

# Skilling Australia for the future



New Leadership.

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**Election 2007**

Policy Document

**Kevin Rudd MP**

Federal Labor Leader

**Wayne Swan MP**

Shadow Treasurer

**Stephen Smith MP**

Shadow Minister for Education and Training

**Senator Penny Wong**

Shadow Minister for Workforce Participation

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[www.kevin07.com.au](http://www.kevin07.com.au)

# Skilling Australia for the future

## Overview

Australia's future prosperity is tied to the skills and productive capacity of our workforce. For Australia to enjoy sustained low-inflationary growth and compete successfully in the global economy, we must invest in human capital and build a highly skilled workforce so that we can compete with the best of our neighbours.

This is important for Australia's economic future as well as for the future prosperity and wellbeing of our citizens.

Australia is in its 17<sup>th</sup> year of continuous economic growth, and in the midst of a once-in-a-generation minerals and petroleum resources boom. The current wave of expansion has seen living standards rise substantially since 1990, and unemployment has dropped below 5 per cent.

While the economy is expanding, there is a risk of our future prosperity being constrained by skill shortages, an ageing population and lagging productivity growth.

A Rudd Labor Government will invest in Australia's economic future by funding additional training places in an increasingly more responsive system.

Labor will deliver around **820,000** additional vocational education and training (VET) places over the next six years, commencing in April 2008. Over four years, it will deliver more than **450,000** new places, comprehensively closing the skills gap anticipated and ignored by the Howard Government.

The new places will emphasis quality training, with over 90 per cent of the places being at the Certificate III level or above.

The new places will be delivered in a comprehensively reformed system which meets the concerns of industry groups such as the Australian Chamber of Commerce and Industry (ACCI) who have called for a more responsive training system.

More places in a better quality VET system will help drive productivity growth, increase workforce participation and address chronic skills shortages.

Labor's reforms will also create jobs, increase labour market flexibility and lock-in full employment for the next generation of Australian workers.

A Rudd Labor Government will close Australia's skills gap by massively expanding places in a more responsive Vocational Education and Training system.

## The need for action

Investment in skills creation is central to the next wave of economic reform that will position Australia as a competitive, prosperous, knowledge-based economy that can compete and win in global markets.

If Australia is to continue to succeed economically – enjoying sustainable, low-inflationary economic growth – it needs a greater number of workers with higher skill levels, which better match up to the needs of industry.

This requires sound investments in the nation's education and training systems.

After a decade of neglect of skills and training, now is the time for these vital investments to put downward pressure on inflation and secure prosperity beyond the mining boom.

Investments in skills and training will give our economy – and individual workers – a brighter future, with increased prosperity and better jobs.

## Participation

Increasing the workforce participation rate is a key ingredient to lifting Australia's productive capacity.

By achieving higher workforce participation – and consequently higher output – the higher our living standards will be in the future.<sup>1</sup>

Put differently, having people outside the workforce represents a big waste of national economic potential.<sup>2</sup>

In the future, the demands placed on our economy will be greater, but the potential pool of workers available to meet these demands will be relatively diminished.

Over the next 40 years, the ageing of the population will see a doubling in the proportion of Australians aged over 65. Over the same period, workforce participation rate is projected to decline from 64.5 per cent today to around 57 per cent by 2046.<sup>3</sup>

The 2007 Intergenerational Report estimated that the ageing of the population will contribute to a fiscal deficit of 3.5 per cent of GDP within four decades, driving Australia's federal debt to 30 per cent of GDP by 2046-47.<sup>4</sup>

Despite the broad agreement that a higher rate of economic engagement is important for Australia's immediate and long-term prosperity, our participation rates remain relatively low compared to other OECD countries.

Australia's overall workforce participation ranking has fallen from 8<sup>th</sup> to 12<sup>th</sup> place over the last 16 years.<sup>5</sup>

Our ranking for total male participation rates has also fallen, from 10<sup>th</sup> place in 1995 to 12<sup>th</sup> place today. The participation rates of males aged 25 to 54 years is particularly low, with Australia ranked 23<sup>rd</sup> among 30 OECD countries.

A critical step to lifting Australia's workforce participation is investment in skills.

Australia's ageing population adds real urgency to the need to increase workforce participation rates

People with higher qualifications have higher rates of participation and employment, and their working lives tend to extend longer than those without qualifications.

