



Robin Shreeve
CEO, Skills Australia

ACAL & VALBEC Conference

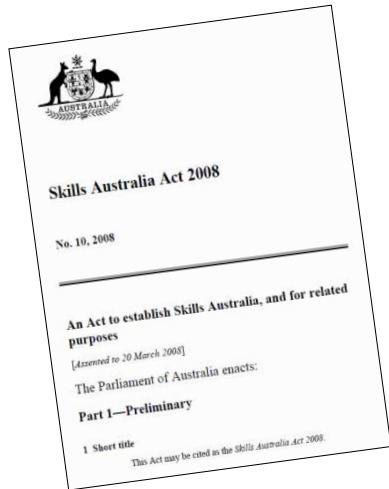
Literacy on the Map: Common Visions, Different Paths

27 September 2011

“Skills for Prosperity” and the importance of Foundations Skills

What is Skills Australia?

"Skills Australia will provide the Government with recommendations on current and future skills needs (and) inform Australia's workforce development needs¹ ..."



- Expert independent Board with expertise in industry, economics, education and academia;
- Provides independent advice to the government on current, emerging and future skills needs and workforce development needs
- Remit expanded in March 2009 to look at full scope of labour market and give advice on HE & VET
- 2011 Budget announcements-extended role as National Workforce and Productivity Agency. Responsible for National Workforce Development Fund



Back row (L to R):

*Keith Spence, Ged Kearney,
Dr Michael Keating AC,
Prof. Gerald Burke.*

Front row: *Heather Ridout,
Philip Bullock (Chair),
Marie Persson.*

Source:

1. Julia Gillard, *Second Reading Speech – Skills Australia Bill 2008* (14 Feb 2008)



What advice has Skills Australia provided?

- [Foundations for the Future](#) – June 2009
- [Australian Workforce Futures](#): a national workforce development strategy – March 2010
- Advice to Dept. of Immigration on [Skilled Occupation List](#) for General Skilled Migration program – February 2011
- [Skills for prosperity](#): a road map for vocational education and training – May 2011
- [Energy efficiency in commercial and residential buildings: Jobs and skills implications](#) – May 2011
- [2011 interim report on resources sector skill needs](#) – July 2011
- [Scenario development](#) - phase II of Australian Workforce Futures



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My core argument - If by 2025 we can increase workforce participation from 65% to 69% there will be:

- Huge economic and financial benefits (\$24 billion to bottom line) to the Australian economy
- Great social, health and wellbeing benefits to individuals - **BUT**
- This will not be easy – the inter-generational report (IGR) predicted on current trends a fall to workforce participation rate of 63.5%
- To achieve this we will need to see people in the workforce we have not seen for some time
- Urgent need to improve foundation skills



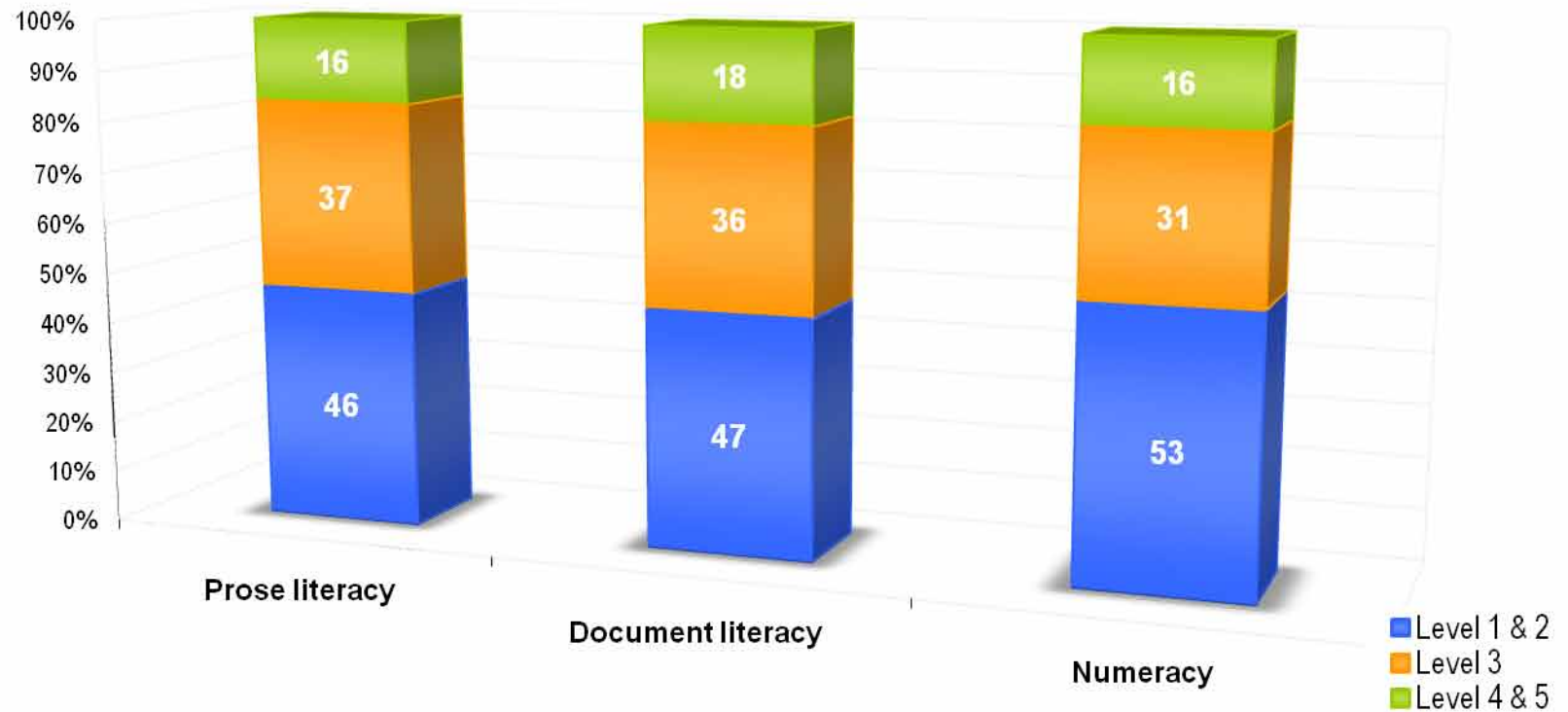
Recent reports on Foundation Skills and Language Literacy and Numeracy (LLN)

- Adult LLN are recognised as fundamental for greater participation, productivity, and social inclusion
- Local and international studies have consistently demonstrated the correlation between high levels of LLN and positive outcomes at the National, enterprise and individual levels
- **Australia can improve in this area**



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We need to improve Foundation Skills



Source:

1 ABS, 4228.0, *Adult Literacy and Life Skills Survey, Summary Results Australia* (2006)



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NCVER – Building the Foundations

Figure 1 Employment by qualification, persons aged 15–64, Australia 2009, '000s



Source: ABS (2009).



