

Learning curve:

Why Australia needs a training boost

In a time of **weak productivity growth, high skills mismatch and low job mobility**, it is essential that businesses fully utilise **work-related training** to improve workers' productivity and career trajectories.



The proportion of people undertaking work-related training has dropped since 2007, declining by **14%**



...and the average number of hours spent in training for those who participated has fallen by **17%**

Improving work-related training would benefit...

WORKERS

Our analysis shows training participants had about a **20%** pay increase the next year.

EMPLOYERS

CEDA found training participants were less likely to move jobs and reported higher satisfaction levels.

THE ECONOMY

Increasing work-related training could also help lift Australia's weak productivity growth.

Employers and employees combined invest more than \$12 billion in training annually. To maximise the benefit from this investment, firms should;



Build a learning culture;



Measure success; and



Better target compliance training.



EXECUTIVE SUMMARY


One-third of Australian occupations face worker shortages. These shortages are increasingly concentrated in jobs driven by global megatrends such as digital transformation, artificial intelligence (AI), an ageing workforce and the energy transition.

To help fill these gaps and confront these challenges and opportunities we need to ramp up work-related training.

This is structured learning such as short courses or online modules to help people become more effective in their jobs. It can be voluntary or mandatory and can range from help to get started in a job, to senior leadership training. It can be delivered directly by employers, by consultants, or in collaboration with educational institutions. It also includes compliance training that ensures employees comply with relevant laws, regulations and internal policies. It requires both employers and employees to commit to learning and create the time to complete it.

This is an area that has been under-studied relative to its economic importance. Employers and employees combined invest more than \$12 billion in training annually. Increasing work-related training could also help lift Australia's weak productivity growth.

New analysis in this report, using HILDA data that tracks outcomes for the same individuals over more than two decades, shows that participation in work-related training is associated with considerably higher incomes for employees.



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20%

in the year after starting training.

Compared with otherwise similar people who do not participate in training, incomes increase by an average of about 20 per cent in the year after starting training. Training cannot just be a one-off, however, as this effect fades over time.


There are benefits for firms who provide training, too, as participating workers will on average be more productive, more satisfied at work and less likely to move jobs.

Despite these favourable outcomes, we find that the rate of participation in work-related training has declined by 14 per cent since 2007, with Australian Bureau of Statistics (ABS) data showing a similar decline from 2013. For those participating, average hours spent in training have also declined. Participation has declined in 17 of 19 industries, with only arts and recreation and wholesale trade groups recording small increases.

The strong income growth for those who do training, payoffs for firms and the increasing need to upgrade skills make declining participation in training something of a puzzle, particularly as available data suggest it has increased in most other developed countries over the past decade.

Participation in formal education in Australia has increased over this time, which on balance should also increase work-related training, as more educated people are more likely to participate in training. Changes in the structure of the economy have favoured industries with high rates of training, such as health and education, which also should have boosted overall training participation.

One explanation is the increasing challenge of creating enough time. More than three-quarters of the 27 respondents to a questionnaire of CEDA members indicated that time and workload were a key barrier to delivery and take-up of training, a result that also came through strongly in consultations with CEDA members across a variety of industries.



An increasingly dynamic economy can create near-term pressures to work harder on immediate priorities, reflected in greater working hours among professionals in the past decade.

But as CEDA's previous work on dynamic management capabilities has shown, organisations need to make forward-looking decisions to adapt to new realities. Firms that actively nurture a culture that values and encourages learning (a learning culture) demonstrate greater innovation, profitability and resilience than those that do not. This will become more important as key trends such as AI reconfigure how work is organised and the skills in demand.

Organisations need to ensure training is effective

Employers need to prioritise training that will develop valuable skills. Compliance training can be necessary to ensure safety, but when poorly delivered it can cut the time available to develop more practical skills.

Organisations should require a clear use case for compliance training and look to better recognise prior learning through short assessments in place of long and often repetitive compliance training.

Measuring the return on training can demonstrate its benefits for both the employer and employee, while helping to prioritise types of training with greater payoffs. We found only 15 per cent of organisations had a clear approach to measuring return on training investment. This can be challenging, but starting with simple measures such as quality of training and staff retention can build towards measures with closer links to employee productivity.

