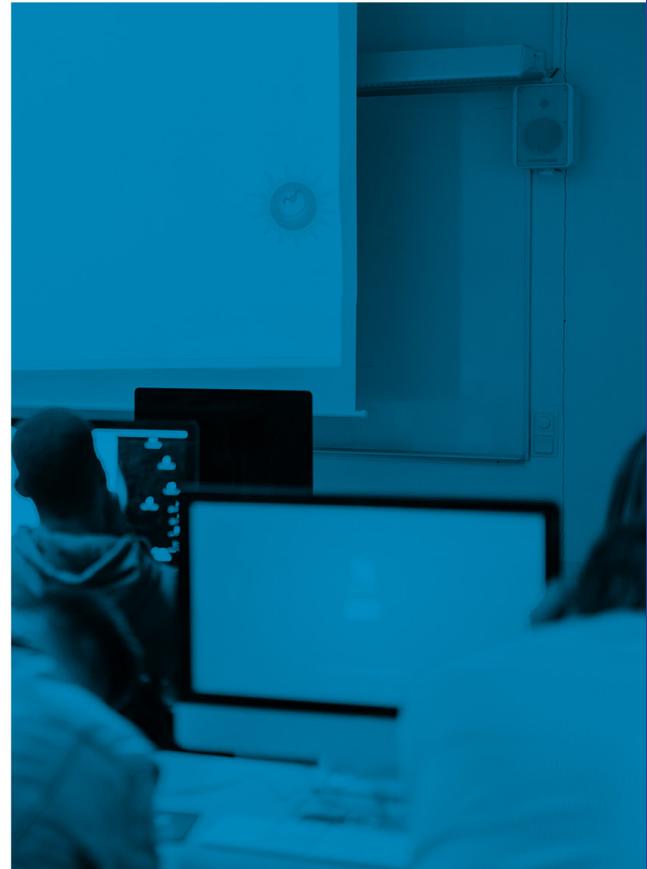


Labour market policy after COVID-19

Skills and workforce development



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Introduction

The Prime Minister is right to nominate the improved provision of skills as one of the key reform areas that will improve the future growth potential of Australia.

Technological progress has always been the principal driver of productivity and wage growth through the history of humankind, and the skills of the workforce are the critical factor determining the rate of adoption and adaptation to new technologies. In addition, many workers who have lost their jobs in the current recession will need retraining to rebuild their employability skills.

The reform agenda for the training system

According to the Prime Minister there are three key problems with the present training system:

1. The system is clunky and unresponsive to skills demands;
2. A lack of clear information about what skills are needed, now and into the future to guide training and funding;
3. The funding system is marred by inconsistencies and incoherence, with substantial state variations in fees; a bewildering array of choices, with more than 1400 qualifications and almost 17,000 units of competency; and a lack of accountability for results such as employment outcomes.

In response to these criticisms the Prime Minister proposes to make changes to:

- Better link the provision of training to forward looking skills needs, using the detailed labour market analysis provided by the newly established National Skills Commission;
- Simplify the training system and achieve greater consistency between jurisdictions, and between VET and universities;
- Increase funding and transparency and performance monitoring;
- Better coordinate the subsidies, loans, and other sources of funding.

Furthermore, this agenda proposed by the Prime Minister for reform of the vocational education and training (VET) system is generally consistent with two recent reviews:

1. The Joyce (2019) review of the VET system, and¹
2. The interim report by the Productivity Commission (2020) into the National Agreement for Skills and Workforce Development (NASWD).²

The following comments are intended to assist discussion of this proposed reform agenda for training and skills development and to consider its adequacy.

Funding

The Prime Minister is right: the VET system does need increased funding. VET funding across all jurisdictions (except Tasmania) has fallen by 25 per cent on average over the past decade in real terms, on a working age per capita basis.³ As a result, from 2012 to 2017, government-funded VET



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enrolments fell by 23 per cent. Some of this funding cut represents tighter targeting of assistance but by no means all of it.⁴

Also compared to other advanced economies, Australia's workforce has a relatively low proportion of workers with intermediate skills and a larger proportion with low skills. More VET enrolments are central to changing this.

If Australia is to succeed in meeting the future demand for skills, more public funding will be needed. But it is understandable that the Prime Minister wants to tie any extra funding to good performance.

Better information to guide training decisions

The long-time complaint about the VET system is that it has been insufficiently responsive to the needs of both industry and trainees. The principal reform initiated to improve this responsiveness was to introduce competition, so that the trainees and their employers had much greater choice of training provider.

However, as the Productivity Commission has recently observed: "With hindsight, some essential pre-conditions for a robust competitive market were not in place. Students lacked accessible information to make effective choices of courses and providers. Regulation of RTOs (registered training organisations) was inadequate leaving students exposed to misconduct."⁵

The Productivity Commission is now again recommending increased competition. To ensure that competition operates in a better-informed market and avoids the mistakes of the past, the Government recently established a National Skills Commission to provide detailed labour market analysis, including an annual report setting out Australia's future skill needs.

Unfortunately, on the face of it, this new body may not create this better informed market by itself, as it has much the same mandate as the previous Australian Workforce and Productivity Agency, which this Government abolished in 2014. However, in 2019, the Government also created the National Careers Institute with a mandate to improve the quality of career development services and provide more useful information to students. Its task will be to fill information gaps on course prices, career opportunities, the availability of government financial support and the performance of individual RTOs.

This information should not only help prospective trainees, it should also improve the performance of the training system and justify the extra funding needed. The main question is how far this sort of information will be accessed by individual trainees and employers and govern their individual choices.

