

Skilling the Future – VET and Workplace Learning for Economic Success

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Systemic development of apprenticeships and workplace learning: changing roles of responsibilities of trainees, employers and social partners

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It is my great pleasure to be here today to give some insights into the Australian VET system with a particular emphasis on the role and importance of both apprenticeships and workplace learning.

The Australian Government and Australian industry, together with our social partners, are working together to respond to rapid changes in the modern Australian economy.

The fact that I am here today to speak to you on behalf of the Australian government reflects the high degree of interconnectedness and engagement with industry.

Definitional and institutional issues

I need to establish some important definitional and institutional issues so that people can better understand the Australian system. Firstly VET (and apprenticeships) in Australia are normally considered to be Tertiary Education rather than in some countries upper secondary.

Second VET Institutions in Australia deliver a lot of institution-based training that might not be considered “true” VET elsewhere. Examples are Foundation Studies, Tertiary Preparation Studies and some of the full time courses for job seekers and school leavers. Thus VET Institutions in Australia help deliver not only the workplace learning programs found in Apprenticeship systems but also the types of more general programs found in North American Community Colleges.

Workplace learning programs for apprenticeships in VET are overseen and administered at a State level, with our registered training organisations (RTOs) having primary responsibility for the training component of apprenticeships. This can occur in a number of different ways. In some instances, they work in collaboration with schools to deliver School based apprenticeships. School Based Apprenticeships and Traineeships involve a combination of secondary school subjects, paid work and vocational training undertaken on and off the job. These arrangements enable students to contextualise their learning and achieve significant curriculum outcomes by accessing the skill and knowledge environment of the workplace of their employer. Collaborative involvement optimises student learning and safety during placement. However, the major apprenticeship model in Australia occurs when an employer takes on an Apprentice. This apprentice is contracted to the employer and a formal training plan is established and a training provider chosen. Apprenticeships have traditionally been for a four year duration, although significant inroads have been made regarding moving to a model that fully embracing competency based progression and completion.

Economic context and recent developments

Having dealt with some definitional issues I now propose to provide a brief economic context and some background on recent developments within the Australian context.

In Australia, as in other developed economies, it is increasingly evident we need higher level skills for higher skilled economy. Australia is a high-cost economy that sits within Asia – the growth engine of the world economy. Australia has experienced continuous economic growth for twenty two years. Strong economic growth within our geographical region will create opportunities for our industries. New and innovative industries utilising new technologies are driving the need for highly skilled, technically qualified workers. The Australian Workforce and Productivity Agency (AWPA) modelling indicates that industry demand will mean Higher Level qualifications (AQF 5/6) and above will grow at 1.6 times the rate of lower level qualifications. Additional to this, there is growing evidence of the positive benefits of training and higher skill and education levels on productivity, innovation, employability, and economic success, and improved employment and earnings for workers. The need for higher skills is compelling.

In Australia, as with other countries, work based learning is very important. A snapshot of Australia's performance identifies:

- The rate of adult participation in formal and non-formal training in Australia appears from the most recent comparative OECD data (2007) to be around the OECD average of 62 per cent
- Since then we have had a large expansion in the Australian VET system (various data):
 - Over the period 2007 to 2011 there has been an increase of 12.6 per cent of students in the public VET system;
 - Over this period the number of people undertaking apprenticeships and trainee ships has increased by 24.4 per cent; and
 - Over the period 2007 to 2010 there has been an increase of 38.9 per cent of people gaining VET qualifications.

However, while overall participation in training in Australia is increasing, there are still skill shortages, there is still unmet job-related training needs, and employers are sometimes disappointed with the quality of training provided.

This issue becomes more pressing when considering that in coming years there will be higher volumes of replacement demand as baby boomers retire, and continued growth in new employment opportunities in industries such as ICT and health and aged care.