In sum, employers need to foster a culture that values and encourages learning through data and digital technology to better measure training outcomes and recognise employees that demonstrate skills they need. Best practice also sees training adopted on an ongoing basis and integrated into everyday work tasks.

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Governments also need to support training

While organisations must take the lead, governments at federal and state level need to step up efforts to build the foundation skills necessary for all workers to effectively engage with further learning, including literacy, numeracy, digital and communication skills.

A good school system is the key to foundation skills, so this adds to the critical importance of reversing the declines in literacy, numeracy and school completion rates, while ensuring disadvantaged students are not left behind. A holistic strategy should also be developed to reduce the number of adults with low foundation skills.

Better accreditation is needed so that people who move jobs can have their skills properly recognised, reducing the costs of training duplication. Work currently underway to develop a *National Skills Taxonomy* can help by creating a consistent classification of key labour market skills. Using this system to accredit work-related training would enable sharing of skills and qualifications through a trusted digital system such as the *National Skills Passport* currently under consideration.

To build trust from employers, accreditation should proceed gradually, beginning with formal micro-credentials and other courses developed in conjunction with higher or vocational education providers. Along with funding of innovative collaborations, staged accreditation can help drive collaboration between higher education providers, vocational education and industry to develop rigorous and practical training offerings.

There is not a strong case for new, broad-based public funding of training. The key barrier to training is time rather than money. In other countries, government funding of work-related training has mostly just paid for training that would have occurred anyway. An exception is training for people who face considerable barriers to getting into work, such as the long-term unemployed. CEDA has previously argued that training for such people should be scaled up, monitored and evaluated to expand programs that work well.

RECOMMENDATIONS FOR EMPLOYERS



1

BUILD A CULTURE THAT VALUES AND ENCOURAGES LEARNING

- a. Establish clear links between training, the organisation's strategic goals, and how employees contribute to these goals.
- b. Understand the barriers to training across the organisation, as well as how learning policies interact with day-to-day work requirements.
- c. Integrate training so that learning occurs as part of, not on top of, existing work.
- d. Empower workers to shape their own development pathways by supporting them to choose what and how they learn.



2

MEASURE THE RETURN ON INVESTMENT FROM TRAINING

- a. Organisations with limited resources can start by gathering qualitative feedback about training, linking this to development conversations and business outcomes.
- b. Organisations with greater capabilities can adopt methods such as random assignment of training or pre-and post-training surveys to capture productivity improvements. Increasingly sophisticated technologies like learning management systems and talent marketplaces can be powerful tools to offer bespoke programs and capture their returns.



3

BETTER TARGET COMPLIANCE TRAINING

- a. Regularly evaluate compliance training to ensure it is not crowding out other learning. New compliance modules should be supported by clear use cases and an understanding of how they complement existing training.
- b. Deploy in a risk-based manner, targeting the highest risk employees first and tailoring delivery to when, where and how it can make the most difference.
- c. Minimise unnecessary re-training, such as by using short questionnaires to assess employees' understanding of key compliance themes.

RECOMMENDATIONS FOR GOVERNMENT

1

DEVELOP ACCREDITATION OF WORK-RELATED TRAINING

Building on the *National Skills Taxonomy*, the Federal Government should develop transparent and consistent accreditation of work-related training that provides confidence on the quality of credentials.

- a. Begin with formal micro-credentials and other courses developed with higher or vocational education providers, then gradually expand the types of training eligible for accreditation
- b. Incorporate data on work-related training into a new National Skills Passport.

2

SUPPORT DEVELOPMENT OF FOUNDATION SKILLS

Federal, State and Territory Governments should support development of foundational literacy, numeracy, digital and communication skills needed to effectively engage in training.

- a. Reverse the trend of declining literacy and numeracy skills among school students, in particular ensuring children from disadvantaged backgrounds can meet the minimum standards necessary to enable learning in later life.
- b. Build on Jobs and Skills Australia's Foundation Skills Study to develop a holistic strategy to reduce the number of adults with low foundation skills, including through vocational education and training.

