



Skills Australia Business Plan 2011





Introduction

Despite an uncertain international environment, the outlook for the Australian economy is largely positive underpinned by significant capital investment in the resources sector. The government's mid-year fiscal and economic outlook has observed that the Australian economy is in a strong position. GDP is now growing at around its trend rate, employment in Australia has continued to improve in the past year and the unemployment rate has fallen to around 5 per cent.

The strong demand for commodities has led to increased prices for our resources and in turn has led to terms of trade impact with marked differences between sectors. The strong sectors being mining and mining-related construction, the weak sectors are the trade-exposed sectors such as manufacturing, tourism and education. This change in demand in sectors has flow on effects for regions leading to a 'patchwork economy', particularly in those regions or areas with a narrow industry base to underpin the local economy.

Despite these economic and labour market challenges, analysis by Treasury shows the overall effect of the resources boom is a positive one across regions with more regions having a lower level of unemployment as a result of the boom. According to Treasury, the unemployment rate is forecast to fall to 4¼ per cent by the June quarter 2011 and 4½ per cent by the June quarter 2012, returning to levels last reached prior to the global financial crisis. This clearly will have implications for meeting the skills supply, and for the system in producing educated workers for the economy.

The benefits of the resources sector also poses challenges in relation to what will be the longer term legacy of our current prosperity.

Looking forward it will be important to continue to implement the type of past reforms that have arguable made Australia one of the most open and flexible economies and have enable it to largely dodge the GFC bullet.

In our most recent reports *Australian Workforce Futures* and *Skills for Prosperity* we have examined key challenges for the Australian economy and labour market and as a consequence we see an important role for the tertiary education and training sectors in contributing to address these challenges, which include:

- Australia's stalled productivity – we see a role for better workforce development to ensure that the supply of skills better matches the needs of industry and enterprise and an important role in developing management capability to support innovation within workplaces.
- Workforce participation – increasing workforce participation is a critical factor in meeting the challenges of an ageing population. The challenge is to better engage those individuals who are marginalised from the labour force to engage in education and employment during this period of increased opportunities.
- Planning for an uncertain future – our adaptive capacity continues to be a key to adjusting to changes that arise due to technological change, climate change, infrastructure development, policy changes etc.

These challenges and the broader economic context are reflected in Skills Australia's strategic priorities and the actions and deliverables for the next 12 months as set out in this work plan.



In addition this year we will prepare to transition for the new National Workforce and Productivity Agency. The agency, announced as part of the 2011 Budget, will focus on improving workplace productivity and will expand on Skills Australia's current remit to work with industry to develop planning for workforce development at the industry and regional level, expand the research capacity including to examine issues related to the quality and future of work in Australia and to partner with industry to design and administer the National Workforce development fund. This fund represents an important partnership between government and industry and will aim to improve workforce development within enterprises and ensure a better match between the supply of skills and industry skills needs.



Vision

Australia's skills and workforce development needs are anticipated and met and that skills are utilised to secure a prosperous and productive future.

Mission

The mission of Skills Australia is to provide independent and high quality advice to ensure the government's investment in education, training and workforce development promotes the development of a highly skilled workforce, increases workforce participation (especially among less advantaged groups), meets the needs of industry and individuals and increases Australia's productivity and quality of the education system.

Skills Australia's advice covers a broad range of areas that affect the demand for and supply of skills and the quality and productivity of work, including (but not limited to), migration, the tertiary education system and the effective use of skills in the workplace.

Our Values

Skills Australia's advice and operations will be underpinned by the following values:

Leadership We will take the strategic perspective to achieve outcomes that support our aspiration to have the best educated, best skilled workforce in the world. We will provide leadership, face challenges and tackle the difficult issues in the interest of increasing productivity and delivering benefits to individuals and the nation.

Commitment We support an education and training system that delivers knowledge and skills of high quality that can be useful and used. We are committed to a nationally based system of recognised competencies to meet the needs of industry and support mobility of skills and a framework that provides ease of access for users to engage with the system.

