, State and Territory data to provide tools for planning ahead. It provides a context for States and Territories, regional planning and local governments.

At the heart of workforce development is the enterprise. If workforce development does not have meaning for enterprises, then it does not add value to employers or employees. It includes all aspects of the employment process including recruitment, flexible arrangements to support employment, management approaches to building capability, career planning and development, retention strategies and exit from the firm.

## Planning and Projections

While it is better to plan than not plan, it is generally accepted that current mechanisms used in workforce projections and planning have limited validity and cannot predict major shifts and changes in the economy. Additionally, the interpretations of future skills needs contained in the paper have not been developed with industry input, or validation. There is a danger that the Skills Australia “list” will become yet another list added to the plethora of existing lists without adding value in the way Skills Australia intends.

In examining workforce futures, it will be essential that the final data produced is value adding to the existing pool of data, that the process for determining the data sets is transparent, that there is broad coverage of the needs of small and medium firms as well as large firms and that it can be used at regional level and where appropriate, at a local level. To enable these needs of industry to be met it will be critical that Skills Australia does not “pick fruit from the lowest hanging tree” when collecting and collating data on the future needs of industry. Industry leadership in the process needs to be transparent to ensure the robustness of the planning approach.

It is imperative that the right balance is struck between the supply of training and demand within industry. It will be critical to ensure that there is strong evidence of current or future demand or for skills within an industry sector before there are any attempts to supply training. The drive to achieve higher level qualifications where direct demand for those qualifications does not

exist may further exacerbate the skills mismatch that already adversely effects productivity growth within industry.

One of the key conclusions is that unmet demand will be at Diploma level and above, and there will be an oversupply of Certificate I to IV. However, the Open Doors scenario projects a participation rate of 69% and unemployment of just 4.5%. One could assume that to achieve that level of participation will require engaging a majority of the marginally attached and disadvantaged groups, which will require lower level skills training. Further, the paper suggests that significant employment growth will be in lower skill areas. These tensions in the paper remain unresolved.

There are also issues around the risk criteria used. The criteria for outlining the risk approach are too general with too many exceptions to provide validity. A rationale to substantiate the use of the variables has not been adequately established and if used would effectively eliminate large sections of the Australian economy such as the hospitality industry which makes a significant contribution to the Australian economy.

It is stated in the discussion paper, the High Information criteria relates to the quality of information about the occupation and its adequacy to the task of assessing future demand and evaluating criteria A to C, being (a) long lead, time, (b) high use and (c) high disruption . Additionally, this may prevent growth in niche markets and emerging markets by rediriceting the training effort and labour force away from industries that may experience strong growth.