In recent decades, the decline in the participation rate for males with no post-school qualifications has been particularly dramatic, with participation rates for this group falling by around 14 percentage points.<sup>6</sup>

Data also shows that more than 70 per cent of male long-term unemployed have no post school qualifications, which is also true of 80 per cent of females receiving Parenting Payment who are not in the labour force.<sup>7</sup>

To ensure that our investments in skills have the maximum impact on participation rates, Australia's vocational and education training system must:

- Provide incentives and training for those currently not participating in the workforce.
- Invest in lifelong learning for our existing workforce to ensure they maintain and improve their job prospects in a dynamic work environment.

## Productivity

Australia's future economic prosperity requires sustained productivity growth.

Since the late 1990s, however, Australia's productivity growth rate has been in decline.

Labour productivity growth fell from an annual average of 3.3 per cent over the five year period to 1998-99, to 2.1 per cent over the five year period to 2003-04 – and in the three years since then it has fallen to just 1.1 per cent a year.<sup>8</sup>

As a result of this flagging productivity performance, Australia has fallen further behind global productivity leaders. Benchmarked against the United States economy, Australia's labour productivity fell back from a peak of 85 per cent to just 78 per cent between 1998 and 2006, wiping out the relative productivity gains of the 1990s.<sup>9</sup>

Investment in the education, skills and training of our people is the single most important thing we can do as a nation to lift productivity.

Increasing the national skills base impacts positively on productivity in a number of ways, including:

- Directly, by increasing the quality of human capital in a business and in the country.
- Indirectly, through 'spill over' impacts on the productivity of other workers.
- Via other drivers, by encouraging greater investment and innovation and by increasing our capacity to absorb new technologies from abroad.

The last mechanism – where skills lead to innovation and productivity growth – is especially important in the current global economic landscape.

As Australian businesses find it increasingly difficult to compete with emerging economies in the production of low value-added products and services, their

Greater investment in education, skills and training will lift productivity.

comparative advantage will lie in driving innovation, achieving ongoing productivity improvements, and producing high value-add, knowledge-based goods and services.

As an economy, Australia needs to think smarter and work up the innovation ladder. This means providing more, and higher quality, training.

Recognising the productivity benefits which flow from having a highly skilled workforce, the Australian Industry Group and the Business Council of Australia have each independently identified building the skills base through better education and training as the most important economic strategy for the future.<sup>10</sup>

### **Skills shortages**

The Australian economy is experiencing debilitating skill shortages in critical areas. These skill shortages are constraining output and putting upward pressure on inflation and interest rates.

In August 2007, the St George-ACCI business survey noted that the availability of suitably qualified employees is the biggest constraint on small, medium and large businesses.<sup>11</sup>

In the absence of policy intervention, these skill shortages are only likely to intensify into the future.

According to the Government's own estimates, Australia faces a shortage of more than 200,000 skilled workers over the next five years – and a deficit of 240,000 workers by 2016.

If we fail to act on skills shortages now, we will damage our economy in the future.

Over the last eight years, the Reserve Bank of Australia has warned on 20 separate occasions that skill shortages were threatening growth and contributing to higher inflation and higher interest rates.<sup>12</sup>

The Centre for the Economics of Education and Training (CEET) at Monash University estimates that if Australia is to continue to enjoy strong growth, over the next ten years, more than four million Australians will need to acquire qualifications, including scores of existing workers.<sup>13</sup>