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Figure 2 Employment and population by numeracy level, persons aged 15–74, Australia 2006, '000s

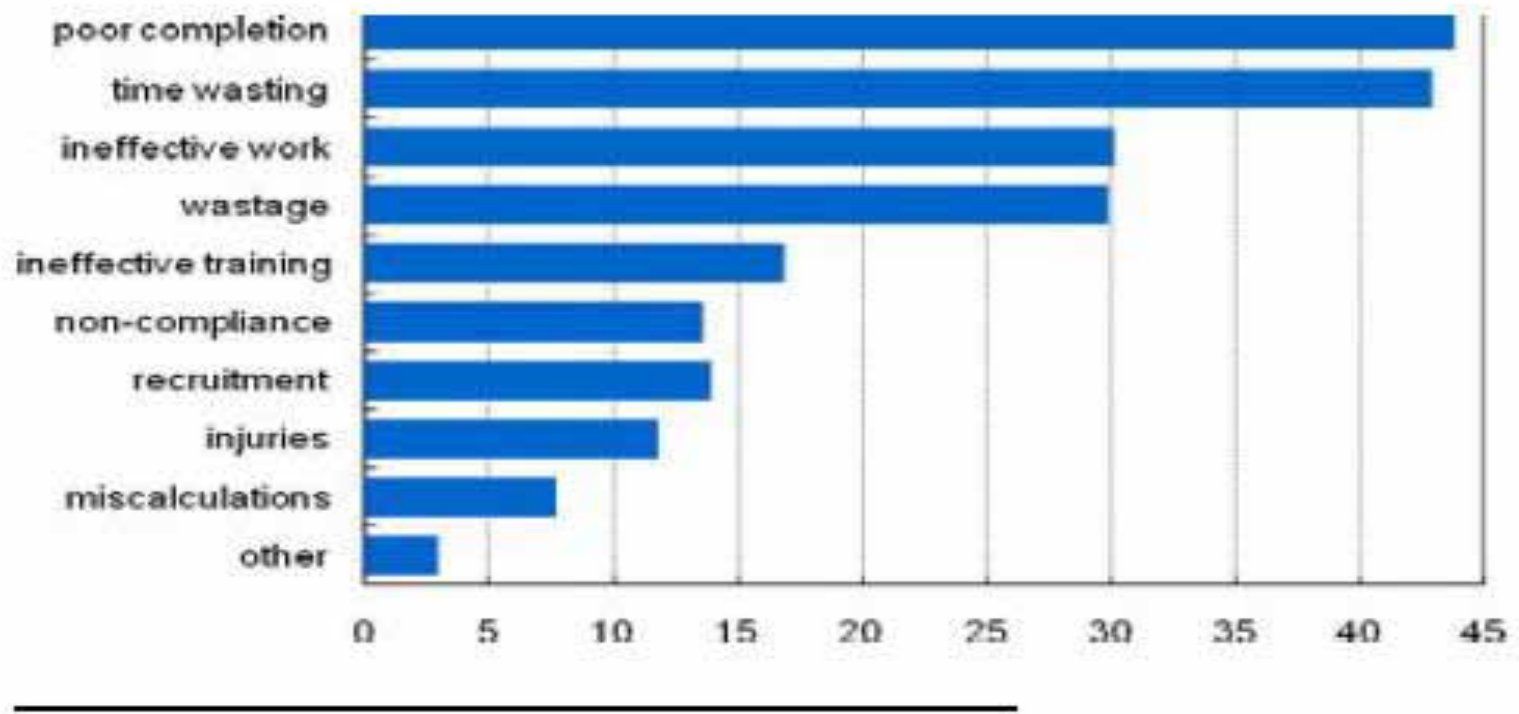


Source: ABS (2006).



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Impact on business of low literacy and numeracy skills



¹ Employer views on workplace literacy and numeracy, Australian Industry Group, May 2010.



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Why all the fuss about skills?

- **Skill shortages** - as the economy shifts to recovery and growth, concerns are raised again about constraints due to skills shortages
- **Patchwork economy** - record terms of trade, sustained growth but uneven prosperity
- **Productivity** - the positive growth in productivity earlier this decade has flattened, and turned negative
- **Participation** - Australia ranks only 10th out of 34 OECD countries on workforce participation.
- **Population** - Ageing of the „Baby Boomers“; Australia facing increased aged dependency - Bernard Salt's „Baby Bust“
- **Unrealised workforce potential** - there are 1.4 million Australians unemployed or underemployed. Another 1.3 million NIL who could work.
- **Foundation Skills** - currently almost 50% of the population has lower language, literacy and numeracy levels than they need for their jobs



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Australia's productivity growth has slowed over the last five years, after 15 years of above average growth (*Saul Eslake*)

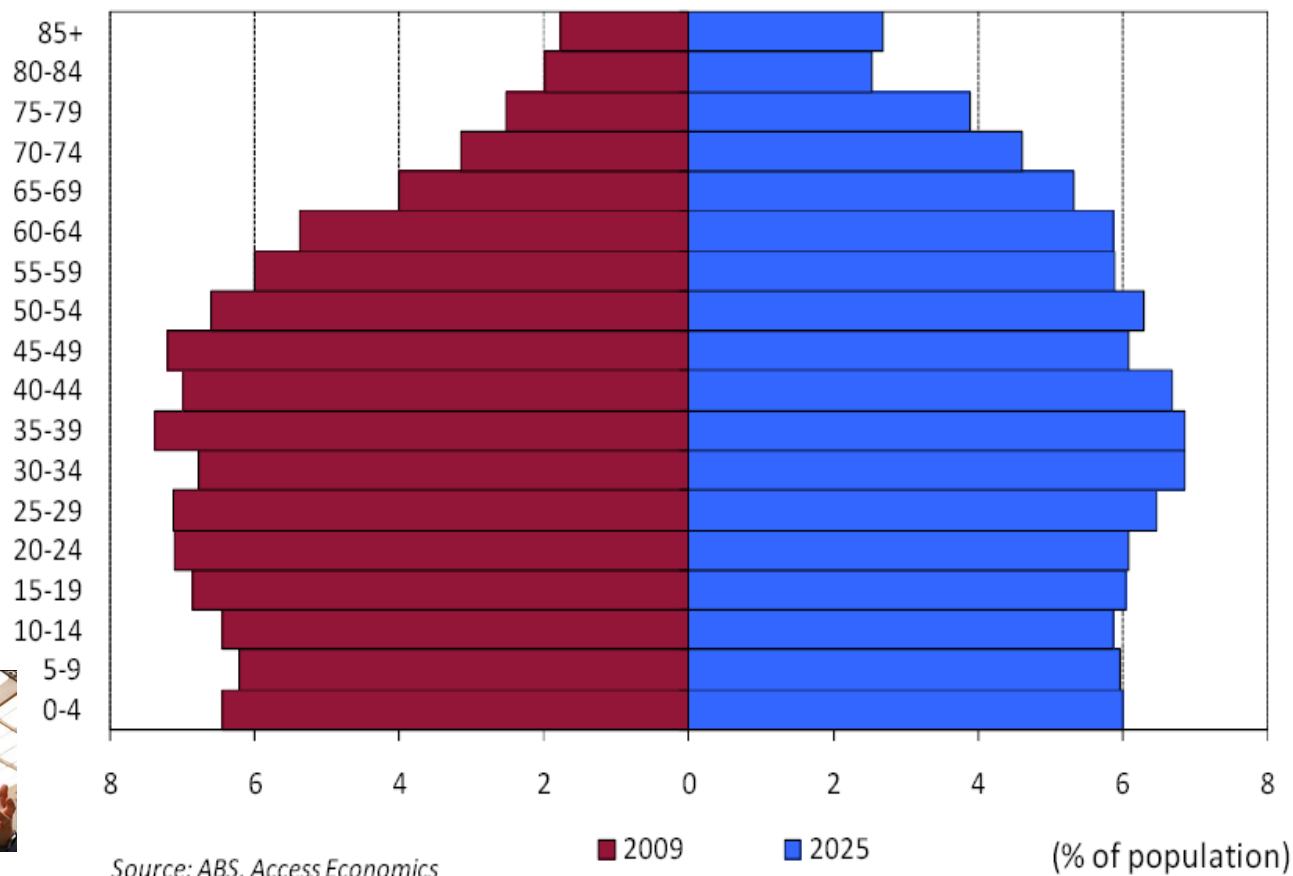


Source: ABS, *Experimental Estimates of Industry Multi-factor Productivity, Australia* (5260.0.55.002). December 2010.