Respect and Inclusiveness We aim to build relationships with our stakeholders based on trust and collaboration. We will act as an honest broker, listening to the views of all stakeholders. We will respect different views, act with integrity, openness and honesty, be fair and credible, and share knowledge and information.

Flexibility We will provide advice to support reform of the national training system where it is needed and will be willing to change and continuously improve our actions through a learning approach.

Evidence based approach We will conduct and commission research that complements our objectives and will provide advice based on critical analysis and sound evidence.

Public interest Our advice will aim to ensure that education and training is directed to those areas that best address the public interest in supporting productivity improvement, increasing workforce participation, lifting the capacity of individuals to participate in the workforce now and to adapt to the future challenges arising from technological and other changes.



Strategic Priorities

The strategic priorities and objectives of the work of Skills Australia as set out below are primarily defined by the *Skills Australia Act 2008*. They are also informed by the recommendations arising from the major work undertaken by Skills Australia over the last 24 months – *Australian Workforce Futures, Skills for Prosperity: a road map for the future of VET as well as, new initiatives announced by Government and an assessment of work achieved and currently on hand*.

Analyse current and emerging skills needs in the Australian economy and provide the Government with recommendations on current and future skills needs and skills development.

Develop advice and strategies on workforce development and the utilisation of skills in the workplace to improve productivity.

Recommend and drive ongoing reforms to the Tertiary Education System (higher education and vocational education and training) including priorities for the investment of public funds and to ensure high quality outcomes for individuals.

Plan for the transition to the new National Workforce and Productivity Agency.

Engage with Skills Australia key stakeholders regularly and widely distribute outcomes of Skill Australia work to all stakeholders.

Our Stakeholders

Skills Australia provides advice on the skills and workforce development needs of the Australian economy ranging from unskilled to professional occupations.

The success of the outcomes we are seeking relies on fostering cooperative working relationships with a broad range of people and organisations that share an interest in workforce development needs including but not limited to:

- The Minister for Tertiary Education, Skills, Jobs and Workplace Relations.
- Other Commonwealth Ministers (Schools Education, Immigration; Resources, Energy, Tourism).
- Industry as represented by Industry Skills Councils, trade and professional associations, peak bodies, business and employee representatives.
- States and Territories and the relevant training authorities and through them the industry advisory bodies within each jurisdiction.
- Peak provider bodies as well as providers of education and training including both vocational and higher education in the public, private and community sectors.
- Individuals and employers accessing higher education and vocational education and training.

- Commonwealth government agencies.
- Research organisations in both the public and private sector.
- Intermediaries such as job services providers, career advisory services and group training associations.

In addition, the Board recognises that the development of human capital is a crucial factor in Australia's competitiveness, particularly applied and vocational skills and knowledge. Hence, the economic imperative underlying the work of Skills Australia is to ensure that the skills and knowledge delivered by the education and training system are used and useful. This is why the role of industry is critical to ensuring skills are used effectively. Skills Australia's relationship with industry is primarily through the peak industry associations, the Industry Skills Councils, Professions Australia, the individual professional associations and the peak education and training representatives.

Strategic Priority 1

Analyse current and emerging skills needs in the Australian economy and provide the Government with recommendations on current and future skills needs and skills development.

Rationale

Australia is currently experiencing high levels of economic activity and demand for skills. Leading economists expect Australia will move into a second phase of the resources boom which will have a significant effect on the demand for labour. This raises questions about the supply side response of the labour market, noting the decline in migration numbers since the peak in 2008, and our ageing population. Skills Australia has identified that Australia requires a highly skilled population to maintain and improve its economic position in the face of increasing global competition. The number of jobs that require higher skills continues to increase and the number of low skills jobs is declining. We need strategies in place to both increase and deepen skills for the future and to manage the approach for highly specialised skills needs.

- More needs to be done to increase the participation of domestic students in VET, otherwise Australia risks a lack of skilled workers to meet future growth and replacement demand.
- As the university sector moves to a demand based system it will be important to monitor the take up of university courses and identify potential gaps in specialised skills.