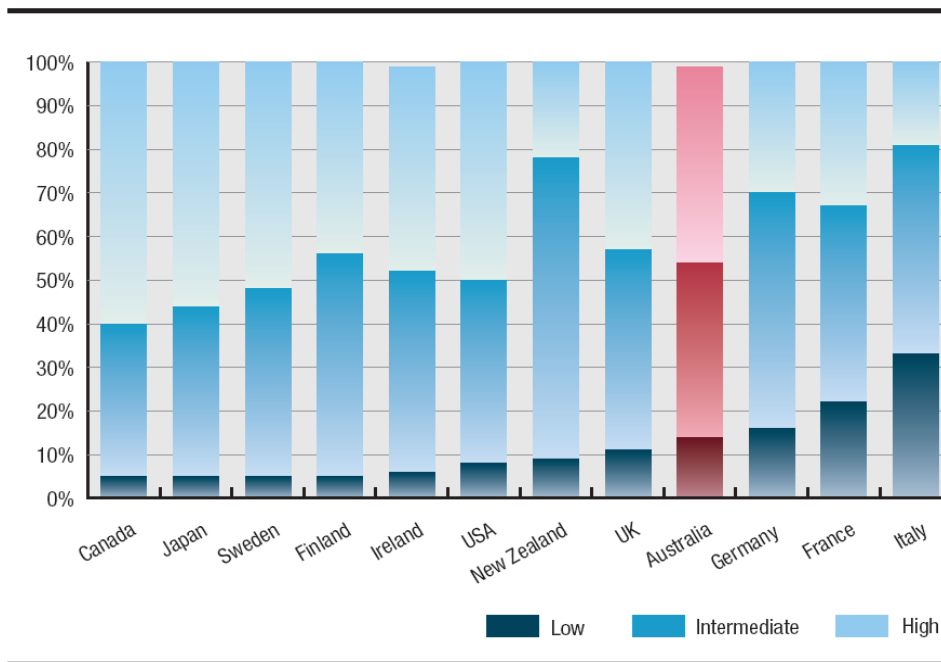
To meet this demand, Australia will require an additional 2.5 million people with VET qualifications between 2006 and 2016, of whom around 1.7 million will need to be qualified at Certificate III level or above.<sup>14</sup>

International research shows that without significant up-skilling across the workforce, Australia's relative skill level will be lower than our international competitors in the future. Chart 1 below shows that, on current levels of skill formation, in 2020 Australia will have nearly three times the proportion of low skilled or unskilled workers than the best performing countries.<sup>15</sup>

Without significant investment in further skills acquisition Australia's workforce will languish in terms of international competitiveness and our future growth prospects will be threatened.

After years of neglect,  
Australia faces a  
significant shortage in  
the number of skilled  
workers

CHART 1: INTERNATIONAL SKILLS PROJECTIONS TO 2020<sup>16</sup>



**Full employment**

Investment in skills and training will also play a key role in securing low levels of unemployment across the economy.

The more productive the economy is and the faster its expansion, the greater the demand for skilled workers will be.

Workers with more skills and qualifications are also more employable.

Just as importantly, investment in skills and training will greatly increase the flexibility of Australia’s labour market, and reduce inflationary pressures.

Workers who are better skilled can more easily transfer their abilities and change occupations in response to fundamental changes in economic conditions and technology.

In this way, Labor’s investment in skills training will complement its investment in a flexible and fair industrial relations system.

Education and training is also vital to lifting those outside the social and economic mainstream into employment.

The Dusseldorp Skills Forum and the Australian Industry Group estimate there are around 526,000 15-24 year olds not engaged in full time work or study.<sup>17</sup>

Skills training will also ensure workers who want to engage more in the workforce have the capacity to do so.

It is estimated that there are currently 544,600 ‘underemployed’ workers in Australia – that is, those who would like to work more than they currently do.<sup>18</sup>

Enhanced vocational training is critical to delivering a genuine full employment economy – one where existing workers’ jobs are secure, and where those outside the workforce have the wherewithal to participate in it more fully.

Better skilled workers have better job prospects and make the economy more productive

## The VET system needs reform

Despite 20 warnings from the Reserve Bank over the last eight years and the findings of its own Intergenerational Reports, the Howard Government has failed to systematically address the growing skills crisis.

A series of ad hoc initiatives have failed to prevent critical skills shortages in a range of industry sectors.

The Department of Employment and Workplace Relations has identified persistent trade skills shortages over much of the past ten years across the economy – from toolmakers to air conditioning mechanics to chefs.

Widespread persistent skills shortages have also been recorded over the past ten years in the professions.

Instead of seizing the opportunity presented by the mining boom to invest in the skills and capacity of our existing workforce, the Howard Government has instead focused on cutting Australian workers' wages and conditions through its unfair WorkChoices laws.

The Howard Government has failed to understand the importance of lifting participation, improving productivity growth and enhancing labour market flexibility by making an investment in skills.