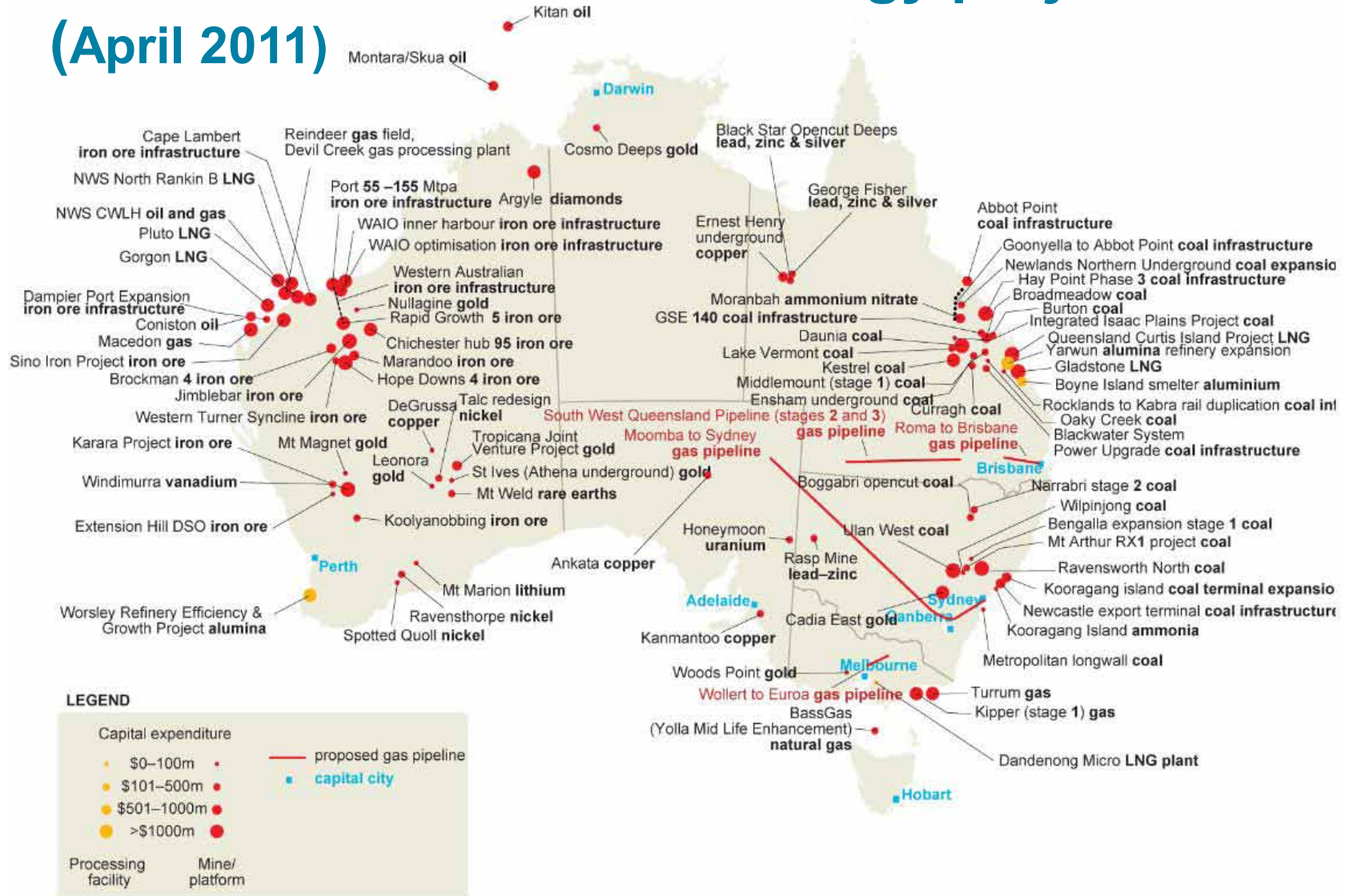


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Future population challenges – Baby boomers retiring: an ageing workforce



Advanced minerals and energy projects (April 2011)



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The challenge of prosperity

- When the terms of trade are high, the international purchasing power of our exports is high.
- To put it in very (over-) simplified terms, five years ago, a ship load of iron ore was worth about the same as about **2,200** flat screen television sets.
- Today it is worth about **22,000** flat-screen TV sets – partly due to TV prices falling but more due to the price of iron ore rising by a factor of six.

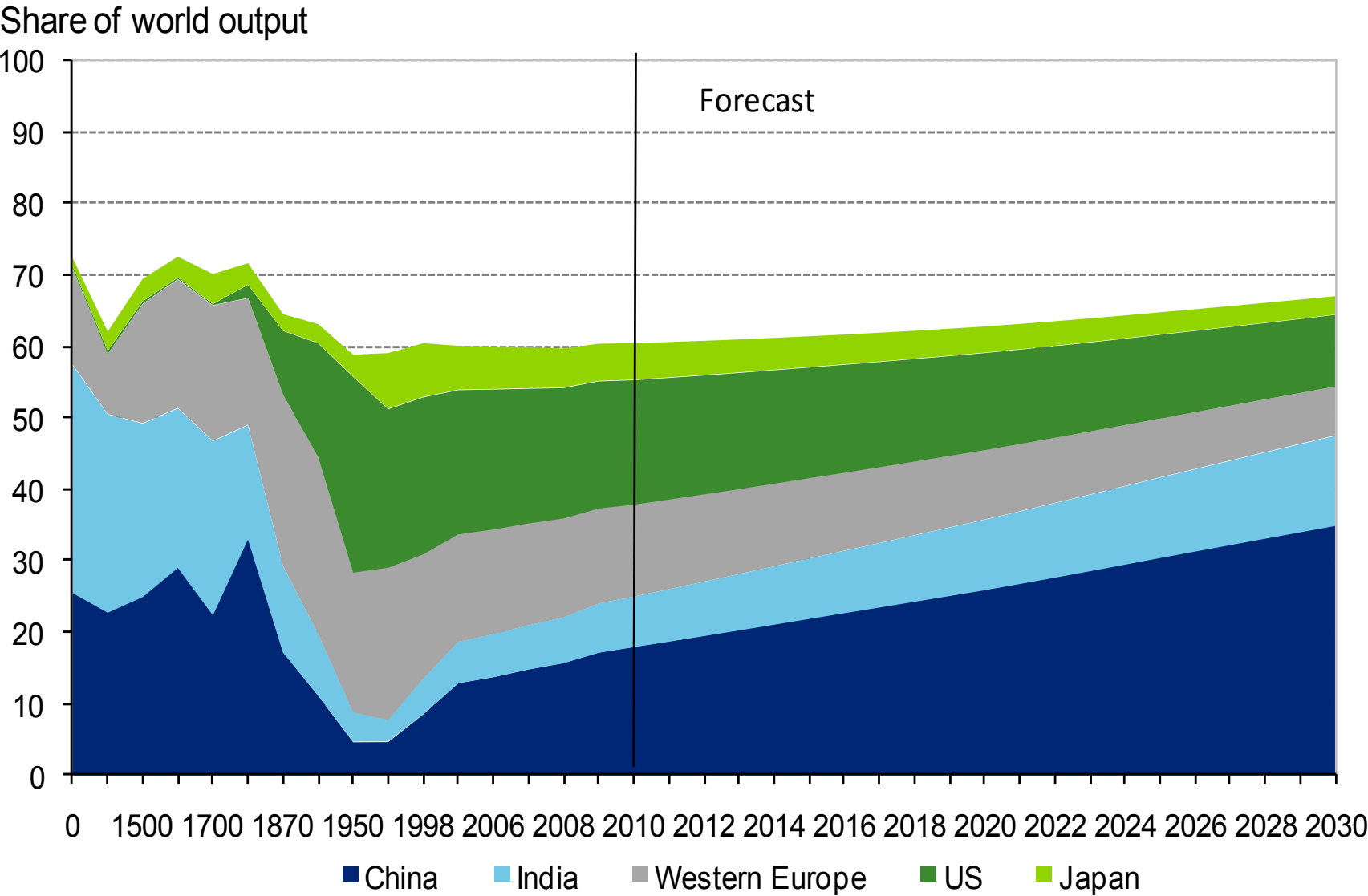


Glenn Stevens
Governor of Reserve Bank
Address to the Committee for
Economic Development of
Australia (CEDA) Annual Dinner,
Melbourne
29 November 2010