Regulation of training quality

The regulation of training quality has also improved progressively since the Australian Skills Quality Authority (ASQA) was established in 2011 to regulate the provision of training by RTOs. ASQA's primary functions are to oversee the entry of RTOs into the market, accredit courses, carry out compliance audits and penalise non-compliance, including cancelling the registration of poor providers.



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However, Victoria and WA have maintained separate regulators, and according to the Productivity Commission this can lead to some confusion. The Commission is therefore recommending that these two states accept a single national regulator.

In addition, another possible reform to progressively improve quality, not canvassed in either of the two reviews, would be to tie the funding available to individual RTOs much more specifically to their performance. For example, the then South Australian Training and Skills Commission found that the introduction of competition in South Australia achieved much better results in terms of cost, responsiveness and outcomes after the eligibility of their RTOs for government funding was tied to their performance and not all RTOs were automatically funded.

More rational training fees and subsidies

There is substantial variation in fees and subsidies between the different states, suggesting that some at least are not cost effective. In some cases, the apparent anomalies in fees – such as where a nurse training for a diploma at a TAFE pays more than at a university – may act as a disincentive.

One possibility proposed by the Productivity Commission is that simpler and more consistent subsidy arrangements might be based on the efficient cost of delivery, with loadings to address higher delivery costs in some locations and some specific needs. While this sort of reform of charging for VET would be neater and possibly more efficient, it is nevertheless questionable how much difference these changes would make to training demand and supply, and therefore to outcomes and the supply of skills.

The number of qualifications and competencies

The present array of Over 1400 qualifications and almost 17,000 units of competency on offer has been described as bewildering by the Productivity Commission.

It is important to recognise, however, that these key features of the design and content of the training system are in fact very much industry-led in the expectation that this will maximise the responsiveness of the system to industry demands. Thus, the huge array of competencies reflects the decisions of employer and employee representatives about the various specific competencies that are needed for each job.

A second criticism, however, is that obtaining agreement to changes in qualifications or the content of competencies is too slow and makes the system insufficiently responsive to changes in industry skills needs. Only industry boards can change a training package, but they must first obtain the approval of the Australian Skills Industry Committee (ASIC) before the new development can begin. Then after the proposed changes have been developed by the relevant industry board, they must be referred back to ASIC for its approval of every change before the new package is finally endorsed by the COAG Skills Council. The obvious way to speed up the process would be to accept greater devolution, at least where the changes are minor and uncontroversial.



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Adequacy of this skills reform agenda

The fundamental purpose of a skills reform agenda must be to ensure that an adequate supply of skills of the requisite quality are available and are used to their full effect.

Increasing funding and tying it more closely to better labour market information and performance assessment and monitoring should help to achieve this objective. However, it is more doubtful how much difference in the quantity of skills and their quality will in fact result from the rationalisation of the VET fee structures and the number of qualifications and competencies.

Furthermore, there are at least two other key issues that a full-scale review of skills would consider as well:

1. The highly job-specific nature of the present training
2. Further workforce development and the use of skills.

Training course content

A key concern about VET that the Government seems to have ignored is whether the competencies that underpin the training packages are too narrowly conceived and designed. The industry representatives who develop the training competencies are often focussed on what the trainee needs to know to do today's job as it is presently being done. This sort of training can be almost equivalent to being able to memorise the manual.

The critics, however, argue that the trainee needs to understand not only what to do but also why and how it works that way. It is this more generic type of training that will enable the trainee to adapt to new technologies and the jobs of the future, as the trainees will be better able to grasp quickly why and how the new technologies actually work. In short, the reform of training and future skills provision needs to consider not only whether we need many fewer competencies, but also whether they should be broadened and become more generic.

In addition, it has been suggested in research published by the National Centre for Vocational Education Research that the VET sector could become a contributor to innovation through an applied research agenda.⁶ RTOs could then use their contacts with industry to help develop innovation within industries through research focused on solving real-world problems and translating this knowledge to the workforce.

Workforce development and the use of skills

The value of skills depends largely on how effectively they are used in the workplace. In addition, workforce development depends upon supporting people to develop and apply their skills in a workplace context.

Unfortunately, too often that is not the case. But businesses that perform well aim to improve the links between workforce and business development to support productivity growth while simultaneously creating more attractive jobs.



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Accordingly, another issue for the government's reform agenda should be what it can do to encourage excellent HR practices that promote:

- Job redesign so that the skills of employees are put to best use;
- Employee participation in discussions on business strategy;
- Autonomy that gives employees some freedom and authority about how to do their job;
- Job rotation to facilitate learning and the development and use of new skills;
- Assessment of employees' current skills and what new skills are needed;
- Multi-skilling.

Conclusion

The Government's proposed reform agenda for skills mostly represents a tidying-up exercise. These reforms should give students better information and improve quality assurance and the responsiveness of the training system, but it is doubtful that they will lead to major changes in the quantity and quality of skills available. Furthermore, this agenda ignores some important issues, such as the content of training courses to make labour more adaptable, and the use of skills in the workplace and how that affects workforce development.

Endnotes

- 1 Joyce, Steven, 2019, Strengthening Skills: Expert Review of Australia's Vocational Education and Training System, Commonwealth of Australia.
- 2 Productivity Commission, 2020, National Agreement for Skills and Workforce Development Review: Interim Report, Commonwealth of Australia.
- 3 Morrison, Scott, 2020, Address, National Press Club.
- 4 NCVER, 2020, Australian VET statistics, accessed at www.ncver.edu.au/publications.
- 5 Productivity Commission, 2020, National Agreement for Skills and Workforce Development Review: Interim Report, Commonwealth of Australia.
- 6 Beddie, Francesca & Simon, Linda, 2017, VET applied research: driving VET's role in the innovation system, NCVER.



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