**TABLE 1: EXAMPLES OF PERSISTENT SHORTAGES**

<b>Occupational Title</b>	<b>Years in shortage</b>
<b>Trades</b>	
Metal Machinist	9
Toolmaker	10
Pressure Welder/Welder	9
Sheetmetal Worker	10
Motor Mechanic	10
Auto Electrician	10
Panel Beater	9
Vehicle Painter	10
Airconditioning Mechanic	9
<b>Professions</b>	
Computing Professional	10
Registered Nurse	10
Registered Midwife	10
Registered Mental Health Nurse	10
Pharmacist	10
Physiotherapist	9
Medical Diagnostic Radiographer	10
Sonographer	10
Child Care Coordinator	10
Child Care Worker	8

Source: Lists of national shortage 1982 to 2007 produced by the Department of Employment and Workplace Relations and its predecessors.

This is demonstrated by the Howard Government's failure to:

- Invest adequately in training.
- Reform the delivery of vocational education and training.

Between 1997 and 2000, the Howard Government cut funding to the VET system by 13 per cent – and since 1996 more than 325,000 people have been turned away from the TAFE system.<sup>19</sup>

The current training system is also ill-equipped to meet the demands of the future economy.

The lack of attention to quality, relevant training plans and mentoring and support has led to very low and declining completion rates for apprentices and trainees.

Most of the Howard Government's investment in training has been in lower level traineeship qualifications often with minimal real training effort. In fact, enrolments in higher level diploma and advanced diploma qualifications have declined in recent years.<sup>20</sup>

Australia's training system also remains largely driven by the needs of providers and agencies seeking funding and subsidies, without a strategic focus on the needs of the economy or employers.

Better long-term planning is essential.

International research shows that 'supply driven' approaches to delivering skills and training are largely ineffective in meeting the demands of employers and do not provide incentives for training providers to be flexible or innovative.<sup>21</sup>

Under the guise of providing greater choice and so-called 'demand side' reform, the Howard Government has recently focused on providing vouchers for employers and individuals through the Skills for the Future program.

However, these vouchers have not gone a long way to improving Australia's skills base.

First, the take-up of some of these vouchers has been low, with only around 400 Business Skills Vouchers issued to date, well short of the 6,300 per year allocated by the Government.

Second, consistent with the Howard Government's broader approach to low-level skills training, Work Skills Vouchers have been restricted to Certificate II level qualifications and below.

Evidence shows that Australia's economy needs higher level skills, and the Australian Industry Group has called for the level of qualifications deemed to be equivalent to completing Year 12 to be lifted from a Certificate II to a Certificate III.<sup>22</sup>

The Business Council of Australia estimates that nearly half of the qualifications needed to meet the predicted demand for skilled workers will need to be at Certificate III level or above.<sup>23</sup>

Third – and more fundamentally – training vouchers are a blunt instrument.

The Howard Government's reliance on vouchers for training has not helped Australia's skills needs

They encourage training providers to focus on attracting and enrolling students, not on the quality of training outcomes.

They also do not marry up the training being undertaken with the needs of industry and its workforce.

Industry groups such as ACCI have implored the Howard Government to introduce more industry-driven training system:<sup>24</sup>

*“Industry badly needs a training system that is demand driven, provides incentives for training providers to better meet the needs of employers and encourages competition between and within the public and private training provider sectors.”*

Part of the problem in increasing the national skill level has been that training has not matched up with the needs of employers.

Businesses have not been provided with any assistance to enable them to diagnose, predict and tailor training to their future workforce needs.

Businesses are also sceptical about the returns they will get from investing in training.

Under the Howard Government, the Australian training system has also failed to adequately help those outside the workforce to re-enter.

Despite the need to increase participation rates, Australia’s record on training those who are not employed is poor. Australia spends just 0.04 per cent of its gross domestic product on training those who are not employed – the fifth lowest level in the OECD.<sup>25</sup>

Australia’s training system needs to undergo a fundamental shift, from a system driven by the needs of providers and agencies seeking funding and subsidies, towards a system that responds to the needs of industry and the economy – and which provides graduates with more relevant qualifications and a better chance of securing a job.

Australia spends just 0.04 per cent of GDP training people outside the workforce – the fifth lowest in the OECD.

## Labor's Plan for Skilling Australia for the Future

### Summary

A Rudd Labor Government will deliver more than **450,000** additional VET places over four years, commencing in April 2008.

Over the next six years, Labor will deliver **820,000** additional places, comprehensively closing the skills gap anticipated and ignored by the Howard Government.

The new places will be delivered in a more industry-driven system, ensuring that training is more responsive to the needs of businesses and individuals.

The new delivery arrangements will also place greater emphasis on accountability for quality and increasing completion rates.