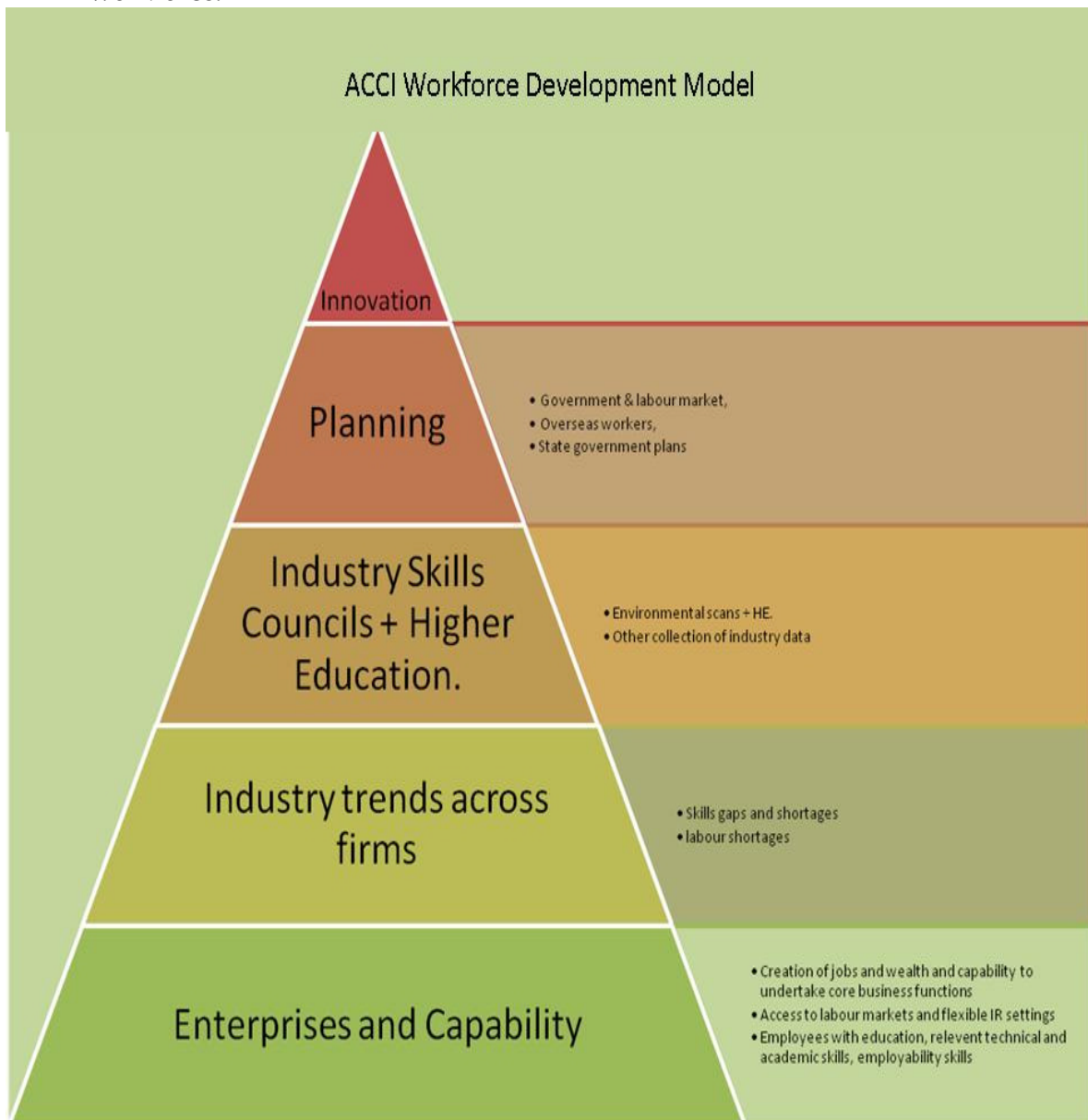
ACCI recomends that Skills Australia should ensure that work be undertaken to strengthen the supply of information concerning occupations and career paths within industry to increase the efficacy of planning for occupations where they may not be a high information supply but where critical skills shortages exist or may develop. It will be essential to look beyond the ISCs Environmental Scans and State government workforce plans and join with industry to identify emerging areas of growth and develop training and labour market strategies to ensure that growth is not stifled in these areas.

## **Workforce Development – Principles and Practice**

ACCI believes that the fundamental aim of the National Workforce Development Strategy must be to:

- effectively meet the future skills and labour needs of Australian industry
- mobilise those currently marginal to the workforce and equip those outside the workforce effectively for the world of work;

- upskill existing workers in line with the skills requirements of their employers;
- enhance workforce mobility in the labour market;
- overcome the skill development and recognition problems for target groups outside the workforce;
- provide maximum value for public expenditure;
- increase industry engagement with the National Training System;
- meet the needs of all sizes of business including small and medium, not just large enterprises; and
- ensure that recognition of existing skills, training and assessment is driven by the identified needs of enterprises, industry and its workforce.