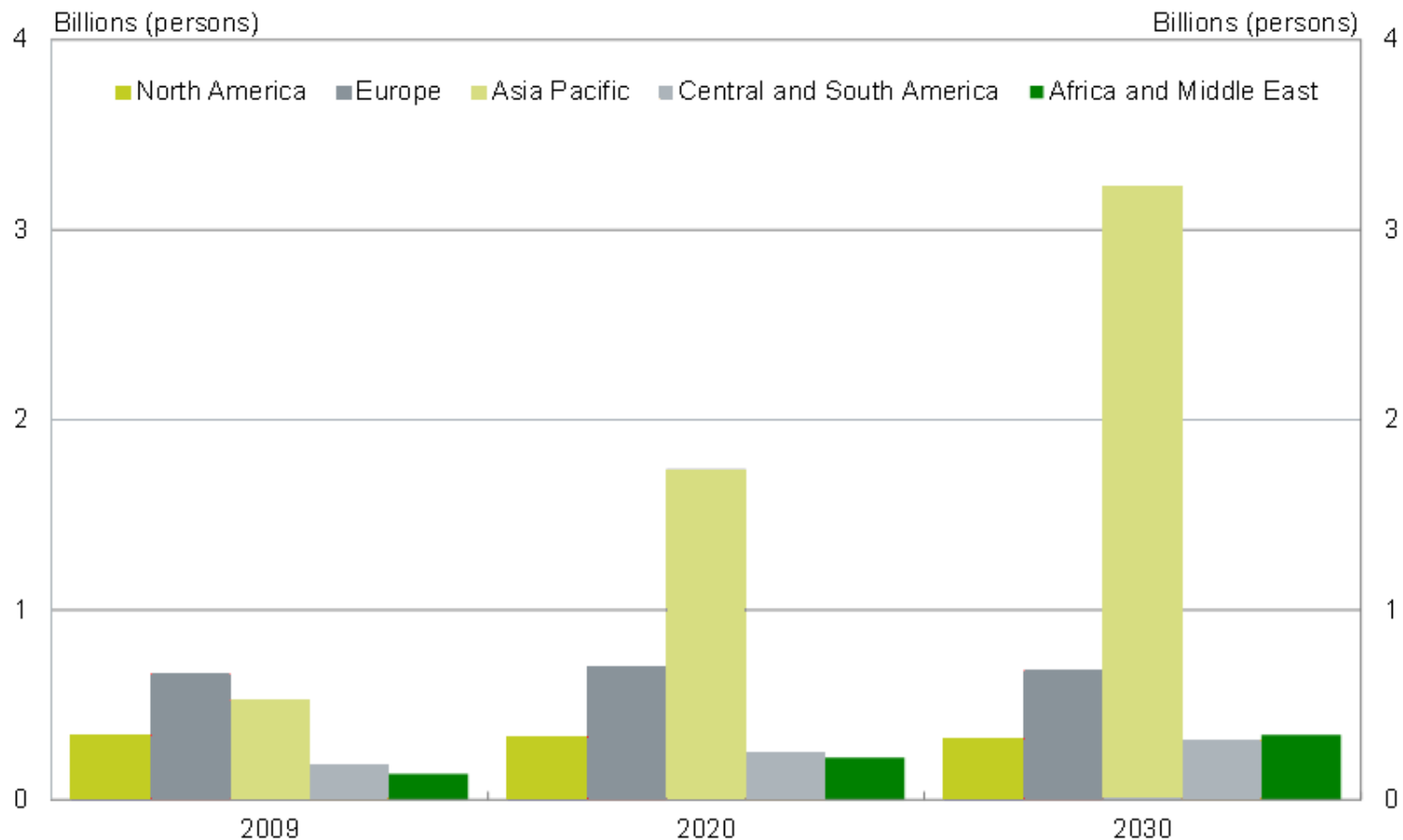


Creating a new world order (or reviving the old one)

(Chris Richardson – Deloitte Access Economics)



Projections of the global middle class by region



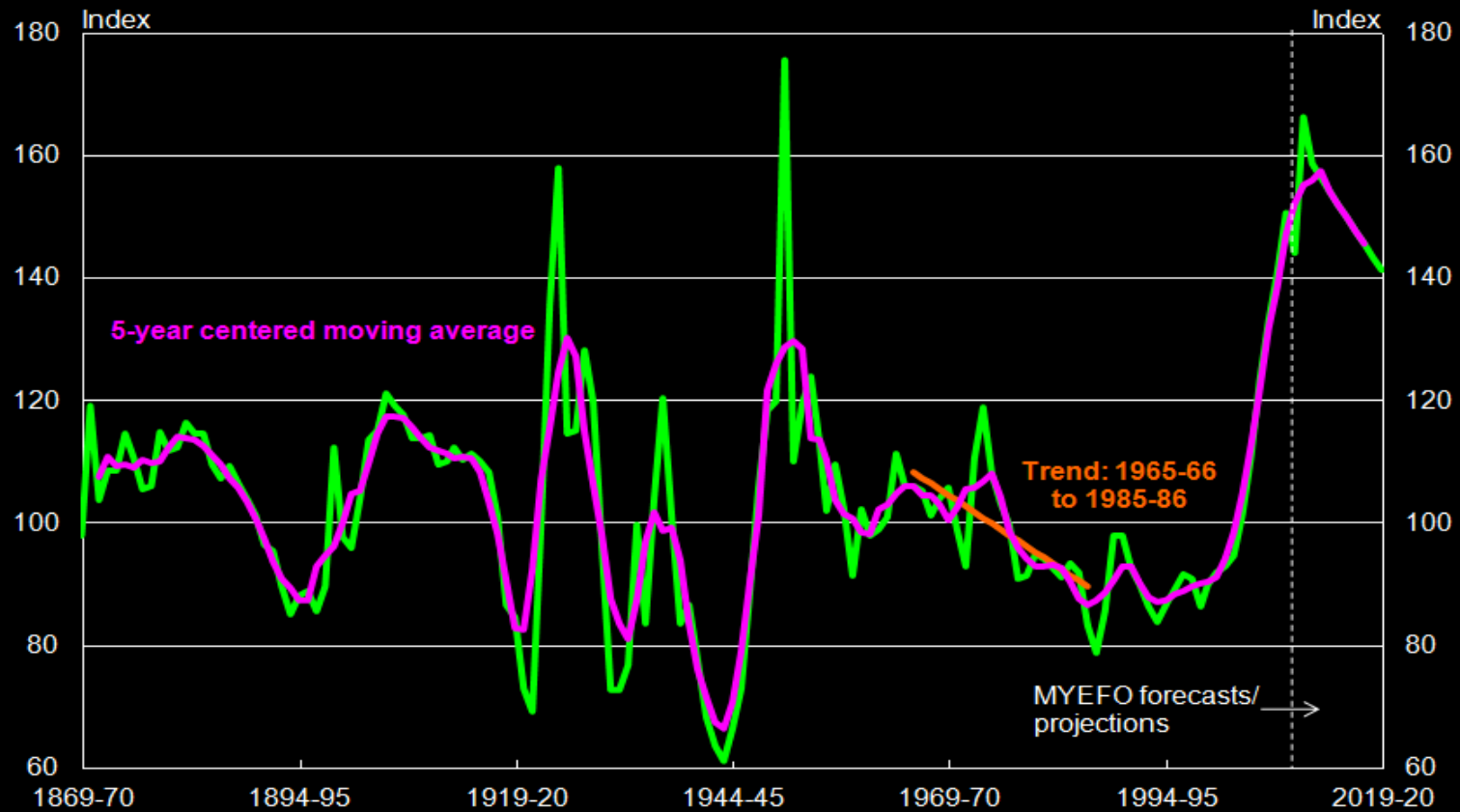
Source: Kharas, H and Gertz G, 2010, „The New Global Middle Class: A Cross-Over from West to East” in C Li (ed), China’s Emerging Middle Class: Beyond Economic Transformation, Washington, DC, Brookings Institution Press.