Labor's additional, long-term investment in VET will also deliver better infrastructure facilities for TAFE and address the workforce needs of the sector.

A Rudd Labor Government will ensure that Australian workers are able to develop the skills they need, not just to get by, but to get ahead.

The new arrangements will also complement Labor's commitment to deliver better vocational and education and training in our schools.

### New growth places

The current VET system is not training enough new or existing workers to keep up with the skill demands that are being placed on the Australian economy and its workers.

A Rudd Labor Government is committed to funding sufficient places to dramatically improve Australia's skills base.

### *Re-entrants: Training those outside the workforce*

Labor recognises the merits of certified training in assisting people on income support payments to acquire skills and gain lasting employment.

Of the total additional vocational education and training places funded over the next four years, more than **175,000** will be allocated to people who are currently outside the workforce.

A Rudd Labor Government will aim is to create an additional **340,000** re-entrant training places over the next six years.

Almost two thirds of the places will be targeted to a minimum level of a Certificate III qualification.

This composition recognises that many people outside or marginally attached to the workforce do not have any formal qualifications – but also that higher level qualifications will increasingly be demanded across the workforce in the future.

Literacy and numeracy, along with general employability skills, will form a core component of the training for those people who have not been employed for some time.

Labor also recognises that for those outside the workforce, course costs are not the only barrier to participation in vocational education and training programs.

Other factors, such as difficulty finding someone to look after young children, can act as practical road blocks.

In recognition of this, a Rudd Labor Government is committed to establishing up to 260 new child care centres, as announced in Labor's Early Childhood Education package, including on TAFE and university campuses across the country.

Labor's \$2.5 billion plan to build trades training centres in secondary schools will cater to the vocational training needs of younger Australians before they leave school.

### **Case Study – Training for the unemployed**

John, 32 left school at Year 10 and has been out of work for 12 months after working in a string of unskilled, low paying jobs.

Without any basic literacy or computer skills, John is having trouble getting any job that requires even the most basic skills.

Federal Labor's new re-entrant places will allow John to undertake intensive training that is endorsed by industry and improve his chances of getting a skilled job and securing his future.

### ***Continuing training: Training those already working***

A further **270,000** places over four years – and more than **480,000** over the next six years – will provide improved qualifications and skills for people who are employed but who need to update their skills

To deepen the skills level in the economy a substantial number of existing workers will need to gain, or upgrade their qualifications.

Individual career progression in today's labour market will also increasingly demand that individuals continue to update their skills.

Those who wish to update their skills may or may not have formal qualifications. However, it would be expected that this group would have skills and experience that would be recognised and the majority would be undertaking more advanced qualifications.

Accordingly, half the new continuing training places funded by a Rudd Labor Government will go towards Diplomas or Advanced Diplomas, while another two-fifths will target Certificate IV qualifications.

**Case Study: Training for the existing workforce**

Jane is 47 and over the past 10 years has worked her way up the career ladder in her company.

Through years of experience and hard work, Jane has been able to move up the career ladder from the entry level position she started in, but because she does not have any post-school qualifications, Jane has not been successful moving into a management position.

Taking one of Federal Labor's Continuing Training places will allow Jane to get the skills and qualifications to complement her work experience and help her move into a more senior role.

**Apprenticeships**

Federal Labor's new continuing and re-entrant places will support up to an additional **65,000** apprenticeship places over four years and around **120,000** over six years – including traditional trade apprenticeships.

Apprentices play a crucial role in building Australia's skills base.

To ensure continuity, these additional apprenticeship places will be dealt with separately from the additional places for continuing training and those re-entering the workplace.

Existing and additional apprenticeship places will continue to be funded under current arrangements. All subsidies and payments to employers and apprentices will be retained. There will, however, be an increased focus on quality, relevant training plans and lifting completion rates.

**The funding of new places**

TAFE is, and will remain, the responsibility of State and Territory Governments under Commonwealth-State Agreements.

Current Commonwealth funding for State and Territory Governments, and through them the TAFE system, will not be disturbed.

The new industry-led system for the allocation of training will only be used for new training places.

To buttress its policy reforms, however, a Rudd Labor Government will seek a matching commitment from State and Territory Governments for some of this additional investment.

Federal Labor believes that providing the unemployed and those marginally attached to the workforce with VET qualifications is the responsibility of the national government – and acknowledges that the economic benefits derived flow substantially to the Commonwealth. The Commonwealth will therefore meet the entire cost of training places for those re-entrants outside of the workforce.