Actions for Skills Australia

- Develop processes and contacts that enable Skills Australia to obtain sophisticated industry intelligence about new and emerging skills needs biannually.
- Continue to work with stakeholders to examine how Australian workforce planning can be done better. In particular review the role that stakeholders play - at the national, industry and regional level in the collection, collation and interpretation of data and information and the ways in which these stakeholders can work better together in undertaking workforce development planning.
- Consult and work in consortia with industry stakeholders and professional associations, equity organisations and others to develop industry strategic outlooks. The outlooks will examine issues of supply and demand of skills and advise on interventions for the Specialised Occupations List to address the skills shortages or surpluses.
- Develop greater expertise to advise on priorities for migration policy and to inform on the role of migration in supplying skills to the Australian labour market, including the implications for the Skilled Occupation List.
- Consult regularly with key stakeholders to keep them informed and seek their views on the work being undertaken to identify skill needs.
- Evaluate and report on investment in education and training
- Draw up a program of research and analysis to support the work of this policy area and publish as appropriate on the Skills Australia website.
- Identify opportunities to collaborate with other organisations on research where appropriate, including both within Australia and internationally.

Deliverables

- a) Produce indicators of skill shortages by industry and occupation on a quarterly basis.
- b) Review the Specialised Occupations List on an annual basis, undertake analysis of expected demand and supply to assess whether these occupations are in balance, in shortage or excess and based on this analysis identify priority occupations.
- c) Use the analysis of demand and supply of specialised skills to assess the impact of the Higher Education demand based system.
- d) Work in consortia with industry to examine priority occupations in more detail.
- e) Provide advice in regards to a Skilled Occupations List for independent skilled migration.
- f) Publish Industry Outlooks and strategies for intervention to inform models of best practice for workforce development
- g) Produce a regular report on skilled migration and the implications for the Australian labour market
- h) Convene a meeting of the Strategic Industry Forum to examine ways to improve workforce planning at the sectoral and regional level and options for better collaboration and sharing of information



- i) Provide Secretariat Support for the Resource Sector Skills Needs Research Steering Committee
- j) Produce an annual report on resource sector skill needs.
- k) Continue development of scenario work for 2012 review of future skills needs.
- l) Provide advice on appropriate priorities for the new Trade Cadetship Program
- m) Write submissions in response to requests from Government/industry on skill needs
- n) Host a joint conference with ISCs on putting skills at the heart of the economy in July 2012
- o) Undertake and commission research to support Skills Australia work on current and emerging skill needs.
- p) Disseminate the outcomes of Skills Australia work on skills needs through presentations, industry forums and media.

Strategic Priority 2

Develop advice and strategies on workforce development and better utilisation of skills in the workplace to improve productivity.

Rationale

In the *Skills for Prosperity* report, we propose extensive reforms in the way VET is organised and financed to achieve a stronger focus on workforce development. Reform of VET to better integrate with business developments within firms has been identified as a cornerstone for improving enterprise productivity and lifting Australia from its sluggish middle ranking position as an innovative country.

Skills use is a core element of workforce development. It recognises the way that workplace, industry and regional and labour market conditions influence the take-up and deployment of skills at work.

- Australian Workforce Futures found that approximately 30 per cent of employees perceive that they do not use the skills they possess.
- Research by the United Kingdom Commission on Employment and Skills (UKCES) has examined how a High Performance Working (HPW) approach can help to ensure skills are better used in the workplace. The research finds that there is a weight of evidence pointing to the positive link between HPW, performance and employee wellbeing.

Achieving better application of skills in the workplace requires a holistic approach and is an extremely difficult and complex thing to achieve and get right. There is no standard process to follow and there can be a significant time lag before the benefits can be totally realised.

Whilst it is noted that employers control their own organisations and businesses there is a role for public policy in encouraging employers to adopt HPW and other improvement strategies.