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Terms of trade

(Index 1900-01 to 1999-00 = 100)



Source: ABS Catalogue Number 5206.0, RBA and Treasury.

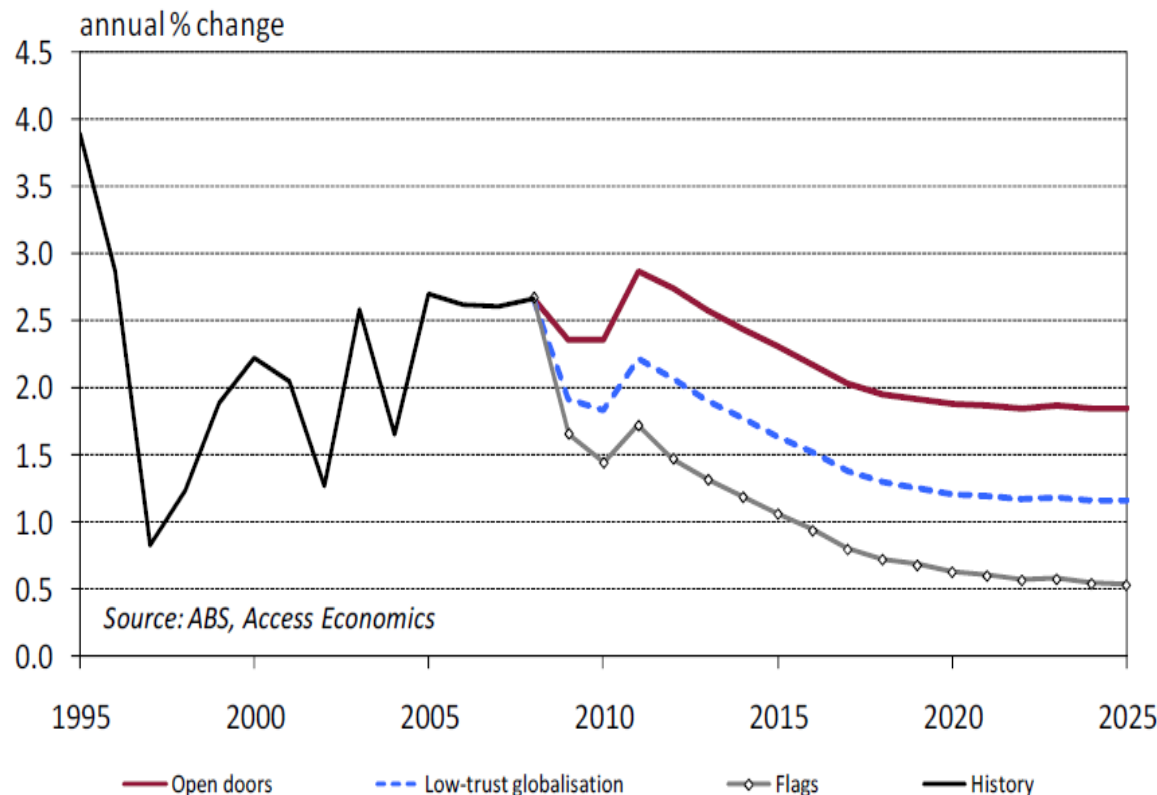
Source: *Economic and Financial trends and globalisation over the next 15 years* Presentation by Dr David Gruen (Executive Director, Macroeconomic Group, Treasury) to Skills Australia/Academy of Social Science Australia Scenario Development Forum 7 February 2011)



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Possible Futures: workforce growth to 2025

Projected total employment growth rates ¹



Number of people in Australian workforce in 2025 (based on three scenarios)

Open Doors: 15.3 mill

Low Trust Globalisation: 13.7 mill

Flags: 12.5 mill

Current: 11.3 mill

1. Access Economics Pty Ltd for Skills Australia, *Economic modelling of skills demand* (Oct 2009)



Qualifications and skills shortfall

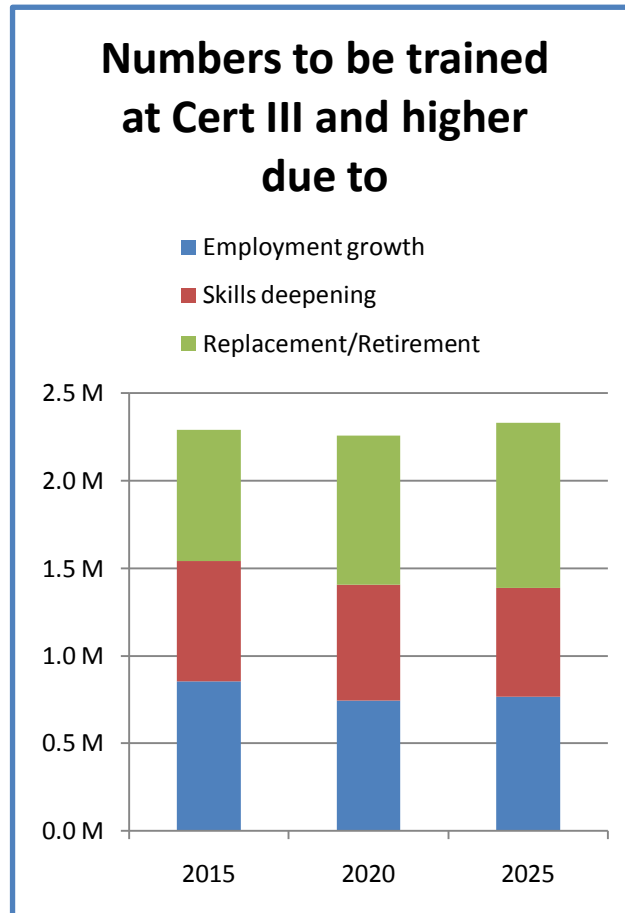
	THE THREE SCENARIOS					
	OPEN DOORS		LOW-TRUST GLOBALISATION		FLAGS	
By 2015	Demand	770,000	Demand	646,000	Demand	540,000
	Supply	533,000	Supply	524,000	Supply	506,000
	BALANCE	-237,000	BALANCE	-122,000	BALANCE	-34,000
By 2025	Demand	828,000	Demand	645,000	Demand	500,000
	Supply	659,000	Supply	620,000	Supply	556,000
	BALANCE	-169,000	BALANCE	-25,000	BALANCE	+56,000

However, skilled migration plays a significant role in supplementing the supply of qualifications, and if it remains at current levels, these deficits may be made up through Australia's skilled migrant intake.