At the same time, Labor also recognises that States and Territories also enjoy the benefits which flow from having a more skilled workforce. Therefore, for additional continuing training places, the Commonwealth will contribute 50 per

cent of the cost of each place, and seek a 40 per cent contribution from State and Territory Governments.

This will be negotiated as part of the next Commonwealth-State Agreement for Skilling Australia's Workforce. Employers will be expected to contribute the remaining 10 per cent of employee training costs.

### ***Industry-driven training***

Tackling the skills crisis requires national leadership.

That is why a Rudd Labor Government will introduce fundamental reforms to the way additional new training places will be delivered.

Labor's new delivery mechanism will focus on the current, emerging and future skills required by industry.

The reforms will centre on:

- Better diagnosis, auditing and distribution of information about Australia's skills and qualification needs.
- Making the delivery of new training more flexible and responsive to the needs of industry and individuals.

### ***Skills Australia***

Federal Labor believes that decisions about what type of workers need to be trained is best informed by comprehensive information gathered from the market and from those with a direct interest in the training system.

A Rudd Labor Government will establish *Skills Australia* – a high level board of seven experts, comprising economic, industry, academic and education expertise who will advise government on current and future demand for skills and training.

*Skills Australia* will, for the first time, bring together information sourced from commissioned research and industry stakeholders to inform Australia's workforce development needs.

On the basis of this information *Skills Australia* will provide government with recommendations about the future skill needs of the country.

It will identify future and persistent skills shortages as well as industries where retraining and up-skilling of workers may be required to prevent unemployment, under-employment and skills obsolescence.

In making its recommendations to Government, *Skills Australia* will have regard to the following objectives:

- Achieving full employment.
- The competitiveness of the Australian economy.
- The promotion of innovation through skills acquisition.
- Providing sufficient numbers of appropriately qualified workers for industries of critical national importance.

- The role of State and regional economies in contributing to the success of the broader Australian economy.

## **Industry**

With the advice it receives from *Skills Australia*, a Rudd Labor Government will allocate new training places, along with additional future places in VET directly to industry sectors.

The funding for new places will be bundled together and allocated to strengthened and better resourced Industry Skills Councils. Each Industry Skills Council will continue to liaise with employers and workers representatives to match up their training needs with the offerings of prospective training institutions, including TAFES and Registered Training Organisations.

Following a tender process, guided by the Federal Government, Industry Skills Councils will allocate places to individual employers who are prepared to support the development of their workforce, according to employer needs and the composition of the industry.

To encourage greater demand for training among employers, the Industry Skills Councils will help business assess their training needs, as well as that of their individual employees.

Industry Skills Councils will offer firms free impartial and independent advice about what skills the business may require, now and into the future. In this process workers will be consulted. Councils will also ensure that workers existing skills and training are recognised.

Industry Skills Councils will then match any training needs identified in individual businesses with training packages they commission from providers.

This will not only ensure that training is better tailored to the needs of industry, but that employers are given better, more relevant information about how additional training will help their business needs.

This industry-led system means that rather than trying to recruit students and trainees into planned courses that aim to anticipate demand, providers will be compelled to deliver training which is more responsive to the needs of industry.

This funding mechanism will mean that in order to secure public funding training providers will be required to deliver the skills that industry and individuals need flexibly and responsively.

Providing training in more demand driven system has many benefits:

- Training is better matched to the needs of the economy – this leads to better economic outcomes, and better, high paid jobs for individuals.
- Efficient funding – as training increasingly meets the demands of employers and individuals, the amount of money spent on wasted or ill-targeted training will decline dramatically.

- More people in training – making providers deliver training flexibly in a way that suits employers and individuals is likely to lead to increased numbers of people in training.
- More private investment in training – individual employers within an industry currently face a disincentive to invest in training due to concern that they will not retain their qualified staff, losing them and their investment to a competitor. Funding places at the industry level overcomes this obstacle.

### ***Strengthened Industry Skills Councils***

Industry Skills Councils include both employer and employee representatives and are currently responsible for the development of training packages and providing industry intelligence to the VET sector.

