

South Australia's approach to skills and workforce development

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Abstract

*The South Australian Government is currently implementing the most far reaching reforms to the State's skills and workforce development system in decades. In March 2008 A **Skills Strategy for South Australia's future** was released and was followed soon after by a high level review of skills and workforce development, commissioned by the Economic Development Board (the Keating Report). This paper draws on these two key reports to outline the approach being implemented in South Australia – the aim of which is to develop a demand driven, customer focussed and flexible system. The key elements of the reform agenda are:*

- understanding skilling needs through improved workforce planning and strengthened engagement with industry*
- developing a dynamic training environment through increased contestability for public funding and greater devolution*
- increasing workforce participation and participation in education and training, through embedding case management to support learners from disadvantaged groups and by reducing opportunity costs*
- modernising the publicly funded VET system through better use of infrastructure and new approaches to teaching and learning*
- ensuring linkages between Commonwealth and State skills and workforce development investments.*

The paper also discusses the role of the new strengthened Training and Skills Commission in driving these reforms.

Context

South Australia's *Workforce Development Strategy*, which was released in 2005, articulated the State Government's vision for the future workforce as:

South Australia has an efficient, highly skilled workforce that supports a globally competitive economy and a socially inclusive community.

The three priority areas within the strategy are: a **high skill economy, quality employment and better workforce planning**. This approach represents an innovative way of integrating workforce planning, employment participation and demand considerations, and was the first such strategy in Australia. These three priorities continue to underpin the South Australian Government's ongoing skills reform agenda.

The workforce development approach which has been adopted in South Australia responds to the State's dual social and economic priorities which are articulated in *South Australia's Strategic Plan*.

* These are our own personal views and do not necessarily commit our respective organisations.

In late 2006 the government initiated an extensive skills reform process to investigate the best means of ensuring that the VET system in South Australia, and in particular the public provider TAFE SA, is well positioned to meet the State's skills and workforce development needs into the future. South Australia's relative underperformance against key labour market, skills and productivity indicators¹ is the critical driver for these ongoing reforms.

The skills reform process culminated in the release of the *Skills Strategy for South Australia's future* in March 2008, the primary aim of which is the development of a *demand-driven, customer focussed and flexible system* for skills and workforce development in South Australia.

Just prior to the release of the Strategy, the South Australian Government's key independent advisory body on economic issues, the Economic Development Board, commissioned a Review of Skills and Workforce Development in South Australia. The Review was commissioned in response to concerns about the capacity and capability of South Australia's workforce to respond to economic opportunities on the horizon – a concern within industry that skills could be the critical stumbling block.

The EDB Review reinforced the directions of the government's reform agenda, in particular the importance of fostering a more demand driven system for skills and workforce development – based on closer engagement with industry and an enhanced workforce planning capability. The Review also reinforced the other central concept of workforce development – maximising employment participation and the utilisation of skills in the workplace. The Review urged the government to implement the reforms without delay and recommended further actions in some critical areas, to assist disadvantaged people improve their workforce participation and to improve the use of migrants' skills. The Review also highlighted issues relating to workforce planning and the use of industry intelligence to be pursued by the recently established Training and Skills Commission (TaSC).

This paper presents the key findings of the Review and summarises progress to date in implementing the South Australian Government's reforms.

The Challenge Ahead

The EDB Review presented a macro level quantitative assessment of the workforce challenge for South Australia over the next decade, with scenarios for future economic and employment growth, and an assessment of the likely impact on skilling needs at a broad occupation and qualification level.

While the scenarios were developed prior to the current international financial crisis, they represent the potential growth that could be achieved over the next decade based on the best evidence available at the time. The scenarios are currently being updated and will continue to be on a regular basis – to inform policy and strategy development for economic and workforce development in South Australia.

Over the next decade, over \$45 billion worth of major projects are expected to create thousands of new jobs in South Australia, particularly in defence, mineral resources and construction. Based on the modelling undertaken for the review, the EDB projected economic growth of 4%

¹ The five critical measures are: employment participation; participation in VET; post-school qualifications; labour productivity; and the cost of delivery of publicly funded training.

per annum to 2015-16 and 3.3% per annum thereafter. We cannot assume that this higher rate of growth will be achieved – rather the challenge is to convert the potential into reality. But even if some of the projects are delayed, particularly because of the recent financial turmoil, there is still a good chance of South Australia out-performing the Australian average – a marked contrast to the last three decades.