Perspectives of different stakeholders in the system

The key stakeholders in the Australian VET system are employers, workers, governments, educational institutions and unions. They each have a different perspective on training:

- *Employers* feel they can support firm-specific training but the state should be responsible for basic/intermediate skills and education and generic/transferable skills
- *Individuals* recognise that they benefit from training but are reluctant to take responsibility for their own training and development because of the cost to them.
- *Governments* recognise the economic benefits of training and seek to:
 - encourage and facilitate investment in learning by firms and workers;
 - Ensure access for disadvantaged populations to lift participation in the workforce;
 - Share info, facilitate “best practice”;
 - Promote labour mobility;
 - Foster skilled migration to augment the domestic workforce where shortages;
 - Ensure effective credential recognition systems are in place;
 - Provide appropriate incentives for employers and workers; and
 - In Australia we are still trying to work out respective roles and responsibilities of all in the system.
- *Educational institutions* recognise the key role that they have in training and seek to be flexible and innovative in the courses they offer and responsive to changes in demand by industry
- *Unions* seek to ensure their members receive training that maintains their skills and wider marketability within the Australian labour force and to ensure the existing workforce is up-skilled appropriately to industry needs.

Considerations for employers

Australian employers do invest in developing the skills of their workforce – on an as-needs basis as determined by the employer. Increasingly we are moving towards a workforce development approach our training system and funding models. The most recent ABS figures, from the 2009 SET found that 82 per cent of employees either took part in formal work-related training towards an Australian Qualifications Framework (AQF) qualification (25 per cent) and/or informal work-related training (74 per cent) in the last 12 months. These figures suggest employers favour informal over formal training. (Although the figures only measure incidence, rather than intensity or cost – it is therefore possible that the importance of informal training has been overstated). The 25 per cent of workers taking part in formal training compares well with other countries.

However, many employers remain reluctant to invest in training – why? Costs of training and costs of lost working time affect the bottom line of enterprises answerable to shareholders. Firms lack information on how to access training – even harder for SMEs, where most employment happens. Employers are not convinced about the return on investment - employer support for training is likely to be sub-optimal because they can only generate a return from investing in firm-specific skills as to invest in generic skills can result in poaching

General Government policies

The Australian government attempts to evaluate the training system from the employers' viewpoint. For example, the government commissions our VET research agency, the NCVER, to run a biennial survey to measure employers' engagement and satisfaction with the VET system. Results for the 2013 survey are due later this year. The most recent survey (2011) found that employer's satisfaction with the VET system as a way of meeting their skills needs is high:

- 84.8% for employers with jobs requiring vocational qualifications;
- 82.7% for employers with apprentices and trainees; and
- 88.5% for employers using nationally recognised training (which was not part of an apprenticeship or traineeship).

However, Employers' use of training has decreased. Between 2009 and 2011:

- use of the VET system decreased 2.8 percentage points;
- the proportion of employers with jobs requiring vocational qualifications was similar;
- the proportion of employers with apprentices and trainees was similar;
- use of nationally recognised training (which was not part of an apprenticeship or traineeship) decreased by 4.4 percentage points; and
- use of unaccredited training decreased by 6.2 percentage points to 46.5%.

The government has in place high human capital targets, with an emphasis on institutional based learning to upskill workers.

The Government is moving towards a full marketization of the Australian VET model, alongside a demand driven model in HE and an entitlement model in the school system. The demand –based funding systems include “individual responsive” funding where the students selects the course and provider (VET State Entitlement Funding) and “employer responsive” funding where the employer selects the course, the provider and the students (their employees). An example of the latter is the National Workforce Development Fund (NWDF) – which I will expand upon soon.

There is a growth in accredited work-based training for existing workers. This training is about skills broadening and skills deepening to service a changing and higher skilled economy. This accredited training has been encouraged by funds such as NWDF.

The policy shift to the Australian government subsidising the upskilling of existing workers, via the NWDF, is not novel (at least to the world). It helps to partly resolve the free-rider/poaching issue, and promotes labour mobility and the process of structural change.

Recent specific public policies and supports by the Australian government

The *Building Australia's Future Workforce* package in the 2011-12 Federal budget provided \$3.02 million investment over four years to address workforce skills and participation rates. This package had four components:

- Putting industry at the heart of the training system
 - Modernising apprenticeships
 - Skills to support increased participation
 - Reforming the national training system

This initiative led to the funding of:

- Skills Australia, now AWPA
- NWDF
- Australian Government Skills Connect
- Foundation skills initiatives
- Apprenticeship mentoring and accelerated apprenticeships.