1. Access Economics Pty Ltd for Skills Australia, *Economic modelling of skills demand* (Oct 2009)



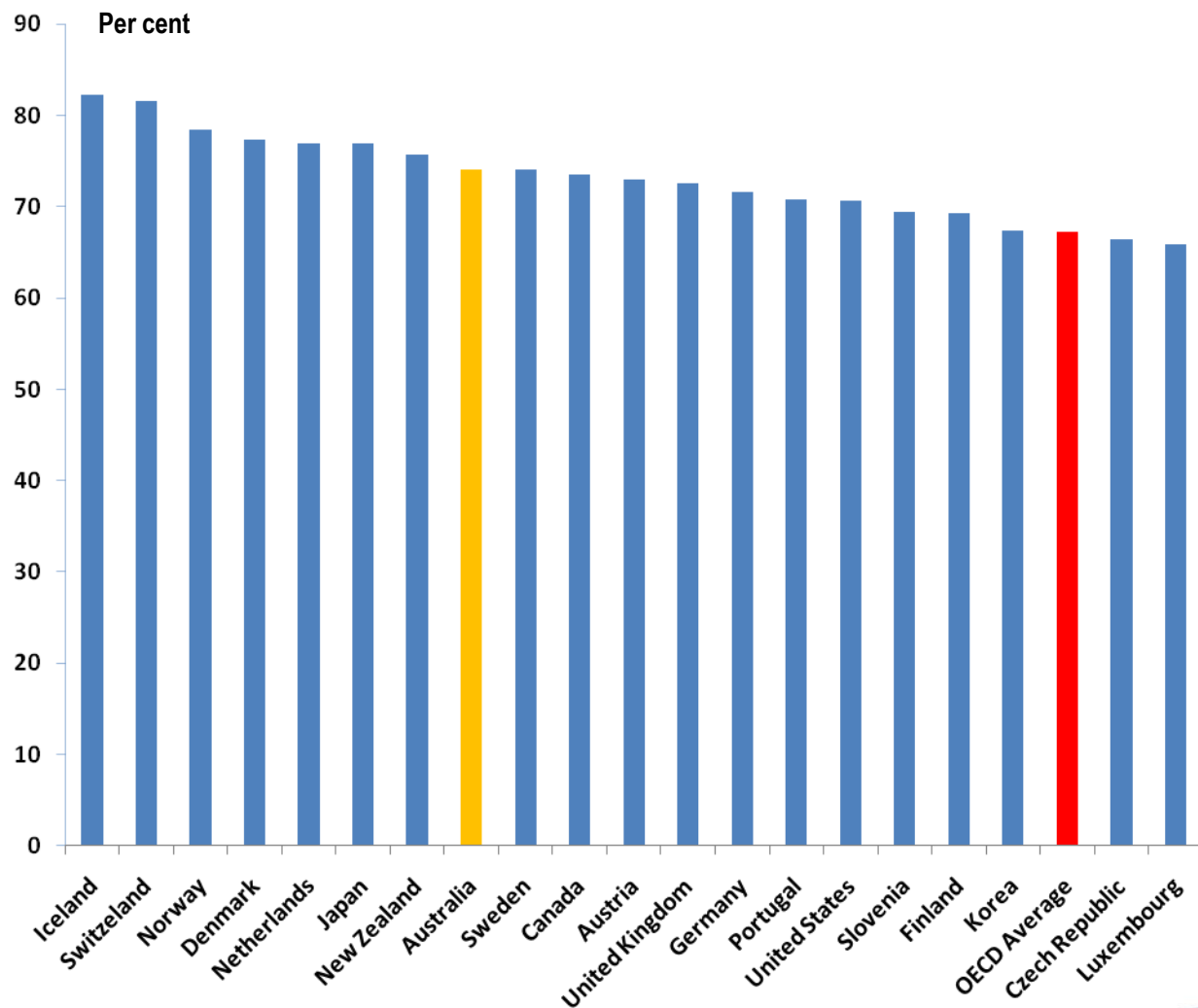
Qualifications and skills demand



From 2010-2025

- Demand for 12 million qualifications
- Demand for nearly 7 million people with qualifications at Certificate III and above
- Demand by 2015 for additional 2.3 million workers with qualifications at Certificate III and above – but not all new jobs – replacement and skills deepening

Making Better Use of Existing Workforce – Improving Participation



Groups to target

Men of prime working age (25 to 64 years) – ranked 21st in OECD

Women (aged 25 to 34 years) - 10th lowest of OECD countries

Older Australians (55 to 64) - below NZ, UK and the US

Source: OECD, Online OECD employment data base statistics for 2009, people aged 15 and over (accessed March 2011)



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What our research and consultations told us about – *the importance of Foundation Skills*

- Addressing the lack of Foundation Skills is critical in assisting people to enter and sustain employment
- Making a real difference to increasing workforce participation includes providing appropriate support to retain learners, and improving their chances of successful completion
- Foundation Skills should be developed in conjunction with work-based experience through the whole spectrum of learning



Improvements in LLN will deliver significant benefits

Workforce participation

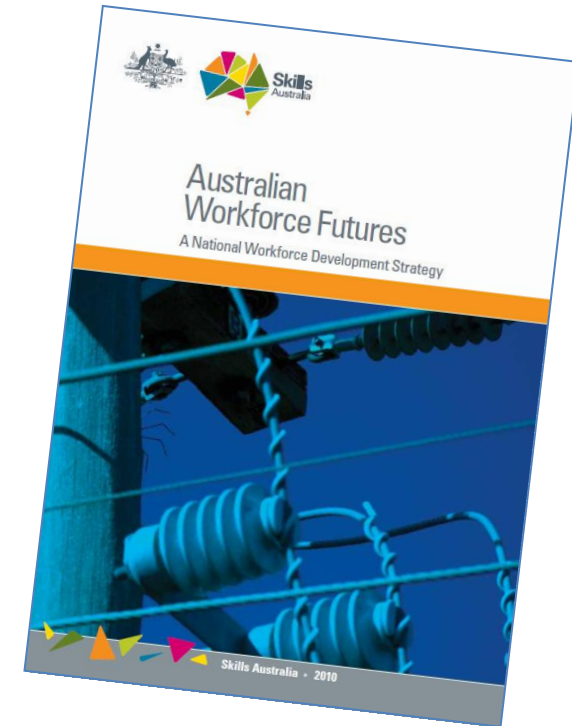
- A 1% higher national literacy score = 2.5% higher labour productivity and an associated increase in GDP per capita

Educational achievement

- The 2006 Adult Literacy and Life Skills (ALLS) survey revealed a strong association between educational attainment and LLN levels
- Improving LLN will contribute to the realisation of targets to increase the qualification levels of Australians since LLN is fundamental to the ability to accumulate higher-level skills

Social inclusion

- Improvements in LLN is suggested to have a generational flow-on effect, with the transfer of improved LLN skills from adults to their children



Key Recommendations and Government actions:

- The Government should develop and implement a **national adult numeracy and literacy strategy** and significantly **lift funding to existing programs**.
 - Government Actions (examples):
 - Skills for Sustainable Growth – May 2010
 - announced expanded funding to support approx 140,000 individuals to enhance language, literacy and numeracy skills Skills for disadvantaged (May 2011)
 - Further updates to LLNP (\$143M over 4 yrs); WELL (\$20M over 4 years); Cert II & above (\$80M over 4 years); Wage subsidy for very long time unemployed (\$95M over 3.5 years)



Key findings from *Australian Workforce Futures*

- ✓ Need to increase Tertiary (VET and University) enrolments by 3% per annum until 2025
- ✓ Co-fund this growth by individuals, enterprises and government
- ✓ Increase workforce participation from 65% to 69% by 2025
- ✓ Improve utilisation of existing skills
- ✓ **Boost foundation skills significantly**



The pay off from investment

- This investment can achieve a workforce participation rate of 69% by 2025 compared to the IGR projected rate of 64%⁽¹⁾
 - 69% is consistent with increased access to employability skills and experience overseas
- A participation rate of 69% will halve the projected age-dependency ratio and improve government budgets.
- Approximate estimates (Productivity Commission methodology) show an annual improvement in the operating balance of Australian governments of around \$24 billion (05/06 dollars)⁽²⁾
- In addition there would be improvements in productivity through upskilling

• 1) (2) Source: Skills Australia (2010) *Australian Workforce Futures*



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Uni student numbers on the rise

Updated Sat Apr 23, 2011 10:49am AEST

The Federal Government has released new figures showing the number of students at Australian universities has grown by an average of 10 per cent over the last two years.

About 50,000 additional undergraduate students enrolled in universities across the country in the last two years, which the Government says reflects its decision to lift the cap on the number of federally funded places.