Actions for Skills Australia

- Consult regularly with key stakeholders to keep them informed and seek their views on the work being undertaken on workforce development and skills utilisation.
- Link with other policy initiatives in Australia and learn from international research and activities that aim to improve the use of skills in the workplace.
- Make the case for change by demonstrating the business case for workforce development to employers. Identify best practice in Australia and internationally and promote these examples through industry and professional associations, HR and management networks.
- Encourage business to take action – inspire employers to think about how they manage their organisations and staff. Stimulate enterprises to act by raising awareness and provide guidance

on how they could do things differently to improve their productivity, competitive advantage and employee engagement

- Draw up a program of research and analysis to support this policy area and publish as appropriate on the Skills Australia website.
- Identify opportunities to collaborate with other organisations on research where appropriate, including both within Australia and internationally.

Deliverables

- a) Lead a new partnership approach to workforce development at government, industry and enterprise level.
- b) Promote better application of skills in the workplace via case studies of best practice. The case studies will aim to raise awareness and educate managers and individuals on the value and mechanisms for improving the use of skills in the workplace.
- c) Disseminate the outcomes of Skills Australia's work on skills utilisation through presentations, industry fora and media.
- d) Undertake and commission research to support Skills Australia's work on scenarios, workforce development and better utilisation of skills.
- e) Write submissions and provide advice in response to requests from Government/ industry on workforce development and skills utilisation.

◀ Strategic Priority 3

Recommend and drive ongoing reforms to the Tertiary Education System (higher education and vocational education and training) including priorities for the investment of public funds

Rationale

Skills Australia's report, *Australian Workforce Futures*, provided a macro approach to identifying the need for more and deeper skills, and improvements in productivity, participation, language, literacy and numeracy and the use of skills in the workplace. Skills Australia's recent work on the VET system, *Skills for Prosperity*, has focused on the opportunities and barriers in VET to contribute to these objectives. It outlines the imperative for change and argues that the VET sector is a critical enabler of Australia's future social and economic prosperity, one that needs to be underpinned by skilled individuals, innovative and productive enterprises and inclusive communities. The report argues for an increased and sustained public investment in VET of an average of \$310 million per year accumulating over the period to 2020, to help ensure all Australian have the opportunity to share in prosperity. However it also argues for transformative shifts in the architecture of the VET sector so it is capable of delivering the significant results needed.

Actions for Skills Australia

- Promote and monitor the implementation of recommendations outlined in *Skills for Prosperity* to ensure a better deal for learners, high quality teaching and learning and better outcomes to meet Australia's future skills needs.
- Consult with stakeholders to inform them of the findings of *Skills for Prosperity* and discuss their responses and comments.
- Ensure *Skills for Prosperity* is used as a resource in renegotiating the next intergovernmental funding agreement on skills.
- Draw up a program of research and analysis to support this policy area (for example demand led funding; VET in schools; completions rates) and publish as appropriate on the Skills Australia website.
- A Review of VET in Schools (VETiS) as recommended in *Skills for Prosperity*
- Identify opportunities to collaborate with other organisations on research where appropriate, including both within Australia and internationally
- Engage with the higher education sector to discuss national skill development needs, especially in specialised occupations, and to consider the impact of demand led funding
- Monitor progress and provide advice on the development of the National Foundation Skills Strategy

Deliverables

- a) Monitor responses to *Skills For Prosperity* and undertake follow up work as directed by Government
- b) Consult with industry on ways to influence and engage with higher education
- c) Analyse the impact of demand led funding, in particular in relation to specialised occupations
- d) Scope a review of VET in schools programs and provide input to the Terms of Reference including from the perspective of what industry, parents and students want from VETiS.
- e) Write submissions and provide advice in response to requests from Government/industry on VET sector reform and on higher education initiatives.
- f) Undertake and commission research to support Skills Australia work on reforms to VET (particularly background research and analysis relating to VET in schools) and in the higher education sector
- g) Disseminate the outcomes of *Skills for Prosperity* and other work undertaken on VET sector reform.