This initiative also led to institutional change – a stronger shared responsibility for strong workforce outcomes with employers, employees, unions and the government, for example, the AWPA board is really a mix of social partners.

Australia is in the midst of harmonising the regulatory and qualifications framework for occupations across states and territories. Data from the Survey of Education and Work (SEW) and the Student Outcomes Surveys (SOS) show on a number of measures that people are participating in training at a greater rate over the period 2007 to 2012:

- The proportion of people in the workforce with non-school qualifications has increased by just over 6 percentage points, over the period 2007 to 2012.
- The number of employed persons undertaking further study, subsequent to the completion of VET training, has increased from 18 per cent in 2007 to 25 per cent in 2012, indicating that upskilling of the workforce is occurring.
- The percentage of persons not employed before undertaking VET training has increased from 24 per cent in 2007 to 28 per cent in 2012, indicating that some unemployed people may be upskilling to increase their employment opportunities.
- People who completed their VET training during 2011 indicated that their primary reason for undertaking VET training was 'employment-related' (82 per cent, up from 75 per cent of respondents in 2007). Personal development was the second primary reason.
- Over the period 2007-2012 the proportion of persons enrolled in further study, subsequent to the completion of previous VET training, increased from 14 per cent to 19 per cent.
- Over the period 2007 to 2012, the proportion of persons who were not employed before training, who became employed after training, has averaged 41 per cent.
- The proportion of persons who enrolled in further study, whether they were employed or not employed after training, increased from 17% in 2007 to 22% in 2012.

Key mechanism: National Workforce Development Fund (NWDF)

Australia has had, for a long period of time, an industry led training system. Concerns about the capacity of industry to readily invest in training recently lead to a co-investment model being developed and implemented. The current fund, the National Workforce Development Fund gives purchasing power for accredited training to employers and this is changing the dynamic of the VET sector. The NWDF serves to raise the human capital base of the economy, while training workers to meet the skill needs identified by industry.

Part of the justification for putting public money into training for existing workers (rather than it being a total cost to employers) is that Government only co-funds accredited training, although industry still pays a significant proportion of costs. Government is therefore funding an externality, i.e., the potential public good. The credential is generally of more use to the worker and their next employer (as a signal) rather than their existing employer. However, it is also anticipated that the training could contribute to increases in both productivity and innovation.

Early indications point to this policy being successful – indicating that mutual investment assists employers and workers to get the skills they need, and achieves improved human capital outcomes for the economy.

More to be done

Industry acknowledges that a lot of work has already been done by Government to support and enhance the effectiveness of the training system. However, industry still see problems, e.g. decline in apprenticeships due to changes in incentives and increasing first year wage rates. National Centre for Vocational Educational Research (NCVER) data (as at March 2013) on apprentices and trainees shows a sharp decline in trade commencements since June 2012. The trend for non-trade commencements is continuing to decline.

However, here are also concerns that our competency-based programs do not give employees and students good general and innovation skills as they concentrate on the here and now. Similarly, employers express concern about Higher Education graduates being sufficiently job ready. Therefore there is a move to more “work integrated learning” in Australian HE – which in some senses is a move to an HE apprenticeship system.

In Australia there is a general debate about how we target assistance and incentivise employers. Also there is the issue that Australia may have gone too far in skills certification, in the quest for quality, as we certify skills for occupations that are not certified in many other countries.

Apprenticeship Challenges

- Strengthening the focus on the core relationship between employer and apprentice.
- The federal system of government has led to national inconsistencies in program delivery and administration which is a frustration for national employers.
- Further support for competency-based progression approaches to delivery
- The need to lift and stabilise commencement rates through the economic cycle and more effectively recruit young people and employers to the program.
- The need to lift completion rates.
- The establishment of more effective pathways and articulation into apprenticeship arrangements.
- Promote excellence in the program, for example through *Worldskills*, to make the program more attractive as an important destination for young people.