The university with the biggest growth is the Australian Catholic University, with a 36 per cent increase, followed by the University of Canberra and the University of the Sunshine Coast.



About 50,000 additional undergraduate students enrolled in Australian universities in the last two years. (The University of Queensland: Chris Stacey)

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Autho strugg with a heroin which fuelled super: myth in the coastal city of Du



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Skills for prosperity: a road map for vocational education and training

- Advice to government on how to meet national qualification and skill needs to maintain economic growth, social inclusion and community development
- Based on extensive research and consultation - builds on *Australian Workforce Futures*
- To inform the next intergovernmental resourcing agreement on skills due for renewal in 2012 (National Agreement for Skills and Workforce Development)



Skills for Prosperity sets out an *integrated* set of recommendations

- A demand-based system of individual learner and enterprise responsive funding as the best means of growing the system quickly and effectively. Users know better than central planners
- **Co-funded by those who benefit the most with the greatest subsidy going to the most disadvantaged**

But dependent on:

- Better regulation and quality assurance of providers able to receive public funds including, for example, external validation of RTO assessments
- More transparent information about individual provider performance. Research indicates greater contestability leads to greater responsiveness and efficiency but needs to be accompanied by better market information or providers will tend to compete solely on price. This will jeopardise the necessary improvements in quality



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Major proposals

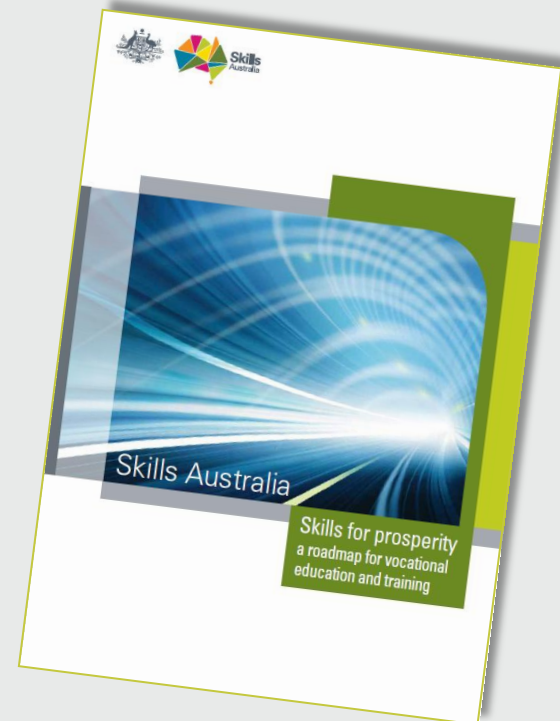
- Entitlement system for individual students
- Demand based funding for enterprise training
- Co-funded by Government, Industry and Individuals (where appropriate)
- Funding clients rather than RTOs
- Stronger quality and regulation
- Mandatory external validation of a sample of RTOs assessments
- Higher delivery standards for Cert IV in Training and Education
- Outcomes –based funding
- Increased investment



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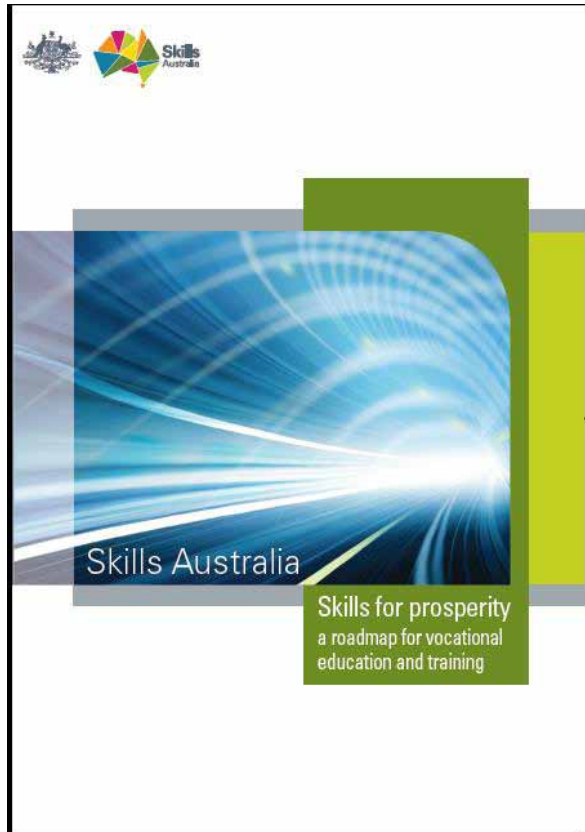
Rec 1: Full subsidy for lower-level qualifications

- Targeted entitlement to publicly funded training places
- **For vocational courses up to and including Certificate III, and for all Foundation Courses, full public subsidy**
- For Certificate IV and above, a partial public subsidy and co-funding between individuals and governments and supported through an income contingent loan



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Rec 2: Student financial assistance



- Equity for students across VET and Higher Education
- Increase access to VET for disadvantaged learners
- Rules governing access be reviewed to ensure those who are most disadvantaged can access support

Rec 3: Enable workforce development

- Amalgamate existing enterprise-linked funding streams into an „Enterprise Skills Investment Fund“. These could include:
 - The Critical Skills Investment Fund
 - An expanded Enterprise Connect and **Workplace English Language and Literacy Program**, and the Workplace Innovation Program
- Funds allocated to enterprises for workforce development purposes informed by the advice of industry
- Requirements essential to receive funding:
 - Robust workforce development plans linked to business or industry plans
 - Co-contributions from enterprises, according to their capacity to pay and government priorities
 - **All training funded through public subsidy to be accredited**



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Rec 7: Ensure joined-up services

New round of contracts with employment services agencies to incorporate the requirements to undertake joint program planning with local RTOs and intermediaries for the design of joined-up local services in regions of entrenched disadvantage and to **make better use of funding for improved outcomes for highly disadvantaged clients**, notably stream 3 and 4 unemployed



Rec 8: Adult and community education (ACE) in communities

- Role of ACE in creating pathways to further training and employment should be formally recognised
 - Intergovernmental Resourcing Agreement
- In South Australia – role of ACE acknowledged in their *Skills for All* policy reforms
- ACE provides a pathway for individuals undertaking pre-vocational; bridging; entry-level and foundation skills programs
- A growing proportion of ACE students taking accredited AQF courses, increasing from 25% in 2002 to 47.7% in 2009



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Other relevant recommendations:

- **Rec 15:** Strengthen the Training and Education Training (TAE) Training Package by making LLN elective mandatory in Cert IV (TAE) a priority
- **Rec 17:** The Quality Skills Incentive (\$129.8M commencing in 2011-12) be used to reward improved provider performance in completion of qualifications above Cert III by low SES and disadvantaged students
- **Rec 19:**
 - Support the development of the *National Foundation Skills Strategy* through funding of LLN programs to the levels recommended in AWF
 - Develop a dedicated national bank of Foundation Skills units and qualifications at a range of AQF levels, maintained by ISBA for ISCs
- **Rec 22:** Introduce performance incentive loadings/ outcome indicators for institutions that demonstrate improvements in LLN outcomes and/ or achievement in progress by lower SES background students to higher-level learning or work



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Stronger quality and regulation

1. A robust and properly resourced national VET regulatory system
2. The introduction of eligibility criteria for providers that wish to supply publicly funded entitlement places
3. A strengthened Australian Quality Training Framework (AQTF) that will lift the quality, rigour, validity and consistency of assessment outcomes through external validation and verification of outcomes
4. High-quality and rigorous delivery of the Training and Education Training Package, which is central to building qualifications and capability in the VET workforce
5. Growing a professional and skilled VET workforce by building the depth and breadth of workforce qualifications and investing in a national VET workforce development strategy



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English Framework for Excellence - Provider Information