ACCI Workforce Development Model principles:

- enterprises must be at the centre of workforce development and it must be accessible to them
- Stage 1 – recruitment, accessing labour markets, - there needs to be flexibility to suit the needs of individuals and businesses
- Stage 2 – skills and education – capability building – there needs to be sound LLN, good basic skills, employability skills, specialist technical and academic skills, formal quals, portable plus transferable.
- Stage 3 – flexible IR arrangements, plus management procedures are essential to the implementation of workforce development in the workplace.

The core principle of funding workforce skills development must be to ensure that training allocations are driven by direct demand from business and industry. Funding should be attached to the individual learner, either through the employer for existing workers, or through a Job Network Agency or school, in consultation with employers for new entrants. Funding should be focussed on achieving a vocational outcome in line the skills needs of business and industry and the aspirations of the individual as opposed to the institutionally based funding we have at present which focussed on a Unit of Competency outcomes determined by the training provider and the STA.

Supply driven training approaches determined by prospective planning may ultimately detract from industry specific technical skills and increase the likelihood of a mismatch of skills with the needs of employers upon the completion of training. Also, the risk of any projection project is that it makes supply-side planning more attractive, particularly to policy makers. Again, the ACCI response reinforces that the system should be demand driven, and that employers and industry should have a greater role in this process.

Also, any policy response also has to find a balance between directing people into specific qualifications and/or occupations or to remain in them, against an individual's right to choice. This may not always lead to the most efficient use of the training system but has to be recognised as a reality. While market forces may respond with incentives to retain individuals in high demand skill/occupation areas, previous trends indicate this is not always possible (i.e. cooks and other hospitality workers). A key priority is to ensure that ongoing reskilling and upskilling is adequately supported and encouraged.

ACCI supports a renewed focus on the development of foundational skills (LLN and Employability Skills) as outlined in the paper. Australian industry needs competent, skilled workers with the flexibility to adapt to the changing workplace environment. It is desirable for the modern employee to have multiple literacies, from basic computer and information technology skills,

language and communications skills, critical and cognitive thinking skills as well as the capacity to incorporate Occupational Health and Safety (OHS), Hazard Analysis and Critical Control Point (HACCP) and other legislative and workplace requirements.

ACCI firmly believes that there needs to be a fundamental shift in the methodologies and ideologies employed within the education sector to ensure that all Australians are adequately equipped with the essential skills to participate effectively within the Australian society and the workforce.

ACCI conditionally supports the four strategic priorities outlined in the paper, being:

- Identifying and meeting Australia’s skills and workforce needs into the future consistent with sustainable economic growth, but also adequately preparing for the risks of alternative economic, demographic and social scenarios.
- Establishing a shared national agenda on a comprehensive strategy for Australia’s future workforce to support people to better connect with work, capitalise on our skills and position ourselves for future challenges in the globally community.
- Improving educational and workforce participation levels where barriers continue to exist – with a special focus on localities, or groups experiencing high levels of disadvantage.
- Promoting demand for and the full use of high skills in workplaces to complement public investment in education and training – powering

ACCI, however, urges caution in artificially promoting demand for higher level skills in areas where these skills have not traditionally been utilised. It is essential that there is a match between the required skills and qualification at the appropriate level. Promoting higher level skills in areas where there isn’t a real demand will undermine the the integrity of the qualification and promote a downwards creep in the pedagogical standard of qualification levels.

ACCI strongly supports the provision of a regular national snapshot of demand for skills and recommends a six month review cycle, with input and endorsement from industry in order to ensure that it is reflective of the skills demands within the Australian labour market. Increasing the review cycle beyond six months will place undue personnel constraints on emerging markets and sectors experiencing rapid growth and ultimately restrict productivity and economic growth.

ACCI agrees that there needs to be a strong component of work based learning. Strong productivity gains can be driven through upskilling the

existing workforce through work based learning to ensure that there is a best fit between the skills base required within the workplace and the existing workforce.