Strategic Priority 4

Plan for the transition to the new National Workforce and Productivity Agency

Rationale

The Government announced in the May 2011 budget the National Workforce Productivity Agency will be established from 1 July 2012 to administer a new industry driven National Workforce Development Fund. The independent agency will be an expansion of the roles and functions of Skills Australia through its high level industry and union leadership and collaborations. It will be recognised as an authority on workforce development policy and advice and will direct skills funding to industry needs. The Agency will engage directly with industry on workforce development issues and address sectoral and regional industry needs.

Duties identified in Budget papers for this Agency include:

- Administer the new National Workforce Development Fund
- Conduct skills and workforce research
- Drive engagement between industry, training providers and government on workforce development, apprenticeships and VET reform
- Develop and monitor sectoral skills and workforce development plans in conjunction with ISCs and industry
- Provide independent advice on sectoral and regional skills needs to support workforce planning and productivity, including in small business
- Promote workforce productivity by leading initiatives for the improvement of productivity, management innovation and skills utilisation within Australian workplace

Actions for Skills Australia

- Conduct consultations to inform and help shape the formation of the new agency.
- Meet with DEEWR and other stakeholders as appropriate to discuss legislative, administrative, governance and operational functions and relationship between the Agency and Government.
- Identify the scope of the Workforce Development Fund and the financial, administrative procedures to be put in place.
- Identify how the Fund will be evaluated and data and information requirements that will need to be set up before the fund can be operational.

Deliverables

- a) Develop a transition plan
- b) Consult with stakeholders
- c) Develop legislation
- d) Develop administrative and operational guidelines and procedures for the Agency
- e) Identify Board members and governance arrangements
- f) Determine the process for identifying priority occupations
- g) Set up guidelines and systems to support the administration of the Workforce Development Fund.

Strategic Priority 5

Engage with Skills Australia key stakeholders regularly and widely distribute outcomes of Skill Australia work to all stakeholders.

Rationale

Skills Australia works with the broad and diverse range of stakeholders who have an interest and role in the operation and outcomes of the tertiary education and training systems. Our education systems need to meet the needs of industry, individuals, and economic development on a regional, national and international basis. Often providers have extensive knowledge and information about skill needs in their local area.

Building on our strong working relationships and broad network of stakeholders we will continue to engage with these stakeholders to enable the success of new initiatives which aim to increase the supply of skills and ensure better use of those skills. Priorities over the coming year will be to examine the role of the demand based system in higher education and to engage with industry players in relation to design of the National Workforce Development Fund and the operation of the Workforce and Productivity Agency.

Actions for Skills Australia

- Build networks and partnerships with peak industry and provider bodies in order to better disseminate the outcomes of Skills Australia's work.
- Use the Strategic industry forum and MCTEE industry forum to champion industry's responses to key issues in the tertiary sector.
- Foster new partnerships with international counterparts with a view to sharing ideas and learnings and maintain regular contact with all stakeholders.
- Identify opportunities for Skills Australia to present the outcomes of its work at key conferences, industry events.
- Review and redesign the Skills Australia website to make it more suited to stakeholders'

needs for information.

- Work with communications consultant to develop a proactive media and communications strategy which positions Skills Australia as the authoritative voice on skills and workforce development issues.

Deliverables

- a) Engage proactively and regularly with key stakeholders to discuss Skills Australia work and related work of stakeholders.
- b) Examine and implement methods to engage with HR Directors of the top 300 companies.
- c) Hold regular Strategic Industry Forum and host bi-annual MCTEE Industry Forum.
- d) Enhance and review the media, communications and stakeholder strategy.
- e) Disseminate outcomes of Skills Australia work through articles, media, conferences, presentations, regular stakeholder briefings.
- f) Update and refresh the Skills Australia website
- g) Engage pro-actively with a cross section of print and electronic media
- h) Establish contact and build relations with key overseas agencies such as UKCES, NZ Training Commission and Singapore.
- i) Conduct regular meetings with stakeholders as part of the board meetings and hold board meetings at education and training provider premises.