The EDB Review estimated that South Australia will require an extra 133,000 workers over the next ten years to meet the skills demands arising from the major projects underway or in the pipeline across the State. A further 206,000 workers will be required to replace those leaving the workforce, mainly due to retirement of older workers. This results in total job openings over the decade of 339,000.

The Review found that, based on current trends in labour supply, South Australia could have insufficient workers to meet this potential demand within just a few years. This situation provides both the opportunity and the necessity to increase the rate of workforce participation in South Australia.

This increase in employment participation will necessarily have to come from those people who are presently not employed. The Review found that significant potential lies in increasing participation among those currently not engaged in the labour force and by using the existing workforce more effectively.

In 2007 there were over 260,000 South Australians who were seeking work or more hours of work, including those who are unemployed, underemployed or not engaged but who want to work. These figures represent a considerable under-utilisation of labour, and also point to the significant challenges that must be addressed if more South Australians are to be enabled to take up the prospective employment opportunities.

Just under one third of the job openings over the next decade are projected to be at professional/managerial levels, with one quarter at the intermediate level and around 14% at the trades/advanced level.

These job openings do not equate with training demand. Many jobs will be filled by migration and by people, particularly women, returning to work who already have skills. However many currently employed workers will need up-skilling or retraining because of structural change and new technologies. For the most disadvantaged jobseekers there will be a need to ‘over train’, given that the transition rate from training into employment is likely to be in the order of around one in two. Taking all this into consideration, it is estimated that 507,000 formally accredited education and training places will be required in South Australia over the next decade, to provide training at the VET and higher education levels, for new entrants (including disadvantaged job seekers) and to up-skill the existing workforce. This training effort is expected to result in around 425,400 qualifications over the decade, as not all refresher training to up-skill workers will necessarily require a full qualification.

Drawing on the CEET methodology, it was estimated that of the total projected demand for formal education and training, just under one third (29%) would be at the Bachelor degree or higher level, with almost another third (31%) at the Certificate III level. Demand for qualifications at the Certificate I and II levels is relatively low, accounting for just 9% of the total

projected demand over the next decade. Demand for Certificate IV is estimated at 16%, Diploma at 10% and Advanced Diploma 5%.

The Review estimated that, based on recent trends, the South Australian education and training system can be expected to supply 331,100 publicly funded VET and higher education qualifications over the next decade. The Australian Government's new *Productivity Places Program* has the potential to significantly increase the number of available VET places. The Review estimated that South Australia could receive an additional 131,800 training places through the PPP over the decade². If effectively targeted - and integrated with existing initiatives (such as the State Government's *South Australia Works* suite of employment programs) - the PPP provides a significant opportunity for South Australia to realise its training and skills ambitions.

Having said that, there is a concern that there may be inadequate funding per training place/qualification. The Review also identified a potential shortfall of 26,000 higher education qualifications in South Australia over the next decade.

However, it is not just the quantum of skills that is important, there is a need to ensure that the workforce has the skills needed by industry – which range from basic employability skills through to high levels of skills and experience. It is crucial that the education, training and employment system is responsive to the needs of industry and that workforce development strategies attract, retain and fully utilise workers' skills to boost productivity. These issues are explored further later in the paper.

Improved workforce planning

The starting point for developing a system which ensures that skills are useful to the individual and that they are utilised effectively in the workplace, is understanding and capturing the skills and workforce needs of industry.

South Australia has a robust workforce planning system in place, however the Review found that this planning has been inadequately informed and used by industry stakeholders, and has not been used to inform VET resource allocation.

The existing process uses top-down planning based on economic modelling, supplemented by surveys and detailed studies for key industry sectors. Further input from key stakeholders is needed to complement the initial outputs from the top-down approach.