All Australian businesses must have access to effective business planning and workforce development and diagnostic tools and training needs analysis (TNAs) and assistance. Access to TNAs and workforce development and diagnostic tools in the workplace would enable many businesses to identify areas of potential productivity growth and facilitate training for existing workers to meet the skills needs or enable the business to hire new staff.

Increased access to TNAs and workforce development and diagnostic tools would facilitate the better use of and access to Recognition of Prior Learning (RPL) to recognise the skills of existing workers. In 2007, 50 000 out of the 1.1million VET students in Australia received RPL for all or part of their training. Increasing effective RPL pathways could effectively decrease training cost to Government by reducing the training cost and effort by RTOs. While ACCI agrees that a prospective approach is beneficial to long term planning processes, it must be noted that labour market forecasting is notoriously unreliable. In finding a sensible balance between a retrospective and prospective weighting, business and industry should advise government as to what the correct balance should be, dependent on variables such as type of industry, location and up-to-date analysis.

## Definitional Issues

ACCI supports the definition of workforce development as outlined in the paper, being:

*Workforce development is defined as those policies and practices that support people*

- *to participate effectively in the workforce*
- *to develop and apply skills in a workplace context*

- *and where learning translates into positive outcomes for enterprises, the wider community and for individuals throughout their working lives.*

ACCI however, believes that an additional point that recognises that the aim of workforce development is to drive productivity and economic growth is necessary through increased participation and skills utilisation. This point must be included in the definition.

Workforce development needs to be approached holistically at a national level and within individual industry sectors to ensure that the needs of the employers, employees, the industry as a whole and the broader community are met.

ACCI believes that the governments at both a federal, state and local level in conjunction with industry need adopt a holistic view in examining workforce futures to determine the level of need for people and skills. This will ensure that we achieve a balanced population policy which encompasses skills development, skilled migration, workforce participation and community development.

ACCI believes that there are eight essential elements to ensuring the supply of skilled labour and driving workforce development at an national, industry, regional and employer level, these are:

- skills and training,
- industry image and perceptions
- industry and government cohesion
- industry leadership
- business management and compliance
- the culture and structures within industry
- the supporting infrastructure (housing, transport, childcare,etc)
- the availability of a work ready workforce.

To build an effective workforce development plan and boost workforce participation, these elements need to be addressed cohesively not as separate entities.

## Flexibility and Responsiveness

Due to the constantly evolving nature of the Australian economy, rapid diagnosis of emerging skills shortages at a regional level will be needed to ensure that training and skilling solutions directly meet the needs of employers. Industry associations are best place to provide up to date information and intelligence on emerging industry trends, prospective areas of growth and emerging skills shortages with great expedience that the current advisory structure in place in DEEWR and the ISCs.

ACCI believes that industry must play the dominant role in driving skills development and workforce participation initiatives and providing intelligence to meet thjese objectives. ACCI believes that there will need to be resourses allocated to industry associations to better enable them to collect and collate information and feed these through at a national level to inform policy makers of emerging skills and labour needs.

ACCI supports the four strategic priorities as outline in the paper. Specific comments on the individual priorities are below.

*Identifying and meeting Australia's skills and workforce needs into the future consistent with sustainable economic growth, but also adequately preparing for the risks of alternative economic, demographic and social scenarios.*

ACCI supports efforts to adequately provide for future workplace skills and labour needs. However, ACCI recognises that the current mechanisms used in workforce projections and planning have limitations and in most cases cannot predict major changes in the economy. It will be essential that industry provides leadership at all levels to provide initial data and intelligence input and validation of scenario outcomes.

*Establishing a shared national agenda on a comprehensive strategy for Australia's future workforce to support people to better connect with work, capitalise on our skills and position ourselves for future challenges in the globally community.*

ACCI stresses the importance of involving employers in developing strategies that will ultimately connect those outside the workforce to sustainable employment outcomes.