The Minister for Vocational and Further Education recently lauded the “depth of experience in all the Skills Councils” and said he had “a lot of confidence about the expertise that is captured across the 10 Skills Councils”.<sup>26</sup>

A Rudd Labor Government will provide \$51 million over the next three years to further strengthen Industry Skills Councils – effectively doubling their current funding allocations – and providing them with funding certainty.

Labor will also require each Council to file an annual report detailing its performance outcomes. This will increase accountability, but more importantly, will allow better-performing Councils to share the lessons they have learned with those operating in other industries.

Industry Skills Councils will be responsible for:

- Diagnosing the training needs of employers and allocating training places.
- Identifying suitable training providers.
- Developing industry training packages.
- Working with Employment Service Providers to provide training to re-entrants.

The Industry Skills Councils will be assisted in their work by *Skills and Training Info Centres* – one stop shops that will refer employers to Industry Skills Councils and provide information and advice to prospective students, employers and training providers.

A Rudd Labor Government will build on and expand the existing Australian Apprenticeship Centres and work with the States and Territories to establish a network of *Skills and Training Info Centres* that are a genuine one stop shops to provide the best advice on skills and training.

### ***Employers***

A training system which is more tailored towards the needs of industry is, by definition, one which also better meets the needs of businesses within an industry.

In a more industry-driven training system, employers will play two critical roles.

First, employers will need to work with their respective Industry Skills Councils to advise them about their aspirations and plans, as well as the training outcomes they are seeking.

Second, employers will act as a conduit between the individuals in their organisation and engaged training providers, ensuring that employees are given opportunities to raise their skill levels and develop their careers accordingly.

Employers who currently provide nationally accredited training in-house through a Registered Training Organisation – and whose training is therefore already highly attuned with their operational needs – will continue to be able to do so and will also be eligible to access new training places.

Recognising the key role that employers play in facilitating training of their staff, all existing employer incentives and training subsidies for employers will remain in place and will be more effectively targeted on quality training, higher level outcomes and achieving completions.

### ***Individuals***

Labor's Plan for Skilling Australia for the Future will ensure more of the Australian workforce has the skills and training to meet the current and future demands of the economy.

It will also provide individuals with a set of skills that will secure their future employment prospects.

Undertaking training that has been endorsed by industry and identified as an area in demand means that individuals will emerge with a skill set that will allow them not only to get by in the workforce, but to get ahead.

For those struggling to get into the workforce, these training places will provide intensive support and allow individuals to develop a skill set that is in demand from industry and will be more likely to lead to meaningful employment.

Individuals already in the workforce will benefit from continuing training places by deepening their existing skill set and ensuring that they gain and maintain those skills needed in their industry.

These qualifications will improve the job prospects of individuals within their existing workplace, and throughout the industry.

In short, more targeted, higher quality training will give people access to better paying jobs – now and into the future.

### ***Employment services***

Employment Service Providers will play a critical role in an overhauled training system, where a significant number of new places are allocated to the training of those outside of the workforce.

As a condition of accessing funding for up-skilling the current workforce, each Industry Skills Council will be compelled to provide training places to a specified number of prospective workers.

Job Network providers will be required to work with industry to ensure training is directed to those outside the workforce in most need of training.

Disability Employment Network providers will also be encouraged to facilitate appropriate referrals to training.

To encourage job seekers to undertake training, Job Network providers are currently able to claim outcome payments when a job seeker successfully completes a qualifying educational placement, and this arrangement will continue under the new system.

New contracts for employment services will commence in 2009 and a Rudd Labor Government will ensure that employment and training outcomes are more effectively integrated into new contracts for Job Network and Disability Employment Network.

Consistent with Labor's emphasis on industry-led training, incentives will reward training initiatives that promote and deliver sustainable employment outcomes for job seekers.

For individuals, eligibility for a training place facilitated by employment services providers will be determined principally against the following criteria:

- The job seeker has skill deficiencies that are limiting participation.
- The training is in an area of identified skills shortage.
- The training will clearly increase the employment prospects for the job seeker.

Priority will be given to those job seekers who have not gained or are not likely to gain a positive outcome from less intensive interventions.

### ***Training providers***

The highest quality, most innovative and responsive training providers will flourish under the new arrangements for allocating growth places.

As the single largest provider of training in Australia, TAFE remains an important part of Australia's training system. The TAFE system will continue to receive funding for existing places, and it is expected that, as a major training provider, TAFE will receive a significant proportion of additional funding through these new training places.