The EDB Review recommended several enhancements to the system and its use, focussing on:

- ensuring that the workforce planning system is used to inform the allocation of public contestable and non-contestable funding for workforce development
- developing structured processes for stakeholder engagement regarding broad trends in the demand and supply of skills and the way skills will be used in the future
- making available high quality careers and labour market information in formats suitable for a range of stakeholders, to inform individual and collective decision making
- embedding planning for skilled migration within the broader workforce planning process

² Note: This estimate excludes any additional places that South Australia may receive resulting from the announcement on 14 October of a further 56,000 places nationally in 2008-09 for job seekers.

- refining the methodology for estimating the demand for training and qualifications among job seekers and existing workers
- developing an approach for incorporating 'external' qualitative and quantitative data and information into the planning process
- continued development of a capacity to model the economic and employment impacts of major projects
- establishing a capability to track the accuracy of workforce plans and training needs, in order to better understand what can be expected from these projections and what their principal drivers and sensitivities are.

The Review recommended that the new TaSC take a lead role in overseeing these developments.

The TaSC has been established as the peak advisory body on skills issues to the South Australian Government. It is responsible for providing high level strategic advice and recommendations on priorities for skills and workforce development in South Australia. It is also responsible for promoting pathways between education and training sectors, and advising on the State's role as part of an integrated national system of education and training. The TaSC will work closely with Skills Australia to achieve this.

The principal instrument for providing its advice will be a 5 Year Plan for Skills and Workforce Development. The Plan will be developed in conjunction with the Economic Development Board, the Social Inclusion Board, the State based Industry Skills Boards, and regional, community and industry stakeholders.

The 5 Year Plan will combine quantitative, top-down occupational and skills analysis from the workforce planning system with local intelligence (bottom-up information) gathered through engagement with the key stakeholders.

The TaSC's plan will directly inform the allocation of resources for skills and workforce development in South Australia over a five year period, and will be updated annually.

South Australia is currently developing a 'shares model' for resource allocation, based on similar models operating in some other jurisdictions³. The shares model approach is intended to provide a practical link between the 5 Year Plan and the Government's purchasing decisions – which will be articulated in a Strategic Purchasing Plan developed annually by the Department of Further Education, Employment, Science and Technology. Responding to the recommendations of the EDB Review, the public plans will present priorities against broad groupings of occupations/skills to allow greater flexibility in planning.

Strengthening engagement with industry

As part of the skills reform agenda, the funding for the State's key workforce development agents, the Industry Skills Boards, has been increased and their functions refocussed to more clearly articulate their role in providing advice to feed into the 5 Year Plan. The EDB Review recommended that the key roles of ISBs should be:

³ The current workforce planning system is based on an assessment of estimated *numbers* of labour demand and supply by occupation, over a five year timeframe. The proposed 'shares approach' is one that converts this information into a format that focuses more on *relative shifts* between occupational areas, based on estimated *need* and current training *effort*. The shares model provides a framework (comprising: *criteria*, *factors*, and *weights*) that enables the range of quantitative information needed to determine skills and workforce priorities to be drawn together in a systematic way.

- as sources of industry intelligence
- as brokers of workforce development partnerships between RTOs and employers.

The TaSC has recently undertaken the first stage of an extensive industry and stakeholder engagement process to identify priorities for skills and workforce development. This closer engagement with industry to develop strategies for workforce development will go a long way to ensuring that skills are used more effectively to support economic growth and promote social inclusion.

Another critical element of the South Australian skills reform agenda is the repositioning of the TAFE sector in South Australia, with a strengthened role in facilitating workforce development. Workforce development involves much more than providing training courses – it requires the VET system to work closely with individual firms, clusters of firms and other partners to broker broader workforce solutions that focus on the use of skills to improve productivity and participation.

The capability of the VET workforce to engage with employers on broader workforce development issues will be critical to future success. VET providers will need to develop partnerships with industry and individual firms to foster the take-up of new approaches to workplace practices and to ensure flexible client focussed delivery. These partnerships should consider how work is organised, and can lead to job redesign that improves career pathways and the retention of skilled workers.