*Improving educational and workforce participation levels where barriers continue to exist – with a special focus on localities, or groups experiencing high levels of disadvantage.*

ACCI strongly supports moves to increase participation levels for groups traditionally less represented in the workforce. ACCI believes that industry and government must work together to promote sustainable occupational

outcomes off the back of relevant foundational and vocational skills development.

Meeting current and future labour and skill shortages cannot be achieved without a serious focus on those outside or marginal to the workforce.

*Promoting demand for and the full use of high skills in workplaces to complement public investment in education and training – powering the workplace to make the most of Australia’s education revolution and innovation strategies.*

ACCI urges caution in artificially promoting demand for higher level skills in areas where these skills have not traditionally been utilised. This has been previously discussed.

Skills underutilisation is an issue for employers across all sectors. However, there is no obligation on employees to train in certain areas or remain employed with an employer if they have received training during their term or employment<sup>1</sup>. Despite the better efficiencies that might be gained by matching, ACCI acknowledges that benefits come from all education and training over a longer timeframe. Even where there is a mismatch, this may result in unexpected benefits for individuals and enterprises.

The use of a different skills set in an enterprise or the application of knowledge and principles from a different discipline may result in innovative approaches. A mismatch must not be interpreted as a negative effect on workforce development in all cases and there is a danger of using generalisations as a principle without considering the positive spinoffs. As a general principle, better aligning training to the needs of employers, upskilling existing workers, effective RPL processes and increasing flexibility and responsiveness across the training sector will all lead to better utilisation of the skills of the workforce.

## Funding

The core principle of funding workforce skills development must be to ensure that training allocations are driven by direct demand from business and industry. Supply driven training approaches determined by prospective planning may ultimately detract from industry specific technical skills and increase the likelihood of a mismatch of skills with the needs of employers upon the completion of training.

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<sup>1</sup> This is a significant deterrent to employers’ perceptions that education and training is an investment.

A national workforce development strategy will require greater cohesion between the Federal Government, the states, industry, training providers and other key stakeholders.

To ensure that training allocation is driven by demand, funding should be directed more towards the individual and the employer rather than supply driven allocations of training places by public providers and STAs. One possible method to ensure that training is targeted more towards meeting the skills need of industry is to enable industry associations to work with training providers to allocate training places to employers. This would facilitate the upskilling of existing workers and enable employers to ensure that new entrants have the appropriate skills to operate effectively in their new workplace.

An appropriate balance between government, business and the individual must be struck and further discussion amongst stakeholders is required to further develop appropriate models.

## ACCI Members

ACT and Region Chamber of Commerce & Industry  
Business SA  
Chamber of Commerce & Industry Western Australia (Inc)  
Chamber of Commerce Northern Territory  
Chamber of Commerce and Industry Queensland  
Employers First™  
New South Wales Business Chamber  
Tasmanian Chamber of Commerce and Industry Ltd  
Victorian Employers' Chamber of Commerce & Industry

### ACCORD

Agribusiness Employers' Federation  
Air Conditioning and Mechanical Contractors' Association  
Association of Consulting Engineers Australia (The)  
Australian Beverages Council Ltd  
Australian Hotels Association  
Australian International Airlines Operations Group  
Australian Made Campaign Limited  
Australian Mines and Metals Association  
Australian Newsagents' Federation  
Australian Paint Manufacturers' Federation Inc  
Australian Retailers' Association  
Bus Industry Confederation  
Live Performance Australia  
Master Builders Australia Inc.  
Master Plumbers' and Mechanical Services Association Australia (The)  
National Baking Industry Association  
National Electrical and Communications Association  
National Fire Industry Association  
National Retail Association Ltd  
Oil Industry Industrial Association  
Pharmacy Guild of Australia  
Plastics and Chemicals Industries Association Inc  
Printing Industries Association of Australia  
Restaurant & Catering Australia  
Standards Australia Limited  
Victorian Automobile Chamber of Commerce