Organisation name	FE long courses	Apprenticeships	Learner destinations	Learner views	
	The qualifications achieved in full year 08/09	The qualifications achieved in full year 08/09	People who progressed into further learning or work	The views of people studying or training with this organisation	
<u>BABCOCK TRAINING LIMITED</u> LONDON Distance from postcode CO64LL : 54 mile(s)	No enrolments	62.1%	78.2%	9.1	-
<u>Colchester Institute</u> Colchester Distance from postcode CO64LL : 6 mile(s)	77.5%	68.6%	82.8%	8.3	-
<u>Key Training Limited</u> SUFFOLK Distance from postcode CO64LL : 14 mile(s)	No enrolments	75.8%	77.3%	8.3	-
<u>SUFFOLK NEW COLLEGE</u> Ipswich Distance from postcode CO64LL : 14 mile(s)	79.7%	82.8%	86.7%	7.6	-

The site has been created by the Skills Funding Agency <http://skillsfundingagency.bis.gov.uk>

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VET Government Real Recurrent Expenditure – All Governments

	Per annual hour (Real 2009 \$ per hour)	Per FTE Student ¹ (Real 2009 \$)
1997	16.73 ²	12 042.4 ³
1998	16.02 ²	11 534.6 ³
1999	16.51 ²	11 888.6 ³
2000	15.54 ²	11 188.1 ³
2001	14.75 ²	10 619.0 ³
2002	15.31 ²	11 021.8 ³
2003	15.58 ²	11 219.2 ³
2004	15.47 ²	11 140.1 ³
2005	15.31	11 019.7
2006	14.93	10 747.6
2007	13.95	10 044.8
2008	13.40	9 649.0
2009	13.31	9 583.0

¹ Per student expenditure equals per hour multiplied by 720

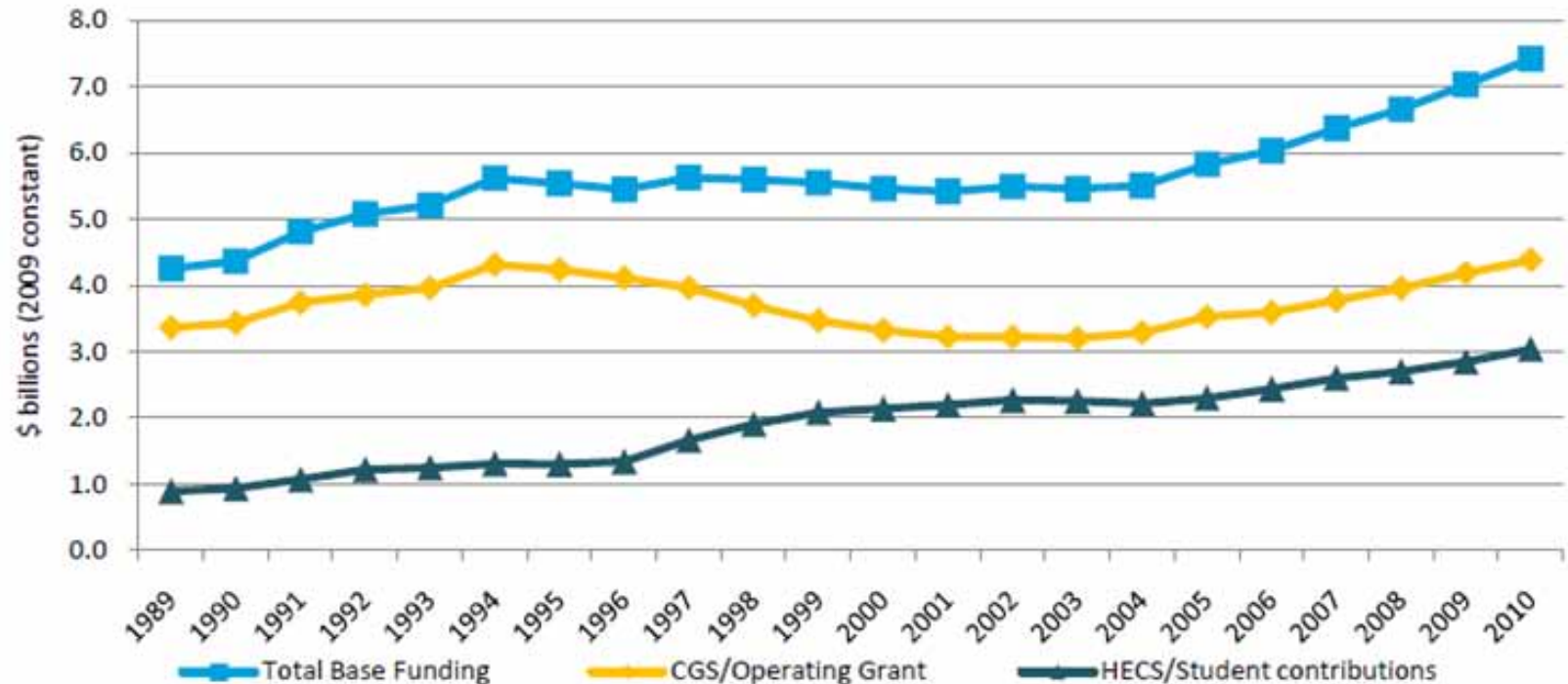
² Average adjustment applied

³ Adjusted to account for breaks in ROGS series data

Source: ROGS Edition 2011



Total Australian Government Higher Education funding (\$ billions, 2009 constant dollars)



Data is based on Operating Grants until 2004 and Commonwealth Grant Scheme funding (including loadings) from 2005. To allow comparison, funding for the Capital Development Pool program prior to 1994 has been included. An amount for research and research training has been removed from the Operating Grant figures prior to 2001 using the amounts published in the Government's Science and Technology Budget Statements.

Source: Background Paper for the Higher Education Base Funding Review



National Foundation Skills Strategy and National Workforce Development Fund (the Fund)

- Skills Australia supports the *National Foundations Skills Strategy* being developed by DEEWR
- The Fund provides \$558 million over 4 years to support training and workforce development in areas of current and future skills need
- The Fund opened for applications from industry on 10 August 2011
- The Fund builds on the successful programs of Enterprise-based Productivity Places Program and the Critical Skills Investment Fund
- Priority sectors to be targeted in 2011-12 are construction, aged care, renewable energy. There is also an element which enables enterprises in all sectors to support training in occupations in demand
- The Fund will be managed by the new National Workforce and Productivity Agency from 1 July 2012



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NCVER – Vocational Training and Social Inclusion



VOCATIONAL TRAINING AND SOCIAL INCLUSION

At a glance

KEY MESSAGES

- Overall, the data from 2006 to 2010 indicate an increase in the proportion of students from disadvantaged groups participating in and completing their training.
- There is evidence that the training experience can be a useful stepping stone towards participation in the community and labour market.
- The problems facing the disadvantaged learner are often entrenched; training is not the sole answer. Some interventions intensify or entrench disadvantage when they don't result in real opportunities, while others widen participation and improve outcomes. The research consistently points to the following three areas as effective in leading to a positive outcome:
 - an integrated partnerships approach, with advice linked to other services beyond the remit of the VET system, especially to identify work opportunities and to overcome the structural and personal barriers affecting both training and labour market participation
 - career guidance, with the ambitions of the individual supported and the development of 'life skills' encouraged, so that the individual can manage educational and occupational pathways
 - retention strategies that assist with overcoming barriers to completion, such as extensive student support services and flexible approaches to training delivery.

AUTHOR: JO HARGREAVES

NCVER

NATIONAL CENTRE FOR
VOCATIONAL EDUCATION RESEARCH



Australian Government
Department of Education, Employment
and Workplace Relations

- 2006-2010: Increase in the proportion of students from disadvantaged groups participating in and completing their training
 - The training experience can be a useful stepping stone towards community and labour market participation
- Research consistently points to three areas that are effective in leading to positive outcomes:
 1. An integrated partnerships approach
 2. Career guidance
 3. Retention strategies



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Thank you

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