Increasing workforce participation

The EDB Review estimated that the growth rate of employment consistent with its prospective economic growth scenario for South Australia will average around 2.0% per annum to 2015-16 and 1.6% per annum from 2015-16 to 2021-22.

The projected ageing of the population means that, unless workforce participation can be increased, labour force growth will slow and this employment growth potential will be at risk. Employment participation is presently significantly below what it could be, with both male and female age specific participation well below the rates in other countries.

The EDB Review highlighted the need for an increase in the labour force participation rate from South Australia's current rate of 62.9% to 65.7% by 2017-18 to meet projected employment demand.

The strategies identified to achieve this increase in employment participation focus on:

- encouraging gradual or phased retirement among older workers
- concerted efforts to assist benefit recipients and others currently outside the labour force into jobs
- ensuring unemployed job seekers have the skills needed by employers
- attracting qualified workers back to fill job openings
- targeted assistance and changes in employment arrangements to increase women's participation
- improving transitions between study and work for young people
- implementing work life balance strategies
- job and workplace redesign
- maintaining the intake of migrants and enhancing the use made of their skills.

This will not be easy. People whose employment participation is low, and has even fallen in the case of males, are distinguished by the fact that they left school early and have no further qualifications. The principal priority should be to improve the skills of these individuals. In particular, many of those who are most disadvantaged, and who have been out of work for some time, will need to improve their employability skills if they are to achieve sustained employment. Equally it will be important to increase school retention and improve the transition from school to work so as to avoid history repeating itself through another generation who are similarly ill-equipped to succeed in the changing labour market.

While disadvantaged groups typically lack skills they also experience a number of other disadvantages that act as barriers to their employment. What is required therefore is a comprehensive approach that recognises that skills acquisition is a necessary condition to increase employment participation, but that skill formation needs to be integrated into a wider context through the provision of other supporting services. This will be a significant challenge for many training providers – who will need to either develop these skills and capacities in-house or develop strategic relationships with other organisations, including job network providers.

Efforts to assist people in this situation to gain skills and qualifications, in conjunction with employability skills, are proven to be most effective when associated with integrated support services and when the training is linked to a job. In this way, skills acquisition is combined with pre-employment assistance, work experience, literacy and numeracy programs, on the job training and post placement support, including mentoring and case management. When employment preparation occurs within a framework that addresses personal needs with the possibility of a successful job outcome, it is found to be more effective in leading to sustainable employment.

Recent research commissioned by DFEST identified several key principles to improve the effectiveness of labour market programs:

- training should be closely targeted to the needs of industry and local employers, and match the interests of job seekers
- programs should be targeted at skills in demand, and generally small in scale
- accredited qualifications are important for some participants and for some industries, as it signals to the employer competency, skills and employability
- training needs to be delivered flexibly, with some tailoring around the time commitments of the participants, their access to technology and their individual learning needs and styles
- early intervention is advisable, whether this involves unemployed job seekers, those at risk of leaving school early or workers in vulnerable industry sectors
- ‘combination programs’ - involving on and off the job training, work placement, mentoring, job search assistance and follow up support - work best, and are able to be tailored to the needs of individuals.

The EDB Review recommended that these principles be incorporated into new and existing publicly funded programs, including South Australia’s delivery of the PPP. This incorporation is underway.

Increasing participation in education and training

Investment in learning and skills development throughout the life span is critical in order to create long term benefits for South Australia and its people. The achievement of a foundational qualification which enhances pathways to further learning and work is critical to future success. Increased effort is needed to ensure a greater proportion of the population achieves a Year 12 or equivalent qualification in order to support the future skills base of the State.

As highlighted earlier, it is critical that the education and training system is responsive to the needs of industry and that workforce development strategies attract, retain and fully utilise workers' skills. The ability of the VET system to accommodate the needs of employers and individuals is an important influence on the take-up and completion of training which contributes towards the development of these skills.