At the same time, competition for industry-held places will drive TAFE to become more entrepreneurial in identifying and responding proactively to future training demands in workplaces.

Labor will not pursue ideologically-driven changes to the public, private or corporate status of institutes such as TAFE. Instead it will focus on increasing responsiveness and flexibility of the current training system, which should in turn drive governance reform across institutional providers.

### ***Continuity with the current system***

Within this industry-led approach four key elements of the existing national framework will remain.

First, all existing places will continue to be funded under existing arrangements.

Second, a Rudd Labor Government, in consultation with *Skills Australia*, will identify priorities for the investment of public funds.

Third, to ensure quality training is delivered, a Rudd Labor Government will only fund programs leading to endorsed national qualifications that are delivered by a Registered Training Organisation.

Fourth, a Rudd Labor Government will act to promote effective competition between public and private, for profit and not-for-profit training providers.

### **Outcomes based funding**

To drive higher quality and more efficient training outcomes, a Rudd Labor Government will target these new funding arrangements towards the delivery of better training outcomes.

Labor believes that the more responsive delivery model outlined above should be accompanied by increased accountability.

Accordingly, the Commonwealth will provide the Industry Skills Council with a portion of the cost of each place it provides upfront, at the time when industry and the training provider enter into an arrangement for service provision.

The remainder of the cost of each place will only be provided on the successful completion of the training.

This funding structure will provide industry with sufficient up-front funding to engage a training provider to provide quality training. Importantly, however, it also gives training providers a direct incentive to deliver services which meet the demands and expectations of industry, employers, and individuals.

An outcomes based approach is more cost effective. By placing the emphasis on completions, there will be less wastage, meaning funding will actually be directed to those who emerge from the system with complete qualifications.

### **VET in schools**

With 526,000 young Australians not engaged in full time work or study, we need to increase the number of young people who remain in school and increase the opportunities available to them to obtain meaningful vocational qualifications.

With Year 12 retention rates stagnating at around 75 per cent, Labor has committed to increase this to 85 percent by 2015 and to 90 per cent by 2020.<sup>27</sup>

In aiming to increase the number of students who remain in school until the end of Year 12, however, it is necessary to provide meaningful VET streams in our secondary schools for those who do not wish to go on to university.

That is why Labor has already announced a ten year, \$2.5 billion plan to build trades training centres in all of Australia's 2,650 secondary schools for the one million students in Years 9 to 12.

The plan will invest \$729 million in the first three years to provide secondary schools with between \$500,000 and \$1.5 million to build or upgrade VET

facilities, either directly or in partnership with the local TAFE, in order to keep young people in school, enhance the profile and quality of VET in schools and provide real career paths to trades and apprenticeships for students.

Labor's policy will mean that the infrastructure and equipment being used in schools is of the same standard as that being used by industry. Having up-to-date equipment will make the vocational education done in our schools much more relevant to the real world of work.

Ensuring school based VET is responsive to the needs of industry also means that students need to undertake practical on the job training to take what they learn in the classroom and see how that translates into the workplace.

That is why a Rudd Labor Government will also provide an additional \$84 million over four years to guarantee access to one day a week of on the job training for 20 weeks a year for all VET in Schools students from Year 9 to Year 12.

Students who undertake this on the job training will also receive a Job Ready Certificate to assess their employability skills.

## Financial implications

Federal Labor's *Skilling Australia for the Future Plan* is fully costed and funded.

FINANCIAL IMPLICATIONS – IMPACT ON UNDERLYING CASH BALANCE (\$M):

	2007-08	2008-09	2009-10	2010-11	Total
Skilling Australia#	75.9	187.2	351.2	557.6	1171.9
<b>Gross Total</b>	<b>75.9</b>	<b>187.2</b>	<b>351.2</b>	<b>557.6</b>	<b>1171.9</b>
<i>Work Skills Vouchers</i>	-51.5	-190.4	-190.4	-190.7	-623.0
<i>Business skills vouchers for apprentices</i>		-2.7	-3.2	-4.0	-9.9
<b>Total Offsets</b>	<b>-51.5</b>	<b>-193.1</b>	<b>-193.6</b>	<b>-194.7</b>	<b>-632.9</b>
<b>Net impact</b>	<b>24.4</b>	<b>-5.9</b>	<b>157.6</b>	<b>362.9</b>	<b>539.0</b>

# Includes additional funding for Industry Skills Councils

## Endnotes

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