Additional contestability in the VET sector along with greater devolution for the public provider – both embodied in the South Australian Skills Strategy – will increase choices for both learners and employers, improve responsiveness, encourage innovation in training offerings and foster a more entrepreneurial culture. First, the level of South Australian total training funds that are allocated on a contestable basis will rise from 25 to 50 per cent by 2012, in line with changes initiated through the national Productivity Places Program. Second, devolution is being advanced through new accountability arrangements with the Treasury, allowing for revenue retention and multi-year budget arrangements for TAFE, and by greater delegation from the department to the three TAFE Institutes.

Implementation of the Skills Strategy has already resulted in changes for the public provider TAFE SA, which now consists of a network of three connected Institutes, each with RTO status. Institutes now have more dexterity to respond quickly to customer needs while harnessing the benefits of being part of a connected network. TAFE SA is also developing a Lead Institute model, to provide a single entry point for industry. The Lead Institutes will contain specialist centres with close alignment to key industry sectors. Delivery of programs will not be restricted to the Lead Institutes but will be strategically managed across the State in a collaborative approach.

The reform package also includes provision for:

- increased e-learning
- more widespread use of recognition of prior learning (RPL) – with a target of 20% of all student contact hours
- greater reliance on competency based assessment
- more work-based training, involving different pathways to suit the needs of individuals and their employers
- the acquisition of skill sets rather than full qualifications for employees who want to up-skill
- embedding case management to support learners from disadvantaged groups
- improved utilisation of public training assets and increased access by private providers to public facilities
- a more integrated approach to the management and use of hard infrastructure and ICT systems
- enhanced VET workforce capability.

Future directions

The State and national VET reforms are increasing skill levels and employment participation. More effort is needed, however, to improve outcomes across the education continuum and to increase the level of participation in education and employment of certain sectors of the population.

The overall effectiveness of South Australia's skills reform agenda can and should be enhanced by broadening the scope beyond the VET system to include early childhood learning, schooling, higher education and community learning initiatives.

Education starts in the early childhood years and should continue throughout an individual's life. At each stage of the learning process, the education and training system needs to provide both foundation skills and pathways to further learning, so that individuals are equipped to adapt to changing needs and technologies.

Early childhood development provides the essential foundation for future learning and personal success. While South Australia has increased investment in this area, there is still a long way to go before all children are able to achieve their potential and become effective contributors to the State's economy and society.

As the nature of employment demand continues to shift to higher level skills, and the workforce demographics change, improved pathways from school to VET and improved links (both ways) between VET and higher education will become critical.

Providing the conditions for primary and secondary school students to develop positive attitudes and aptitude for studies at senior secondary level and beyond is an important priority in supporting the development of higher level skills. Concerted effort is required to enable all students to have access to high quality learning experiences.

Improved transitions between school and work are critical if we are to avoid repeating the experience of earlier generations who left school early and have since gained no further qualifications.

South Australia's school to work policies and programs must be further developed, underpinned by strong partnerships between schools, industry and the community, driven by the knowledge, skills and capabilities that are required locally.

The current Australian Government review, led by Professor Denise Bradley, of the future direction of the higher education sector is examining its capacity to meet the needs of the Australian community and economy. The outcome of the Bradley Review will have considerable bearing on the ability of universities and other higher education providers in South Australia to address labour market needs and to provide opportunities for all able South Australians to participate in higher learning and research.

A critical challenge will be to increase the demand for higher education from existing workers wishing to gain new skills, graduates from VET wanting higher level qualifications and those from families traditionally not accessing higher education.

Reforms to Australia's skills system are being pursued through the Council of Australian Governments' (COAG) agenda, specifically through the Productivity Agenda Working Group. Continued cooperation between the State and Commonwealth Governments is critical to the achievement of a seamless integrated education and training system in South Australia. The South Australian TaSC expects to work closely with Skills Australia to help achieve this goal.

Further reading

Review of Skills and Workforce Development in South Australia: The Challenge for the Next Decade
June 2008 www.workforceinfoservice.sa.gov.au

A Skills Strategy for South Australia's future March 2008 www.dfeest.sa.gov.au/skillsstrategy

Better Skills, Better Work, Better State: A Strategy for the Development of South Australia's Workforce to 2010 www.workforceinfoservice.sa.gov.au

South Australia's Strategic Plan www.stateplan.sa.gov.au